



Agenda Report

20-1003

Agenda Date: 10/27/2020

REPORT TO COUNCIL

SUBJECT

Action on Agreement with Silicon Valley/Santa Clara DMO, Inc. for Destination Marketing Services

COUNCIL PILLAR

Promote and Enhance Economic, Housing and Transportation Development

BACKGROUND

On April 9, 2019, Council directed the City Manager to commence work efforts to form a new destination marketing organization to provide convention and visitor services such as a convention-visitors bureau. Council actions included approval of a governance model whereby the City contracts directly with a non-profit organization supported by public funds from the Santa Clara Tourism Improvement District (TID).

On May 21, 2019, Council directed the City Manager to proceed with the formation of the new destination marketing entity including the appointment of the final composition of the Board of Directors and to pursue legal services as needed to support the establishment of the new organization. Composition of the initial Board included TID hotel, labor group, large business, technology, tourism and City representation.

On November 12, 2019, staff reported to Council that the new destination marketing organization, Silicon Valley/Santa Clara DMO, Inc. (the DMO), incorporated as a California nonprofit mutual benefit corporation, adopted bylaws, developed a conflict of interest policy, identified legal support services, established a virtual office and established its Board of Directors meeting schedule.

On February 11, 2020, staff reported to Council of the DMO's Board of Directors newly established mission and vision and work efforts to finalize recruitment materials for the Chief Executive Officer position. Consultant Jones Lang LaSalle (JLL) had engaged SearchWide Global, a full-service executive firm for companies in the travel, tourism, hospitality, convention and venue management industries, and the active recruitment process to fill the position was officially underway with an anticipated start date of May 2020.

On June 23, 2020, City Council approved Resolution No. 20-8866 to levy an assessment for the Santa Clara Tourism Improvement District (TID) for FY 2020/21 causing the approval of the TID's proposed annual budget for the DMO.

DISCUSSION

Council approved a governance model whereby the City contracts directly with a non-profit organization supported by public funds from the Santa Clara Tourism Improvement District (TID) and designated the newly formed Silicon Valley/Santa Clara DMO, Inc. (DMO) as the exclusive service

provider and official destination marketing organization to market, sell and book the Santa Clara Convention Center and the City.

The scope of service contained the proposed agreement with the DMO includes providing destination marketing services. Activities include but are not limited to:

- sales and coordination of event bookings and reservations of the conventions, meetings, hotels, and other off-site venues;
- conducting targeted sales calls to potential planners to generate prospects;
- hosting exhibits at various targeted conference shows and special events;
- conducting familiarization tours for prospective clients;
- promoting and marketing the Convention Center and Santa Clara as a premiere destination for conventions, meetings and trade shows, including use of digital media and social networks;
- developing and producing promotional materials;
- reporting master set of bookings and schedules for the Convention Center; and,
- creating and maintaining strategic relationships for the coordination of sales and services with the City, partners and stakeholders.

The initial term of the proposed agreement with the DMO for destination marketing services is November 13, 2020 through June 30, 2025 with two five-year options to renew at the discretion of the City. The renewal options could potentially extend the agreement through to June 30, 2036.

The DMO will be fully supported by TID assessment funds. The City currently holds the TID assessment funds and acts as the DMO's fiscal sponsor to pay for invoices related to the formation, operation and activities of the DMO. The TID fund balance, \$1,663,731 as of October 14, would be transferred to the DMO at the appropriate time as determined by the City and the DMO. Once the TID funds are fully transferred to the DMO, the City will continue to collect the TID assessment funds and transfer funds on a monthly basis, less applicable administrative fees to cover City costs of collection and administration.

In addition to the scope of services and fiscal arrangement between the City and the DMO, the agreement also includes the following key provisions:

- safeguard and controls for expenditures (i.e. expenditures must align with acceptable use of public funds and in compliance with established DMO policies as approved by its Board);
- creation of a Reserve Fund for unallocated and unbudgeted TID assessment funds and notification to the City prior to use;
- repayment to the City for any such costs, provided in the Annual Budget, incurred by the City for contract services fees related to the continued formation of the DMO;
- qualitative and quantitative performance measures, including shared measures with Convention Center partners (i.e. economic impact, customer service, room nights generate/consumed);
- development of an annual Sales and Marketing Plan;
- quarterly reporting of both financial results and performance measure progress;
- annual reporting of executed sales and marketing activities, results of key performance indicators including financial results and other key achievements;
- annual financial and performance audit requirements; and

- regular City monitoring.

The DMO has made significant progress in its formation effort. Highlights of those efforts include the following:

Location

Office space has been established for the DMO at the Convention Center. Discussion with the information technology services vendor is underway regarding the provision of services.

Administration

The Board of Directors regularly meets on a monthly basis. Several organizational policies have been developed and approved by the Board and efforts are underway to establish a bank account, payroll, and accounting/bookkeeping services. Additionally, the DMO attorney is in the final stages of completing the IRS application for recognition of tax-exempt status for submission.

Establishment of Key Strategic Direction

The Board of Directors, in conjunction with the TID, Convention Center Operator (Spectra) and City, has established a booking strategy to provide direction for current and future sales efforts. The key performance indicators included in the agreement have been finalized and are designed to demonstrate success with a clear multi-dimensional approach.

Chief Executive Officer Recruitment

The Board of Directors conducted informational meetings with three candidates in May 2020 and interviewed two finalists in June. The DMO Board of Directors subsequently decided to continue interviewing candidates and met with a third finalist in August and following, extended an offer of employment. It is anticipated the new Chief Executive Officer (CEO) will begin in mid-November. The Board will work with City staff to coordinate a time to formally introduce the CEO at a future Council meeting.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a "project" within the meaning of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

There is no fiscal impact.

COORDINATION

This report has been coordinated with the City Attorney's Office and the Finance Department.

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City's official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City's website and in the City Clerk's Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk's Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>>.

RECOMMENDATION

1. Approve and authorize the City Manager to execute an agreement with Silicon Valley/Santa Clara DMO, Inc. for destination marketing services;
2. Authorize the City Manager to exercise the option to extend the Agreement for up to two five-year options to renew; and
3. Authorize the City Manager to make minor and administrative modifications to the Agreement if necessary.

Reviewed by: Ruth Mizobe Shikada, Assistant City Manager

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. Agreement for Destination Marketing Services