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DEPUTY CITY MANAGER
DOWNTOWN DEPARTMENT

CITY OF SACRAMENTO
CALIFORNIA

APPROVED
BY THE CITY COUNCIL

JUN 23 1998

OFFICE OF THE
CITY CLERK

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City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: PROPOSED IMPLEMENTATION OF SACRAMENTO CONVENTION CENTER ORGANIZATIONAL CHANGES

LOCATION AND COUNCIL DISTRICT: All Districts

RECOMMENDATION:

It is requested that the City Council adopt the attached resolution authorizing the City Manager to implement the staff recommendations pertaining to the Sacramento Convention Center (SCC) resource analysis as prepared by Conventions, Sports and Leisure, International (CSL).

CONTACT PERSON: Thomas V. Lee, Deputy City Manager, 264-5704

FOR COUNCIL MEETING OF: June 23, 1998

SUMMARY:

This report requests City Council approval to adopt implementation measures to incorporate the recommendations presented by CSL in order to provide the greatest potential for achieving the financial, marketing, operational, and management objectives of the Sacramento Convention Center Five-Year Business Plan. It is recommended that the Sacramento Convention Center 1998-99 proposed revenue and expense budget be increased by \$250,000 each. Further, it is recommended that the Downtown Enterprise Department implement organizational changes appropriate for the efficient operation of the Sacramento Convention Center.

COMMITTEE/COMMISSION ACTION:

None.

BACKGROUND INFORMATION:

In January of 1998, the City engaged the services of a consulting firm, Conventions, Sports and Leisure, International (CSL), to conduct audit of the resources and organization presently available to implement the Sacramento Convention Center Business Plan. The Five-Year Business Plan was accepted by Council in June of 1997. The consultant's recommendations, based on the results of the audit, determined that certain changes are necessary to enable the Convention Center to achieve the results intended in the Business Plan, and to efficiently operate, manage, and market the Center in a professional manner.

On May 12, 1998, CSL presented their report to Council. The Council accepted the report with the understanding that a staff recommendation would be forthcoming for implementation. CSL benchmarked comparable and competitive Convention Center facilities focusing on key organizational elements, operational procedures, and physical plant as well as the technological resources used for financial and use reporting at the Sacramento Convention Center. Also included in CSL's comparisons was a brief review of the marketing and structural relationships between the SCVB and the Convention Center for marketing effectiveness.

The process by which CSL reached its conclusions involved intensive interviews with clients, hoteliers, restaurateurs, food service providers and other private sector visitor representatives, to determine the impact of and general level of satisfaction with Convention Center operations. Interviews were also conducted with representatives of the marketing, event services, box office, and building operations divisions of the SCVB and Convention Center management and staff.

The results of the audit were presented in a written report which provided recommendations in four key areas: Organizational Structure and Staff Levels; Operational Policies; Financial Resources; Center and Visitors Bureau coordination. A summary of the consultant's findings and proposed implementation steps follow:

Organization and Staffing Levels:

Adequate staffing and organizational structure are essential components to the financial success and professional reputation of a convention center. Without these essential elements, appropriate quality services cannot be provided. Due primarily to insufficient staffing for the size and complexity of the Center, CSL identified deficiencies including a

lack of adequate staff training; lack of timely preparation of contracts and manifests; lack of staff dedicated to Sales and Marketing, and insufficient financial reporting and monitoring; lack of available staff to service events occurring after traditional business hours; and lack of routine maintenance to the facility

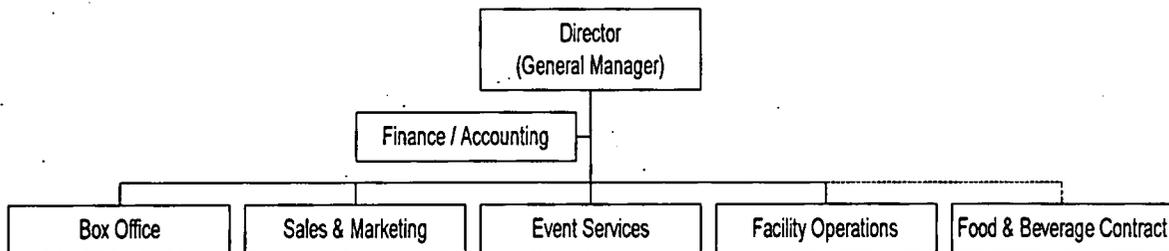
The consultant's comparison with eight comparable convention centers revealed that the Sacramento Convention Center operates with staffing levels below even the minimum levels necessary to provide the base level of customer service now considered standard in the industry.

The staffing and organizational changes, due to cost constraints, should be accomplished in phases. While CSL recommended nine additional positions, staff is recommending an initial four new positions and two additional positions as revenue permits. The remaining positions were in the area of human resources and financial reporting. Staff believes these functions can be adequately performed at the Downtown Enterprise Department level.

Staff recommends implementing staffing and organizational changes in two phases. Phase I would be implemented immediately and would be funded from current budget and a projected increase in revenues; however, Phase II would not be implemented until revenues increased commensurate with the amount needed for implementation.

Phase I would begin immediately, and address the primary concerns of customer service, marketing, and filling vacant budgeted positions to accommodate the increased use of the Center. It is imperative that customer service be a priority of the Center because a good experience by the user clients will result in additional business and continual promotion by satisfied clients. It is critical that the SCC proactively attract and retain both Group A and Group B business in order to continue the success of the SCC. The SCVB markets primarily to Group A, room generating business, and the Center is responsible for Group B sales, the smaller meetings, performances and food functions.

The SCC organization is proposed to be restructured to become more efficient, accountable, responsive and to improve service delivery as depicted below.



The proposed structure would streamline and flatten the organization so it can be more responsive to our customers. Additionally, a Sales and Marketing Division would be added to promote, market, and sell the SCC within 18 months, and coordinate closely with the SCVB on long-term events; centralize event and customer support under the Event and Services Division in order to provide services necessary for our clients before and during events at the facility; and focus the Facility Operations Division on building and equipment management and maintenance in order to have a well maintained facility to better serve the Center patrons.

In addition, staff proposes that the Facility operational budget be augmented by \$40,000 for major custodial services such as major carpet cleaning, windows, and other major maintenance items, as well as additional set-up and take-down personnel.

In order to implement the organizational changes, it is requested that the City Council approve adding the following positions:

- ◆ General Manager (reclassified)
- ◆ Sales Director (new position)
- ◆ Booking Coordinator (new position)
- ◆ Coordinator Assistant (new position)
- ◆ Financial Assistant (new position)
- ◆ Contracted Services (\$40,000)

It is estimated these positions and contracted services will cost an additional \$250,000 per year.

The current industry standard of service at competing convention centers is one which approximates the level of service provided by a hotel. Sacramento Convention Center staffing and operational policies do not presently permit the SCC to match this level of service to SCC clients. However, with the proposed changes and additional staffing, the Sacramento Convention Center will begin to approach a level of service comparable to hotels.

Phase II will be implemented at mid-year pending the monitoring of revenue collections and will include two additional set-up and custodial staff at an additional cost of \$80,000 per year.

Operational Policies:

The operational policy changes will be implemented over the next year. These would include streamlining client services procedures, marketing of Group B business, preparing a marketing strategy in coordination with the SCVB, and developing recommendations for City Council consideration relating to rental rate structures and discount policies.

Effective Immediately:

- ◆ Event Coordinators will be specifically assigned to major events, from start to finish.
- ◆ Training of event personnel will begin.

Effective Upon Implementation of Staff Changes:

- ◆ The Sales Director will begin sales and marketing of the SCC up to 18 months in advance for priority Group B business and the small Group A business; and to coordinate marketing efforts with the SCVB. This will include development of joint Center/SCVB sales goals and plans, booking policies, and marketing and promotional materials to effect a seamless coordination between the activities of the Center and the SCVB marketing staff.
- ◆ The additional Booking Coordinator will assist in meeting the goals of having signed contracts from one to two years prior to the event, and manifests prepared from one to two weeks prior to the event.
- ◆ A Coordinator Assistant will be assigned to client service coordination between Event Coordinators for prompt event-day assistance.
- ◆ A computer aided drawing (CAD) system will be implemented to improve the professional appearance of the manifests.

Pending Further Council Approval:

- ◆ Center will review and develop recommendations relating to the rental rate structures for the Convention Center, the Community Center Theater and the Memorial Auditorium.

- ◆ Center will develop a discount policy structure for Council consideration. The policy discussion will occur after selecting a General Manager.

Financial Resources:

The Convention Center operating budget for FY 1998-99 is recommended to be increased by \$250,000. Of this total, \$210,000 reflects additional staffing totaling 4.00 FTE and \$40,000 for contracted custodial services.

The \$40,000 increase is recommended to fund contracted supplemental custodial services for major custodial needs such as carpet cleaning, window washing, and floor refinishing. These services could then be performed quickly and during non-business hours.

The increased expenses would be financed from growth in event generated user fees, estimated at \$250,000, and reflects the anticipated ability of the new Sales Director to increase revenue from Memorial Auditorium, Community Center Theater and Ballroom by 10 percent next year. Based on the available dates in the Theater and Memorial Auditorium, there is capacity for growth in these areas. An active sales program should, at minimum, generate a 10% increase in revenue.

Convention Center and Bureau Coordination:

The addition of the Sales Director position and analyst position will improve coordination between the Center and Bureau.

FINANCIAL CONSIDERATIONS:

The 1997/98 Budget included a \$1.4 million loan from the Risk Management Fund to balance the Community Center Fund for that fiscal year. Because of the strong fiscal performance, the loan draw is now expected to be nearly \$600,000 less or a loan of approximately \$850,000. This also includes covering the one-time litigation expenses of \$950,000 which were paid from the Community Center Fund. The loan draws will continue through FY 2001/02 with loan repayment beginning the following year. The total anticipated loan draw over the next five years will be less than originally anticipated.

The proposed increase in the operating budget is directly offset by increased revenue, and will not adversely impact the loan for the debt service on the facility.

ENVIRONMENTAL CONSIDERATIONS:

The actions requested in this report are exempt from CEQA review pursuant to Section 15378(b)(3) of the California Environmental Quality Act Guidelines:

"General policy and procedure making".

POLICY CONSIDERATIONS:

The actions recommended in this report are consistent with City policy to encourage the fiscal viability of the Convention Center and reinventing of City government.

MBE/WBE:

Staff will work closely with the City's Office of Minority and Women-Owned Business Enterprise to maximize opportunities for inclusion of the City's diverse population in hiring and purchases of goods and services related to the actions recommended in this report.

Respectfully submitted,



Thomas V. Lee,
Deputy City Manager

RECOMMENDATION APPROVED:



William H. Edgar
City Manager

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APPROVED
BY THE CITY COUNCIL

JUN 23 1998

OFFICE OF THE
CITY CLERK

RESOLUTION NO. 98-304
ADOPTED BY THE SACRAMENTO CITY COUNCIL

ON DATE OF _____

**PROPOSED IMPLEMENTATION OF SACRAMENTO
CONVENTION CENTER ORGANIZATIONAL CHANGES**

BE IT RESOLVED BY THE CITY COUNCIL OF THE CITY OF SACRAMENTO THAT:

1. The Community Center Operating and Revenue 1998-99 proposed budgets are increased as follows:

419-430-4xxx	\$ 250,000
419-430-3xxx	\$ 250,000

2. The City Manager is authorized to implement the organizational changes as described in this report as necessary for the efficient operation of the Sacramento Convention Center.

MAYOR

ATTEST:

CITY CLERK

FOR CITY CLERK USE ONLY

RESOLUTION NO: _____

DATE ADOPTED: _____

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