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# City of Santa Clara

*Convention & Visitors Bureau,  
Convention Center Organizational Model Research*

Prepared by:  
Jones Lang LaSalle Tourism Group  
February 16, 2017



## ■ Introduction

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Jones Lang LaSalle (JLL) was retained to research and develop an overview of the potential organizational models for the Convention & Visitors Bureau. JLL has prepared background information, laid out the model options and organized key principles for consideration in determining the most effective approach for highly effective destination marketing organization and convention center operation.

JLL has performed tourism related advisory services in over 250 destinations. The information contained in this presentation is derived from JLL's experience with different models across the country and research to confirm current practices.

The goal of this presentation is to inform the City of Santa Clara about the potential model options that are most commonly practiced in the tourism industry.

1

## ■ Guiding Principles in Determining Model Outcomes

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The following are guiding principles that should be considered when evaluating the most effective direction for Santa Clara:

1. "One size *does not* fit all" - There are examples of success with each of the models that will be presented.
2. The most effective model is one that will work best for **Santa Clara**.
3. Success measures should be determined in conjunction with the final direction.

After input is received by Council, further investigation should be conducted to determine which model is the best fit for Santa Clara.



2

## ■ CVB Background Information

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Destination Marketing Association International (DMAI) conducts an annual survey of CVBs in the US and Canada. The following information is from the latest available year (2014):

- 60% of CVBs in the US are private 501(c)6 organizations.
- 10% of CVBs in the US are quasi-government (authority) organizations.
- 10% of CVBs in the US are city or county agencies.
- 4% of CVBs in the US are part of their chamber of commerce.

There are four model approaches that are most commonly utilized in the US. JLL's model options slides that follow will layout all four models plus three additional models including the current Chamber model and the pros and cons of each for the Council to consider.

Source: DMAI Annual Compensation and Benefits Study

3

## ■ Convention Center Background Information

JLL has been engaged in consulting with over 100 convention centers. Convention centers are operated under three typical models. Convention Centers are primarily owned by the public sector directly or through an authority that owns the asset on behalf of a public entity. Operating models include:

1. Publicly Operated
  - Publicly operated convention centers are staffed with public employees and function as a division or part of a larger public department.
2. Privately Operated – For Profit Operator
  - A privately operated convention center is often managed by a for profit third party operator through a contract with a public entity
3. Privately Operated – Not for Profit Operator
  - Some Convention Centers are operated by non profit organizations as operators. In many cases these are "authorities" and are 5013c corporations.

Of the most common models, approximately 125, or roughly 20%, convention centers in the US are privately operated by a for profit operator.

4

## ■ Effective Governance Considerations

*In developing the most effective approach, key governance considerations should be taken into account. These considerations apply to all models:*

- Quality and expertise of oversight
- Accountability of governing body
- Flexibility of governance practices
- Customer centric focus
- Focused mission
- Agreed upon effective metrics

*One **fundamental principle** of success in developing an effective governance model is the importance of all parties have the same overall **mission and metrics** when determining success. This can be accomplished with the models that are presented and must be a **foundation of how the model is determined.***

5

## ■ Key Considerations for All Models

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*All of the models that will be presented have the ability to be successful with these considerations in place. The inclusion of the following in the final selection is critical for an organization to thrive.*

### Transparency

- Common reporting
- Engagement of the broader stakeholder community

### Mission of both entities (Center/CVB) must be the same

- Regardless of Model - a balanced scorecard must be developed that includes
  - Economic Impact (room nights)
  - Fiscal performance (Center financial results)
  - Community engagement

### Accountability must be high

- Agreed upon common metrics – CVB and Convention Center

### Environment needs to support mission

- Stimulate sales, marketing and operational success
  - A compensation plan that encourages and rewards sales professionals
- Customer Centric
  - Ability to negotiate to secure a variety of business – need for fluid environment
- Highly functional
  - Support quality operations
  - Dynamic sales and marketing environment

6

## ■ Public/City Run Model Implications

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*While the public sector models afford the City the most control, it is important to establish the level of flexibility that should exist in a public sector model. The following are examples:*

- Examples of required flexibility
  - The ability to establish flexible pricing options for clients when negotiating convention center contracts.
  - The ability to streamline an effective and flexible process for purchasing and procurement when an operational needs arise.
  - The ability to create a compensation plan that that encourages and rewards sales professionals for their effectiveness and results.
  - The ability to sell direct to customers and deliver high customer engagement in the selling process should be supported.

7

## ■ Private, Non-Profit Model Implications

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*Private, non-profit models engage private sector professionals in the industry, which directly supports the effectiveness of an destination marketing organization. The following are examples:*

- Examples of private sector engagement
  - With individuals from the private sector involved in the board the specific skill sets and industry knowledge base should be the primary selection criteria.
  - The City must create an oversight model with private sector engagement that will support the overall mission and not favor one business line due to board makeup.
  - The talent pool in the stakeholder community must be strong enough to support effective oversight.
  - A contract must be developed between the City and the board that creates an ongoing check and balances.

8

## ■ CVB/Convention Center Models

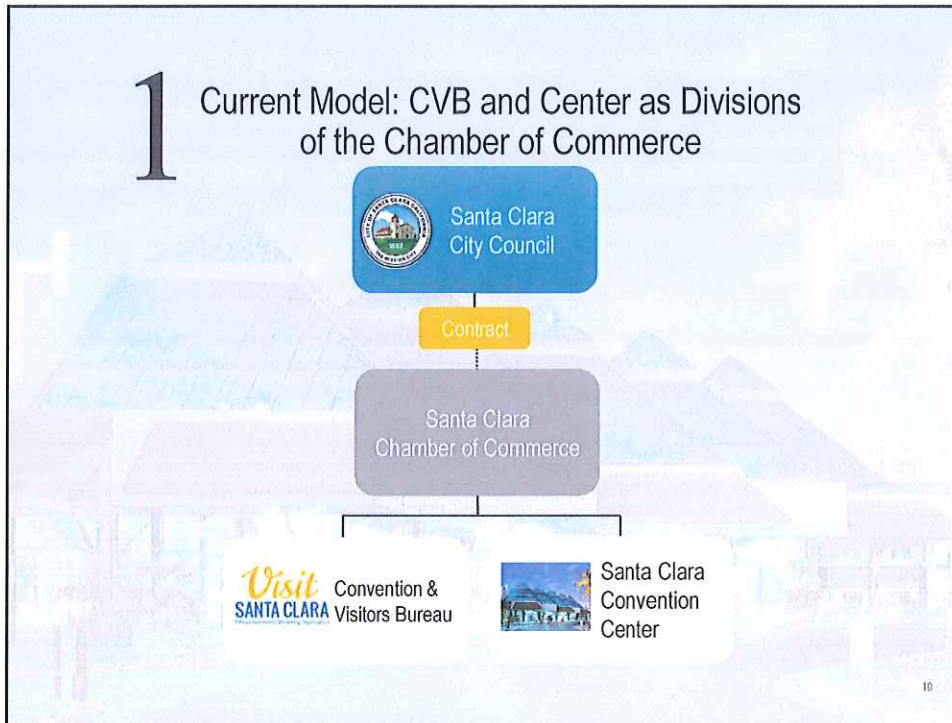
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*The following models will be reviewed:*

1. Current model under Chamber of Commerce
2. City Run Convention Center and CVB
3. City Run Convention Center with a Private Non-Profit CVB
4. Private For-Profit Center Operator with a City Run CVB
5. Private For-Profit Center Operator with a Private Non-Profit CVB
6. Quasi Public-Private Non-Profit Authority Operating Both the Center & CVB

9

# 1 Current Model: CVB and Center as Divisions of the Chamber of Commerce



10

# 1 Current Model: CVB and Center as Divisions of the Chamber of Commerce

## Model Description:

In this model the Convention & Visitors Bureau and the Convention Center are part of the Santa Clara Chamber of Commerce and the employees are Chamber employees. The structure is unified under one department as "Visit Santa Clara" with a close working relationship between the Center and CVB.

### Potential Advantages

- Maintains a singular team environment
- Private sector engagement
- Ability to expand relationships in the business community

### Potential Disadvantages

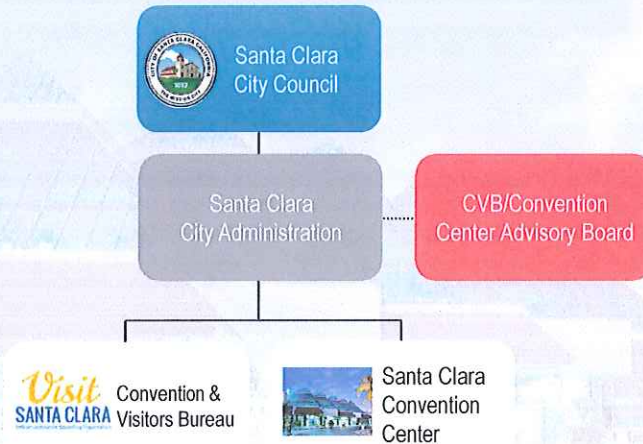
- Loss of direct oversight (by City)
- Large responsibility for singular board
- Can be less nimble as other private models

Sample destination with this model:  
 Venice, CA  
 Lake George, NY

11

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## City Run Convention Center and CVB



12

# 2

## City Run Convention Center and CVB

### Model Description:

In this model the Convention & Visitors Bureau and the Convention Center would be part of the City of Santa Clara and the employees would be City employees. The departmental structure could be unified under one department or housed in separate departments with a close working relationship, as described in the prior slides. In this model an advisory board is often created to promote stakeholder involvement. The director or directors would report to the City Managers office.

### Potential Disadvantages

- Nimbleness and flexibility (purchasing and client negotiations)
- Expertise needed to oversee all aspects of operation
- Lack of insulation from community on space management and rental decisions
- Difficulty developing an incentive based sales operation.

### Potential Advantages

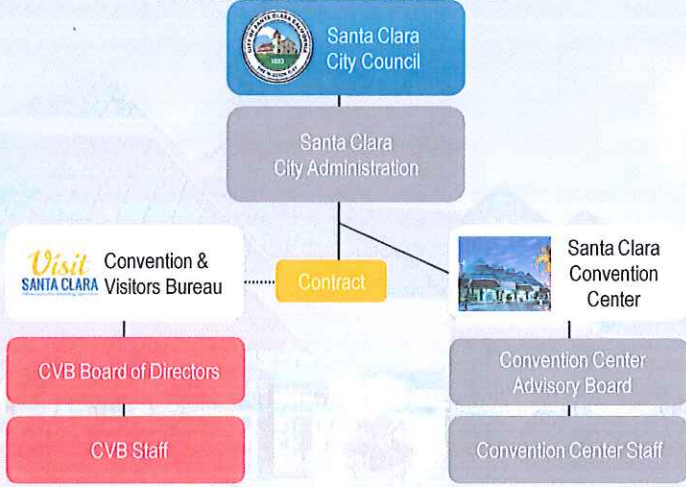
- Direct oversight and control of sales and marketing and asset management
- Transparency in reporting
- Ease of engaging other city departments to provide support.

Sample destination with this model:  
San Antonio, TX\*  
Waco, TX

\*Effective 1/17 CVB is transitioning to a private, non-profit model.

13

### 3 City Run Convention Center with a Private Non-Profit CVB



### 3 City (Publicly) Run Convention Center with a Private Non-Profit CVB

**Model Description:**

In this model the Convention & Visitors Bureau would be a private, typically non profit organization, that would have a contract with the City of Santa Clara to provide sales, marketing and other services. The Convention Center would be a City department with City employees.

**Potential Disadvantages**

- Loss of direct control/oversight
- Reliance on sustainability and continuity of governance model
- Separate Center and CVB may have inefficiencies and mission conflict

**Potential Advantages**

- Engagement of stakeholder/industry brings expertise and accountability
- Flexible Sales and Marketing environment without purchasing/policy restraints
- Accountable staff environment created through incentives and performance management plans

Sample destinations with this model  
New Orleans, LA\*  
Rochester, MN

\*state run center



# 4 Private For-Profit Center Operator with a City Run CVB



16

# 4 Private For-Profit Center Operator with a City Run CVB

### Model Description:

In this model the Convention & Visitors Bureau would be part of the City while the Convention Center would be a private, for-profit management company that would have a contract with the City of Santa for services. In most cases the employees of the Convention Center would be the employees of the private management company. An option in this model is to have an advisory board engaged for the Convention Center.

### Potential Disadvantages

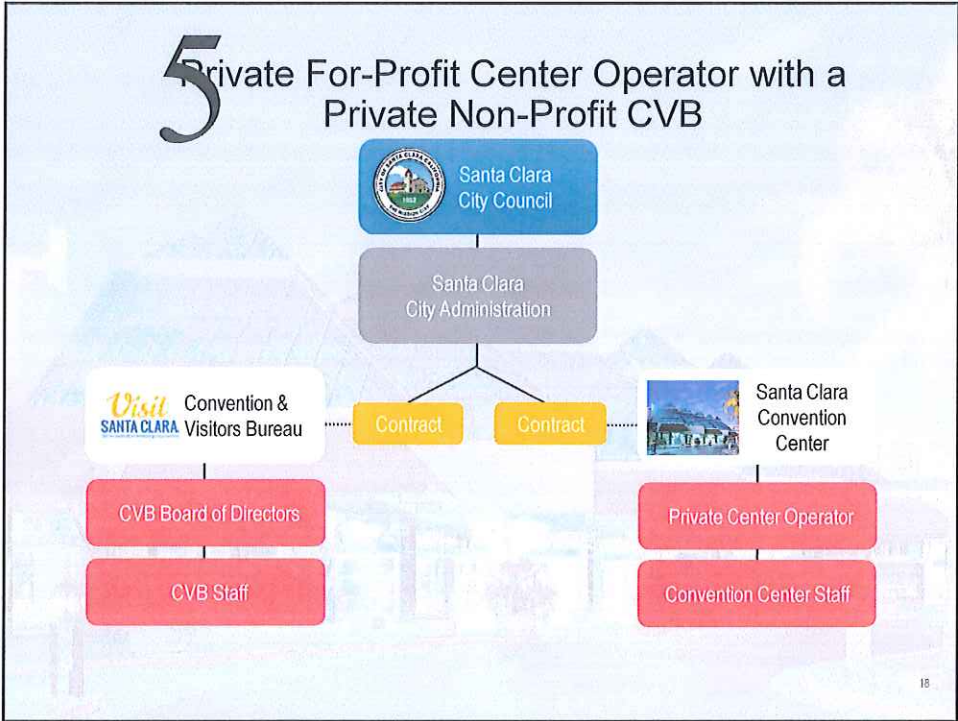
- Loss of direct control/oversight at Center
- Reliance on sustainability and continuity of governance model
- Separate Center and CVB may have inefficiencies and mission conflict
- Challenge of developing flexible compensation plans for sales teams

### Potential Advantages

- Ease of engaging other city departments to provide support for CVB.
- Direct oversight and control of sales and marketing
- Expertise of private center operator

Sample destinations with this model  
 Bakersfield, CA  
 Broward County (Fort Lauderdale), FL

17



# 5 Private For-Profit Center Operator with a Private Non-Profit CVB

**Model Description:**  
 In this model the Convention & Visitors Bureau would be a private typically non-profit with a contractual relationship with the City of Santa Clara. The Convention Center would be operated by a private (for profit) management company. In most cases the employees of the Convention Center would be the employees of the private management company. The private management company would typically have a direct contractual relationship with the City of Santa Clara. An option in this model is to have an advisory board engaged for the convention center.

<p><b>Potential Disadvantages</b></p> <ul style="list-style-type: none"> <li>• Two entities need to be collaborative and engaged</li> <li>• Ability to maintain alignment in mission</li> <li>• Administration of two contracts</li> <li>• Relationship with two boards of directors if a separate oversight board is appointed for the convention center</li> </ul>	<p><b>Potential Advantages</b></p> <ul style="list-style-type: none"> <li>• Ability to develop common metrics in City contracts</li> <li>• Increased Stakeholder engagement</li> <li>• Expertise of a private convention center management company</li> </ul>
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Sample destinations with this model  
 San Francisco, CA  
 Fresno, CA  
 Miami, FL  
 Long Beach, CA

# 6 Quasi Public-Private Non-Profit Authority Operating Both the Center & CVB



20

# 6 Quasi Public-Private Non-Profit Authority Operating Both the Center & CVB

**Model Description:**

In this model a non profit Authority (non-profit) would be formed to oversee the Convention & Visitors Bureau and the Convention Center. The Authority would have a contractual relationship with the City of Santa Clara. Within the Authority model there are options including the CVB and Convention Center to be staffed by Authority employees or having the Convention Center managed by a private operator.

**Potential Advantages**

- Can be structured with more public involvement – increased oversight through agreements and appointments
- Maintains a singular team environment
- Private sector engagement
- Direct accountability to City
- Ability to expanding relationships to include other important venues

**Potential Disadvantages**

- Loss of direct oversight
- Large responsibility for singular board
- Can be less nimble as other private models

Sample destinations with this model  
 Houston, TX  
 San Jose, CA  
 Pasadena, CA  
 Charlotte, NC

21

## ■ Criteria for Consideration

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*Which model best fits the City of Santa Clara and achieves the overall objectives? Which model will...*

- Most effectively drive conventions and leisure visitors
- Maximize convention center fiscal performance
- Reduce cost/risk to City
- Positively impact the community

As previously noted, all of the models presented can deliver the desired outcomes. The question for Council is to consider is which approach will be most successful for **Santa Clara.**

22

## ■ Conclusion

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- Further research should be conducted to determine the most effective approach for the City of Santa Clara.
- Key stakeholders should be included in the process.
- The full implementation of the agreed upon model should be done in parallel with developing key elements i.e. goals and metrics to support success.
- A full goal setting process should be undertaken with the next phase in conjunction with the development and implementation of the final model.
- The next step should also include a review of the potential relationship of the TBID with the selected model.
- The future of Santa Clara is exciting and the significant development that has been completed and is still underway should be a consideration. The selected model must support the new developments.

23

## ■ Thank You

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JLL would like to thank the City Council of Santa Clara for the thoughtful approach to supporting the City's tourism and convention future. JLL can be available for questions as the City navigates through the next steps of the process.



**Daniel Fenton**  
*Executive Vice President, Tourism*  
JLL Hotels & Hospitality Group



**Bethanie Parker**  
*Associate, Tourism*  
JLL Hotels & Hospitality Group

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## Minimum Wage: Regional Trends

California will raise its minimum wage gradually to \$15 by 2023. Many Bay Area cities, however, have set a more aggressive schedule to bring its local minimum wage to \$15/hour much sooner (see chart). Once the \$15 rate is reached, many cities will assess the need for an increase annually based on the prior year's Bay Area Consumer Price Index (CPI), with some cities including a 5% per year limit on future increases.

City	2016	2017	2018	2019	2020
CA <25 Employees	10.00	10.00	10.50	11.00	12.00
CA >25 Employees	10.00	10.50	11.00	12.00	13.00
Campbell	CA	CA	CA	CA	CA
Cupertino	10.00	12.00	13.50	15.00	15.35*
Gilroy	CA	CA	CA	CA	CA
Los Altos	10.00	12.00	13.50	15.00	*
Los Gatos	CA	CA	CA	CA	CA
Milpitas** <25 Employees	10.00	10.50	Jan-11.00 July-12.00	July-13.50	July-15.00
Milpitas** >25 Employees	10.00	Jan-10.50 July-11.00	Jan-12.00 July-13.50	Jan-15.00	*
Morgan Hill	CA	CA	CA	CA	CA
Mountain View	11.00	13.00	15.00	*	*
Palo Alto	11.00	12.00	13.50	15.00	*
San Jose	10.30	Jan-10.50 July-12.00	13.50	15.00	*
San Mateo	10.00	12.00/ 10.50 (NP)	13.50/ 12.00 (NP)	15.00/ 13.50 (NP)	*
Santa Clara	11.00	11.10	*	*	*
Saratoga	CA	CA	CA	CA	CA
Sunnyvale	11.00	13.00	15.00	*	*

\* Increase will correspond to the prior year's Consumer Price Index (CPI) based on the San Francisco-Oakland-San Jose regional index as reported by the U.S. Department of Labor's Bureau of Labor Statistics; Santa Clara refers to the National CPI rather than regional

\*\* Proposed but not yet enacted

CA = City follows same schedule as the State of California  
(NP) = Non-profit 501(C)(3) adjusted rate

**POST MEETING MATERIAL**