5/22/18

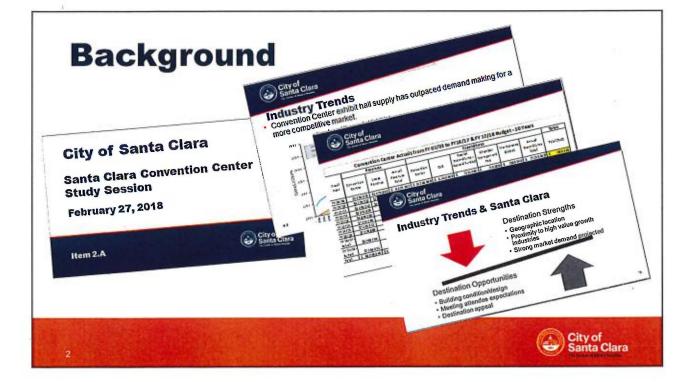
item #5

City of Santa Clara



Item#: 5

May 22, 2018



POST MEETING MATERIAL

Chamber of Commerce & Convention-Visitors Bureau

- One Board of Directors with three separate business areas
 - Chamber membership
 - CVB (1975) / Tourism Improvement District (2004)
 - Convention Center (1984)

Historical Context

- 1975: Chamber operated a Convention and Visitors Bureau under contractual agreement with the City.
- 12/1983: Council considered four operating alternatives, staff recommended operation by the Chamber.
- 3/1984: Council approved Management Agreement with Chamber for management and operations of the Convention Center.

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1984 Management Agreement – Basic Terms

Chamber duties:

- Market, advertise, promote Convention Center
- Coordinating use of the Convention Center
- Book events, theatre performances, conventions, exhibitions and meetings
- Schedule and administer the daily operation and provide services required by users of the Convention Center
- Prepare annual budget for City approval
- Subcontract, hire, purchase to operate facility subject to budget

Basic Terms - Compensation

- Management Agreement does not describe compensation
- "No monies will be transferred to the Chamber for operation of the Chamber, *except for services received as identified in the budget as approved by the City Council of City.*"
- The Management Agreement as written does not provide sufficient authority to issue public funds, require clearer language.

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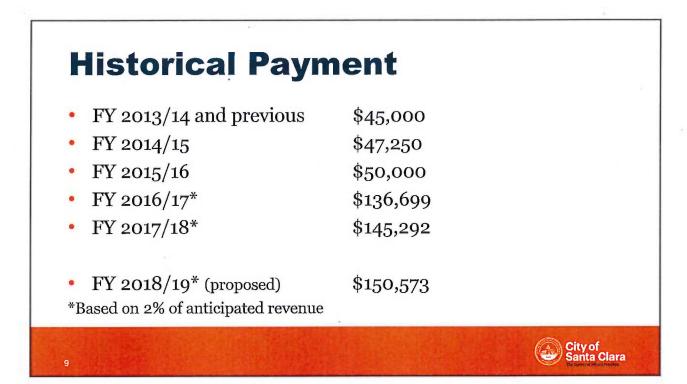
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Basic Terms - Compensation

- Chamber/SCCC submits annual budget into the City budget process. Projected Convention revenues and expenses are provided.
- The management fee has historically been included as an expense but the annual budget only presents one rolled up number for all Convention Center expenses.
- There was not sufficient transparency on the management fee and the amount of the fee from year to year.

CITY OF SANTA CLARA NOTES TO BASIC FINANCIAL STATEMENTS For the year ended Juse 32, 2017	CONVENTION CENTER BUDGET Fiscal Year 2017-18				
NOTE 4 - LEASE AGREEMNTS (continued)			2016-17	2017-18	
The following schedule summarizes the approximate minimum future revenues to be received from this ease:	OPERATING INCOME		Budget	Adopted	Change
Ballroom Lease Fiscal Year Arroux	Space Rental	5	2.600.000 \$	2,800,000 \$	200,000
2018 \$ 321,432 2019 \$ 321,432	Audio Visual	•	758,734	927,052	188,318
2020 321,432	Telephone		300,000	300,000	
2021 321,432 2022 321,432	Catering		2,600,000	2,647,923	47,923
Thereafter4125,044 Total \$ 5,732,204	Electrical		360,000	341,575	(18,425)
	Advertisements		40,000	40,000	-
NOTE 5 - ENTERPRISE FUND MANAGEMENT AGREEMENTS	Other Income/Interest/Etc.		176,239	208,000	31,761
A. Santa Clara Convention and Visitors Bureau and Convention Center			6.834.973 \$	7,264,550 \$	429.577
in March 1984, the City entered into two separate management agreements with the Santa Clara Chamber of Commerce and Convention/Visitors Bureau, Inc. (Chamber). The first agreement with the Chamber is for	Total Operating Income	-	0,034,010 0	11201000	
he management of the operations of the Santa Clara Convendora/Visitors Bureau. In fiscal year ended June 30, 2017, the City paid the Chamber S1.49 million under this contract. The second management agreement between the City and the Chamber is for the management of the operations of the Santa Cham. Conference	Total Expenses	\$	6,723,225 \$	7,146,834 \$	423,609
and Convention Center (Convention Center). Under the terms of this agreement, the Chamber will receive for its services an annual management for identified in the Convention Center based and approved by the					
City Council. In fiscal year ended June 30, 2017, the Convention Center paid the Chamber 3137 thousand. Each agreement is extendible for an additional year at the end of each year. Either party may tenninate the systemmat by providing 130 days writing price.	Net Income/(Loss)	\$	111,748 \$	117,716 \$	5,968

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Five Possible Options

- 1. A fixed fee amount based upon % of budgeted revenue.**
- 2. % of budgeted revenue with reconciliation at the end of the FY.
- **3.** Fixed fee amount.
- 4. Fixed fee amount using the established flat management fee of \$45,000 and adjust for the Consumer Price Index (CPI).
- 5. Combination of a flat fee possibly enhanced by a performance incentive, established through performance outcomes in the agreement for which performance is measured and determined beyond actual revenue.

**Chamber-recommended alternative

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Alternatives

- Direct staff to bring forward an amendment to the Agreement for a management fee option as outlined in this report (all are feasible and reasonable).
- Discontinue paying a management fee.
- Any other action the Council deems appropriate

