

CONVENTION CENTER

MISSION

By hosting events and offering a variety of services, the Minneapolis Convention Center showcases and provides economic benefit to Minneapolis and the surrounding region. The Convention Center is the national convention and trade show venue of the State of Minnesota.

The department will provide an exceptional product, in a safe environment, while maintaining the integrity and financial health of the facility.

BUSINESS LINES

Event Services – Responsible for providing an exceptional event planning product through coordination of both in-house departments and vendors for all events. Event Services coordinates production, set-up, technology services, guest services as well as event planning.

Facility Services – Ensures the safety, sustainability and maintenance of the building required to provide a world-class facility for customers. This includes contract management, capital planning, safety and security, parking operations, building and grounds maintenance to include custodial operations.

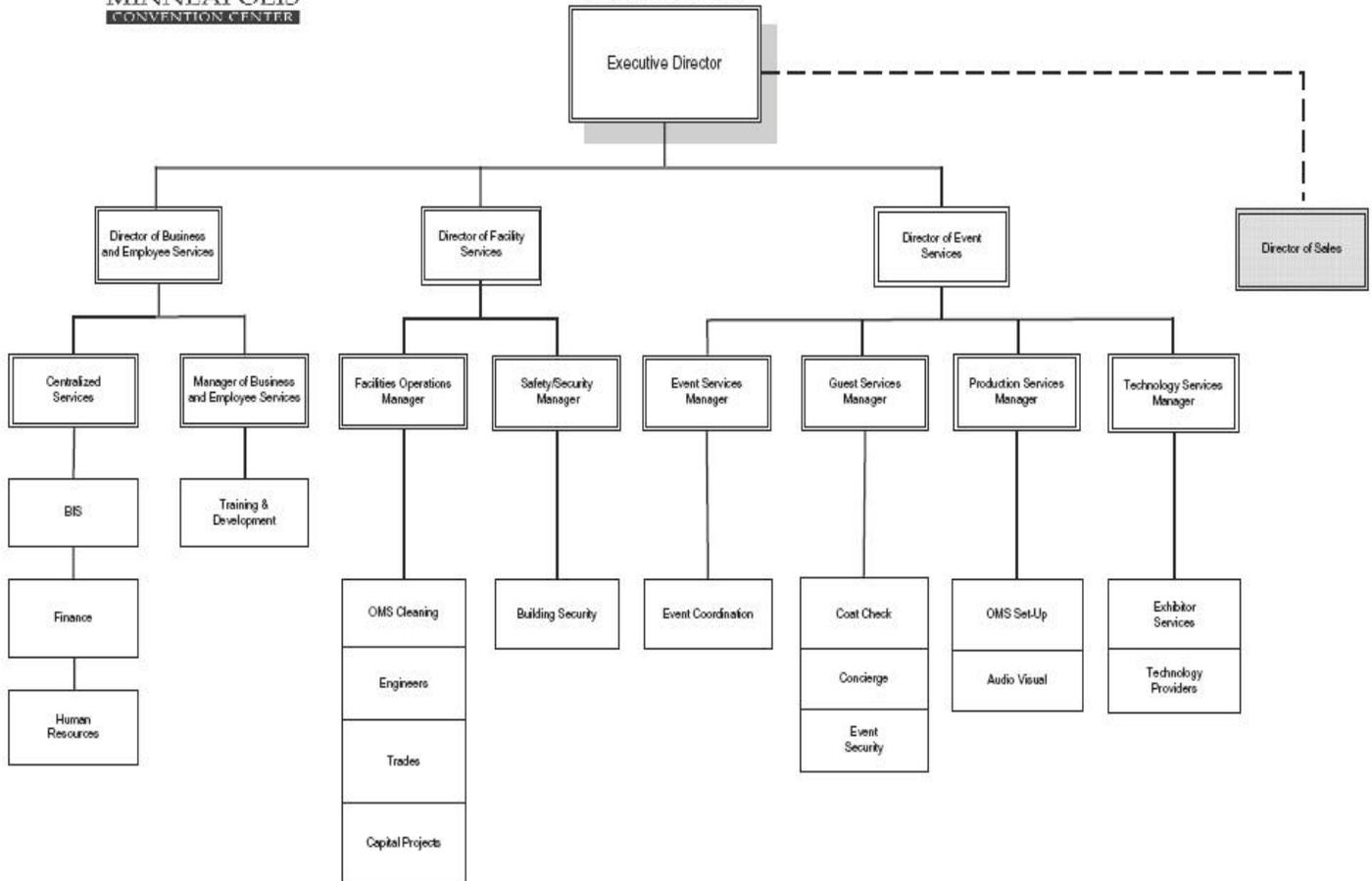
Sales and Marketing – Through a partnership with Meet Minneapolis, this group is responsible for selling and marketing the Convention Center. This includes being the initial point of contact for customers, identifying and attracting clients/events, gathering marketing data, determining and implementing marketing strategies and capitalizing on existing client relationships.

Business and Employee Services – Responsible for providing financial management activities and employee relationship and development programs for the Center's Staff. This includes providing data analysis, financial planning and evaluation, business and strategic planning as well as developing, implementing and evaluating employee programs (training, professional development, recognition).

ORGANIZATION CHART



Minneapolis Convention Center Organizational Chart



| FIVE YEAR DEPARTMENT GOALS AND OBJECTIVES | | |
|---|---|--|
| City Goals & Strategies | Department Goal | Objective |
| A safe place to call home A premier destination | Provide a safe and secure experience for all | Convention Center staff & events have adequate security. |
| | | Emergency Response is coordinated efficient, and effective. |
| A safe place to call home A premier destination Cleaner, greener, safer downtown | Employees work in an environment which is free from hazards to their health or safety | |
| One Minneapolis A premier destination | High Quality Product & Services | Show managers and exhibitors receive clear, concise, relevant information when they need it. |
| | | Maintain and upgrade clean, functional, competitive facility |
| | | Clients, employees, and guests with limited English proficiency are readily able to access Convention Center services. |

| City Goals & Strategies | Department Goal | Objective |
|--|---|---|
| Lifelong Learning A Premier Destination | Optimize Business Processes | Manage and contain cost factors to limit annual expenditures |
| | | Improve level of operational self-sufficiency |
| | | Refine client contracting and invoicing processes |
| | | Increase utilization of MCC on-line services |
| One Minneapolis A Premier Destination | Maximize utilization of facility and services | Increase public exposure and use |
| | | Increase facility utilization in local, corporate and national markets |
| | | Guests, exhibitors, and clients have a variety of parking options. |
| One Minneapolis Lifelong learning A premier destination | Provide a positive work environment | Employees work in a positive environment which encourages their growth and development. |
| | | Workplace is free from harassment and retaliation |
| | | Employees have the opportunity to continually improve and develop skills. |

| RESULTS MINNEAPOLIS MEASURES, DATA AND TARGETS TABLE | | | | | | |
|---|-----------|-----------|-----------|-----------|-------------|-------------|
| Measure Name | 2004 Data | 2005 Data | 2006 Data | 2007 Data | 2008 Target | 2011 Target |
| Total Occupancy | 55.9% | 65.5% | 61.8% | 60.7% | 65% | 65% |
| Total Attendance | 903,330 | 784,250 | 836,000 | 782,059 | 800,000 | 800,000 |
| Total Revenue (1,000's) | \$14,161 | \$16,208 | \$15,645 | \$14,341 | \$15,309 | \$17,571 |
| Customer Survey Overall Rating | 4.45 | 4.42 | 4.42 | 4.50 | 4.5 | 4.5 |
| Climate Survey Rating | 4.00 | 3.91 | 3.93 | 4.26 | 4.10 | 4.20 |

What key trends and challenges does the department face and how will each be addressed?

Capital Repairs: Leaks in the dome roofs are pushing roof repair/replacement ahead of schedule in the long-term capital plan. The high price tag would require some re-shuffling of capital priorities as well as additional funds from the Convention Center fund.

Supply and Demand of Space: As reported in 2007, research from *Trade Show Week* shows that the national supply of available convention space is more than adequate, creating flat sales projections for the convention market. To off-set this projection, increased effort to maximize ancillary service revenue and entice new clients through creative uses of the space are being pursued. Partnership with Meet Minneapolis will be a key factor in creating demand for space

and services. A formal marketing plan and greater focus on the strategic relationship between the marketing of the Convention Center and Sales efforts must be deliverables as services from Meet Minneapolis.

Competitiveness: Comparable Centers in Denver, Indianapolis and Louisville are keeping their rates down. Maintaining the balance between quality service and low cost is a challenge; defining the City's competitive edge will be important. A re-branding of the Convention Center with a focus on its strengths will help provide competitive advantage and direction. The department also seeks to revitalize the building through enhancements to space in late 2008 through 2009. Capital projects focused on public space will add to amenities.

Technology: Determining how to develop and market technology services to clients will be important as the department try to capitalize on non-rental revenues. Selling sponsorship opportunities, internet access, revamping utility service offerings and on-line ticketing options will be important in future marketing efforts. Innovative ideas in these areas have caused growing pains as the department has not realized the returns on investments in the areas of ticketing, sponsorship sales, and wireless services. The department is poised to reap these rewards with the addition of two cell phone carriers and the philosophy of lowering wireless internet fees with the goal of a free service that connects to Wireless Minneapolis. Ticketing services are slowly coming on line, with impressive early returns that will only increase as the service becomes exclusive in 2009. Video sponsorship sales likely will leave the control of Meet Minneapolis and move to a third party vendor that has experience in the area. With the added expertise, revenues should increase substantially.

Customer Service Expectations: Customers are continuing to demand even more responsiveness to last minute changes. Many customers work from an expectation that the department will be able to muster large amounts of labor and/or equipment in a short period of time. The Time and Labor Management project will bring many of the event software solutions out onto the front lines through mobile workstations that will be able to capture real time changes and redirect staff appropriately, while also keeping track of changes to ensure proper client billing.

Revenue Development: Over the last five years, the department has captured several targeted revenue streams. It is important to maintain balance as the department moves forward and looks toward the development of added-value services. The department has consistently attempted to develop services which improve its attractiveness to its central customers; national and regional convention and tradeshow. Those events have historically been more able and inclined to pay premium prices for premium services. However, as the department assumes more exclusive services, the department has to be aware that some smaller clients may decide to utilize another option. Balancing this service investment with its anticipated return will be a challenge moving forward.

The 2009 Revenue Projections are flat with rental revenue predicted to be below average while food service commission based on the amended catering contract growing modestly.

Work Environment: The department still believes that people will be the product that sells over the next 10 years. The thing that will differentiate the center from its competition, the one thing that cannot be copied, is a successful culture or work environment. Building a culture of trust and teamwork will be paramount to future success. Focused efforts on improving lines of communication as well as employee/supervisor relationships will be keyed to attainment of this goal.

Branding/Identity/Image: The Convention Center needs to define its competitive edge and pursue and market that edge through its partnership with Meet Minneapolis. Staffing levels, exclusive services, and front line staff experience have provided the Convention Center with a positive industry reputation for service. The department needs to focus on and expand this reputation for service so that it becomes part of the soul of staff and story to customers.

Budget Subsidy: The gap with the Convention Center's operating expenses and direct revenues has grown as the department has added services, increased customer service offerings, and focused on an improved work environment. This subsidy should be viewed as a yearly investment in the hospitality industry that showed a \$160 million return in economic impact to our community in 2007. An appropriate subsidy must be a part of a broad economic strategy.

While Convention Center Operating revenue has been flat, the Convention Center Fund revenue has increased at a steady rate. The Fund cash balance has increased from \$11.5 million in 2003 to \$27.5 million in 2007, which shows strong economic activity in the hospitality industry. Convention Center Fund revenues are vulnerable to an economic downturn through decreased spending activity, which highlights the importance of the hospitality industry's economic stimulus to spending.

New revenue opportunities for the fund will occur with the opening of the new Minnesota Twins Stadium drawing more people to the downtown area, which will continue to keep fund revenues stable in the coming years. A strong fund with significant cash reserves will allow investment in needed major structural replacements and could be used as an investment tool to reinvest in the hospitality industry of Minneapolis.

Meet Minneapolis must increase their marketing and sales focus on the Convention Center to increase rental revenues. Ancillary revenues are tied directly to the events that are booked for the facility and the ability increase their impact on overall revenue has not been fully realized with current occupancy levels. Flat revenues cannot be accepted at the current rate of expenses and future decisions must be made regarding the purpose and organizational structure if revenues do not increase.

What changes to the ordinance are needed to improve services and/or reduce cost?

Some potential changes that would improve the Center's ability to meet employee and client needs include the following:

- *Purchasing (18.120)* – The bid policies and procedures do not allow for quick business response which is a concern when operating in a competitive marketplace. Additionally, some specialty items are limited to specific vendors that provide that service and competitive bid procedures increase administrative burden.
- *Personnel, Salaries (20.10)* – The inability to pay employees for performance hinders efforts to recognize high-performing individuals and provide incentive for all employees to exceed performance expectations.

FINANCIAL ANALYSIS

ORIGINAL BUDGET

The Mayor recommended and Council approved \$250,000 for a bike share station at the convention center.

MAYOR'S REVISED BUDGET

The Mayor recommended a reduction of \$280,000.

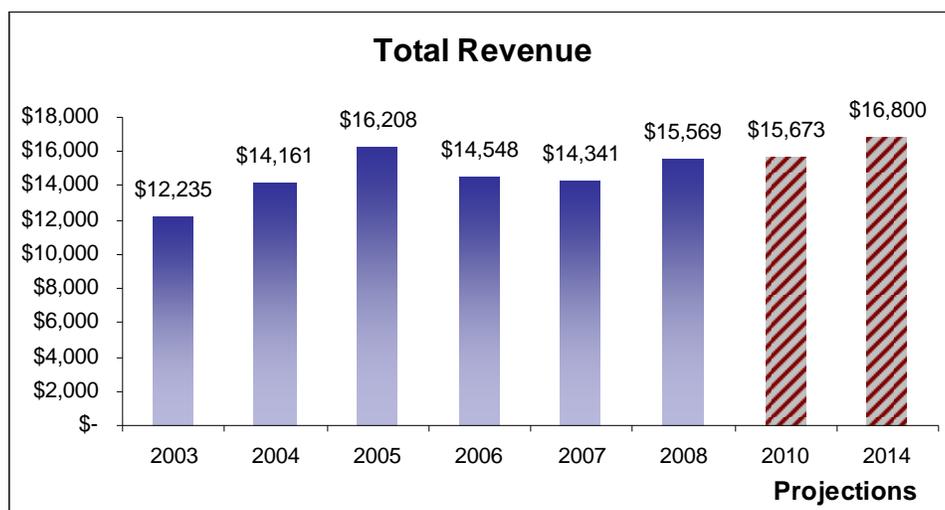
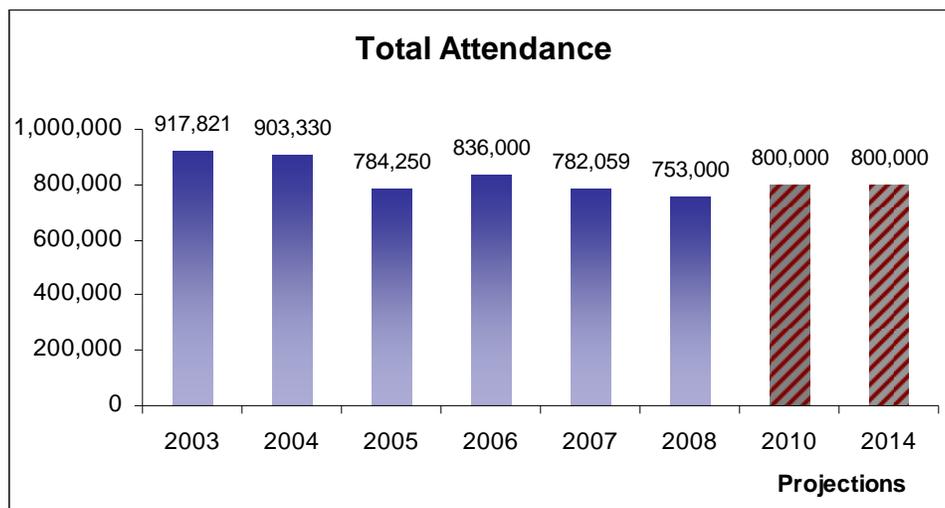
COUNCIL REVISED BUDGET

The Council concurs with the Mayor's recommendation.

The budget for this department includes a reduction of BIS charges of \$14,000 due to the Council's actions to reduce the BIS budget by \$725,000. This reduction in BIS charges will subsequently reduce the department's appropriation by the same amount. Backing out this reduction in charges, the 2009 supplemental budget for Convention Center is \$45.7 million, a 13.1% increase over the 2008 Adopted budget.

RESULTS IMPLICATIONS

The following charts show the projected impacts to the department's *Results Minneapolis* measures due to the Council's revised budget.



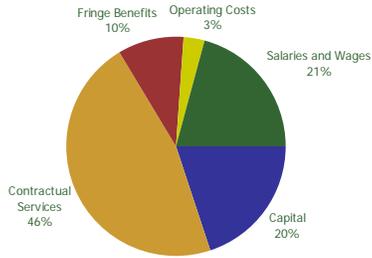
CONVENTION CENTER EXPENSE AND REVENUE INFORMATION

| EXPENSE | 2006 Actual | 2007 Actual | 2008 Adopted Budget | 2009 Revised Budget | Percent Change | Change |
|------------------------------|-------------------|-------------------|---------------------|---------------------|----------------|------------------|
| SPECIAL REVENUE | | | | | | |
| Salaries and Wages | 8,491,973 | 9,342,248 | 9,497,774 | 9,557,527 | 0.6% | 59,753 |
| Fringe Benefits | 2,813,398 | 3,084,234 | 3,691,898 | 4,364,083 | 18.2% | 672,185 |
| Contractual Services | 18,727,863 | 18,870,796 | 20,564,037 | 21,208,269 | 3.1% | 644,232 |
| Operating Costs | 842,247 | 1,314,130 | 1,330,506 | 1,404,979 | 5.6% | 74,473 |
| Capital | 1,135,055 | 1,048,975 | 5,269,987 | 9,120,840 | 73.1% | 3,850,853 |
| TOTAL SPECIAL REVENUE | 32,010,536 | 33,660,383 | 40,354,202 | 45,655,697 | 13.1% | 5,301,495 |
| TOTAL EXPENSE | 32,010,536 | 33,660,383 | 40,354,202 | 45,655,697 | 13.1% | 5,301,495 |

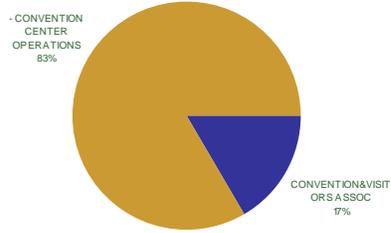
| REVENUE | 2006 Actual | 2007 Actual | 2008 Adopted Budget | 2009 Revised Budget | Percent Change | Change |
|------------------------------|-------------------|-------------------|---------------------|---------------------|----------------|------------------|
| SPECIAL REVENUE | | | | | | |
| Sales and Other Taxes | 56,724,560 | 60,065,202 | 57,864,000 | 59,304,000 | 2.5% | 1,440,000 |
| Charges for Service | 5,155,200 | 5,291,366 | 6,180,000 | 5,475,000 | -11.4% | (705,000) |
| Interest | 0 | 0 | 954,000 | 1,729,011 | 81.2% | 775,011 |
| Rents | 6,768,181 | 6,508,640 | 6,689,250 | 6,435,000 | -3.8% | (254,250) |
| Contributions | 537,500 | 391,900 | 0 | 0 | 0.0% | 0 |
| Other Misc Revenues | 2,624,553 | 2,581,563 | 2,714,000 | 3,025,000 | 11.5% | 311,000 |
| TOTAL SPECIAL REVENUE | 71,809,993 | 74,838,671 | 74,401,250 | 75,968,011 | 2.1% | 1,566,761 |
| TOTAL REVENUE | 71,809,993 | 74,838,671 | 74,401,250 | 75,968,011 | 2.1% | 1,566,761 |

Note: The expense figures above include contractual costs of \$7.6 million for Meet Minneapolis.

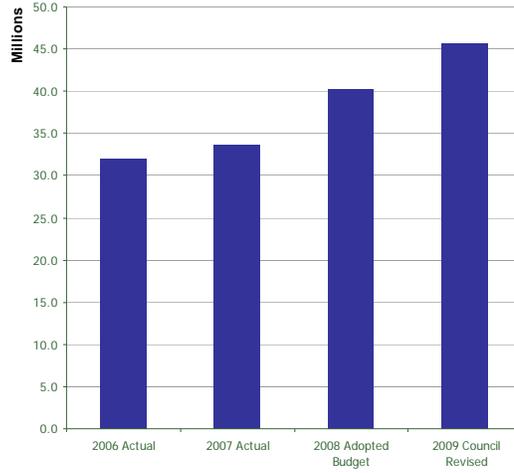
Expense by Category, 2009 Council Revised



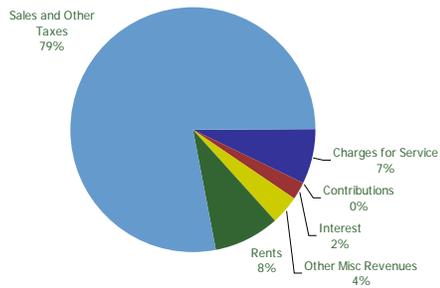
Expense by Division, 2009 Council Revised



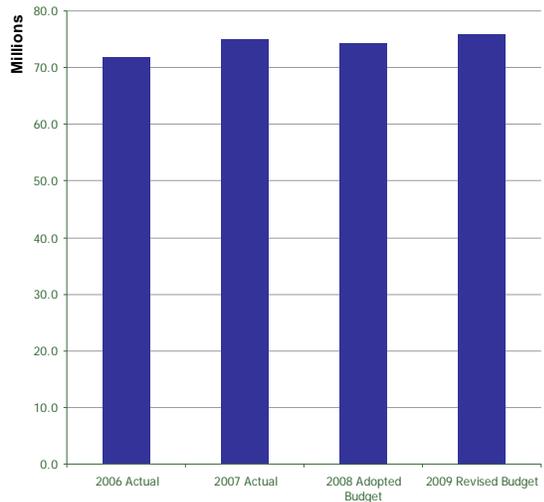
Expense 2006 - 2009



Direct Revenue by Type, 2009 Council Adopted



Revenue 2006 - 2009



**CONVENTION CENTER
Staffing Information**

| Expense | 2006 Actual | 2007 Actual | 2008 Adopted | 2009 Revised | % Change | Change |
|------------------------------|-------------|-------------|--------------|--------------|-------------|------------|
| CONVENTION CENTER OPERATIONS | 211 | 211 | 212 | 208 | 0.1% | (4) |
| TOTAL | 211 | 211 | 212 | 208 | 0.1% | (4) |

Positions 2006-2009

