

05/22/18

#6

Lynn Garcia

From: Mayor and Council
Subject: FW: Letter to Deanna and Ruth about Convention Center Management
Attachments: letter to City about management 5.21.pdf

From: Kaspar, Nick [<mailto:Nick.Kaspar@santaclara.org>]
Sent: Tuesday, May 22, 2018 11:35 AM
To: Mayor and Council; Lynn Garcia
Cc: joe@joskiinternational.com; Lisa Moreno
Subject: Letter to Deanna and Ruth about Convention Center Management

Hello Mayor and City Council,
I hope this email finds you well. Please find the attached letter the Chamber sent yesterday. You will find attached to the letter some background information as well as an outline of the Chamber's responsibilities in regards to the Convention Center.

Thank you,

Nick Kaspar

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CHAMBER OF COMMERCE & CONVENTION - VISITORS BUREAU

Monday, May 21, 2018

City Manager Deanna Santana
City of Santa Clara
1500 Warburton Avenue
Santa Clara, CA 95050

**Re: Santa Clara Chamber of Commerce and Convention-Visitors Bureau's Management of
the Convention Center**

Dear Deanna Santana,

Thank you for your memo of May 14, 2018 regarding the Management agreement between the Santa Chamber of Commerce and the Santa Clara Convention Center.

Over the past thirty years the Santa Clara Chamber of Commerce has enjoyed a productive and profitable relationship and partnership between both the City of Santa Clara and the Chamber of Commerce. The value of this relationship has been beneficial to the City in that the Convention Center has become a profit center for the City under Chamber Management.

As you may be aware, most city owned conventions centers are a "loss leader" and an expense to that city as an ancillary provider for conference and meeting facilities. From these events, each city looks to TOT room tax and sales tax revenues to recover their investment.

This has not been the case under the Santa Clara Chamber's leadership and management in Santa Clara. Our Convention Center has provided a positive revenue stream back to the City in seven of the past eight years.

The partnership and success the Santa Clara Chamber and the City of Santa Clara has enjoyed has been measurably enhanced by the performance of our Convention-Visitors Bureau (CVB). You may not be aware that many of the convention center events are a direct result of the CVB's ability to sell bookings for our Convention Center facilities. In turn, the CVB's success at selling add on services such as hotel rooms, catering, tours, and entertainment has been very successful for the City.

These facts are verified in quarterly reports we have submitted to City staff.

In answer to your question about the increased Management Fee charged by the Santa Clara Chamber we would report the following. In our budget review with City Staff in May-June of 2016, the Santa Clara Chamber proposed this increase since it had not been increased in over two decades. The Santa Clara Chamber had been absorbing the increasing costs of oversight and management during those years without any increase in management fees. When this was

explained to Mayor Gillmor and Councilwoman Debi Davis during their 2016 budget review of the Santa Clara Chamber they both agreed this fee should be increased as proposed in the budget and it was approved.

Unlike many City owned properties under management contracts, our Convention Center does not lose money. We take umbrage with the statement that our management team doesn't do anything to earn this management fee. The fee we have charged is minimal compared to the hours of work our team, our staff and our board invest in this partnership.

You may recall, our Convention Center was virtually "pulled from the market" due to the uncertainty of how the RDA decision would eventual come down. This issue remains with us even now. However, the Santa Clara Chamber and staff were successful in retaining enough employees to continue operations. The calming influence of good management decisions, an adept and capable staff during very trying times, allowed us to keep our partnership intact and retain our employees.

Our financial results would be substantially enhanced if we had not encountered the RDA disposal issue of uncertainty.

While we are mentioning employees, we would take a moment to point out that the "employment neutral" policy of the Santa Clara Chamber was a financial consideration by the City. This policy has saved the City hundreds of thousands of dollars in additional payroll, dues, fees, benefits and contract negotiations.

When faced with the possibility of the Convention Center being sold or closed, the Chamber Board was prepared to terminate our partnership as the City suggested if either event took place.

Once it was learned that neither of these items were imminent concerns, the Chamber Board was willing to resume their interest in continuing our partnership. We already had the team in place, the personnel trained and the oversight staff to do that.

In a planned progression of Board Development, the Santa Clara Chamber has recruited in the past year, new members from the Hilton, The Marriott, Kaiser Permanente and Owens Corning. These individuals represent some of our Cities largest employers with a great understanding of personnel matters, the hospitality industry and management directives.

In closing, we are attaching a file that describes in detail the Santa Clara Chambers roll in the Convention Center management. We are proud of the roll our Chamber has provided in this partnership with our City that has been supportive, encouraging and receptive.

We look forward to a continuing dialog to assist you and your new management team in understanding better the value of this partnership to Santa Clara.

Sincerely,



Joe Siecinski

Chair, Santa Clara Chamber of Commerce and Convention-Visitors Bureau



Background on Relationship between Santa Clara Chamber of Commerce and Convention Center

Since 1974 the Santa Clara Chamber of Commerce and its Board of Directors were asked by the hotel community to look at establishing a Convention and Visitors Bureau as with a new theme park being planned for Santa Clara, tourism would begin to flourish. Around 1997, the Chamber spear-headed a local community group working on the feasibility of an arena and convention center. In 1977 through an Economic Research study, it was reported that this area could support a mid-sized center.

In 1978, the voters of Santa Clara approved a ballot measure that would pave the way for the development of a Center. Throughout the remainder of the 70's and 80's the Chamber actively worked with the City in trying to find developers to put a package together.

In 1984, the City Council analyzed the various models for operating the Center, which included a department of the city government; a city authority; and a contractual agreement with a profit or non-profit company. The model chosen by Council as being considered the most effective was with a non-profit company as operators, namely the Chamber of Commerce.

We have lived up to our contractual obligations and commitment since 1984, to dedicate our organizations time and talents to promote the tourism and convention industry for our City. Our goal then, and now, continues to be to bring new dollars into this City as a means to keep people employed, to have our businesses prosper, and to increase city tax revenues. The hospitality industry helps us all to have a better community in which to live and work.

Santa Clara Chamber of Commerce
Convention Center Oversight Responsibilities

- The Chambers leads the SCCC to perform to the highest industry standards and in the best interest of the City, in accordance with the following goals of achieving a profitable standalone center as well as driving additional TOT tax in the market.
- Financial Improvement - Develop and implement innovative strategies to improve the financial balance of the Facilities. Concepts have included, but should not be limited to, new or additional marketing arrangements that can be developed through the contacts, relationships and other advantageous opportunities available to the management company.
- Reporting Practices - Operate the Facilities in the public interest with complete and accurate financial records of all business transactions.
- Community Involvement - Meaningfully involve all segments of the local community in the business and employment opportunities that are available as a direct or indirect consequence of the operations.
- Collaboration with Related Industries - Establish and maintain a system of communication that encourages collaborative efforts between and among other segments of the tourism, hospitality, entertainment, and sports industries. Such collaboration will include a close working relationship with the Convention and Visitors' Bureau to attract and increase convention business.
- Strategic Direction during on-going challenges due to the dissolution of the RDA,
- Organizational Structure, Roles and Responsibilities
- Payroll administration
- Strategic Direction on parking issues and integration with Levi Stadium
- Oversight and approval of annual Operations Budget
- Oversight on both General Liability and Worker's Compensation Insurance Coverage
- Legal Issues
- Compliance with 501(c) 6
- Reviews and discusses sales reports that are sent City and Stakeholders