



Financial Performance and Budget Committee

City of Arts & Innovation

TO: FINANCIAL PERFORMANCE AND BUDGET COMMITTEE MEMBERS

DATE: MAY 10, 2023

FROM: GENERAL SERVICES DEPARTMENT

WARDS: ALL

SUBJECT: FIRST AMENDMENT TO MANAGEMENT AND OPERATIONS AGREEMENT WITH RAINCROSS HOSPITALITY CORPORATION FOR THE RIVERSIDE CONVENTION & VISITORS BUREAU AND RIVERSIDE SPORTS COMMISSION TO EXTEND FOR ONE ADDITIONAL FIVE-YEAR TERM TO 2028 TO SYNCH WITH THE EXPIRATION DATE FOR THE MAIN OPERATING AGREEMENT FOR THE CONVENTION CENTER AND UPDATE THE CONSUMER PRICE INDEX AND OTHER CLARIFYING ISSUES; FOR A BASE CONTRACT AMOUNT OF \$1,100,000 FOR THE RIVERSIDE CONVENTION AND VISITORS BUREAU AND \$150,000 FOR THE RIVERSIDE SPORTS COMMISSION

ISSUE:

Approve the First Amendment to the Management and Operations Agreement with Raincross Hospitality Corporation for the Riverside Convention & Visitors Bureau and Riverside Sports Commission to extend for one additional five-year term to 2028 to synch with the expiration date for the main operating agreement for the Convention Center, update the Consumer Price Index and other clarifying issues.

RECOMMENDATIONS:

That the Financial Performance and Budget Committee:

1. Review and provide direction on the First Amendment to the Management and Operations Agreement with Raincross Hospitality Corporation for the Riverside Convention & Visitors Bureau and Riverside Sports Commission to extend for one additional five-year term to 2028 to synch with the expiration date for the main operating agreement for the Convention Center and update the Consumer Price Index (CPI) and other clarifying issues, for a base contract amount of \$1,100,000 plus an annual CPI Increase for the Riverside Convention & Visitors Bureau, and \$150,000 base contract amount for the Riverside Sports Commission, plus annual CPI increases; and
2. Forward the First Amendment to the Management and Operations Agreement with Raincross Hospitality Corporation for the Riverside Convention & Visitors Bureau and Riverside Sports Commission to the City Council for consideration.

BACKGROUND:

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, both at the Convention Center and at many other venues in the city, including but not limited to hotel meeting rooms, sports venues, and the Riverside Municipal Auditorium.

In 2009, the City issued a Request for Proposals (RFP) for management and operation of the Riverside Convention Center and 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. RHC maintained the primary staff who had successfully operated the Convention Center and Visitors Bureau. The City Council also approved the First Amendment to the Management and Operations Agreement engaging RHC to temporarily operate convention center services from the Riverside Municipal Auditorium during the \$45 million renovation and expansion of the Riverside Convention Center. 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 Services (IRS)-compliant management agreement be negotiated for operation of the Convention Center upon reopening.

In August 2013, the City Council approved a separate agreement for the Management and Operation of the Visitors Bureau and Sports Commission as it was necessary to separate the Visitors Bureau operation and management from the Qualified Management Agreement for the Convention Center, due to IRS rules.

The Visitors Bureau is a separate business unit from the Convention Center and a standalone agreement provides more clarity and ease of administration. The term of this agreement is from July 1, 2013 to June 30, 2023, with one option to extend for an additional five years.

DISCUSSION:

As relayed in the background section, there are currently two operating agreements associated with the Convention Center, the main operating agreement for management of the Convention Center, which expires June 30, 2028, and a separate agreement for the Visitors Bureau and Sports Commission. The focus of this report is on the latter, which will end on June 30, 2023, unless extended by the City Council.

Riverside Convention & Visitors Bureau Scope of Services

The Visitors Bureau markets and promotes Riverside as a premier destination for conventions and meetings. The Visitor Bureau's one-stop-shop approach is a highly desirable incentive for meeting planners, as it relieves them from the task of reaching out to four or five different venues or hotels to obtain pricing and availability information. The Scope of Services is as follows:

- Develop an Annual Sales and Marketing Plan.

- Hire and manage sales, marketing, administrative staff necessary to achieve the objective of the Visitors Bureau.
- Maintain the Visitors Bureau’s “Bring it Home!” campaign.
- Develop promotional materials to support efforts to promote convention sales and business lead generation consistent with the RHC’s marketing plan.
- Disseminate information to prospective meeting and convention groups at tradeshow; during Familiarization Tours; in local, regional, state and national publications; through an interactive Visitors Bureau website and social media; in collateral materials, direct mail; and utilizing other sales and marketing platforms as may be consistent with the RHC’s sales and marketing plan.
- Attend appropriate tradeshow to sell and market Riverside as a premier convention city.
- Create monthly calendar of events at the Convention Center and share this events calendar with the City on a monthly basis.
- Cooperate with the City, Riverside Downtown Partnership, Arlington Business Partnership, hotels, Greater Riverside Chambers of Commerce, and other appropriate organizations regarding distribution of destination and tourist information to City visitors.
- Develop an annual limited economic analysis.
- Submit quarterly performance reports to include a summary of marketing metrics, leads generated, ads placed and social media growth.

For the fiscal year ending June 30, 2023, the base management fee including CPI increase is \$1,775,668.

Visitors Bureau Key Performance Indicators

The Visitors Bureau drives economic impact in Riverside by booking meetings and conventions that fill the Riverside Convention Center, local hotels, and retail establishments. The Visitors Bureau’s main focus in FY 2023/24 is to target 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. Performance is measured through the following metrics:

- 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.
- Room Nights Booked: FY 2023/24 Goal: 28,350
- Convention Center Revenue Contribution: The Visitor Bureau’s goal is to generate 50% of the Riverside Convention Center’s total revenue, which helps maintain a balance between local events and multi-day conventions with room bookings.

- Conversions/Lead-to-Contact: Percentage of leads that convert into a signed contract, a key indicator of the effectiveness of the sales team’s efforts to secure business and hotel bookings for the Convention Center, local hotels, and other venues.
- Site Inspections: The number of site inspections conducted, which allows meeting planners to visualize their convention or event in Riverside and increases the likelihood of securing business.
- Average Daily Rate Increase: The increase compared to the previous year, indicating a stronger demand for hotel accommodations in Riverside.
- Wash Factor Decrease: The wash factor is the difference between the number of hotel rooms contracted at hotels and the number actually consumed during a convention. Goal: Keep wash factor to under 10%.

City staff will work with Raincross Hospitality Corp to refine key performance metrics and develop expectations for tracking and reporting of accomplishments on a periodic basis.

Visitors Bureau Enhanced Marketing

The Visitors Bureau is presently making a significant investment to expand its branding and marketing initiatives by launching a new destination website. The “Explore Riverside” website will be launched by the RCVB in mid-2023 to offer tourism information for both meeting planners and visitors. The website will feature information on the Convention Center, downtown hotels, restaurants, nightlife, and the growing arts and culture scene in the downtown area. The City will work synergistically with the Visitor’s Bureau to leverage marketing resources to robustly promote Riverside as a destination for tourism, as well as for conventions, meetings and events.

Riverside Sports Commission Scope of Services

The Sports Commission promotes Riverside as a destination for athletic events. The scope of services includes:

- Develop a sales and marketing plan and budget submitted to the City annually prior to the end of March of each contract year.
- Hire and manage sales, marketing, and administrative staff necessary to achieve the objectives of the sales and marketing plan.
- Develop promotional materials to generate leads consistent with the Sports Commission marketing plan.
- Appropriately assist those sports groups that have committed to compete in Riverside to meet their objectives in order to earn repeat business.
- Disseminate information to athletic competition organizations at industry tradeshows, during Familiarization Tours; in local, regional, state and national publications; through an interactive RSC website and social media; in collateral materials, direct mail; and utilizing other sales and marketing platforms as may be consistent with the Sports Commission sales and marketing plan.
- Attend appropriate tradeshows to sell and market Riverside as a premier city for athletic competitions.

- Through the “Bring it Home!” Campaign, work closely with local athletic organizations to secure event leads.
- Public Relations: Utilize social media to drive attendance and direct participants and visitors to Riverside’s retail establishments and restaurants; develop strategic partnerships to help ensure event success; and establish/enhance relations with local news media to insure public awareness of events.
- Assist local athletic organizations in submitting RFPs; securing bid fees and athletic venues; coordinate with local stakeholders; customize communication pieces to provide the best opportunity for booking success; as appropriate, assist in event planning and production, including coordinating site inspections, securing necessary event permits, planning and managing event transportation and parking; and securing and deploying event volunteers; coordinate welcome materials for participants, and event programs for participants and visitors, including competition site maps and directions to restaurant and retail establishments.
- Coordinate with athletic organizations and retail establishments to promote economic activity.
- In collaboration with the City, encourage the development of athletic venues in order to attract athletic competitions; conduct venue feasibility analysis.
- Create and maintain a monthly calendar of events to be shared with the City on a monthly basis.

For the Fiscal Year ending June 30, 2023, the base management fee including CPI increase is \$206,397.

Sports Commission Key Performance Indicators

The purpose of the Sports Commission is to attract major athletic competitions, which will positively impact Riverside’s economy, generate meaningful national media coverage, and cement Riverside’s reputation as “Sports Town USA.” In FY 2023/24, the Sports Commission will continue to offer a comprehensive range of services to its clients, including obtaining estimates for services and equipment, coordinating timelines, helping to secure event permits, generating sponsorships, identifying event volunteers, acting as a liaison between local organizing committees and sports venues, and identifying and helping secure event transportation and parking.

The Sports Commission measures its performance through the following metrics:

- 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.
- Room Nights Booked: FY 2023/24 Goal: 7,700

- Conversions/Lead-to-Contract: Percentage of leads that convert into a signed contract, a key indicator of the effectiveness of the sales team’s efforts to secure business and hotel bookings for the Convention Center, local hotels, and other local venues.
- Site Inspections: The number of site inspections conducted, which allows meeting planners to visualize their convention or event in Riverside and increases the likelihood of securing business.
- Average Daily Rate Increase: The increase compared to the previous year, indicating a stronger demand for hotel accommodations in Riverside.
- Wash Factor Decrease: The wash factor is the difference between the number of hotel rooms contracted at hotels and the number actually consumed during an event.

Similar to the Visitor’s Bureau performance metrics, City staff will work with Raincross Hospitality Corp to refine key performance metrics and develop expectations for tracking and reporting of accomplishments on a periodic basis.

Estimated Economic Impact

Included in the contractual scope of services, Raincross develops an annual estimated economic impact analysis included as an attachment to this report. For FY 2022/23 Quarters One through Three only, the estimated economic impact for the Visitors Center is \$9,144,850, based on hotel room nights, Convention Center revenue, and estimated \$64 per day spend by visitors (22,088) for meals, transportation/gas, retail/shopping, bars/nightclubs, and other entertainment. The estimated economic impact does not include employee wages, or other second or third level economic impacts.

The estimated economic impact for the Sports Commission for FY 2022/23 Quarters One through Three only is \$3,290,880, based on hotel room nights, Convention Center revenue, and an estimated \$64 per day spend by visitors (14,176) for meals, transportation/gas, retail/shopping, bars/nightclubs, and other entertainment. Again, the estimated economic impact does not include employee wages, or other second or third level economic impacts.

A detailed breakdown is attached to this report (Attachment 3).

First Amendment to the Visitors Bureau and Sports Commission Management and Operations Agreement

The current Management and Operations Agreement between the City and Raincross for management of the Visitors Bureau and Sports Commission expires on June 30, 2023, while the Convention Center management agreement, which was extended by City Council on September 17, 2019, expires on June 30, 2028.

The proposed First Amendment to this agreement includes the following key provisions:

1. Five Year Extension. The management term is being extended by five years to June 30, 2028, as noted in Section II, TERM of the amendment. This five-year extension will mirror the end term for the Convention Center agreement, which will also expire on June 30, 2028.

2. Consumer Price Index. Updates the Consumer Price Index to include Riverside-San Bernardino-Ontario, CA as its own Core Based Statistical Area, as noted in section III, COMPENSATION.
3. Quarterly Hotel Partner Meetings. Updates Scope of Services to require Raincross to hold quarterly hotel partner meetings, as noted in Section IV, SCOPE OF SERVICES.
4. City Two-Year Budget. Updates the budget procedure by requiring the City to provide a projected two-year budget preparation schedule to Raincross on or before December of alternate years and requiring Raincross to comply with the timelines set forth in the schedule, as noted in Section V, PAYMENT OF EXPENSES; DAY-TO-DAY OPERATIONS.

All other terms and conditions of the Agreement remain in effect.

It's important to note that per terms of the main operating agreement for the Convention Center, on or before December 2026, the City shall issue a comprehensive Request for Proposals to select a firm to manage the Convention Center and all related sales and marketing services at the end of the July 30, 2028 term. This proposed term extension for the Visitors Bureau and Sports Commission Agreement allows for continued conventions, meetings and sporting events marketing and business lead generation for the remainder of the Convention Center agreement term.

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.

1. **Community Trust** – Raincross Hospitality Corporation, the City's partner in managing the Riverside Convention and Visitors Bureau and Riverside Sports Commission, was selected through a Request for Proposals process and approved by City Council, ensuring public transparency.
2. **Equity** – Conventions, meetings and sporting events draw visitors to Riverside and generate transient occupancy tax and sales tax revenues to help fund equitable public services for Riverside residents.
3. **Fiscal Responsibility** – The Riverside Convention and Visitors Bureau and Riverside Sports Commission provide a tangible economic benefit to the City by attracting business for local hotels, restaurants and retail establishments.
4. **Innovation** – Conventions, meetings and sporting events build social capital for the City.
5. **Sustainability & Resiliency** – Raincross Hospitality Corporation has extensive experience and proven success in the management of the Riverside Convention & Visitors Bureau and Sports Commission, helping to ensure that Riverside continues to benefit economically as destination for conferences, meetings and sporting events.

FISCAL IMPACT:

The total fiscal impact for the Visitors Bureau and Sports Commission agreement is \$1,982,065 for FY 2022/23 and \$2,072,446 for FY 2023/24 as outlined in Table 1 below. Appropriations for future fiscal years will be included in the department’s budget submissions for those fiscal years to be presented to the City Council for approval.

Table 1.

Fiscal Year	Business Division	Account Number	Amount
2022/23	Sports Commission	2250100-459973	\$206,397
	Visitors Bureau	2250100-459974	\$1,775,668
FY 2022/23 Total:			\$1,982,065
2023/24	Sports Commission	2250100-459973	\$215,808
	Visitors Bureau	2250100-459974	\$1,856,638
FY 2023/24 Total:			\$2,072,446

As emphasized throughout this report, there are two separate agreements with Raincross Hospitality Corporation, one for the management of the Convention Center, and a separate agreement for management of the Visitors Bureau and Sports Commission. Looking at the totality of both operating agreements, the Five-Year General Fund fiscal impact is listed in Table 2 below:

Table 2.

Fiscal Year	Convention Center	Visitors Bureau and Sports Commission	Total
2021/22	\$5,176,105.22	\$1,801,173.00	\$6,977,278.22
2020/21	\$5,384,164.84	\$1,739,255.52	\$7,123,420.36
2019/20	\$4,501,414.34	\$1,698,276.00	\$6,199,690.34
2018/19	\$3,420,342.40	\$1,651,184.28	\$5,071,526.68
2017/18	\$3,289,504.64	\$1,591,840.44	\$4,881,345.08
Total:	\$21,771,531.44	\$8,481,729.24	\$30,253,260.68

For the Visitor’s Bureau and Sports Commission, the base management fee plus CPI increase is the only general fund contribution.

Prepared by: Carl Carey, General Services Director
 Certified as to availability of funds: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/Treasurer
 Approved by: Edward Enriquez, Interim Assistant City Manager/Chief Financial Officer/Treasurer
 Approved as to form: Phaedra A. Norton, City Attorney

Attachments:

1. Presentation
2. Amendment
3. FY 2022-23 Q1 – Q3 Economic Impact Analysis