

MEMORANDUM

TO: DEB FIGONE
CITY MANAGER

FROM: BILL SHERRY, CEO,
TEAM SAN JOSE

LEE WILCOX
DOWNTOWN MANAGER
CITY MANAGER'S OFFICE

SUBJECT: TEAM SAN JOSE
QUARTERLY PERFORMANCE
REPORT – 2nd QTR Results,
ENDING December 31, 2011

DATE: February 14, 2012

RECOMMENDATION

It is recommended that the Public Safety, Finance and Strategic Support Committee approve the December 2011 Second Quarter status report on performance measure results for Fiscal Year 2011/2012.

EXECUTIVE SUMMARY

For Fiscal Year 2011/2012, Team San Jose, in coordination with the City Manager's Office, City Budget and Finance offices developed a budget that reflected both the cost savings initiatives from the prior year as well as the minimum performance from Team San Jose operations managing the convention center and various theater venues.

The report below outlines performance for the second quarter of FY 2011-2012. This executive summary provides a high-level summary of results.

Summary of Second Quarter Results:

Key positive performance indicators for Second Quarter of Fiscal Year 2011/2012 include:

- Met or exceeded 7 of 9 performance measures second quarter goals.
- Grew revenue to \$2.48 million over the adopted budget.
- Gross Operating Profit budgeted goal for the year was <\$3.19> million. As a result of operational success Gross Operating Profit budget actual is <\$2.7> million.--a 16.5% favorable variance to budget.
- Customer service continues to be strong, with a year to date result of 97% overall customer service rating.
- Transient Occupancy Tax (TOT) revenue, which supports operations, exceeded the budgeted goal by 13.7%, which equates to estimated additional TOT transfers to Fund 536 of \$328k.

BACKGROUND

Team San Jose (TSJ) is a non-profit corporation charged on the City's behalf to sell San Jose as a destination and to manage the Convention Center and various theaters. Team San Jose's mission is to help spur economic activity in San Jose, particularly at the city's hotels, restaurants and arts venues.

Team San Jose's operations are funded in part by a tax on hotel guests, with the remainder generated by the revenue Team San Jose creates through operations. Customer service is a key ingredient to Team San Jose's success in attracting business to San Jose. Team San Jose customers – from corporations to meeting planners -- say San Jose's unique service model is a strong point of differentiation and improvement from most other destinations' models. San Jose has one team for all event needs, making it much easier for customers to plan and execute their gatherings. The consistent positive rating from our clients demonstrates the effectiveness of the seamless service model.

The following report is the second quarter report for the Fiscal Year, ending December 31, 2011 to the Public Safety, Finance & Strategic Support Committee outlining Team San Jose's performance measure results. This report is in response to the City Auditor's recommendation in FY 2010-2011 to brief the City Council quarterly on Team San Jose operations.

This report is separated into seven sections:

1. Operating drivers
2. Economic drivers
3. Customer service and Theater Performance
4. Food and Beverage Offerings
5. New bookings and calendar of events
6. Sales, Marketing and Communications Efforts

The weighting for performance and incentive measures were revised in March 2011 by the City Council, based on the City Auditor's recommendations approved in December of 2010.

The new weighting includes the following:

Economic Impact = 40%

Gross Operating Profit/Revenue = 40%

Theater Performance = 10%

Client Satisfaction =10%

SECOND QUARTER YEAR-TO-DATE PERFORMANCE REPORT

PERFORMANCE MEASURES

As of December 2011

	Goal	Results	% ACHIEVED	PERFORMANCE WEIGH SCORE	
Economic Impact					
Hotel Room Nights	106,800	126,489	118.4%	10%	11.8%
Event Attendance	317,450	268,830	84.7%	10%	8.5%
Estimated Impact	24,771,350	28,534,530	115.2%	10%	11.5%
Return on Investment	\$ 1.79	\$ 2.33	130.2%	10%	13.0%
Gross Operating Profit/Revenue					
Gross Operating Revenue	4,792,871	7,274,306	151.8%		
Gross Operating Profit	(3,189,648)	(2,738,937)	116.5%	40%	46.6%
Theatre Performance					
Performance Days	283	268	94.7%	7%	6.6%
Occupied Days	129	126	97.7%	3%	2.9%
Customer Satisfaction					
Satisfaction Rate	87%	97%	111.5%	10%	11.1%
				100%	112%

Revenue

- Revenue as of the month of December 2011 YTD **exceeded goal/budget by \$2.48m or 151.8% of goal.**
- During the budgeting process, it was anticipated that FY2011-2012 would be more challenging than the prior year. Contributing factors in forecasting for FY 2011-2012 included:
 - Due to construction and renovation, it was anticipated that it would be more difficult to contract events and a 20% - 30% decline in business was anticipated. This forecast was recommended by outside hotel tax consultants retained by the City of San Jose and approved through the normal budgeting process.
 - Client apprehension related to construction noise and disruption reflected lower than prior year attendance for repeat clients.
 - In-house Food and Beverage business is still a new venture and was budgeted in alignment with the anticipated decline in contracted events.
 - Reduction of theater bookings related to slow economic growth
- Contributing factors in revenue growth for the quarter included:
 - Team San Jose did not experience the anticipated 20% decline in first quarter event business, due to change in the renovation strategy.
 - Growth in Food and Beverage revenue per event was largely due to increased client needs.
- Revenue Streams that experienced the strongest growth:
 - Building Rental came in at \$ 254k, 118.7% of budget
 - Food and Beverage Revenue came in at \$1.37m, or 164.3% of budget
 - Labor Revenue exceeded budget expectations by \$670.6k. or 173.9% of budget

Expenses

- For the second quarter of Fiscal Year 2011-2012, TSJ generated an additional ***\$2.1m of expenses in excess of goal/budget.***
 - Expenses exceeded the budget/original appropriation by \$1.9m in revenue growth efforts of \$2m, which includes increased Food and Beverage and labor revenue.
 - TSJ has also experienced \$77k additional repair and maintenance, and contracted work cost due to additional repair needs.
 - \$125k in Event Show costs, which included special client requests related to the condition of the building (carpet rental, drape rental, dinnerware rental to support large groups).
 - These last two items are costs that will continue through the completion of the renovation and expansion of the convention center.
- ***Note: Team San Jose notified City Oversight monthly of the need for a reallocation adjustment. As a result, City Oversight, will be presenting a reallocation adjustment to City Council through the Mid-Year budget report to reflect additional revenue and expenses that exceed the approved budget allocations.***

Gross Operating Profit (GOP)

- Even with the added expense above, TSJ reported a GOP favorable variance of \$451k to budget for the Second Quarter budget/goal.

Transit Occupancy Tax (TOT) – Revenue & Fund Balance

- As of Second Quarter 2011-2011, hotel revenue reported an increase of 4.7% over prior year. Hotel revenue is an important trend for the City of San Jose as there is a direct correlation to the TOT tax revenue the City earns which helps to fund critical city services.
 - Hotels have experienced a 14.7% increase in hotel rate for the month of December 2011 when compared to December 2010. Hotel occupancy remains relatively flat for the year with an average increase of .46% in occupancy.
- TOT collections are estimated to exceed budget as of Second Quarter 2011-2012 reporting 4.7%, which equates to an estimated additional \$328k in total TOT annual collections to the fund (Fund 536). Strong TOT collections also results in increased General Fund tax revenue and supports TOT tax revenue that is dedicated to local arts groups.

Attendance, Visitor Spending & Economic Impact

- As of second quarter 2011-2011, TSJ ended the quarter with an unanticipated decrease in attendance goal, coming in at 85% of goal. Lower than anticipated attendance can be contributed to the following areas:
 - Lower than anticipated attendance of 18,961 for Performing Arts.
 - Two public dances resulted in 14,000 overall lower attendance than prior public dances attendance figures.
 - Tradeshow events reported lower attendance for one event and a cancellation of an anticipated event that did not occur.
 - Conferences were lower by 3,000 attendees related to a large event moving from the first half of the year to the end of this fiscal year.
- Estimated Economic Impact saw a positive increase, by the added convention attendance seen by 2011 C.A.R. (California Realtors); Living Stream Ministry and Golden State Cheer Competition which hosted over 20,200 attendees of which 13,050 were out of town attendees.
- Positive results in visitor spending generated an additional \$3.76 million in economic impact for San Jose.

Hotel Room Night Generation and New Bookings

- For the first quarter 2011-2012, Team San Jose generated 126,489 (future) hotel room nights definite, putting Team San Jose at 118.4% of the annual goal.

CUSTOMER SERVICE AND THEATER PERFORMANCE

Customer Service

Team San Jose has a online survey form that is distributed directly to the meeting planner of each event and their responses are sent directly to our contract administrator within the City of San Jose and Team San Jose Board of Directors. Customer survey response rates for first quarter 2011-2012 was 97% overall satisfaction for those responding. Events experienced a 60% overall response rate.

Theater Performance

The Downtown Theaters are an important aspect of operations and continue to be active. Performance is based on occupied days and performance days. Occupied days are counted from the time a customer loads in until they load out for an event. The definition of performance days is when there are ticketed events in the venue, representing visitors to Downtown San Jose.

In the first six months of the year occupied days and performance days for all the theaters are slightly lower than projected. Many of our arts partners have shortened their seasons to save costs as a result of the continued economic downturn and budget constraints, therefore causing a reduction in the original projection. As a result, this decision by arts partners has a negative impact to Team San Jose's performance measures. We will continue to work to activate the theaters by partnering with a number of arts organizations to secure events.

FOOD AND BEVERAGE OFFERINGS

Food and Beverage Revenue

Team San Jose's In-house food and beverage services has demonstrated a strong growth in revenue and has helped TSJ compete more effectively for new convention business. FY 2010-2011 food and beverage revenue generated more than \$1 million for Fund 536 and continues solid growth for the second quarter of FY 2011-2012

Team San Jose's service model increases San Jose's competitive edge by ensuring customers have all the necessary facilities and services at their fingertips. Food and Beverage is a core business offering for theater event promoters and convention meeting planners.

In addition to added revenue and profit, there are other important reasons why in-house food and beverage makes sense for San Jose, including:

1. **One Team, One Bill:** Customers can work with one team and receive one consolidated bill, instead of working with several entities to put on a meeting, conference or event. This includes food and beverage services.
2. **Competitive Edge:** Managing food and beverage provides San Jose with a competitive edge over other providers who have specific policies and procedures designed to maximize profit margins. Planners often have line-item budgets that are inflexible.
3. **San Jose Works with Any Event:** TSJ considers the total spend of the customers' budget and has complete control and flexibility in pricing, allowing us to work within almost any budget.

4. **Great, Smooth and Easy Customer Service:** One negotiation, one contract, one deposit and one invoice vs. two points of contact (sometimes three or four), one contract, deposit and one final invoice.
5. **Food Quality:** San Jose takes pride in its food quality. From convention food to theater concessions, our quality starts with a top notch, award-winning chef, Gil Hitzler and his Culinary Team. Third-party food and beverage providers are profit driven and lack the flexibility of TSJ.
6. **Menu Creativity:** Clients are looking for more value and creativity. We are able to tailor any cuisine to their budget while maintaining the quality that has made us known for unconventionally good convention food.
7. **Flexibility:** Team San Jose offers more flexibility in menu, pricing and service options.
8. **Consolidated Purchasing Power:** Consolidated purchasing for food and all other meeting materials affords Team San Jose cost savings equal to those of for-profit vendors. TSJ uses our purchasing power to build menu options for our theater customers that fit their needs both in price and in food quality. For FY 2010-2011, this consolidated purchasing has saved \$250,000. This savings is passed on to Fund 536.
9. **Safe Food Handling:** Team San Jose requires quarterly food-handling audits by a third party to ensure quality and safe food handling.
10. **In-House Personnel-Increased Service:** Food and beverage service personnel training is managed by Team San Jose to ensure that our people provide a high level of service for clients. We don't have to worry about the quality of a third-party vendor's employees. Our service rating continues to be strong as a result.

NEW BOOKINGS AND CALENDAR OF EVENTS FOR THE FIRST SIX MONTHS

The following are a list of new booking to San Jose as a result of Team San Jose sales efforts:

New Bookings Added in October-December 2011 for Future Years

Event Name	Room Nights	Attendance
Sprint Open Solutions Conference	1,037	1,188
NOSQL Now Conference	450	500
SJSU Student Housing 2011/2012	13,900	
2016 National Conference on Catholic Youth Ministry	3,625	3,040
Symantec Consumer Conference 2013	1,495	450
2012 California Firefighters Summer Olympics	1,342	750

Calendar of Events for the first Six Months of FY 2011-2012 (Short list of events, not all events are listed)

October 2011			
Start Date	End Date	Description	Attendance
10/01/11	10/02/11	Symphony Silicon Valley presents "Holst's Planets"	2,000
10/01/11	10/09/11	Lyric Theatre of San Jose presents "H.M.S. Pinafore"	1,800
10/01/11	10/01/11	Bolero Entertainment Group presents "Ehsan Khase Amiri"	1,500
10/02/11	10/05/11	25th Annual Scientific Meeting of the Association for Vascular Access	1,300
10/06/11	10/06/11	Silicon Valley Arrowfest 2011	2,275
10/08/11	10/08/11	Dr. Tom Wu: How to Use Simple Secrets for Natural Healing of Any Diseases	400
10/12/11	10/12/11	Nummi Regional Job Fair/Shop San Jose Festival	4,000
10/12/11	10/12/11	SCCCMA Meeting	20
10/14/11	10/16/11	Ninth Annual DPHA Conference and Product Showcase	390
10/14/11	10/15/11	sjDANCEco in Concert	1,500
10/15/11	10/15/11	Yu-Gi-Oh Regional Qualifier	450
10/17/11	10/19/11	TSMC Open Innovation Forum 2011	600
10/18/11	10/18/11	French Chamber Quatuor de Bordeaux Music Concert	700
10/21/11	10/21/11	Nederlander Concerts presents "Roger Daltrey Performs The Who's Tommy"	2,000
10/21/11	10/23/11	Home & Garden Show	4,500
10/22/11	10/22/11	Linear Technology Anniversary Party	1,200
10/22/11	10/23/11	Symphony Silicon Valley presents "Petrushka & The Violin"	1,300
10/27/11	10/30/11	SACNAS National Conference	2,550
November 2011			
11/01/11	11/04/11	Menopause the Musical in Concert	800
11/02/11	11/02/11	California Transit Association 46th Fall Conference & Expo	500
11/02/11	11/02/11	Netflix DVD Division Meeting	170
11/05/11	11/06/11	Marquez Brothers Public Dance	7,000
11/05/11	11/06/11	The Great Bridal Expo	0
11/06/11	11/06/11	129 RQW Mass Training Event	810
11/07/11	11/10/11	2011 Rejuvenate Marketplace	1,000
11/09/11	11/09/11	SCCCMA Meeting	20
11/11/11	11/20/11	Children's Musical Theater San Jose presents "Seussical"	4,800
11/11/11	11/13/11	Fall HempCon 2011	15,000
11/11/11	11/11/11	Nederlander Concerts presents "Dierks Bentley"	2,000
11/12/11	11/27/11	Opera San Jose presents "Pagliacci & La Voix Humaine"	7,000
11/12/11	11/12/11	India Calling Job Fair	1,500
11/13/11	11/13/11	Ritz Entertainment "Hat Cho Tin Yeu"	1,500
11/14/11	11/17/11	37th International Symposium for Testing and Failure Analysis	550
11/15/11	11/15/11	IT Roadmap 2011	540
11/18/11	11/20/11	Abilities Expo	5,000
11/18/11	11/18/11	Third Guinness Record Event - The Grandest Music and Dance Extravaganza	1,500
11/19/11	11/19/11	Nederlander Concerts presents "Yo Gabba Gabba"	4,000
11/19/11	11/19/11	Blue Ocean Music Filming Live Show	2,000
11/19/11	11/19/11	BWW Seminar	900
11/25/11	11/27/11	Harvest Festival ORIGINAL Art & Craft Show	10,000
11/25/11	11/26/11	Living Stream Ministry Annual Conference	3,000
11/27/11	11/27/11	Nederlander Concerts presents "Mannheim Steamroller"	2,500

December 2011			
12/02/11	12/11/11	Children's Musical Theater San Jose presents "Tarzan"	4,800
12/02/11	12/04/11	San Jose Dance Theatre presents the 46th Annual Production of "The Nutcracker"	4,000
12/03/11	12/04/11	Symphony Silicon Valley presents "Nakamatsu Plays Chopin"	2,000
12/03/11	12/03/11	San Jose Youth Symphony 2011 Holiday Performance	450
12/04/11	12/08/11	BIOMEDevice: An MD&M Event	3,100
12/04/11	12/04/11	Symphony Silicon Valley presents "Sound of the Big Wind Concert"	500
12/05/11	12/05/11	San Jose Symphonic Choir presents "You-Sing-It Messiah"	600
12/06/11	12/09/11	Valley Christian Schools Christmas Performance	2,650
12/09/11	12/11/11	Armando Montelongo Seminar	75
12/10/11	12/23/11	Ballet San Jose presents "The Nutcracker"	20,000
12/10/11	12/11/11	Golden State Cheer Competition	1,000
12/10/11	12/10/11	Turning Wheels for Kids 2011 Bike Build	750
12/10/11	12/10/11	Archbishop Mitty High School Christmas Dance	600
12/10/11	12/10/11	Symphony Silicon Valley presents "Carols in the California"	800
12/11/11	12/11/11	El Camino Youth Symphony Holiday Concert	525
12/12/11	12/12/11	artSPARK presents "MAIKO"	400
12/13/11	12/15/11	Yahoo! Tech Pulse 2011	800
12/14/11	12/14/11	eBay WIN North America	200
12/16/11	12/16/11	artSPARK presents "Aztlán Academy"	400
12/27/11	01/01/12	Broadway San Jose presents "Cats"	15,990
12/30/11	12/30/11	Nederlander Concerts presents "WAR/Tower Of Power"	2,000

SALES, MARKETING AND COMMUNICATIONS EFFORTS

Below are highlights from the first quarter sales, marketing and communications/PR activities:

Media and Advertising Impressions and Web visits:

Through the first quarter, Team San Jose generated 11.4 million media and advertising impressions to support San Jose's destination awareness as a meetings and convention destination. In addition, there were 138,719 Fiscal Year to Date unique visits to the sanjose.org website.

Tradeshaw and Events:

TEAMS, LAS VEGAS – OCTOBER 3RD -6TH

This was a trade show we attended which focuses on the Sports Market. The show was attended by Roy Edmondson, and the Marriott and San Jose Sports Authority

RESULTS:

- Had 10 appointments
- Hosted a dinner for 6 potential clients at Switch restaurant in the Wynn

PCMA BOWL – A - THON, CHICAGO, IL – NOVEMBER 2, 2011

This was an event for the Greater Mid West Chapter of PCMA. Troy Karnoff attended with representative from the Hilton and DoubleTree and bowled with 3 clients.

RESULTS:

- Currently 2 leads have from this event

PCMA MASTER SERIES RECEPTION, WASHINGTON, DC – NOVEMBER 2, 2011

This was an opportunity to sponsor a lunch for the Capital Chapter of PCMA for their Master Series. It was attended by Mark McMinn, Tamela Blalock, & Kathryn Morgan. We had the opportunity to introduce Kathryn to the industry as the newest member to our Sales team in that market.

The lunch was attended by over 240 industry professionals. There were several clients there, and we received great exposure as one of the gold sponsors, and had the opportunity to advertise the expansion and renovation project.

REJUVENATE MARKETPLACE, SAN JOSE, CA NOVEMBER 7TH-9TH

San Jose was the host city for this event. It was a fantastic way to show over 450 faith based meeting planners our destination. Seven hotel partners participated in this event as well as internal Team San Jose Sales staff lead by Paula Zimmer.

RESULTS:

- 4 sets of appointments, that yielded 146 client touches
- Hosted a dinner for 8 clients at Le Papillion
- As part of our sponsorship San Jose hosted the opening night reception for the conference. The reception was held at the Tech Museum. The group of 1,200(planners & destinations) was greeted by SJSU's marching band.
- Collinson Media is looking at San Jose for their Connect & Collaborate events.
- We received 23 RFP's from the event
- Additionally, there are about 20 clients that have asked us to follow up in the coming months to get their RFPs when they are ready to begin their venue search. These leads will be sent out by various TSJ team members based on size and HQ location.

GREATER SAN JOSE HOTEL CRAWL #1 – SHARKS GAME, DECEMBER 1ST

This was the first of two hotel crawl that showcase the greater San Jose hotels The event was lead my Kimberly Mladenik with representative from The Wyndham, Airport Garden Hotel and Dolce Hayes Mansion. The group toured the city and venues before attending the San Jose Sharks game.

RESULTS:

- 12 client attending the event

SEASONAL SPECTACULAR. SACRAMENTO, CA DECEMBER 7TH

This is an annual event that is held in Sacramento for the California associate market. The event consists of a luncheon and tradeshow attached to it. Cheryl Little attended with hotels reps from the Hilton, Fairmont, Dolce Hays, Double Tree and Wyndham. As a part of our booth we conducted a giveaway for submitting an RFP.

RESULTS:

- We touched 44 clients however the show was attended by roughly 1,000 industry professionals
- 1,444 prospective room nights on the books

HOLIDAY SHOWCASE, CHICAGO, IL, DECEMBER 15TH

This is an annual event that is held in Chicago for the association market. Troy Karnoff & Cheryl Little attended with hotels reps from the Hilton, & Double Tree. As a part of our booth we conducted a giveaway for submitting an RFP. In addition to the tradeshow we hosted a small dinner at the Mid America Club, a sister club to the Silicon Valley Capitol Club.

RESULTS:

- Client Dinner was attended by 10 clients
- We touched 120 clients.
- 1,845 prospective room nights on the books for FY 12/13

CONCLUSION

Team San Jose appreciates the opportunity to present performance results to the Public Safety, Finance & Strategic Support Committee.

The Performance Measures reviewed above are developed by the City Manager's Office and Team San Jose and submitted for consideration by the City Council through the City's budget process. The Performance Measures are monitored monthly by the City Manager's Office.

This report has been coordinated with the City Manager's Office and is transmitted by Bill Sherry, CEO, Team San Jose.