

Office of the City Auditor

**Report to the City Council
City of San José**

**TEAM SAN JOSE
PERFORMANCE FY 2018-19**

**Report 19-09
November 2019**

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November 7, 2019

Honorable Mayor and Members
Of the City Council
200 East Santa Clara Street
San José, CA 95113

Team San Jose Performance FY 2018-19

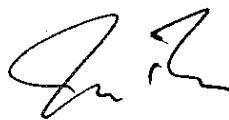
Since 2004, the San José McEnery Convention Center and several other City-owned facilities have been operated on the City's behalf by Team San Jose, Inc. Additionally, since 2009, Team San Jose has operated the San José's Convention and Visitors Bureau (CVB). In both of these management agreements between the City and Team San Jose, an annual performance audit by the City Auditor's Office is required to determine whether, and how well, Team San Jose achieved the agreed-upon performance targets that are the basis for the City's incentive payment.

Team San Jose Exceeded Its Weighted Incentive Fee Score and CVB Performance Targets.

In FY 2018-19, Team San Jose booked over 170,000 hotel room nights, had an estimated economic impact of \$138.8 million, exceeded its target in gross operating results, held 540 days of events at its cultural facilities, and received 98 percent satisfaction ratings on its customer service surveys. Overall, Team San Jose exceeded its weighted incentive fee score of more than 100 percent. Team San Jose thus qualifies for the incentive fee of \$200,000.

We will present this report at the November 18, 2019 meeting of the City Council's Community and Economic Development Committee. We would like to thank Team San Jose and the City Manager's Office for their time and cooperation during the audit process.

Respectfully submitted,



Joe Rois
City Auditor

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JR:lg

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Background

The San José Convention and Cultural Facilities (the Facilities) are City-owned and consist of:

- The San José McEnery Convention Center
- South Hall
- Parkside Hall
- The City National Civic (formerly known as Civic Auditorium)
- The Center for the Performing Arts
- The California Theatre
- The Montgomery Theater

The Convention Center, South Hall, and Parkside Hall generally host trade shows, conventions, corporate meetings, social events, and consumer shows.

The Cultural Facilities host performing arts, concerts, and events. These include, but are not limited to, performances by Symphony Silicon Valley and Opera San José (at the California Theatre), the Children’s Musical Theater of San José (at the Montgomery Theater), and Broadway San José (at the Center for the Performing Arts).

Exhibit I: Team San Jose Managed Facilities
San José McEnery Convention Center



California Theatre

City National Civic



Center for Performing Arts

Montgomery Theater



Source: Team San Jose, Inc.

Team San Jose Has Managed the Facilities Since 2004

Team San Jose, Inc. (TSJ), a 501(c)(6) non-profit corporation, was formed in 2003 in response to the City's request for proposal (RFP) for the management and operations of the Convention Center, which had previously been managed by City staff in the former Department of Convention, Arts, and Entertainment. TSJ has a 17-member board of directors that includes representatives from local hotels, arts, business, and labor. It also includes a City Council liaison and an ex-officio member from the City Manager's Office. The City's Management Agreement with TSJ requires the City Auditor's Office to conduct an annual audit of the performance measures in the agreement.

In June 2004, the City Council approved the first five-year Management Agreement with TSJ. The Management Agreement directed this Office to conduct a performance audit of TSJ against established performance measures on an annual basis. The Management Agreement also created an annual management fee of \$150,000, with provisions that enabled the City to delete the management fee in the final two years of the agreement if TSJ did not meet its performance measure targets.

In January 2009, the City Council approved a new five-year Management Agreement with TSJ beginning July 1, 2009 and ending June 30, 2014. The new agreement added additional performance measures and incentive measures for use in determining whether TSJ would receive an incentive fee, and increased the maximum incentive fee to \$500,000. This agreement was subsequently amended in FY 2010-11 to change the maximum incentive fee to \$350,000.¹

In June 2014, the City and TSJ entered into a new Management Agreement for the period of July 1, 2014 through June 30, 2019, with two additional five-year options. With this Agreement, TSJ gained the ability to modify its adopted budget, the theater performance measures changed, the management fee and incentive fee amounts changed, and Team San Jose took charge of standard capital improvements and repairs.

In 2016, the City contracted with Conventions, Sports, and Leisure International (CSL), an independent consulting firm, to examine the current performance and incentive fee measures, and develop enhanced metrics. Based on those recommendations, in October 2017, the City Council authorized the City Manager to negotiate and execute an amendment to the Management Agreement with Team San Jose to revise the performance measures and enhance reporting

¹ Under this agreement, the incentive fee that TSJ received was scaled based on its performance relative to the performance measure targets. Depending on whether TSJ exceeded the overall weighted incentive target and by how much, TSJ was eligible for increasing incentive fees that maxed out at \$500,000, or \$350,000 when the agreement was amended in FY 2010-11.

requirements. The amendment was finalized November 2, 2018, with changes retroactively effective for FY 2017-18.²

Team San Jose Has Managed the Convention Visitor's Bureau Since 2009

In addition, the City and TSJ have separate agreements under which Team San Jose provides Convention and Visitors Bureau (CVB) services on behalf of the City, staffs the Visitors Information Booth at the San José Airport (Airport), and provides destination marketing services for the Airport.

A separate nonprofit entity, San Jose Convention Visitors Bureau previously ran CVB services from 2000 through 2009, when TSJ and the former San Jose CVB merged into a single nonprofit entity. TSJ was the surviving entity and carried out the term of this agreement.

In 2012 the City and TSJ entered into an Agreement for Convention and Visitors Bureau Services for the period January 1, 2012 through June 30, 2014, to address the merger of TSJ and San Jose CVB, to make the term of this Agreement coincide with the term of the Management Agreement, and to make other changes as relates to the Convention and Visitors Bureau Services.

In 2014, the City and TSJ entered into a new Agreement for the period of July 1, 2014 through June 30, 2019, with two additional five-year options. The City and TSJ exercised the first option to extend in 2019.

The Performance-Based Agreement Between the City and Team San Jose Establishes Performance/Incentive Measures

The 2014 Management Agreement provides that the City pays TSJ a fixed Management Fee of \$1 million per year “to provide, without limitation, for payment of a portion of the expenses incurred by TSJ for the management of the operations and maintenance of the City's Facilities, as determined by the TSJ Board of Directors.” If certain performance targets are met, the City also pays Team San Jose a \$200,000 incentive fee.³

Incentive fees, such as the incentive fee from the City's Management Agreement with TSJ, have been common in government for several decades. The purpose is to ensure that contractors have the freedom to determine how to meet agreed-upon performance objectives, and are incentivized to exceed those targets. Under the Management Agreement, TSJ proposes targets, and then the City reviews and approves them. The Agreement requires the City to approve targets prior to the beginning of each fiscal year. The City also uses a consultant with expertise in the

² A second amendment occurred in July 2019, extending its term to cover an additional five years.

³ Under the current Management Agreement, the incentive fee is set at \$200,000 for the first five years of the agreement, and will increase \$50,000 after each of the five year extensions.

convention, entertainment, and visitor industries to evaluate TSJ's proposed targets.

The November 2018 Amendment to the Management Agreement (referred to later as the Management Agreement) outlines five measures that track TSJ's financials, economic impact, theater occupancy, and customer survey results.⁴ For each measure, the weighted percent is calculated by taking the percent of the target achieved multiplied by the assigned percent. The sum of these measures equals the weighted incentive fee score. The incentive fee is granted for scores reaching 100 percent or more.

Exhibit 2: Incentive Fee Measures and Their Weighting

Incentive Fee Measures	
Gross Operating Results	40%
Economic Impact	40%
Hotel Room Nights (20%)	
Estimated Economic Impact (20%)	
Theater	10%
Theater Occupancy (10%)	
Customer Satisfaction	10%
Total	100%

Source: Management Agreement between the City and Team San Jose

Performance Measures for the Convention and Visitors' Bureau Agreement

Additionally, the agreement for management of the Convention and Visitors Bureau outlines two measures that evaluate their performance. Each measure has a weight of 50 percent. These are:

- **Hotel Room Nights:** The same measure as used in the incentive fee score, this measure is calculated based on the total booked hotel rooms as a result of events at the convention center and cultural facilities.
- **Direct Visitor Spending:** Calculated in the same manner as estimated economic impact—based on the estimated spending activity estimated to generate based on daily attendance at the events held at the convention center and cultural facilities.

The City Auditor's Office has audited Team San Jose's performance consecutively since 2005. As a result, we have issued 13 reports with 38 recommendations in total. Each of those recommendations has since been implemented.

⁴ Because construction of the facilities managed by TSJ was financed through tax-exempt debt, the Management Agreement cannot include an incentive pay provision that is based on return on investment or net profit. Hence, the incentive fee measures used to determine TSJ's incentive pay differ slightly from the general performance measures.

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Finding I Team San Jose Exceeded Its Weighted Incentive Fee Score and CVB Performance Targets for FY 2018-19

Summary

In FY 2018-19, TSJ booked over 170,000 hotel room nights, had an estimated economic impact of \$138.8 million, exceeded its target in gross operating results, held 540 days of events at its cultural facilities, and received 98 percent satisfaction ratings on its customer service surveys. Overall, Team San Jose exceeded its weighted incentive fee score of more than 100 percent. Team San Jose thus qualifies for the incentive fee of \$200,000.

Exhibit 3: Weighted Incentive Fee Score for the Convention and Cultural Facilities

Measures	Target	Actual	Weighted Incentive Fee Score Percentage
Gross Operating Results (40%)	\$10,967,039	\$14,183,201	51.7%
Hotel Nights (20%)	160,000	177,039	22.1%
Estimated Economic Impact (20%)	\$119,750,000	\$138,773,814	23.2%
Theater Occupancy (10%)	87%	97%	11.2%
Satisfaction Rate (10%)	95%	98%	10.3%
Total Weighted Incentive Fee Score			118.5%

Source: Auditor Analysis of data from Team San Jose, agreements between the City and Team San Jose, and Mayor's Budget Addendum outlining performance targets.

Further, Team San Jose's performance exceeded its targets for its agreement with the Convention and Visitor's Bureau.

Exhibit 4: Weighted Performance Score for the Convention Visitor's Bureau

Measures	Target	Actual	Weighted Performance Score Percentage
Hotel Nights (50%)	160,000	177,039	55.3%
Direct Visitor Spending (50%)	\$119,750,000	\$138,773,814	57.9%
Total Weighted Performance Score			113.3%

Source: Auditor Analysis of data from Team San Jose, agreements between the City and Team San Jose, and Mayor's Budget Addendum outlining performance targets.

Gross Operating Results – 129% of Target

The Management Agreement defines gross operating results⁵ as gross revenues from operating the Facilities, plus hotel tax revenue,⁶ plus revenue from the parking garage at the Convention Center, less certain direct and indirect expenses for operating the Facilities.

The calculation does not include City-directed expenses, including, City oversight, fire insurance premiums, emergency capital repairs and maintenance, depreciation, and the management fee paid by the City to TSJ. Additionally, the calculation does not include the \$15.2 million payment in FY 2018-19 for debt service (currently paid by the Successor Agency to the Redevelopment Agency for the Convention Center’s original construction) nor does it include the \$2.5 million payment for debt service for the 2011-2013 renovation and expansion and \$1.2 million towards the 2018 purchase of the South Hall for another planned expansion.⁷

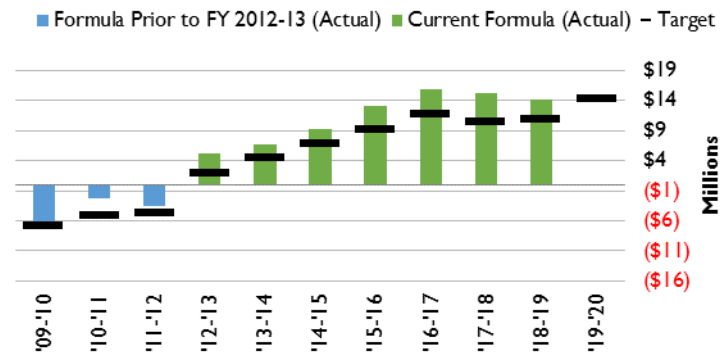
For FY 2018-19, TSJ achieved gross operating results of \$14.2 million compared to a target of \$11.0 million. This was 129 percent of target.

⁵ The amendment changed the name of “Gross Operating Profit” to Gross Operating Results. However, the calculation of this measure remained the same in the 2014 Management Agreement.

⁶ Hotel taxes are formally known as Transient Occupancy Taxes (TOT). Only the portion that the City transfers to the Convention and Cultural Affairs Fund (Fund 536) counts towards Gross Operating Results. The City collects a tax of 10 percent of the rent that a hotel operator charges to a hotel guest (\$51.4 million in FY 2018-19). Four percent goes into the General Fund (\$20.5 million). Six percent goes into the Transient Occupancy Tax Fund (Fund 461, \$30.9 million). About half of the TOT Fund’s portion subsidizes the Convention and Cultural Facilities (\$15.0 million). About a quarter of the TOT Fund’s portion funds the Convention and Visitors Bureau (\$7.4 million) and about another quarter funds cultural grants (\$7.6 million).

⁷ The City and Team San Jose agreed that the 2011-2013 expansion debt would not count towards gross operating results because it is paid back from a special tax on hotels that are within the Convention Center Facilities District. The City is still in the process of discussing the options for development and financing of the expansion to the South Hall.

Exhibit 5: Gross Operating Results



Source: Auditor analysis of the Management Agreement, audited financial statements for the Convention and Cultural Affairs Fund, parking garage revenue and expense reports, Budget Office reports for the Convention and Cultural Affairs Fund, and prior TSJ audits.

Note: In 2012-13, the calculation method changed. The blue bars show the old formula, the green bars the new formula. The old formula was: Operating revenues – Operating expenses (excluding: depreciation, oversight, fire insurance, fixed executive management fee, repairs, and maintenance).

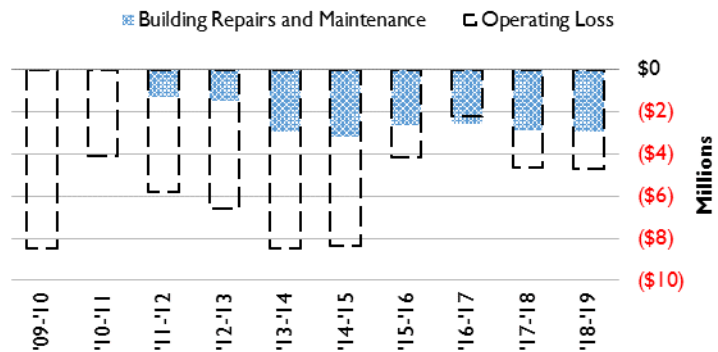
The Financial Statements Show an Operating Loss Which Is Funded by Hotel Taxes

While TSJ exceeded its gross operating results measure, the audited financial statements for the Convention and Cultural Facilities show an operating loss of about \$4.7 million in FY 2018-19, calculated in accordance with Generally Accepted Accounting Principles (GAAP). The Facilities generally operate at a loss, thus requiring an operating subsidy funded by hotel taxes.⁸

Exhibit 6 shows a 10-year history of operating losses in accordance with GAAP. In FY 2018-19, the nearly \$4.7 million loss recognized on the financial statements included \$2.9 million in repairs and maintenance for upkeep of the City-owned facilities.

⁸ The City has not made a significant transfer from the General Fund to the Convention and Cultural Affairs Fund since FY 2009-10.

Exhibit 6: Operating Loss in Accordance with Generally Accepted Accounting Principles⁹



Source: Audited financial statements for the Convention and Cultural Facilities. Beginning with FY 2011-12, we show building repairs and maintenance as separate expenses.

Exhibit 7 reconciles the audited **financial** statements to the **Management Agreement's** definition of gross operating revenue.

⁹ In FY 2018-19, the City of San José paid for some repairs, maintenance, and capital improvements to the Convention and Cultural Facilities in the amount of \$6.3 million, including \$5.6 million from the Convention and Cultural Affairs Fund.

Exhibit 7: Reconciliation of Management Agreement Performance Measure of Gross Operating Results to Audited Financial Statements

	Audited Financial Statements	Adjustments for Gross Operating Results per Management Agreement	
Operating Revenues:			
Building rental	\$ 8,309,561		
Food and beverage services	\$ 27,789,588		
Commission revenue	\$ 1,781,933		
Event electrical/utility services	\$ 361,633		
Networking Services	\$ 2,888,883		
Audio/visual services	\$ 346,960		
Ticketing services	\$ 727,293		
Telecommunications services	\$ 121,552		
Equipment rentals	\$ 72,780		
Event production labor revenues	\$ 19,557,856		
Other revenues	\$ 1,119,253		
Bad Debt Expense		\$ (39,769)	A
Total Operating Revenues	\$ 63,077,292		
<i>Transient Occupancy Tax revenue to Convention and Cultural Affairs Fund</i>		\$ 14,141,557	A, B
<i>Parking garage revenue</i>		\$ 3,707,885	A
Revenues for gross operating results calculation		\$ 80,886,965	
Operating Expenses:			
Administrative and general salaries – TSJ	\$ 24,593,620		
Cost of event production labor	\$ 16,606,076		
Utilities	\$ 3,299,065		
Food and beverage costs	\$ 4,847,235		
Bad debt expense	\$ 39,769	\$ (39,769)	A
Contracted outside services	\$ 6,579,624		
Professional services	\$ 577,268		
Operating supplies	\$ 718,313		
Depreciation	\$ 361,439	\$ (361,439)	A
Repairs and maintenance	\$ 2,947,647		
Insurance	\$ 290,546		
City of San José oversight	\$ 834,446	\$ (834,446)	A
Ticketing costs	\$ 77,784		
Workers' compensation insurance premiums	\$ 1,026,384		
Fire insurance	\$ 236,335	\$ (236,335)	A
Management and incentive fee – Team San Jose	\$ 1,200,000	\$ (1,200,000)	C, D
Equipment rentals	\$ 382,477		
City Free Use	\$ 222,169	\$ (222,169)	A
Other expenses	\$ 2,915,403		
Total Operating Expenses	\$ 67,755,600		
<i>CVB expenses paid by Convention and Cultural Affairs Fund</i>		\$ 500,000	A
<i>Less: City Worker's Compensation</i>		\$ (30,802)	A
<i>Parking garage expenses</i>		\$ 1,373,124	A
Expenses for gross operating results calculation		\$ 66,703,764	
Gross Operating Profit or (Loss)	\$ (4,678,308)	\$ 14,183,201	

Source: Auditor analysis of audited financial statements for the San José Convention and Cultural Facilities, the Management Agreement, parking garage revenue and expense reports, and Budget Office reports for the Convention and Cultural Affairs Fund.

Notes to Exhibit 7:

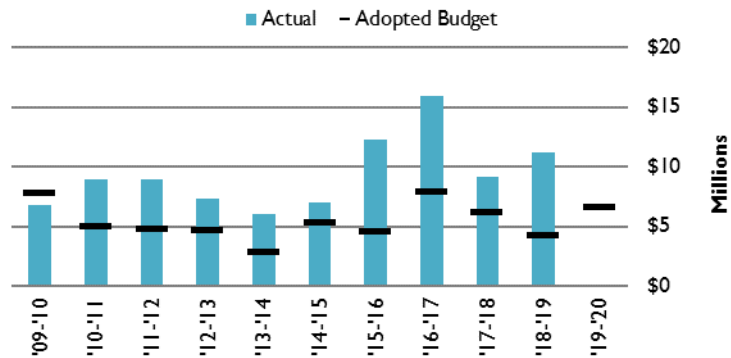
- A. The Management Agreement defines gross operating results to include or exclude these items.

- B. Consistent with prior year’s practice and for purposes of Team San Jose performance, measurement hotel tax was calculated as follows: FY 2018-19 allocation of \$15,043,740 to the Convention and Cultural Affairs Fund, less \$249,808 attributable to FY 2018-19 hotel activity but allocated to the Fund in FY 2019-20, minus \$652,375 attributable to hotel activity in FY 2017-18 but allocated to the Fund in FY 2018-19. Any hotel tax received in a given year above (or below) the budgeted amount is reconciled and distributed to the Convention and Cultural Affairs Fund in accordance with the San José Municipal Code.
- C. The management fee shown here includes the \$1 million management fee for FY 2018-19 and the \$200,000 incentive fee paid for FY 2017-18 performance under the Management Agreement.
- D. The City’s approved target included these items.

The Ending Balance in the Convention and Cultural Affairs Fund Has Increased in the Last Year

The ending balance of the Convention and Cultural Affairs Fund on June 30, 2019 was \$11.2 million – an increase of \$2.0 million from the prior year. The City spent \$6.3 million on projects, including concourse column covers at the Convention Center and a restroom remodel at the Montgomery theater. Exhibit 8 shows a ten-year history of the Fund’s ending balance of the Convention and Cultural Affairs Fund at the end of the fiscal year.

Exhibit 8: Ending Balance of the Convention and Cultural Affairs Fund (Fund 536)

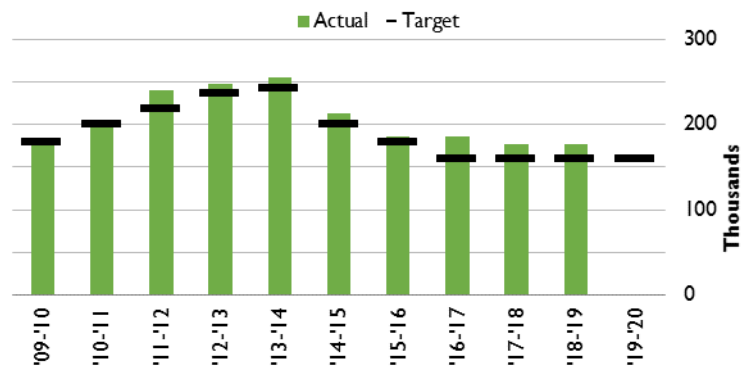


Source: Source and Use Statements in Adopted Budgets and actual fund balance for FY 2018-19

Hotel Room Nights – 111 % of Target

Hotel room nights, as shown in Exhibit 9, is measured as the number of future hotel room nights booked by TSJ over the course of the fiscal year. The Management Agreement specifies that the total number of hotel room nights will be measured as 1) the total number of hotel room nights committed by the CVB over the course of the Fiscal Year and 2) the total number of hotel room nights that can be directly or indirectly attributed to activities at the Facilities.

Exhibit 9: Future Hotel Room Nights Booked



Source: Auditor analysis of the Management Agreement, TSJ’s hotel room night’s production report, third-party reviews of TSJ’s hotel room night bookings, and our prior TSJ audits.

TSJ met its hotel night target in each of the ten years it has reported on the measure. In FY 2018-19, the hotel room nights booked were above the target—177,039 hotel room nights¹⁰ were booked compared to a target of 160,000 nights. This was 111 percent of target.

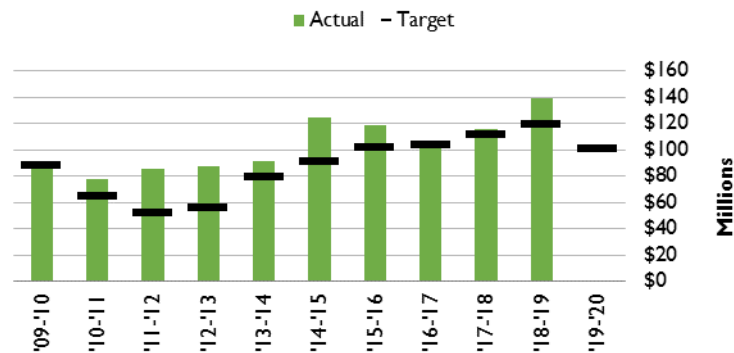
This measure is also used to determine performance of TSJ for CVB services.

¹⁰ Although 177,039 hotel room nights were booked during the fiscal year, in August 2019, 828 hotel rooms were lost, and in July 2019, 850 hotel room nights were canceled. Based on the terms of the agreement, this was not removed from the total booked in the fiscal year.

Estimated Economic Impact – 116 % of Target

Estimated economic impact is an estimation of average daily spending rate multiplied by event attendance and duration. Average daily spending rates vary depending on event type (i.e., conventions and meetings, spectator sports and demonstrations, and participant sports and competitions) and attendee type (i.e., local/social visitors, out-of-town visitors, and exhibitors). Event attendance and the assumed spending rates drive this measure. Exhibit 10 shows the results for estimated economic impact.

Exhibit 10: Estimated Economic Impact



Source: Auditor analysis of the Management Agreement and TSJ event attendance reports, TSJ’s estimated economic impact calculations, and our prior TSJ audits.

In FY 2018-19, the estimated economic impact was above the target—\$139 million in estimated economic impact compared to a target of \$120 million. This was 116 percent of target.

The five events with the highest estimated economic impact contributed 32.1 percent towards TSJ’s estimated economic impact (\$44.5 million). These events, in alphabetical order included:

- 2019 Apple Worldwide Developers Conference
- College Football Playoff Fan Central
- 2019 National Hockey League All-Star Game
- FanimeCon 2019
- 2019 Silicon Valley International Auto Show

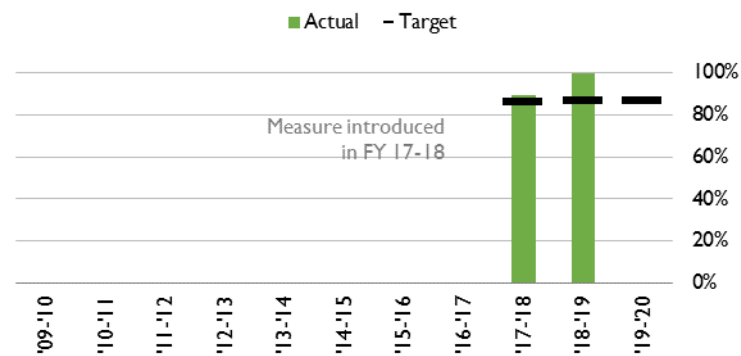
TSJ has met its estimated economic impact targets each of the ten years it has reported on the measure.

This measure, also referred to as Direct Visitor Spending, is also used to determine performance of TSJ for CVB services.

Theater Occupancy – 112 % of Target

Theater occupancy was introduced as a new measure in the Amendment to the Management Agreement in FY 2017-18. It is measured by the number of occupancy days, divided by available days¹¹ at the four Cultural Facilities (the City National Civic, the Center for the Performing Arts, the California Theatre, and the Montgomery Theater). This includes dances, theater shows, sports events, musicals, and comedy shows, speakers, and cultural performances generally available for the public.

Exhibit II: Theater Occupancy



Source: Auditor analysis of the Management Agreement and TSJ's theater occupancy records.

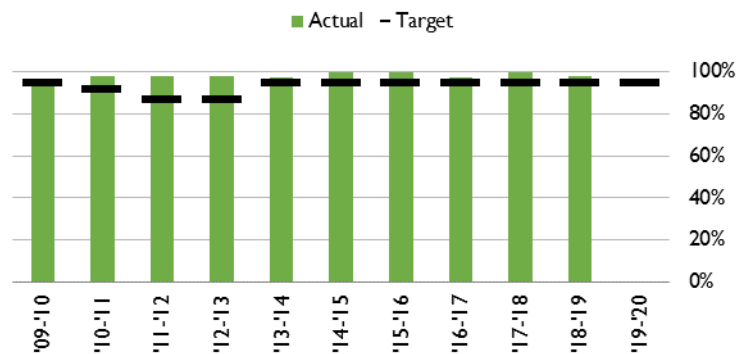
The City's Cultural Facilities were occupied on 540 of 556 available use days (97 percent). The California Theatre held the most of performances (162) followed by the City National Civic (140), the Center for Performing Arts (136), and the Montgomery Theater (102).

¹¹ The Management Agreement defines available days as: (a) the number of Thursdays, Fridays, and Saturdays within a fiscal year, minus (b) any such days that fall within a United States holiday period, and minus any such days that are blocked-out for facility repairs. In prior years, available use days include calendar days that are both available and suitable for booking performances and special events excluding move-in and move-out days, typically unsellable weekdays, unsellable holiday periods, and dates held by resident art partners.

Customer Satisfaction – 103% of Target

Customer satisfaction, as shown in Exhibit 12, is the percentage of event coordinators who responded to a customer survey with an overall satisfactory rating of the product and services provided. Responses of “excellent,” “very good,” or “good” are considered satisfactory.

Exhibit 12: Customer Satisfaction



Source: Auditor analysis of the Management Agreement and its amendment, TSJ’s customer service survey results, prior TSJ audits.

In FY 2018-19, customer satisfaction was above the target—98 percent customer satisfaction compared to a target of 95 percent.¹² This was 103 percent of target.

The response rate was 26 percent. For customer satisfaction, Team San Jose has met or exceeded its targets for the past ten years. According to TSJ and the City, the industry standard is 90 percent.

¹² We reviewed the accuracy of the survey results by sampling actual customer survey responses for February 2019 and June 2019.

Conclusion

Team San Jose (TSJ) exceeded its weighted incentive fee score and CVB performance targets for FY 2018-19. In FY 2018-19, TSJ booked over 170,000 hotel room nights, had an estimated economic impact of \$139 million, exceeded its target in gross operating results, held 540 days of events at its cultural facilities, and received 98 percent satisfaction rate of customer service surveys.

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Appendix A

The mission of the City Auditor's Office is to independently assess and report on City operations and services. The audit function is an essential element of San José's public accountability and our audit reports provide the City Council, City management, and the general public with independent and objective information regarding the economy, efficiency, and effectiveness of City operations and services.

In accordance with the City Auditor's fiscal year (FY) 2019-20 Audit Work Plan, we have completed an audit of Team San Jose, Inc.'s management of the City's Convention and Cultural Facilities. Our audit purpose was to determine whether Team San Jose met the incentive fee measures specified in the *First Amendment to the Agreement for the Management of the San José Convention Center and Cultural Facilities between the City of San José and Team San Jose* and the *First Amendment to the Agreement for Convention and Visitors Bureau Services between the City of San José and Team San Jose* for FY 2018-19.

We conducted this performance audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objectives. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objectives. We limited our work to those areas specified in the "Audit Objective, Scope, and Methodology" section of this audit report.

We thank Team San Jose and the City Manager's Office for their time, information, insight, and cooperation during the audit process.

Audit Objective, Scope, and Methodology

The objective of our audit was to determine whether Team San Jose (TSJ) met its performance and incentive fee measures for FY 2018-19. To do so we:

- Reviewed relevant documents including: the 2014 Management Agreement, the 2018 First Amendment to the Management Agreement; Council-adopted performance targets; TSJ's performance reports; the FY 2018-19 audited financial statement for the Facilities;¹³ the Convention Center debt service schedule; parking garage revenue and expense reports; Budget Office Source and Use reports for the Convention and Cultural Affairs Fund (Fund 536), the Transient Occupancy Tax (TOT) Fund (Fund 461), the Convention Center Facilities District Revenue Fund (Fund 791); TSJ's estimated economic impact based on event attendance, theater occupancy records; the agreed-upon procedures for hotel-room night bookings

¹³ The financial audit of the City's Convention and Cultural Facilities, by the independent accounting firm of Macias Gini, and O'Connell was completed in October 2019. Available on our website: www.sanjoseca.gov/index.aspx?NID=323.

performed by *Petrinovich Pugh & Company, LLP* on TSJ's behalf; and TSJ's customer service surveys for the fiscal year.

- Interviewed management and staff from TSJ, as well as from the City Manager's Office of Economic Development and Budget Office about the performance measures and TSJ's accomplishments for the fiscal year.
- Tested the accuracy and completeness of TSJ's recording of the number of Theater Occupancy Days for theaters, estimated economic impact based on event attendance, customer service survey results, and hotel room nights booked during the year.
- Tested the accuracy of TSJ's computation of gross operating results using the audited financial statements for FY 2018-19 and the Amendment to the Management Agreement's methodologies.