



Budget Engagement Commission

City of Arts & Innovation

TO: HONORABLE COMMISSIONERS **DATE: MARCH 14, 2024**

FROM: GENERAL SERVICES DEPARTMENT **WARD: 1**

SUBJECT: PERFORMANCE AND FISCAL IMPACT FOR THE RIVERSIDE CONVENTION CENTER, RIVERSIDE CONVENTION AND VISITORS BUREAU, AND RIVERSIDE SPORTS COMMISSION

ISSUE:

Receive an update on the performance and fiscal impact of the Riverside Convention Center, Riverside Convention and Visitors Bureau, and Riverside Sports Commission.

RECOMMENDATIONS

That the Budget Engagement Commission receive an update on the performance and fiscal impact for the Riverside Convention Center, Riverside Convention and Visitors Bureau, and Riverside Sports Commission.

BACKGROUND:

The Riverside Convention Center (Convention Center) was originally constructed in 1974 and renovated and expanded in 2014. It is the only convention center in western Riverside County and books a wide range of events from national and international conventions to local conferences and private parties. In 1996, the City began contracting with Entrepreneurial Hospitality Corporation (EHC) to operate both the Convention Center and the Riverside Convention and Visitors Bureau (Visitors Bureau). The Visitors Bureau focuses on attracting convention and visitor business to Riverside, not only at the Convention Center, but also at other venues including hotel meeting rooms, sports venues, and the Riverside Municipal Auditorium.

In 2009, the City issued a Request for Proposals for management and operation of the Riverside Convention Center and the Visitors Bureau. EHC was the sole proposer and on November 25, 2009, the City Council approved a Management and Operations Agreement that encompassed both the Convention Center and the Visitors Bureau. This agreement was for five years with one five-year option to renew.

In August 2012, the City Council approved the assignment of the EHC contract to Raincross Hospitality Corporation (RHC), a local company formed by Ted Weggeland, the principal executive at EHC with responsibility for the Convention Center and Visitors Bureau since 1996. The City Council also approved the First Amendment to the Management and Operations Agreement engaging RHC to temporarily operate convention center services from the Municipal

Auditorium while the Convention Center was undergoing renovation. The First Amendment also created and provided funding for the Riverside Sports Commission (Sports Commission) as a function of the Visitors Bureau. Lastly, the First Amendment extended the term of the RHC agreement through June 2022 and required that a new, Internal Revenue Service (IRS)-compliant management agreement be negotiated for operation of the Convention Center upon reopening.

The project to expand the Convention Center was funded with tax exempt debt. Internal Revenue Service Rules (Revenue Procedure 97-13) require that privately operated public facilities constructed with tax exempt debt be operated pursuant to a Qualified Management Agreement (QMA). In essence, the Revenue Procedure requires that the private company operate the public facility as an agent of the public entity, that the private company be paid a flat fee and not benefit from any profits from the facility, and that the public entity receive any profits but also be responsible for any losses. In August 2013, the City Council approved a QMA with RHC for operation of the Convention Center. At the same meeting, a Management and Operations Agreement was approved with RHC for management of the Visitors Bureau and the Sports Commission.

On October 22, 2013, the City Council approved the First Amendment to the QMA to eliminate a reference to the City's previous Purchasing Resolution and to clarify the procurement process for any repair, maintenance, and construction related to the Convention Center.

On September 17, 2019, the City Council approved the Second Amendment to the QMA extending the term by five (5) years to June 30, 2028. In addition, language was added regarding RHC's exclusive use of the plaza area adjacent to the Convention Center, target annual revenue budget procedures, funding for capital projects, updating the new Riverside-San Bernardino-Ontario consumer price index statistical area, and use of Parking Lot 33 and potential future expansion of the Convention Center. Finally, language was added stating that on or before December 2026, the City shall issue a new Request for Proposals for management of the Convention Center.

On April 16, 2021, the City approved the assignment of the QMA from RHC to Raincross Hospitality Management Corporation (RHMC or "Manager").

On June 20, 2023, the City Council approved the First Amendment to the Management and Operations Agreement with Raincross Hospitality Corporation for the Riverside Convention & Visitors Bureau and Riverside Sports Commission, extending for one additional five-year term to June 30, 2028, to synch with the expiration date for the main operating agreement for the Convention Center, and to update the CPI and other clarifying issues.

DISCUSSION:

There are two separate agreements with Raincross, one for the management of the Convention Center and one for the Visitors Bureau and Sports Commission. The following is a summary of contractual fees paid to RHMC for management of the Convention Center, Visitors Bureau and Sports Commission.

Convention Center Management Fees, Incentive Bonus and Operation Funds

The QMA provides for RHMC to manage and operate the Convention Center in exchange for an annual base management fee of \$400,000, with annual increases based on the March Consumer Price Index (CPI)– All Urban Consumers for Riverside-San Bernardino-Ontario, CA. The QMA also includes a one-time increase in the Manager's Base Fee to \$480,000 if gross revenue exceeds \$4,500,000 for any fiscal year, which occurred during the 2016 fiscal year. For the current

fiscal year ending June 30, 2024, the Manager's Base Fee is \$674,416, which includes the annual increase based on CPI totaling 4.56%.

Additionally, the QMA allows an annual incentive bonus of up to \$120,000 if the Manager achieves gross revenue greater than \$5,000,000. The annual incentive bonus may not exceed 20% of the total annual compensation received by the Manager in any given year.

Finally, the QMA requires that the City deposit and thereafter continually maintain a balance of \$300,000 in operating funds for the Convention Center, disbursing funds as needed.

The Convention Center provides quarterly updates on key performance indicators (Table 1), including revenues, events held, and attendance numbers. They also gather information from surrounding hotels on hotel bookings associated with events held at the Convention Center. In addition to the broader economic benefit of visitors to Riverside, the City receives 13% transient occupancy tax revenue on hotel bookings, representing nearly \$300,000 of the amount listed in the following table.

Table 1 – Convention Center Key Performance Indicators

Quarter	Revenue	Events	Attendance	Hotel Utilization	Hotel Room Revenue
2023 Q1	\$ 1,015,029	26	9,375	2,223	\$ 318,351
2023 Q2	\$ 2,107,582	60	15,781	2,843	\$ 466,940
2023 Q3	\$ 2,185,813	46	19,783	4,952	\$ 808,178
2023 Q4	<u>\$ 2,116,054</u>	<u>60</u>	<u>55,443</u>	<u>3,927</u>	<u>\$ 697,386</u>
TOTALS	\$ 7,424,478	192	100,742	13,945	\$ 2,290,855

Visitors Bureau Management Fee

The Management and Operations Agreement between the City of Riverside and RHC provides annual compensation in the amount of \$1,100,000 for management of the Visitors Bureau, subject to annual CPI increases, to market and promote Riverside as a premier destination for conventions and meetings. Activities include development of an annual sales and marketing plan, hiring and management of sales, marketing and administrative staff, development of promotional materials and interactive Visitors Bureau website and social media, and attendance at appropriate tradeshows. For the current fiscal year ending June 30, 2024, the management fee is \$1,828,938 including the annual CPI increase of 4.56%.

Sports Commission Management Fee

The Management and Operations Agreement between the City of Riverside and RHC provides annual compensation in the amount of \$150,000 for management of the Sports Commission, subject to annual CPI increases, to promote Riverside as a destination for athletic events. Activities include development of an annual sales and marketing plan, hiring and management of sales, marketing and administrative staff, development of promotional materials and interactive Sports Commission website and social media and attendance at appropriate tradeshows.

For the current fiscal year ending June 30, 2024, the management fee is \$212,590, including the CPI increase of 4.56%.

Combined Management Fees

The total projected management fee for fiscal year (FY) 2023/24 is shown in Table 2 below. If Convention Center revenues exceed \$5,000,000, an incentive fee of \$120,000 will also be paid to the operator and is included in the table below.

Table 2 – Management Fees

FY	Fund	Program	Account Number	Amount
2023/24	Entertainment Fund	Convention Center	2250000-459971	\$ 794,416
2023/24	Entertainment Fund	Sports Commission	2250100-459973	\$ 212,590
2023/24	Entertainment Fund	Visitors Bureau	2250100-459974	\$1,828,938
			FY 2023/24 Total	\$2,835,944

Visitors Bureau and Sports Commission Key Performance Indicators

The Visitor's Bureau drives economic impact in Riverside by booking meetings and conventions that fill the Riverside Convention Center, local hotels, and retail establishments. The main focus is the association market, as it is the most profitable for the Convention Center due to the high food and beverage revenue, longer conferences, and larger number of hotel room nights. Key performance indicators include:

- **Number of Solicitation Calls and Emails:** Measure the outreach efforts of the sales team in the number of calls and emails made to prospective clients and the conversion of qualified leads.
 - FY 2023 Solicitation Calls Goal: 4,900 FY 2023 Actuals: 4,817
 - FY 2023 Solicitation Emails Goal: 3,150 FY 2023 Actuals: 3,574
- **Room Nights Booked:**
 - FY 2023 Goal: 27,000 FY 2023 Actuals: 27,224
- **Convention Center Revenue Contribution:** The Visitor Bureau's goal is to generate 50% of the Convention Center's total revenue, which helps maintain a balance between local events and multi-day conventions with room bookings.
 - FY 2023 Goal: 50% FY 2023 Actual: 49.6%

Sports Commission Key Performance Indicators

The Sports Commission key performance indicators include:

- **Number of Solicitation Calls and Emails:** Measures the outreach efforts of the sales team including the number of calls and emails made to prospective clients and the conversion of qualified leads.
 - FY 2023 Solicitation Calls Goal: 1,200 FY 2023 Actuals: 1,512
 - FY 2023 Solicitation Emails Goal: 1,800 FY 2023 Actuals: 1,953
- **Room Nights Booked:**
 - FY 2023 Goal: 7,000 FY 2023 Actuals: 7,329

While conventions bring attendees to the city on weekdays, sporting events bring visitors to the city on weekends, an important and complementary distinction.

Estimated Economic Impact

Included in the contractual scope of services, Raincross develops an annual estimated economic impact analysis, based on hotel room nights, Convention Center revenue, and an estimated \$64 per day spend by visitors for meals, transportation/gas, retail/shopping, bars/nightclubs, and other entertainment. The estimated \$64 per day spent is a conservative estimate based on the California State per diem rate for meals and incidentals. The amount accounts for breakfast, lunch, and dinner, along with fees and tips given to hotel staff, and transportation between places of lodging and places where meals are taken.

It's important to note that the estimated economic impact is based on one occupant per hotel room consumed. Actual hotel room occupancy and per diem spend may be much higher, for example when a convention attendee is accompanied by a spouse or family member(s).

The Visitor Bureau's estimated economic impact for FY 2022/23 is approximately \$16 million, as outlined in Attachment 2 to this report.

STRATEGIC PLAN ALIGNMENT:

This report aligns with **Strategic Priority 5: High Performing Government and Goal 5:4:** Achieve and maintain financial health by addressing gaps between revenues and expenditures and aligning resources with strategic priorities to yield the greatest impact.

This report aligns with *EACH of the five Cross-Cutting Threads* as follows:

1. **Community Trust** – RHMC, the City's partner in managing the Convention Center, Visitors Bureau and Sports Commission, was selected through a Request for Proposals process and approved by the City Council, ensuring public transparency.
2. **Equity** – Conventions, meetings and sporting events draw visitors to Riverside and generate City Transient Occupancy and sales tax revenues to help fund equitable public services for Riverside residents.
3. **Fiscal Responsibility** – The Convention Center, Visitors Bureau, and Sports Commission provide a tangible economic benefit to the City by attracting business for local hotels, restaurants, and retail establishments.
4. **Innovation** – The Convention Center provides a local venue for meetings, which builds and sustains social capital within the City.
5. **Sustainability & Resiliency** – RHMC has extensive experience and proven success in the management of the Convention Center, Visitors Bureau, and Sports Commission. Over the next several years, Convention Center bookings are anticipated to gradually return to pre-pandemic levels, lessening the General Fund contribution required to make this portion of the Civic Entertainment fund whole.

FISCAL IMPACT:

A high-level summary of the five-year General Fund impact for the Convention Center, Sports Commission and Visitors Bureau is outlined in the Table 3 below.

The pandemic significantly impacted the Convention Center's operations, beginning with the statewide lockdown in March 2020, and is reflected in the revenues received during fiscal years 2020, 2021 and 2022. During the pandemic, Raincross laid off nearly all employees, retaining only senior managers vital to maintaining the building's operation, including providing 24 hour building security, building and lawn maintenance, installing COVID safety protocols for reopening, moving business to future years, selling, marketing and communicating with existing and prospective clients for future business, obtaining Global Biorisk Advisory Council accreditation, and planning for reopening.

Raincross experienced a return to previous event demand and venue stabilization during FY 2023, reaching near pre-pandemic events, attendees, employee numbers and returning to gradual event price increases. This trend is expected to continue for the foreseeable future.

Table 3. Total General Fund Contribution for the Riverside Convention Center, Sports Commission & Visitors Bureau

	2019	2020	2021	2022	2023
Operator Financial Results:					
Operating Revenues	\$ 10,102,888	\$ 6,944,171	\$ 1,325,914	\$ 5,612,597	\$ 9,674,733
Operating Expenditures	9,202,795	7,136,988	3,011,896	7,021,253	9,888,409
Net Profit/Loss	\$ 900,093	\$ (192,817)	\$ (1,685,982)	\$ (1,408,655)	\$ (213,676)
General Fund Contribution:					
Management Fee	\$ 2,301,824	\$ 2,368,394	\$ 2,426,022	\$ 2,396,189	\$ 2,756,838
Direct Expenses	195,197	190,506	96,655	147,091	355,031
Other Revenue (Offset)	(896)	-	(510,815)	(842)	(1,649)
Operating P/L Contribution	(900,093)	192,817	1,685,982	1,408,655	213,676
Operating Contribution	\$ 1,596,032	\$ 2,751,717	\$ 3,697,844	\$ 3,951,093	\$ 3,323,896
Debt Service	3,475,181	3,448,288	3,425,577	3,026,185	3,073,169
Total GF Contribution	\$5,071,213	\$6,200,004	\$7,123,420	\$6,977,278	\$6,397,064

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Attachments:

1. Presentation
2. RHMC Estimated Economic Impact Detail