



THE CITY OF SAN DIEGO
REPORT TO THE CITY COUNCIL

DATE ISSUED: June 18, 2012

REPORT NO:
12-079

ATTENTION: Honorable Council President and Members of the Council

SUBJECT: Update on the Status of Negotiations between San Diego Convention Center Corporation (SDCCC) and San Diego Convention and Visitors Bureau (ConVis) regarding the ConVis Sales & Marketing Contract (Contract) and Convention Center Booking Guidelines

SUMMARY:

On March 20, 2012, the City Council approved the First Addendum (Addendum) to the Third Amended and Restated Management Agreement between the City of San Diego (City) and SDCCC. The Addendum would allow SDCCC to contract with a third party for sales, marketing and promotion obligations for long-term events, defined as those booked 18 months in advance. Short-term events, defined as those booked within 18 months, would remain under the responsibility of SDCCC.

The City Council requested that ConVis and SDCCC report back to the Economic Development and Strategies Committee (ED&S) within 90 days to answer questions issued by the Independent Budget Analyst (IBA) and provide proposed metrics. Answers are also being provided to questions submitted by Councilmember Sherri Lightner.

BACKGROUND:

After the March 20, 2012 City Council hearing, ConVis and SDCCC met on numerous occasions to negotiate the Contract and Booking Guidelines. ConVis was represented by Joe Terzi, President and CEO. SDCCC was represented by Board Members Steve Cushman and Cheryl Kendrick, with consultation from CEO Carol Wallace. The Contract and Booking Guidelines will be considered by the SDCCC Board of Directors on Wednesday, June 27, 2012.

DISCUSSION:

Following are answers to questions provided by the IBA and Councilmember Lightner. Information was obtained through staff at SDCCC and ConVis. Also attached are the draft Contract and Booking Guidelines. Metrics are included in the Booking Guidelines.

Questions Submitted by the IBA

1) The staff report cites a consultant finding that 80% of municipal convention centers operate in a model whereby long-term bookings are handled by a Convention Visitor Bureau. The same consultant determined that the City's Convention Center operated with a significantly smaller public operating subsidy than 20 other major convention centers that were evaluated. Noting our Convention Center's ability to operate with a smaller public subsidy, what are the other considerations and the business case that favor shifting our current marketing model to the more common model?

The studies refer to RM7 Consultant reports prepared for the Convention Center Board of Directors. The first was done in February 2012, "Convention Center Operating Revenue / Deficit and Government Support". The second report was done in March 2012, "US Convention Center Booking Windows & Marketing Models Study".

The reference to 80% does not refer to "a model when long-term bookings are handled by a Convention Bureau" as stated in your report. The report states that "over 80% of municipal Convention Centers in the US control sales & marketing of short term bookings and business on an average of 18-months out." Longer term business is marketed by Convention & Visitors Bureaus/Destination Management Organizations.

The standard and best practice in this industry is consolidation of all sales & marketing for Convention Centers and destinations under one organization. Of the top 60 destinations, only 3 have a segregated sales & marketing efforts: San Diego, Hawaii and Boston. Consolidated sales & marketing exists in over 90% of all destinations. This is the most efficient way to ensure that both the destination and building are joined together to deliver one message to the customers while leveraging the strength of the industry.

2) Historically, the City originally used a variation of the proposed model from 1989 to 1995, moved to a joint marketing operation housed at the Convention Center beginning in 1996, and thereafter evolved to the current model in 2004 whereby Convention Center staff markets the Convention Center. Like the current proposal, rationales for past changes in the marketing model have been tethered to greater operating efficiencies and accountability. Given that the City has a history of marketing in these different models, it remains unclear to us which model is most effective and why?

The Convention Center opened in 1989 with ConVis responsible for the sales & marketing of the facility. The Convention Center retained responsibility for short-term secondary bookings from 18-months and in. In 1996, the decision was made to merge all sales & marketing and convention services under the direction of the Vice President of Sales & Marketing from ConVis.

The team was housed at the Convention Center to ensure there was strong integration of both the selling and servicing functions. Since the VP of Sales & Marketing from ConVis was then responsible for both functions, a joint reporting responsibility was established to the Presidents of ConVis and Convention Center.

A decision was made in 2004 to transfer the sales & marketing responsibility for the Convention Center from the Bureau to the Center, due in part to instability at the leadership level as well as the continued reduction of city funding for ConVis. This change did not produce any efficiencies and post separation costs increased. We are in the process of finalizing cost savings projections associated with the return of the sales & marketing to ConVis and estimate the total savings should be at least \$500,000.

3) Convention Center and CONVIS staff appear to agree that the most important performance metric is future room nights sold. While Convention Center staff has met or exceeded its annual room nights goal since FY 2005, it has been suggested a) that the goal may be too low and b) that CONVIS may be able to more effectively market future room nights. The IBA recommends the Council be provided with more detail regarding CONVIS's marketing approach - specifically, how will it differ from current marketing efforts, how it might result in greater future room night bookings, and how it would maintain or reduce the annual operating subsidy required of the City (\$3.4M in FY 12).

Downtown hotel inventory has increased by 100% since 2003 and the space at the Center also increased 100% since 2002, yet the number of room nights associated with the Convention Center business has only increased approximately 25%.

The Convention Center has maintained the same annual booking goal since FY 2003 of 850,000 room nights while producing an average annual room night yield of 673,000. Since the majority of prime space has been committed in the building through 2020, it would be difficult to increase room nights because of limited space. Once the expansion is completed, additional space will be available to meet the new metrics.

The chart below shows the total room nights consumed since 2002:

<i>Fiscal Year</i>	<i>Room Nights Utilized* Reported occupied room nights associated with the specific year noted.</i>
2002	545,974
2003	594,589
2004	653,923
2005	635,682
2006	625,301
2007	730,978
2008	729,696
2009	676,670
2010	709,300
2011	735,097

** The above booking report is produced on annual basis by the Convention Center Corporation and includes feedback from hotels that are included in contracted room blocks. This has been produced consistently since 2002.*

The consolidation of the sales & marketing functions under ConVis will focus efforts on the primary goal of driving more room nights. This will be done through changes in booking policies, incentive compensation plans, increased booking goals, as well as an integrated sales & marketing plan. This will ensure that the addition of the over 400,000 square feet of new meeting space will produce more room nights.

We do not anticipate a reduction or an increase of the existing \$3.4 million subsidy. It will be evaluated on an annual basis as part of the budget.

4) If the marketing agreement is awarded to CONVIS, how would their operation be staffed and how would CONVIS staff effectively coordinate with Convention Center staff? What are the performance goals and metrics that are being contemplated? What would the resulting impact be on the Convention Center budget and staff?

We have reviewed the existing sales & marketing expenditures and are in the process of finalizing our integration plan. All Sales Managers currently on the Citywide Sales Team of the Convention Center have been offered opportunities to join the ConVis Citywide Team. We anticipate a staff reduction of 4 associates as well as several positions in Convention Center Sales Leadership and Public Affairs.

5) We understand there could be cost savings associated with the elimination of duplicative efforts between the Convention Center and CONVIS (for example, eliminating duplicative satellite marketing offices)? If so, we'd ask if those estimates could be provided for Council consideration.

See IBA Question #2.

6) If the decision is made in favor of the amendment, there is a question as to the availability of \$3.1M in the Convention Center's budget for the annual third party vendor payment. The Center currently budgets \$3.1M for ALL marketing - which includes the marketing of events booked less than 14 months in advance. As we understand the current proposal contemplates awarding \$3.1M for the marketing of events booked 14 or more months in advance, would the Convention Center have sufficient funds to market the events they will continue to book? (those booked less than 14 months in advance)?

A payment of \$1.9 million has been committed by SDCCC and accepted by ConVis, which leaves funding for short-term sales.

7) Section 2 of the Proposed Addendum to the Agreement appears to shift the City's consent or approval with respect to the Agreement exclusively to the Office of the Mayor. The City

Council may wish to ask the City Attorney to clarify how this provision would impact their ability to oversee this Agreement in the future.

This was resolved at the March 20 City Council hearing.

8) If the decision is made in favor of the amendment, it is unclear if the Convention Center would have oversight and/or accountability for the performance of the marketing contract?

Yes, the SDCCC Board will have oversight. A description of metrics and oversight is included in the attached Booking Guidelines.

9) This proposal contemplates reinvesting 50% of any operating surplus into the on-going maintenance of Convention Center facility. As it is the City's goal to expand and maintain a top-notch Convention Center facility, the IBA believes annual reinvestment into the ongoing maintenance of the facility is an important consideration in this decision. Without sufficient annual reinvestment to maintain the facility, future General Fund/TOT subsidies may be required - reducing the City's ability to address other budget priorities.

We agree that an annual reinvestment into maintenance is important. SDCCC has a significant amount of deferred maintenance, estimated to be as much as \$20 million. This is a priority that is being addressed in the FY13 budget by SDCCC staff and Board.

10) CONVIS representatives have suggested that the performance goal for the number of future room nights booked should be increased in light of the proposed Convention Center expansion. The IBA agrees that this goal, and perhaps other performance measures, should be revisited.

See Question #3.

Questions Submitted by Councilmember Lightner

1. What are the populations of the jurisdictions that fall in to the 80 percent category of municipal conventions centers that operate in a model administrated by a convention visitor bureau? What is the population of the jurisdictions in the remaining 20 percent that are not administered by a convention visitor bureau?

The standard and best practice in the industry is consolidating sales and marketing for Convention Centers and destinations under one organization. Of the top 60 destinations, only 3 have a segregated sales and marketing efforts: Boston, Hawaii and San Diego. Over 80% of all destinations have a combined selling effort.

Below is a chart listing the populations of jurisdictions that operate a model administrated by a Convention & Visitors Bureau.

City	Population	Rank
New York, NY	8,175,133	1
Los Angeles, CA	3,792,621	2
Chicago, IL	2,695,598	3
Houston, TX	2,099,451	4
Philadelphia, PA	1,526,006	5
Phoenix, AZ	1,445,632	6
San Antonio, TX	1,327,407	7
San Diego, CA	1,307,402	8
Dallas, TX	1,197,816	9
San Jose, CA	945,942	10

2. What entity typically operates the convention visitor bureau in other jurisdictions? Is it the City/County or an independent, unelected board? What is the operational model of the 20 percent portion of convention centers that do not use the convention visitor bureau model?

The majority of Destination Marketing Organizations (DMO's) or Convention & Visitors Bureaus operate as 501c3 or 501c6 corporations. Most have defined bylaws that detail the makeup of the Board of Directors as well as the process for elections. These Boards vary in size and usually include both industry and non-industry representation. The majority of the DMO's receive city or municipality support through allocations of a portion of TOT. The San Diego CVB is somewhat unique, as we receive no city funding with 75% of our revenue coming from the Tourism Marketing District (TMD). The remainder of our funding comes from private sources in the form of membership, co-op advertising and marketing, visitor services and publications

3. How does SDCCC currently book events 18 months and out?

Currently, the booking of events for 18 months and out is the responsibility of the Convention Center Citywide Sales Team, which consists of a Senior VP of Sales, 8 Directors and 7 support positions. There are established booking guidelines as well as space rental charges that guide the decision making process.

4. What is the "surplus"? What is the methodology for calculating any anticipated surplus?

The surplus would be defined as cash available once the operating costs and reserves for capital expenditures of the Convention Center Corporation are funded. In essence, it would be net operating profit.

- a. Can we use any potential surplus to offset the City's contribution or return it to the City's General Fund? *No. A surplus, if any, would be directed to deferred maintenance.*
- b. Will routine O&M be taken out before surplus is calculated? *Yes.*
- c. Who will be responsible for bookkeeping of records? *SDCCC Finance Department.*
- d. Will records be available to the public? *Yes, records are available. SDCCC uses the guidelines set forth in the Public Records Act to comply with requests for documents.*

5. Will SDCCC have responsibility to book off-site meal accommodations for events that desire not to use Centerplate?

No. SDCCC does not have control over the bookings of food & beverage functions outside of the building. Centerplate is the exclusive catering company for all food & beverage service inside the building. Centerplate can bid on food & beverage events associated with citywide conventions in locations where no service is available; i.e. Embarcadero Park, USS Midway, Balboa Park.

6. What is the national annual booking average of comparative convention centers compared to SDCCC?

Annual booking averages vary greatly due to size of facilities, availability of space, attractiveness of the destination, rotation of citywide events, etc. Convention Center booking goals are established using different criteria and not always calculated in the same way from destination to destination. As an example, the following are the 2012 booking goals for some competitive destinations:

Destination	Citywide Room Nights Booked	Exhibit Hall Space	Percentage
Seattle	300,000	205,000	146%
Anaheim	400,000	813,000	49%
Boston	700,000	525,000	133%
Los Angeles	710,000	720,000	98%
San Diego	850,000	616,000	137%
San Francisco	1,176,000	741,000	158%
Orlando	1,500,000	2,100,000	71%
Chicago	2,300,000	2,600,000	88%

7. Can the contract that is currently being negotiated be modified and how?

The Contract is attached to this report and will be considered by the SDCCC Board on June 27, 2012. Staff of SDCCC and ConVis are able to negotiate future modifications as needed.

8. What information do you propose to include in the regular updates to the ED&S Committee?

We propose to produce a written monthly activity report similar to what is currently being produced by the Convention Center Corp., to include activities, definite bookings, site inspections and YTD performance to goal. A report before the appropriate City Council committee will occur biannually.

9. What assurance does the City have that the amended agreement will not place the General Fund at risk?

The move of the long-term Sales and Marketing function to the SDCVB is designed to maximize sales, space utilization and revenue to the Convention Center and thus mitigate potential risk to City's general fund. The proposed monitoring reports to the City Council and Mayor will also give the City oversight of the amended agreement.

10. Contract should state that acceptable performance measures should be met.

Agree. The Contract references the Booking Guidelines, which include performance measures.

11. Performance measure/metrics to be tracked should include:

- a. Growth in "heads in beds"
- b. Growth in food and beverage sales at the SDCCC
- c. Percentage increase of bookings
- d. Number of actual filled room nights versus booked nights
- e. Level of General Fund subsidy for operations as a function of time (With goal of reducing General Fund subsidy)
- f. Utilization of square footage, to be recorded overall and per type of event (Could be based on size of event or the number of events to determine how a balance of large and small event types may optimize utilization)
- g. Diversity of event types (Are events primarily local or out-of-state? Should the goal be to improve diversity of events or should it be more about attaining out-of-state events?)
- h. ROI analysis of marketing expenditures
- i. Benchmarking of current profitability

Metrics are addressed and included in the attached Booking Guidelines.

12. Provide historical SDCCC data on:

- a. Wages, benefits and FTEs
- b. Food and beverage sales
- c. Sales and marketing budget
- d. Number of conventions and convention size
- e. Percentage of events that are booked 18 months or less in advance and percentage of event that are booked more than 18 months in advance
 - i. What is the revenue for both of these categories of events?
 - ii. What is the cancellation rate for both of these categories of events?

<u>Question #</u>	<u>FY 2010</u>	<u>FY 2011</u>
1.a. Wages	\$16,076,410	\$16,334,668
Benefits	\$4,960,405	\$ 4,208,553
FTE's (1)	352.97	358.39
1.b. F&B Sales (gross)	\$19,992,896	\$19,888,354
1.c. Sales/Marketing Expenses:		
Wages/Benefits	\$2,336,337	\$2,416,980
Non-Personnel	\$554,742	\$560,337
1.d. Conventions (2):		
Number	66	69
Size (Attendance)	557,237	557,328
1.e. Events Booked (3):		
% 18 months or less	64%	70%
% greater than 18 months	36%	30%
1.e.i. Event Revenue:		
\$'s 18 months or less	\$3,534,261	\$3,584,877
\$'s greater than 18 months	\$20,535,100	\$20,477,510
1.e.ii. Cancellation Rate:		
% 18 months or less	3%	3%
% greater than 18 months	6%	0%

Note (1): Based on budgeted exempt and actual non-exempt hours for FY10 and FY11

Note (2): Includes all "primary" business - convention & trade, national trade, convention only and corporate/incentive events

Note (3): Includes all events

13. There currently is a significant backlog (approx. \$16M) of deferred facility maintenance costs.

- a. How does the Board plan to address this backlog?
- b. Will the expected contribution from the anticipated "surplus" be sufficient?

The Board has set aside \$1.25 million in FY13 for deferred maintenance and has requested an audit of the organization with a goal of identifying 5% savings, which would give an additional \$1.5 million towards deferred maintenance.

14. How do you plan to assemble staff to book those events 18 months and out? Will you be using any of the existing convention center staff? Where will they be located? How will they be able to coordinate with convention center marketing staff booking events 18 months and in?

- a. Do you plan to use any existing staff? If yes, how do you expect to manage the operations to achieve savings and higher performance with this existing staff?

The Bureau has finalized discussions with the current Convention Center Citywide sales personnel identified by the Center. Offer letters have been made to the majority of the current associates and they will be terminated as Convention Center Associates on June 30, 2012, and hired as Convention Bureau Associates on July 1, 2012.

The Convention Center has a team focused on "local" and short-term business. This team currently consists of a Director of Sales, 3 sales positions, and 2 support positions. This is the team that will be responsible for booking non-citywide groups 18-months and in.

15. How will the SDCCC manage the loss of \$3.1M annually from their budget? We understand that the \$3.1M covered all existing marketing/promotion staff. How will you be able to cover the personnel expense of the current convention center staff booking events 18 months and in?

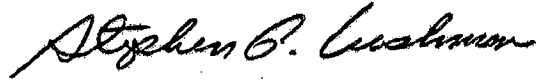
The transfer of sales & marketing from the Center to the Bureau will remove the responsibility and cost from the Center and transfer it to the Bureau. See IBA Question #6.

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The First Addendum to the Third Amended and Restated Management Agreement was approved by a 7-1 vote by the City Council on March 20, 2012.



Originating Department
Jaymie Bradford
Director of Intergovernmental Relations



Stephen P. Cushman
Special Assistant

San Diego Convention Center Corporation

Booking Guidelines

Introduction & Overview

The following booking guidelines are utilized to ensure that all events confirmed at the San Diego Convention Center Corporation (SDCCC) are done in a way which will maximize hotel room night production for the destination. ConVis and SDCCC's overriding mission is to generate significant economic benefits and hotel room night usage for the greater San Diego region by hosting international and national conventions and trade shows in our world-class facility. We also recognize that facility revenue enhancement is critical to support a talented staff and to provide for building improvements and modernization.

The guidelines outlined are based upon the proposed expansion of the existing convention center. Upon completion of the expansion, the center's space inventory will be as follows:

- 750,000 gsf of contiguous exhibit space (Halls A-H)
- One (1) 80,000 gsf Ballroom
- Two (2) 40,000 gsf ballrooms
- Approximately 123 meeting rooms
- Sail Pavilion (90,000 gsf)

Exceptions to these booking guidelines must be approved by ConVis Senior VP of Convention Center Sales. Although as a general rule these guidelines are consulted when reviewing all booking opportunities, they are not requirements, and many different factors are considered before determining if a booking opportunity business will be pursued by ConVis sales staff.

Convention Center Production Goals

Convention Center booking goals are based on projected room night utilization for events booked at the Center. The 2013 goal has been increased from 850,000 to 900,000. This is made up of a Citywide Team booking goal of 860,000 and a Center short-term goal of 40,000. While these goals will be evaluated on an annual basis, we do not anticipate an increase until the additional expansion space is available for sale. Once the expansion is available for sale, we anticipate an increase in the annual booking goal to approximately 1,200,000.

In addition to the above fiscal year booking goals, the targeted room night utilization will be 750,000 pre and 1,000,000 post expansion. Defined more clearly, the goal includes all room nights utilized in the destination that are directly related to the Center events in any given calendar year.

Booking Requirements

The following 3 main criteria must first be considered in regard to any new booking opportunity. These address the room night usage of the group, and are designed to ensure that space in the building is allocated to ensure that room night usage is maximized for the destination.

Minimum Peak Room Night Requirement

To ensure that convention center space is available for those events potentially generating the greatest hotel room demand over a given time period for the destination, those larger events are given a greater time frame and preferential booking opportunities. Goal is ultimately to achieve multiple stackable bookings totaling the minimum peak indicated.

Booking Time Frame	Minimum Peak Room
12-18 months out	750
2 years out	1,000
3 years out	1,500
4 years out	2,500
5 years out	3,000
6 years out	4,000
7- 9 years out	5,000
Greater than 10 years out	7,000

Exhibit Hall Allocation (750,000 gsf)

Convention center exhibit hall space is also allocated based on room nights generated, as outlined below, to facilitate the potential to "stack" simultaneous events in the building. This guideline does not apply to events booked within three years.

Exhibit Hall Space Required	Minimum Peak Room Night
Entire Exhibit Hall	6,000
¾ of Exhibit Hall (approx. 560,000 gsf)	5,000
½ of Exhibit Hall (approx. 375,000 gsf)	3,000

¼ of Exhibit Hall (approx. 190,000 gsf)	2,000
1/8 of Exhibit Hall (approx. 95,000 gsf)	1,000

Meeting Space Allocation per Exhibit Hall Usage

The amount of convention center meeting rooms and ballroom space allocated to a particular booking should be as outlined below. Space allocation is limited to the corresponding exhibit halls utilized by a given client. This allows greater flexibility when attempting to “stack” or “marry” multiple groups in the building over the same dates, as it helps ensure that sufficient meeting space will be available for each group. As a general rule, meeting space is allotted to a group proportionate to the hall space they are utilizing. For example, if a group is using half of the exhibit hall, they will be allotted half of the meeting and ballroom space in the building. Any deviation from the space allocation as outlined below must receive approval of the ConVis Sr. VP of Convention Sales.

Complimentary meeting and ballroom space is allotted based on the amount of exhibit space which is rented (as outlined per the SDCCC internal rental rate sheet). However, the client’s meeting space requirements should be carefully examined prior to committing all allowable complimentary space, to ensure that we are not committing space to a client which they otherwise would not need. This will allow us to potentially have more space available to rent to another potential client wanting to book over the same dates. Additional meeting and ballroom above the complimentary allotment allowed can be rented to a client, provided the additional space rented is in the corresponding side of the building as the Halls used by the client. For example, a client utilizing Halls AB can purchase additional meeting rooms on the West side of the building (rooms 1-19) but cannot purchase rooms on the Eastside(20-33). Any deviation from this guideline will require prior approval of the ConVis Sr. VP of Convention Sales.

Exhibit Halls Used	Meeting Space Allocated
Halls A-C	Rooms 1-5, 7-19 - Ballroom 6
Halls D-H	Rooms 21-33 - Ballroom 20 All Expansion Meeting Rooms & Expansion Ballroom
Halls D-E	Rooms 21-33 - Ballroom 20
Halls F-H	All Expansion Meeting Space & Expansion Ballroom
Sail Pavilion	Rooms 1-5, 7-19, Ballroom 6 or Rooms 21-33 & Ballroom 20

Exhibit Hall Move-in/ Move-out

It is critical to always ensure that the number of move-in/move-out days is limited to as few as possible for any event booked in the center. The actual days of an event's move-in/move-out usually result in limited hotel room usage, as few attendees will be at the convention during these days. In addition, excessive move-in/move-out days for a particular group take more convention center space out of inventory, making it difficult to "stack" or "marry" groups together. Complimentary move-in/move-out days are allocated based on the number of show days for an event. For example, a 3 day show, requiring 3 move-in days and 2 move-out days (5 total days), would receive a total of 3 complimentary days, and would be required to pay for 2 days. In addition, attempts should always be made to "buy back" move-in and move-out days from a contracted event in order to confirm an additional event over similar dates.

Additional Booking Policies

Room Night History

A minimum of two years of room night history is required prior to confirming any event definite, in order to ensure that the above room night minimums are met. First time events with no room night history will only be considered if the event is looking to confirm dates within 3 years, unless the first time event in question is a "co-location" of two previously existing shows, which each have sufficient room night history to support the new show.

Room night history will be reviewed on a yearly basis up until the date of the event, to ensure the room night usage for the group is consistent with the projected totals when the event was initially booked. In the event of a substantially lower room night usage, ConVis reserves the right to re-evaluate the space that has previously been committed to the client, and adjust the space accordingly based on the more updated room night usage.

Group Confirmation/ License Agreement Process

The Group Confirmation Agreement (GCA) must first be reviewed by a ConVis Sr. VP of Convention Sales prior to being issued to the client, to ensure the event meets the required booking guidelines. Any deviations from these booking guidelines must receive prior approval of the SVP before agreement is issued to client. The GCA should also first be reviewed by SDCCC booking manager, to ensure that no double bookings exist. The issuing of license agreements will be the responsibility of SDCCC.

Convention Center Pricing Negotiations

When negotiating Convention Center rental & pricing, the policies and guidelines as outlined in the "Facility Rental and Contracting Guidelines," must be adhered to. Any deviation from these parameters requires prior approval from the ConVis Sr. VP of Convention Sales. ConVis will consult with SDCCC senior management when considering significant discounts for business. Potential booking opportunities over

any holiday, off-peak, or identified "need" period will be given special consideration in terms of rental pricing, and substantial additional discounts will be considered to help secure these business opportunities.

Hotel Room Night Patterns

Attempts should always be made to book events which result in a room night pattern of either Thu-Sun, or Sun-Tue, as these patterns are generally more attractive to the hotel community. In general, a preferential room night pattern will allow us to offer a better overall package to the hotel partners. Availability at the Center or the client's inability to revise their pattern may not allow any flexibility in this regard. However, whenever possible, the room night pattern should be considered when trying to place business on the books, and, attempts should be made to shift the group's overall usage dates to accommodate these preferred room night patterns.

Hotel Subsidies

When negotiating to confirm a booking and meet a client's given rental requirements, it may be necessary to solicit the hotel community to participate in a subsidy program. A hotel subsidy should be considered **only** after all internal discounts have been considered, and a rental reduction of at least **25%** off rack rental has been offered. In the event additional rental needs to be offset after these reductions have been applied, any offer of a subsidy to the client will first require written approval from those hotels contributing to the room block for the group. At this point in the process, the decision to offer a subsidy will be that of the hotel community, based upon whether they feel it is in their best interest to confirm a particular booking. If there is a collective decision amongst the hotels to move forward with a subsidy, the SDCCC contract manager will issue subsidy agreements to each hotel which will outline the projected financial obligation and contribution toward the subsidy program for which each hotel will be responsible.

Moving Groups or Revising Contracted Space to Accommodate another Booking Opportunity

Space committed to contracted or definite groups must regularly be revised or amended in order to accommodate other new opportunities. Generally, it will be difficult to drastically revise or move space for a large citywide group, as it would require also revising space and room block commitments at numerous hotels. However, revising or "buying back" some space (such as exhibit hall move-in or move-out days) from a contracted or definite client is commonplace, and certain incentives will always be considered in order to maximize bookings in the building.

Booking Exceptions

Exceptions to the above guidelines are considered based upon but not limited to the following criteria. Exceptions are subject to approval of the ConVis Sr. VP Convention Sales. Booking exceptions are evaluated based on the projected room night utilization, weighed against the opportunity cost of opting to instead only book events that would satisfy the three main booking guidelines.

Holidays and "Hot Dates"

As these dates are considered less desirable for Convention Center clients, exceptions are made when a particular booking opportunity falls on or around these dates, which are oftentimes considered "off-peak". Holidays include, but are not limited to: Christmas, New Year's Day, Thanksgiving, Easter, all major Jewish Holidays, Memorial Day, Independence Day, and Labor Day. Exceptions will be made for additional dates based upon any historical booking patterns or trends which are evident in previous years over that particular date time frame. For example, an exception may be considered over Mother's Day in a certain year, if it is noted that in recent years that particular holiday date ranges has not been dates which have consistently booked.

Annual Events

Exceptions may be given to clients who have booked numerous events in the City, and have a long history of producing room nights for the destination. For example, if a certain group is able to book on a yearly basis, and whose room night history is consistent year over year, but does not meet the peak room night booking guideline for a particular year, an exception may be considered. However, the client must allow from a considerable level of flexibility with their dates, allowing ConVis to place the group in and around other groups which may already be on the confirmed. If no such dates can be determined to be available, this booking exception will not be approved.

Medical Meetings

Medical shows are proven to be much more valuable for a destination as it relates to overall economic impact, based on the demographic of the meeting delegate who usually attends these meetings. Therefore, an event of this nature with a smaller peak room night requirement, offers relatively more overall value to the destination than an event representing more peak room nights from a varying market segment. As a result, exceptions may be considered if the event meets these criteria.

"Stacking" or "Marrying" of two smaller groups over similar dates

Booking exceptions can be considered if two smaller groups, neither of which may meet the minimum peak room night requirement, can be booked over similar dates to jointly meet the minimum. In this scenario, convention center space must still be allocated in a way which would satisfy Guideline #2 as outlined above. In other words, if two groups are "stacked" over similar dates, and the combined peak room night usage amounts to 3,000 total peak room nights, then only ½ of the exhibit hall (approx. 375,000 gsf) should be allocated collectively for these two events. This would leave the remaining exhibit space for another group, creating an opportunity to stack up to 3 events. NOTE: "Stacking" does not necessarily require that each group's room block is over the same days, but rather that the full run of each show, to include move-in, show days, and move-out, take place over similar dates. This allows for rooms night to

be generated during dates which would otherwise be "dark", if one larger peak room night group were booked over those same dates.

Small Booking Window:

Convention Center space may be limited due to two large groups already having been booked into the entire facility. As a result, a relatively small window availability of convention center exhibit and meeting space may exist. As larger groups, requiring larger peak night room blocks, normally require a relatively longer move-in and move-out, these small windows of availability are dates over which a booking exception may be allowed, as it would be unlikely that a larger peak room night group could be accommodated over these dates. In this scenario, a booking exception would be considered, as the space at the convention center would otherwise most likely be under-utilized, resulting in little or no room night production over the dates.

Lack of Headquarter Hotel Availability:

Most if not all large conventions which create substantial room nights for the destination require a large room block at a headquarter hotel. Therefore, if there is limited availability at the three San Diego headquarter hotels (Marriott Marquis, Hilton Bayfront, and Manchester Grand Hyatt) over a certain set of dates, then it is unlikely that a larger event will be able to book those dates. As ConVis sales has access to the room inventory of these three hotels, a booking exception may be considered for a group which does not meet the requirements, if it is determined by ConVis sales that there is indeed a lack of headquarter hotel rooms over a given set of dates, and if the group for which the exception is being offered can consider booking the dates without having one of these hotels in their room block. This scenario allows the ConVis sales team to create additional room night demand for other hotel properties, and help maximize room night demand over a certain set of dates for the destination.

Attendance

Exceptions to the peak room night requirement are allowable for convention/trade and corporate events which show a historically large attendance to room night requirement ratio, and to which a substantial large "around the block" requirement can be attributed. For example, a certain group may have historically actualized 3,000 rooms on peak night, but now may only be blocking 2,000 peak, while still maintaining the same attendance as in previous years. In this case, it is reasonable to assume that the event is still requiring sufficient room nights to warrant an exception.

Minimal "Opportunity Costs" / Lack of other Viable Booking Options

Booking Exceptions will be considered, for a certain future set of dates, it is determined that little or no other viable booking options will be available as the dates grow closer. This determination will be based upon historical booking performance over the dates in question. Similar justification is used in regards to the Holiday booking exception as outlined above. However, as ConVis sales team keeps updated account

information on the booking opportunities which will be available to us for a given time frame, it makes good business sense to allow an exception if no other viable booking options are available. For example, traditionally August is a month which relatively few large events can consider booking. So, if we ensure that the few groups which we know do book in August are already committed to another destination and are therefore not viable options for us, then a booking exception may be allowed in this case. The “opportunity cost” in this case of booking a group which does not meet booking guidelines is therefore minimized, as the likely alternative is to have no bookings at all over these particular dates.

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