

Memorandum

TO: HONORABLE MAYOR AND
CITY COUNCIL

FROM: Sharon W. Erickson,
City Auditor

SUBJECT: *Audit of Team San Jose Performance 2017-18*

DATE: November 30, 2018

SUPPLEMENTAL MEMORANDUM

On November 16, 2018, the City Auditor's Office issued a report on Team San Jose's (TSJ) performance of its incentive fee measures,¹ as specified in the City's agreement with TSJ for the management of its Convention Center and Cultural Facilities. The City also contracts with TSJ for Convention and Visitor Bureau (CVB) services. It has recently come to our attention that the current agreement for CVB services also requires an annual performance audit:

The performance audit shall assess Team San Jose's performance of the CVB Services during the Fiscal Year just ending, and shall propose the achieved Weighted Percentages with respect to each of the Performance Measures and the resulting Weighted Achievement Percentage [...] for the subject Fiscal Year.

The CVB agreement specifies the annual performance audit will consist of a weighted performance score of two performance measures: hotel room nights and direct visitor spending.

- *Hotel room nights* is calculated based on 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.
- *Direct visitor spending*, as specified in the CVB agreement, is the same calculation as 'estimated economic impact' in the Convention Center and Cultural Facilities agreement. Direct visitor spending is calculated based on an industry standard multiplier for average daily spending rate multiplied by event attendance and duration.

This memo provides supplemental information related to this weighted performance score. As shown below and in our earlier report, Team San Jose booked 176,522 hotel room nights and reached \$115 million in direct visitor spending in FY 2017-18. Compared to the targets established for TSJ under the Convention and Cultural Facilities agreement, this resulted in a weighted performance score of 107 percent under the Convention and Visitors Bureau agreement.

Performance Measures	Target	Actual	Weighted Performance Score Percentage
Hotel Room Nights (50%)	160,000	176,522	55%
Direct Visitor Spending (50%)	\$111,738,615	\$115,264,223	52%
Total Weighted Performance Score			107%

Respectfully submitted,

Sharon W. Erickson
Sharon W. Erickson
City Auditor

SE: lg

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¹ <http://www.sanjoseca.gov/DocumentCenter/View/81244>