

# Convention Facilities Department Team San José, Contractor

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**T***o ensure that San José's Convention Center and Cultural Facilities are effectively managed to reduce costs, improve the local economy, and add value to customers, residents, workers, and businesses within the City of San José*

## *City Service Area*

### **Community and Economic Development**

## *Core Services*

### **Convention Facilities**

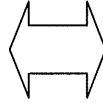
To provide facilities and services that attract conventions and events to contribute to the City's economy

# Convention Facilities Department

## Service Delivery Framework

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| Core Service  |
|---|
| <b>Convention Facilities:</b><br><i>To provide facilities and services that attract conventions and events to contribute to the City's economy.</i> |



| Key Operational Services   |
|--|
| <ul style="list-style-type: none"><li>• Convention Center Management</li><li>• Cultural Facilities Management</li><li>• Sales, Marketing and Communications</li><li>• Event Services</li><li>• Financial Services</li><li>• Technical Services</li><li>• Food and Beverage Services</li><li>• Facility and Infrastructure Maintenance</li><li>• HVAC, Electrical, and Cogeneration Services</li><li>• Public Safety</li><li>• Visitor Services</li></ul> |

# Convention Facilities Department

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## Department Budget Summary

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### Expected 2011-2012 Service Delivery

- Operating revenue is projected to decline by \$4.0 million in 2011-2012 as the construction project at the Convention Center is expected to negatively impact convention business. Team San José (TSJ) anticipates a 30% reduction in convention business while non-convention business levels are anticipated to remain at current levels.
- Continue to provide food and beverage services to convention and cultural facilities clients in order to enhance the customer experience and entice/retain business.
- Provide maintenance and repair services to the City's convention and cultural facilities.
- TSJ will continue to produce quality products and services to clients.
- Work with the Department of Transportation to manage the parking at the Convention Center garage in order to maximize revenue to the City.
- Provide operator perspective around service opportunities and construction management with the Convention Center Expansion and Renovation Project.

### Impacts of 2011-2012 Budget Actions

- Expenditures are reduced by 14.7% when compared to 2010-2011 to align with the anticipated reduction in revenue related to the expansion.
- Security staffing service delivery model is aligned with a projected decline in activity as a result of the Convention Center expansion/renovation project, as well as forecasted episodic activity levels.

### Operating Funds Managed

N/A

# Convention Facilities Department

## Department Budget Summary

|   | 2009-2010<br>Actual<br>1 | 2010-2011<br>Adopted<br>2 | 2011-2012<br>Forecast<br>3 | 2011-2012<br>Adopted<br>4 | %<br>Change<br>(2 to 4) |
|---|--------------------------|---------------------------|----------------------------|---------------------------|-------------------------|
| <b>Dollars by Core Service</b>              |                          |                           |                            |                           |                         |
| Convention Facilities                       | \$ 23,497,950            | \$ 18,780,424             | \$ 16,252,030              | \$ 16,019,059             | (14.7%)                 |
| <b>Total</b>                                | <b>\$ 23,497,950</b>     | <b>\$ 18,780,424</b>      | <b>\$ 16,252,030</b>       | <b>\$ 16,019,059</b>      | <b>(14.7%)</b>          |
| <b>Dollars by Category</b>                  |                          |                           |                            |                           |                         |
| Personal Services                           |                          |                           |                            |                           |                         |
| Salaries/Benefits                           | \$ 4,884,575             | \$ 1,812,909              | \$ 1,577,711               | \$ 1,089,740              | (39.9%)                 |
| Overtime                                    | 152,782                  | 70,159                    | 70,159                     | 50,159                    | (28.5%)                 |
| Subtotal                                    | \$ 5,037,357             | \$ 1,883,068              | \$ 1,647,870               | \$ 1,139,899              | (39.5%)                 |
| Non-Personal/Equipment                      |                          |                           |                            |                           |                         |
| Subtotal                                    | 18,460,593               | 16,897,356                | 14,604,160                 | 14,879,160                | (11.9%)                 |
| <b>Total</b>                                | <b>\$ 23,497,950</b>     | <b>\$ 18,780,424</b>      | <b>\$ 16,252,030</b>       | <b>\$ 16,019,059</b>      | <b>(14.7%)</b>          |
| <b>Dollars by Fund</b>                      |                          |                           |                            |                           |                         |
| Conv & Cultural Affairs                     | \$ 23,497,950            | \$ 18,780,424             | \$ 16,252,030              | \$ 16,019,059             | (14.7%)                 |
| <b>Total</b>                                | <b>\$ 23,497,950</b>     | <b>\$ 18,780,424</b>      | <b>\$ 16,252,030</b>       | <b>\$ 16,019,059</b>      | <b>(14.7%)</b>          |
| <b>Authorized Positions by Core Service</b> |                          |                           |                            |                           |                         |
| Convention Facilities                       | 56.00                    | 14.00                     | 14.00                      | 9.00                      | (35.7%)                 |

# Convention Facilities Department

## Budget Reconciliation

(2010-2011 Adopted to 2011-2012 Adopted)

|  | Positions     | All<br>Funds (\$)  |
|--|---------------|--------------------|
| <b>Prior Year Budget (2010-2011):</b>  | <b>14.00</b>  | <b>18,780,424</b>  |
| <b>Base Adjustments</b>  |               |                    |
| <b>Technical Adjustments to Costs of Ongoing Activities</b>  |               |                    |
| • Salary/benefit changes   |               | 115,786            |
| • Non-Personal/Equipment reduction to account for changes in utilities, labor, and other costs, driven primarily by anticipated changes to activity levels |               | (2,293,196)        |
| • Annualization of 2010-2011 position eliminations   |               | (295,851)          |
| • Annualization of Employee Total Compensation Reduction   |               | (55,134)           |
| <b>Technical Adjustments Subtotal:</b>   | <b>0.00</b>   | <b>(2,528,395)</b> |
| <b>2011-2012 Forecast Base Budget:</b>   | <b>14.00</b>  | <b>16,252,030</b>  |
| <b>Budget Proposals Approved</b>   |               |                    |
| 1. Convention Facilities Staffing  | (5.00)        | (172,728)          |
| 2. Convention Facilities Employee Total Compensation Reduction   |               | (113,084)          |
| 3. Convention Facilities Department Annual Retirement Contribution   |               | 43,779             |
| 4. Convention Facilities Department Unemployment Contribution  |               | 9,062              |
| <b>Total Budget Proposals Approved</b>   | <b>(5.00)</b> | <b>(232,971)</b>   |
| <b>2011-2012 Adopted Budget Total</b>  | <b>9.00</b>   | <b>16,019,059</b>  |

# Convention Facilities Department

## Budget Changes By Department

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| Adopted Budget Changes            | Positions | All Funds (\$) |
|-----------------------------------|-----------|----------------|
| 1. Convention Facilities Staffing | (5.00)    | (172,728)      |

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**Community and Economic Development CSA**  
*Convention Facilities*

This action eliminates 5.0 filled Security Officer positions, 1.0 Senior Air Conditioning Mechanic, and \$20,000 in overtime funding, partially offset by the addition of 1.0 Air Conditioning Mechanic and non-personal/equipment resources. These actions were implemented in response to a projected decline in activity as a result of the Convention Center expansion/renovation project, as well as to align staffing to forecasted episodic activity levels and the proper classifications. The elimination of the Security Officers and associated overtime reduction is partially offset by an increase to the non-personal/equipment allocation (\$275,000) for contractual security services. The elimination of the Senior Air Conditioning Mechanic and associated addition of an Air Conditioning Mechanic will align the anticipated workload in 2011-2012 with the proper classification. When the expansion construction period is over, and revenue levels and associated workload increase, the City in partnership with TSJ will evaluate the staffing needs at the City's convention and cultural facilities. This action will help ensure that the Convention and Cultural Affairs Fund will maintain a positive fund balance through the expansion and renovation period. It should be noted that the elimination of these City positions results in a General Fund revenue decrease of \$146,400 due to lost overhead reimbursements. (Ongoing savings: \$232,971)

**Performance Results:**

This action should have minimal impact on the quality of events for customers as the reductions align with anticipated reductions in activity at the convention facilities.

|  |           |
|--|-----------|
| 2. Convention Facilities Employee Total Compensation Reduction | (113,084) |
|--|-----------|

**Community and Economic Development CSA**  
*Convention Facilities*

As directed at the November 18, 2010, 2011-2012 Organizational and Budget Planning Special Council Meeting, the City Council approved direction for labor negotiations to achieve a 10% ongoing total employee compensation reduction for all bargaining groups and to roll back any general wage increases received in 2010-2011. Direction was also included to pursue City Auditor's recommendations for healthcare cost containment including increased cost sharing, increased co-pays, reduced health and dental in-lieu costs, and elimination of dual coverage.

For 2011-2012, agreements to achieve these compensation reductions were approved by the City Council on March 22, 2011, for the San Jose Fire Fighters, IAFF, Local 230, on April 19, 2011, for AEA, AMSP and CAMP, on May 31, 2011 for ALP and ABMEI, and on June 14, 2011 for the POA. Approval for compensation changes for Unit 99 and Units 81/82 also occurred on April 19, 2011. On May 31, 2011 the City Council approved the implementation of terms contained in the City's Last, Best, and Final Offers for the remaining bargaining groups (CEO, IBEW, MEF, and OE3).

The compensation reduction actions, which vary by employee group, include: base pay reductions, reversing the additional employee contributions to retirement to offset the City's contributions, healthcare cost sharing changes (from 90% City/10% employee to 85% City/15% employee), healthcare plan design changes including increased co-pays, changes in healthcare in lieu and elimination of dual coverage. The specific actions are described in each bargaining

# Convention Facilities Department

## Budget Changes By Department

| Adopted Budget Changes | Positions | All Funds (\$) |
|------------------------|-----------|----------------|
|------------------------|-----------|----------------|

**2. Convention Facilities Employee Total Compensation Reduction (Cont'd.)**

unit's agreement, as applicable, with the City that can be found at: <http://www.sanjoseca.gov/employeerelations/labor.asp>.

These total compensation reductions generate Base Budget savings of \$74.5 million in all funds and \$58.5 million in the General Fund (including fee programs), offset by annual required retirement contributions of \$23.6 million in all funds and \$18.9 million in the General Fund, result in total net savings of \$50.9 million in all funds and \$39.6 million in the General Fund. With these compensation reductions, decreases to overhead (\$3.9 million) and other reimbursements were also approved in this budget. If these total compensation reductions are not achieved for all employee groups, alternative reductions will need to be considered to offset the savings assumed in this budget. (Ongoing savings: \$113,084)

**Performance Results:** N/A

|   |               |
|---|---------------|
| <b>3. Convention Facilities Department Annual Retirement Contribution</b> | <b>43,779</b> |
|---|---------------|

***Community and Economic Development CSA  
Convention Facilities***

This action increases the Convention Facilities Department personal services allocation as a result of the adoption of changes by the Federated Retirement Board (Board) to the policy determining the City's share of the annual required contribution to the Federated City Employees' Retirement System (Plan). To ensure the fiscal health of the Plan, the Board adopted a policy setting the annual required contribution to be the greater of the dollar amount reported in the actuarial valuation (adjusted for interest based on the time of the contributions) or the dollar amount determined by applying the percent of payroll contribution reported in the actuarial valuation to the actual payroll for the fiscal year. Due to the contraction in City positions approved as part of the 2011-2012 Adopted Budget, with this newly adopted contribution methodology, the City is required to pay a minimum dollar amount regardless of the actual payroll experienced to ensure that the Plan is funded in accordance with the annual actuarial valuation. To cover these costs, total Plan contributions of \$108.4 million in all City funds and \$54.5 million in the General Fund, assuming a July 1 pre-payment, is required to be made in 2011-2012. (Ongoing costs: \$43,779)

**Performance Results:** N/A

# Convention Facilities Department

## Budget Changes By Department

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| Adopted Budget Changes   | Positions     | All Funds (\$)   |
|--|---------------|------------------|
| <b>4. Convention Facilities Department Unemployment Contribution</b>   |               | <b>9,062</b>     |
| <i>Community and Economic Development CSA<br/>Convention Facilities</i>  |               |                  |
| <p>This action increases the Convention Facilities Department personal services allocation to ensure sufficient funding to the Unemployment Insurance Fund for projected unemployment insurance claims. Based on potential claims from employee separation from service and the approved federal extension of unemployment benefits up to a total of 99 weeks, an increase to the unemployment contribution was approved. To cover these costs, the total transfer of \$11.2 million across all City funds and \$8.1 million in the General Fund to the Unemployment Insurance Fund was approved. (Ongoing costs: \$0)</p> |               |                  |
| <b>Performance Results: N/A</b>  |               |                  |
| <hr/>  |               |                  |
| <b>2011-2012 Adopted Budget Changes Total</b>  | <b>(5.00)</b> | <b>(232,971)</b> |

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# Convention Facilities Department

## Performance Summary

### Convention Facilities

#### Performance Measures

|   |   | 2009-2010<br>Actual | 2010-2011<br>Target | 2010-2011<br>Estimated* | 2011-2012<br>Target |
|---|---|---------------------|---------------------|-------------------------|---------------------|
|  | Gross Revenue   | \$18.0M             | \$13.8M             | \$16.1M                 | \$12.1M             |
|  | Gross Operating Profit  | (\$6.9M)            | (\$5.1M)            | (\$3.3M)                | (\$4.54M)           |
|  | Economic Impact   |                     |                     |                         |                     |
|   | Attendee Days By Type of Visitor:   |                     |                     |                         |                     |
|   | - Local/Social  | 881,021             | 807,000             | 952,635                 | 806,410             |
|   | - Out of Town   | 58,127              | 40,000              | 51,199                  | 35,986              |
|   | - Exhibitors  | 7,631               | 6,000               | 8,040                   | 5,719               |
|  | % of customers that would return to San José again, based on service provided | 95%                 | 95%                 | 97%                     | 87%                 |

*Changes to Performance Measures from 2010-2011 Adopted Budget: No*

#### Activity and Workload Highlights

|  | 2009-2010<br>Actual | 2010-2011<br>Forecast | 2010-2011<br>Estimated* | 2011-2012<br>Forecast |
|--|---------------------|-----------------------|-------------------------|-----------------------|
| Number of events at Convention Center and Theaters | 282                 | 226                   | 289                     | 261                   |
| Performance days at Theatres                       | 345                 | 312                   | 324                     | 386                   |
| Delegate Expenditures (\$)                         | \$81M               | \$65M                 | \$70M                   | \$52M                 |
| Hotel Rooms Booked by Team San José                | 183,451             | 200,000               | 190,000                 | 218,000               |

*Changes to Activity and Workload Highlights from 2010-2011 Adopted Budget: No*

# Convention Facilities Department

## Departmental Position Detail

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| Position                         | 2010-2011<br>Adopted | 2011-2012<br>Adopted | Change        |
|----------------------------------|----------------------|----------------------|---------------|
| Air Conditioning Mechanic        | 2.00                 | 3.00                 | 1.00          |
| Electrician                      | 2.00                 | 2.00                 | -             |
| Facility Repair Worker           | 4.00                 | 4.00                 | -             |
| Security Officer                 | 5.00                 | 0.00                 | (5.00)        |
| Senior Air Conditioning Mechanic | 1.00                 | 0.00                 | (1.00)        |
| <b>Total Positions</b>           | <b>14.00</b>         | <b>9.00</b>          | <b>(5.00)</b> |

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