



November 9, 2008

Mr. Steven Bosacker
City Coordinator
City Hall
350 South 5th Street, Room 301M
Minneapolis MN 55415

Dear Mr. Bosacker:

Conventions, Sports & Leisure (“CSL”) has completed our research and analysis relative to City efforts to evaluate the relationship between City government, elected officials, Convention Center management, and destination marketing organizations. The analysis conducted and summarized herein is largely based on interviews with City, Convention Center and Meet Minneapolis representatives, analysis of conditions in competitive and comparable markets, and industry knowledge gained through the performance of numerous studies in the convention and visitor industry.

We sincerely appreciate the assistance and cooperation we have been provided in the completion of this report and would be pleased to be of further assistance in the interpretation and application of our findings.

Very truly yours,

CSL International

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Introduction and Study Background

Conventions, Sports and Leisure, International (CSL) was retained by the City of Minneapolis to provide research and information to be used in evaluating the relationship between City government, elected officials, Convention Center management, and destination marketing organizations. As part of this study, contracting and vendor issues have been reviewed related to securing marketing and sales functions for the Minneapolis Convention Center (MCC) and convention and tourism services for the City of Minneapolis.

The MCC is a City-owned and managed facility with 1.5 million square feet of space, hosting over 500 event annually. Meet Minneapolis (MM) is the destination marketing organization (DMO) under contract with the City to provide convention and tourism sales and marketing efforts.

The objective of this study is to provide decision makers within the City with background information and analysis regarding various aspects of destination sales and marketing contract structures, including the following.

- 1.0 Current conditions
- 2.0 The role of the Destination Marketing Organization
- 3.0 Public sector oversight
- 4.0 Board structure and oversight
- 5.0 Convention Center and DMO Interaction
- 6.0 Findings and Recommendations

In preparing this analysis, we have undertaken a variety of analysis steps as described below.

- Reviewed existing contract between the MM and the City.
- Interviewed applicable City and MM personnel including the City Coordinator, the MCC Executive Director and key staff, and the MM CEO.
- Interviewed local elected officials including Council members Ostrow, Goodman, Glidden and Johnson.
- Analyzed practices in place in comparably sized markets.
- Analyzed industry data as to destination marketing structures, contracting, governance and related issues.

The findings and research developed as part of this study are presented herein.

1.0 Current Conditions

Meet Minneapolis operates under a five year contract with the City of Minneapolis. The terms of the contract call for payments of various tax revenue collected by the City to MM. MM in turn is designated as the primary destination sales and marketing organization for the City.

The scope of services to be provided by MM includes but is not limited to the following items.

- Perform services to promote the City and its convention and hospitality facilities.
- Provide various sales and marketing services necessary to attain the maximum use and occupancy of the MCC.
- Serve as the exclusive booking agent for the MCC.
- Develop and maintain an internet website(s).
- Plan and conduct information and publicity programs to attract tourists, visitors and other interested persons to the City.
- Provide convention services as necessary, including a housing bureau.
- Cooperate and coordinate with the convention, visitor and hospitality industry in Minneapolis.
- Cooperate with the Executive Director of the MCC in marketing the MCC.
- Cooperate with the Director of Communications for the City on all promotional activities.

The contract also states that MM:

“recognizes the investment of the City of Minneapolis in the Minneapolis Convention Center and the importance of achieving maximum occupancy and rental revenue in the Convention Center and shall, as the primary objective of the Association’s promotional and sales activity, solicit conventions and trade shows that utilize the Convention Center. It is understood by the Association that the performance evaluation by the City will emphasize the results of this activity.”

From a performance and reporting perspective, key elements of the contract include the following:

- The goals and objectives for the year shall include a numerical goal of conventions and tradeshow. These goals and objectives are reviewed and approved by the City Coordinator and/or her/his staff designee.
- Association shall revise and finalize a convention marketing plan and tourism marketing plan for submittal to the City.
- The City shall evaluate the performance of the Association based on booking of major conventions and trade shows.
- The Association shall submit to the City a quarterly report. The contract lists in detail the items to be included in this report such as listing of all meetings and conventions booked by the Association, listing of all significant activities for marketing the MCC, quarterly

analysis of progress towards goals, identification of clients with definite commitments to the MCC.

- The Association shall provide such additional information and reports as requested by the City Coordinator and/or her/his staff designee.
- The Association, upon the request of the City, shall direct the marketing and sales effort toward achieving a specific revenue goal agreed on by the Association and the City Coordinator. The Association recognizes that its performance under this Agreement may be measured by its ability to achieve this revenue goal.
- The Association shall prepare and submit to the City a five year marketing plan for the sales promotion of the MCC.

We note that in some cases the City Coordinator is listed as the designee for receiving or approving information, and in other cases, the contract simply lists the City as the party to receive information. It is also important to note that there are numerous references in the performance and reporting section of the contract that refer to the sales and promotion of the MCC as the primary focus for MM. In fact, the contract, more than typical on a national basis, emphasizes the importance of convention center events and revenue, and invests in the City (presumably the City Coordinator) the power to direct MM sale and marketing efforts.

The Board of MM is made up of 42 members, six of which are City Council members. The remaining members are appointed through a nominating committee of the MM Board. There is an 18 member executive committee, inclusive of three City Council members. There are currently several standing committees of the Board, including Strategic Marketing, Finance and Administration, Issues and Advocacy, Partnership Development, and the Convention Fund Advisory Committee.

MM presents quarterly and annual reports to the City Coordinator. These reports focus on various sales goals, marketing efforts and related business conditions. Goals are currently stated in terms of room nights generated, web activity, etc. The annual budget for MM is reviewed and approved by the Ways and Means committee of the Council.

There are other areas of contracting for service between MM and the City including \$50,000 for a sister city program, \$50,000 for a neighborhood marketing program, and \$50,000 for "Minneapolis Unwrapped", a shopping incentive program.

A final note on the current conditions is warranted with regards to short and long-term MCC sales and marketing efforts. In most cities, and until several years ago in Minneapolis, MCC staff were generally responsible for local event sales and marketing within an 18 month window. Currently, this booking window has been eliminated, and MM conducts all short and long-term booking of the MCC. This is a somewhat unusual situation relative to current industry conditions, but does represent a creative response to a trend that finds many high impact/high room night events booking within shorter windows. The model is worth continuing (with some conditions noted later in this report), particularly with the modifications to sales staff deployment currently being considered by MM management.

2.0 The Role of the Destination Marketing Organization

The DMO has traditionally been responsible for all sales and marketing efforts designed to attract non-local convention, trade and meeting events. The rationale for this model relates to the requirements of the event planner. Planners, particularly those of large city-wide conventions, require assistance in developing hotel room blocks, local transportation and shuttling, event entertainment, attendee and spousal entertainment programs and related efforts. A DMO is uniquely structured to address the myriad requirements of event planners.

Generally speaking, convention center management should be charged with maintaining a clean, secure and customer friendly facility for local, regional and national events. In addition, center staff should provide marketing support for DMO event sales and marketing efforts by representing the characteristics of the center to prospective clients.

2.1 Comparative Industry Data

As part of this analysis, we have summarized various DMO and convention center characteristics for what are considered “comparable markets” and “peer markets”. A listing of cities in each of these groups is presented in Exhibit 1 below.

Exhibit 1 – Summary of Competitive and Peer Markets

Competitive Set

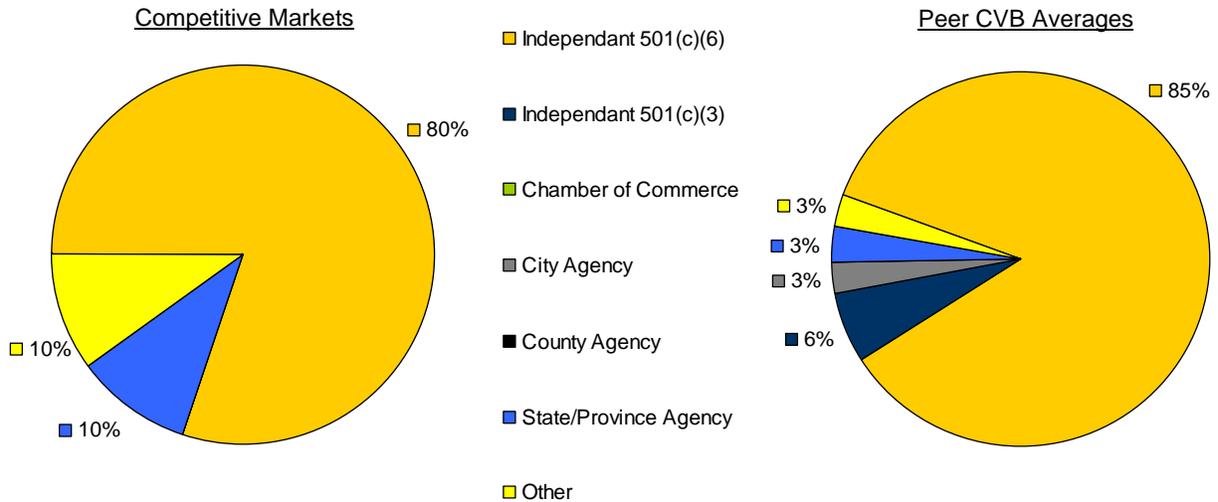
Austin, TX	Kansas City, MO
Baltimore, MD	Louisville, KY
Cleveland, OH	Milwaukee, WI
Denver, CO	St. Louis, MO
Detroit, MI	

Peer Convention and Visitors Bureaus

Albuquerque, NM	Detroit, MI	Portland, OR
Anaheim, CA	Fort Worth, TX	St. Louis, MO
Austin, TX	Indianapolis, IN	Salt Lake City, UT
Baltimore, MD	Kansas City, MO	San Antonio, TX
Boston, MA	Louisville, KY	San Diego, CA
Chicago, IL	Milwaukee, WI	San Francisco, CA
Cincinnati, OH	Nashville, TN	San Jose, CA
Cleveland, OH	New Orleans, LA	Seattle, WA
Columbus, OH	Philadelphia, PA	Tampa, FL
Dallas, TX	Phoenix, AZ	Tucson, AZ
Denver, CO	Pittsburgh, PA	Washington, DC

Minneapolis generally competes nationally with cities in the competitive set for large convention and trade events. The peer market set includes a wider variety of mid-sized national markets. Exhibit 2 presents a summary of the types of legal entities under which DMO's operate.

Exhibit 2 – DMO Organization Types



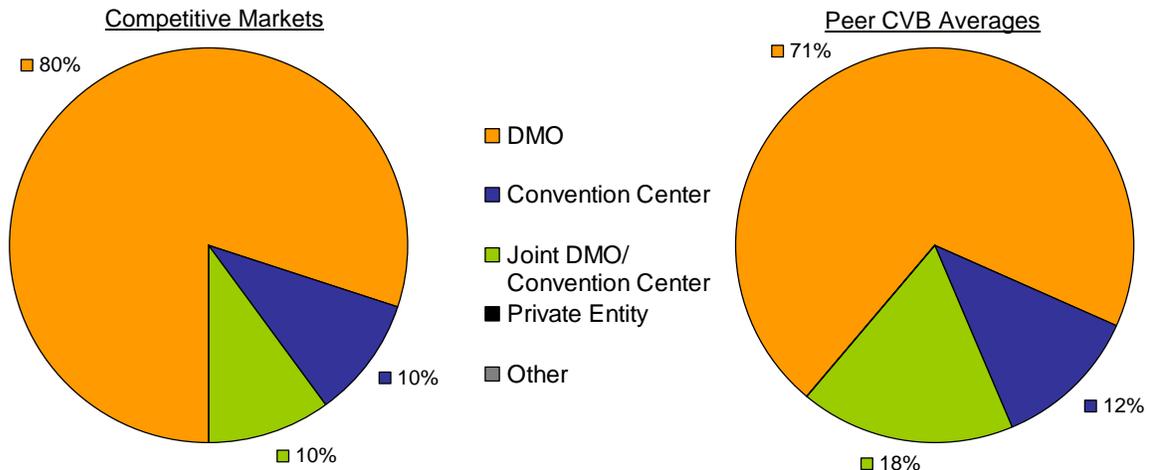
Source: Destination Marketing DMO Organization & Financial Profile 2007; CVB websites and publication; CSL Research, 2008.

As noted above, the vast majority of DMO's are organized as non-profit corporations. A few are operated as part of chambers of commerce or state/regional agencies. There are no large or mid-sized destinations that contract with a fully private, for profit entity to provide destination sales and marketing services. Traditionally, the services provided by a DMO, particularly in the area of convention and tourism sales, do not lend themselves to a for-profit operating model.

It is conceivable that a private sector for-profit entity could assemble the diverse staff required to perform destination sales and marketing, including a support functions such as finance, human resource, technology and other such functions. The for-profit firm would then require a management fee that would likely start at a minimum of \$250,000 annually. To date, cities have made the determination that a private non-profit corporation (such as a 501(c)(6)) can provide the necessary destination sales and marketing services without the burden of an added management fee.

Exhibit 3 provides a summary of the entities responsible for convention center sales and marketing at the various competitive and peer group sets.

Exhibit 3 – Provision of Convention Center Sales and Marketing Efforts



Source: Destination Marketing DMO Organization & Financial Profile 2007; CVB websites and publication; CSL Research, 2008.

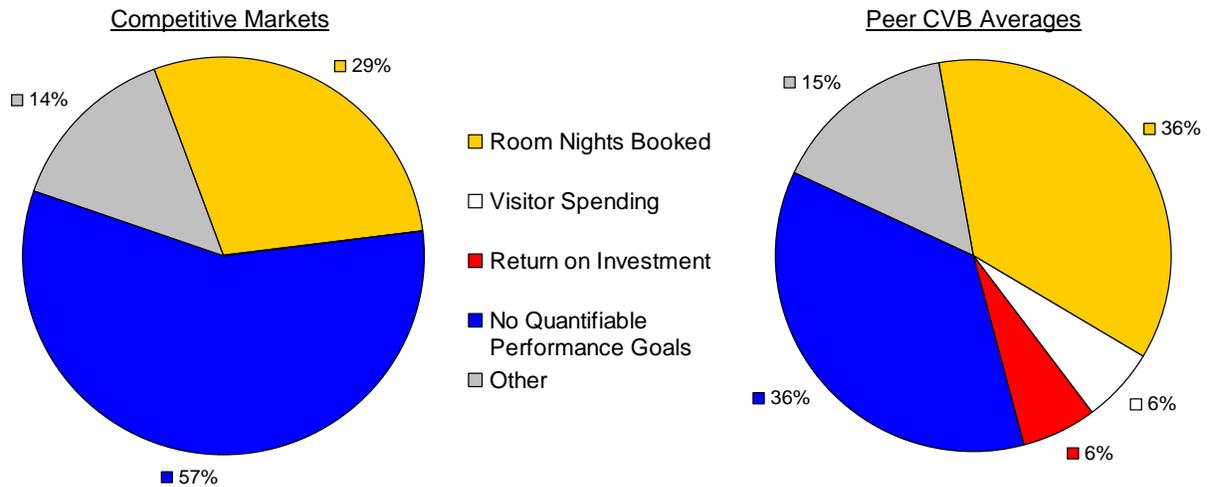
As noted above, 80 percent of the competitive markets provide convention center sales and marketing efforts using a DMO, and an additional 10 percent provide these services through a joint effort between the DMO and Center. For the peer market set, a combined 89 percent of the markets use a DMO or joint DMO and center operation for convention center sales and marketing efforts.

In some cases, including San Diego and Boston, the center has primary sales and marketing responsibility for the center. In these cases, the local DMO provides other destination sales and marketing services, and assists center sales staff in meeting the varied production needs of event planners. In other cases, as in Charlotte, St. Louis and San Jose, both the convention center and the DMO are part of a single authority.

The change made in Minneapolis to concentrate all MCC sales and marketing efforts with MM is a creative response to changes in event (particularly corporate) booking patterns, and should be continued. It does appear that the current modifications to the deployment of sales staff being considered by MM management as referenced above is an appropriate response to the desire of the City to increase MCC event activity.

Many DMO's have quantifiable performance goals included in their quarterly and annual reports to the public sector. These goals are typically reviewed with a contract administrator to identify conditions that may warrant corrective action. Exhibit 4 summarizes the types of performance goals under which DMO's can operate.

Exhibit 4 – Quantifiable Performance Goals



Source: Destination Marketing DMO Organization & Financial Profile 2007; CVB websites and publication; CSL Research, 2008.

As presented above, 57 percent of the competitive market DMO’s, and 36 percent of the peer market DMO’s do not operate with quantifiable performance goals. Among DMO’s that do set performance goals, the most common is room nights booked, followed by various other measures that can include visitor spending, center revenue, visitor levels, leads generated and conversion rates.

The current MM contract does include provisions for setting goals and monitoring performance. Goals include number of conventions and tradeshow, with references to MCC revenue. Unlike many markets, the MM contract does not emphasize room night generation or economic impact in terms of annual goals.

2.2 Specific Examples of CVB Roles and Responsibilities

The specific responsibilities of MM in fulfilling their contractual obligations were summarized earlier in this report. We have reviewed the contractual roles for DMO’s in several competitive or comparable markets, and have identified specific elements that could be considered for future MM contracts. Unlike the broad assessment of numerous national markets previously presented, the markets reviewed below represent a cross section of successful mid-sized destinations. This review is intended only to provide more detailed case study information with respect to a select set of markets.

Phoenix

In Phoenix, the contract between the CVB and the City states that the CVB “is generally responsible for providing advertising and promotional programs to attract tourists and convention delegates to the City of Phoenix”.

The contract goes on to specify a variety of specific tasks required of the CVB centering on several of the following elements.

- Preparation and implementing of a Marketing Plan designed to increase convention and tourism activity in the City of Phoenix.
- Establishment of acceptable booking goals for the Phoenix Convention Center, to be incorporated into the Marketing Plan.
- Initiate an advertising program to promote the City and its attractions.
- Conduct surveys for a sampling of Convention Center meeting planners and attendees, and work with the Convention Center on an electronic survey program for the Center.
- CVB and the City will co-develop the best reporting methodology to track sales leads-to-definite conversion statistics, with the report provided to the City on a monthly basis.

The provisions in the Phoenix contract draw a balance between convention and tourism activity as a focus of the CVB, but clearly state the need for setting convention sales goals and measuring performance on a monthly basis.

Dallas

In Dallas, the CVB/City contract states that the CVB agrees to use its best efforts to market, advertise and solicit through various sales programs, to acquaint potential users and prospective tourists with the public meeting and convention facilities and other attractions situated within the City, with a primary focus on the Dallas Convention Center. This language as written does not appear to clearly state a CVB mission, however there are several elements within the contract that are useful to consider, including the following.

- The CVB will solicit, arrange for, and service conventions, and publicize Dallas so as to attract conventions and visitors to the Dallas Convention Center and other City owned facilities.
- The CVB will maximize hotel room bookings and room tax revenues through conventions and general tourism promotion.
- The CVB will maximize the utilization of all of the City's convention facilities through solicitation and booking of conventions, tradeshow and meetings.
- The CVB will develop a Cultural Tourism Program to enhance the exposure of City-owned cultural facilities.
- The CVB will continue its Sports Marketing Program designed to sell and market Dallas as a venue for sporting events.

The provisions outlined above demonstrate a diverse approach to destination sales and marketing. The booking of the convention center is the first item listed in the scope of work, however the emphasis in undertaking this effort is on room night and room tax generation. Additionally, the CVB is charged with a focus on cultural tourism and sports marketing.

Anaheim

The scope of services presented in the CVB-City contract in Anaheim first states that the CVB “shall perform the following services in order to promote the growth and enhancement of the community, promote and encourage visitors to come to the City and promote the holding of conventions, conferences and trade shows in Anaheim.

The large majority of the specific scope elements deal with the sales of the convention center. Specifically, the CVB shall maintain experienced and efficient sales staff and supporting staff for sales activity. The staff shall (1) contact convention and tradeshow executives to obtain conferences, conventions and tradeshow for the City, (2) submit detailed proposals to convention and trade show executives and site committees; and arrange and coordinate on-site inspection trips for convention executives. The contract also calls for the CVB to prepare and disseminate promotional materials to convention and other organization executives and site decision makers, create advertising and exhibition displays promoting the convention center, and maintain membership in state, national and international convention associations.

The contract also details a set of services the CVB is required to provide to associations, groups or trade shows which meet in Anaheim, and requires that the CVB continually maintain open lines of communications with the City’s Convention Center management and staff.

The CVB-City contract in Anaheim provides the most weight towards convention center sales and marketing of any of the contracts reviewed. It should be noted that Disney spends tens of millions of dollars annually in promoting Disneyland, located across the street from the Convention Center. It is likely that this level of general tourism promotion allows the CVB to focus more extensively on the convention industry.

Kansas City

The scope of services section of the CVB-City contract in Kansas City is very brief, listing nine specific items. The first eight address tourism promotion, publicity and advertisement of the destination, media relations, creation and direction of special events, and as the last of the nine provisions, the “development of a specific program to market the City’s public facilities to conventions, tradeshow and corporate meetings”.

Until recent improvements, the Convention Center in Kansas City has not been considered as a highly competitive facility. It is likely that the emphasis in the contract of elements other than conventions is a result of this past condition.

2.3 *Summary*

The scope of services provided by DMO’s generally focuses on generating convention center business, as well as overall destination sales and marketing efforts. This type of focus, emphasizing the booking of the MCC, is clearly spelled out in the current MM contract with the City. In conducting our research for the study, there appeared to be some concern on the part of Minneapolis elected officials and city staff/management that MM had not directed sufficient efforts or resources towards MCC sales. Whether or not this is a perception based on reality, the contract in place with MM clearly defines a priority on MCC bookings.

Beyond directing the priority of DMO efforts, it is common in the industry for the measurable goals and objectives to be set in terms of room nights and economic impact. In effect, most cities look to a DMO to book their convention center with an emphasis on large events generating significant room nights and economic impact. In Minneapolis, the emphasis is clearly *not* on economic impact, but primarily on the generation of revenue for the MCC. This is an unusual provision industry-wide that clearly defines the focus of MM, and runs counter to the fact that the city representatives interviewed for the study express the “lack of focus on MCC bookings” concern as previously described. Regarding the appropriate focus of MM efforts based on City priorities, it does not appear to be an issue with contract provisions, but more likely with contract oversight. A more thorough evaluation of contract oversight mechanisms is discussed in the following section.

Finally, the current 501(c)(6) model under which the City receives destination sales and marketing services is typical in the industry and is an appropriate approach that does not require modification at this time.

3.0 Public Sector Oversight

The purpose of this section is to evaluate methods for providing city oversight of DMO contracts. Generally speaking, there are traditionally several levels of public sector oversight for DMO contracts as described in the following exhibit.

**Exhibit 5
Summary of Broad DMO Contract Oversight Methods**

Methods of Contract Oversight	
Public Entity City of Minneapolis	City Council Oversight <i>Set broad DMO priorities as part of the contract. Approve budget. Direct the contract administrator in evaluating performance relative to goals. Potentially serving on DMO Board.</i>
	City Staff Oversight <i>Work with DMO to set specific goals, develop/approve sales and marketing plans, and carefully evaluate DMO performance relative to goals. Recommend changes to contract, plans and/or procedures as determined necessary to meet City Council priorities.</i>
	Contract Oversight <i>Contractual provisions that allow for Contract Administrator to take necessary actions relative to deficiencies in performance of contractual obligations.</i>
Destination Marketing Organization Meet Minneapolis	

The three measures of DMO oversight are evaluated in more detail below.

3.1 City Council Oversight

This level of oversight involves direct or indirect oversight by members of city council. In some cases, as in Minneapolis for example, council members serve on the board of the DMO. In other cases, the council appoints members to the board that may or may not be actual council members. The rationale for city council oversight is fairly obvious. As a significant amount of city funding is allocated to the DMO, and as the convention and visitor industry can represent a major economic stimulus for a local economy, elected officials tend to view a direct oversight role as justified and necessary.

Examples of city council oversight in other markets are described below.

- Phoenix – The City Council has one voting seat on the Board. Specifically, three voting and two ex-officio seats on the Board are allocated to the City. The City’s voting seats are filled by representatives of the Mayor, the City Council and the City Manager, or their respective designees. The city’s ex-officio seats may be filled by the City Manager or designee.
- Dallas – There are 41 board members in total. Two members of the City Council are appointed to the Board by the Mayor and the Convention Center Director. The mayor also appoints the Chairman of the Board from a list of up to five recommended by the Nominating Committee of the Board. The CVB submits a quarterly report to the Council listing all expenditures and performance objectives achieved. The Council approves the annual CVB budget and marketing plan.
- Kansas City – There are no more than 30 members of the Board. The mayor nominates one-half of the Board for approval by the Nominating Committee. At least one City Council member shall be among the mayor’s nominees. The City Council receives quarterly financial reports as well as annual reports describing organization goals and objectives, and past performance.
- Other markets – In Anaheim and Indianapolis, there is no direct city council involvement on the board. Other oversight methods used in these cities are discussed later in this section.

In Minneapolis, there are currently 42 board members in total. The MM bylaws call for no fewer than seven members consist of City of Minneapolis appointees, one of whom shall be the Mayor. Currently, six City Council members serve on the board of directors. Three Council Members serve on the 18 member executive committee. The Council approves the funding for MM on an annual basis.

3.2 City Staff Oversight

It is important that city staff have an active role in providing contract oversight. It is at the staff level that monthly, quarterly and annual reports can be reviewed in detail, and that a careful evaluation of actual performance against goals can be made.

In most contracts reviewed, the primary contract administrator for the city is the convention center director, the city manager/coordinator, or both. Specific examples of city staff oversight are presented below.

- Phoenix – The Contract Manager is designated as the Phoenix Convention Center Director (Director) or his designee. The Director or his designee can serve on any applicable CVB Committees. The Director has authorization to:
 - Provide written comment and suggestion as to the Marketing Plan.
 - Consult and establish mutually acceptable booking goals for the Center.

- Receive surveys conducted by the CVB of meeting planners and attendees using the Center.

The CVB is also responsible for working with the City to co-develop a reporting method to track CVB sales leads-to-definite conversion statistics, with the report presented to the City on a monthly basis.

- Dallas – The Director of the Event Services Department (convention center manager) is the designated contract administrator. The Director has authorization to:
 - Meet with the CVB monthly to discuss the CVB’s programs and services, and any adjustments or corrections required.
 - If less than 95 percent of convention center space is leased, the Director has the right to review the CVB marketing strategies and recommend changes.
 - Receive a quarterly report documenting the activity of the CVB
- Kansas City – The Director of Convention and Entertainment Facilities (convention center manager) is the administrator for the agreement with the CVB. Specific reporting responsibilities of the CVB under the terms of the contract include the following.
 - Prepare quarterly financial reports in a form approved by the Director of Finance, and submit them to the Mayor, City Council, City Manager and the Director of the Center.
 - Present on an annual basis the accomplishments from the prior year, and a business plan with goals and objectives for the coming year to the full Council, City Manager and the Director of the Center.
 - A three-year strategic plan is to be approved by the Director of the Center.
 - All books, documents and records of the CVB are available to the City Auditor, Director of Human Relations and the Director of the Center.
- Anaheim – The Director of the Convention Center and an appointee of the City Manager serves on the CVB board. All services provided under the contract are coordinated with the City Manager or his designee. The annual budget and marketing plan is submitted to the City Manager or designee. Comments and suggestions of the City Manager are incorporated into the budget and marketing plan. The City and CVB meet to establish performance standards and to measure the CVB’s performance.

In Minneapolis, the City Coordinator or staff designee is named as the administrator for the agreement with MM. The agreement states that:

- The convention and trade show goals for the Center shall be acceptable to the City Coordinator or designee.
- An annual convention marketing plan and tourism marketing plan shall be submitted to the City for approval. The documents will set forth goals and objectives for the year.

- Very detailed quarterly reports shall be submitted to the City outlining progress towards goals and other relevant information.
- Additional information is to be provided to the City Coordinator or designee as requested.
- A five year marketing plan for the sales and promotion of the Center may be requested by the City.

In addition, the agreement states that MM will cooperate with the Executive Director of the Convention Center in marketing the Center. It is this point that may need to be addressed further with modifications to procedures involving MM and Center staff. As noted above, MM maintains full control over all Center sales efforts, yet the Center management is evaluated based on financial operating performance. The nature and focus on the sales and marketing efforts can have a direct impact on financial performance, and as a result, Center management should have significant input into sales and marketing efforts. Consideration should be given to ensuring that Center representatives participate in MM's efforts regarding short and long range Center sales/marketing planning at the earliest stages. This will require a formal coordination between MM and Center executives, leading to a schedule of planning meetings in order to form the Center sales and marketing plan.

3.3 Contract Oversight

Beyond city council and city staff oversight, there are oversight provisions that can be built into a contract that are important to consider. For example, in Minneapolis, the contract with MM includes the following provisions (summarized).

- If the Association (MM) does not meet its projected convention and trade show goals, booking results from the contract calendar year immediately prior to the present year, which are in excess of the goal for that calendar year, shall be used by the City in evaluating the performance of the Association.
- Also, the contract states that the City can request that the Association direct the marketing and sales effort toward achieving a specific revenue goal agreed on by the Association and the City Coordinator. The Association recognizes that its performance under this Agreement may be measured by its ability to achieve this revenue goal.

These are fairly strict guidelines that contractually obligate MM to set goals upon which their performance will be evaluated. Of note is the provision that allows the City to focus MM efforts on achieving a particular revenue goal, presumably revenue for the Center. None of the communities we have evaluated include such a provision in their CVB contract.

There are numerous contract provisions that are used in other communities that may be instructive as a new contract is being considered in Minneapolis. For example, in Phoenix, the CVB contract states that "All work performed under this Agreement shall be completed in a manner satisfactory to the City". The contract also contains a section titled "Quality and Acceptability of Work".

It is instructive to present this language below as we consider options for a new contract with MM.

The Phoenix Convention Center Department Director or Designee is responsible for determining the quality and acceptability of any work performed under the contract. If, in the opinion of the Director, performance becomes unsatisfactory, the City shall notify the Contractor in writing. The Contractor will have 5 working days from the time of notification to correct any specific instance of unsatisfactory performance. In the event the unsatisfactory performance is not corrected within the time specified above, the City shall have the immediate right to complete the work to its satisfaction and shall deduct the cost from any balances due from the City or to become due or to bill the Contractor directly. Repeated instances of unsatisfactory performance may result in liquidated damages being assessed or cancellation of the agreement for default.

This language has significantly more impact than traditional termination provisions, in effect giving the city control to force changes in CVB practices, rather than just forcing a termination if the city is not satisfied with CVB performance.

In Dallas, the contract includes a CVB oversight mechanism by stating that the CVB will set aside an amount *agreed to by the City* each year to be used for advertising and promoting the Center. The requirement of City agreement would provide an element of oversight that is not included in the Minneapolis contract.

In Anaheim, the contract states a series of performance standards under which the CVB will be evaluated, however there are no provisions allowing the City to make changes to CVB operations if standards are not met. The contract used in Kansas City provides for no contractual oversight of the CVB. The oversight is more focused on City Council and convention center manager control.

3.4 Summary Observations

Using the information presented above; our interviews of key MM, Center and City staff and political leaders; and our independent assessment of the current conditions associated with the MM contract, we have prepared the following observations.

City Council Oversight

It is not uncommon to have city council members serving on the board of a CVB. City council members serving on a CVB board can serve several purposes:

- To inform council members as to the nuances of destination and convention sales and marketing in a highly competitive industry.
- To provide council members on the board with information that can be reported back to the full council, and to bring other council concerns back to the MM board.
- To provide advice as to the MM goals and strategies from the perspective of elected city officials.

It should not be the role of council members serving on the Board to act as industry experts nor as “contract administrators”. The contract administrator function should be left to staff, as discussed below. Although not stated in the official bylaws, a MM board member from any industry or background should be charged with providing strategic guidance to the executive leadership of the organization, not with acting to monitor contract issues. The MM contract does not require that city council members serve on the MM Board, only that six city representatives serve. The six city council members currently on the MM board are more than needed to represent the council. Consideration should be given to formally reducing the Council members on the Board to no more than three. Council members could serve as voting or ex-officio non-voting members.

City Staff Oversight

The primary responsibility for contract oversight should rest with City staff. In most cases, either a city manager/coordinator, convention center director, or a combination of both will serve as primary contract administrator. It is at the staff level that detailed assessments of performance against goals can be prepared, and evaluations can be made as to whether or not sales/marketing focus is being placed on the desired business segments.

A common challenge faced by any city in terms of CVB contract administration is the lack of convention and visitor industry expertise within the city that may be useful in reviewing vendor performance. Other city contracts that may relate to technology, construction or other services can be monitored by a city employee with direct experience in these areas. For monitoring CVB performance, it is common to rely on the convention center director given the tangential relationship of the director with the visitor industry. However, we are concerned about a sole oversight role for the Center director given that he or she may be highly focused on financial operating results versus broader city-wide visitor industry and economic impact issues. Conversely, the city coordinator brings this broader perspective, but with relatively little industry experience. For these reasons, we recommend that the City Coordinator and the Center director both play a role in MM contract administration. The specific mechanism for identifying City Coordinator and Center Director administrator roles should be determined by the relevant parties.

The appropriate process for instituting city staff oversight begins with setting City goals, priorities and objectives for the contract. The current MM contract clearly states that attracting events and generating revenue for the MCC is a priority. The contract also clearly defines various reports that are to be provided to city staff in order to measure performance against goals.

City staff should regularly report to City Council and appropriate committees with respect to MM performance and sales/marketing efforts. City Council would have at this point the opportunity to direct staff with respect to oversight of the MM contract. As stated above, City Council contract oversight efforts at the MM Board level are not always helpful, and in fact can make it more difficult for staff to perform their oversight function.

Contract Oversight

The MM contract contains a provision that the City can request that MM direct the marketing and sales effort toward achieving a specific revenue goal agreed on by the Association and the City Coordinator. This is a level of control at the contract level that is not provided for in many of the contracts reviewed for other markets. It does not appear that significant changes to the contract would be needed to empower staff to request changes in the sales/marketing priority of MM.

Consideration could be given to allowing City staff to intercede on budget priorities should a determination be made that the MM focus is not consistent with contract goals and priorities.

4.0 Role and Scope of Board Members

There are several fundamental characteristics that guide the role of a DMO board of directors. In essence, it is the board's role to develop long-term strategies and a vision for the organization, and to provide guidance to DMO executive leadership, largely through a committee structure. The role of the board is not to participate in day to day policy matters. It is important to consider and adhere to these characteristics given the public nature of a DMO and the diverse public and private sector representatives that serve on the board. CSL has worked in the past with Marshall Murdaugh Marketing to identify specific elements of the role of the DMO board. These are discussed below.

1. Focus chiefly on organizational policy making, which is directed towards achieving long-term goals, while delegating to the staff the administrative or programmatic means of attaining those ends.
2. Approve goals for the organization as developed by staff.
3. Direct, control and inspire the DMO through the establishment of the broadest organizational values and policies.
4. Fulfill appropriate self-imposed commitments in matters of attendance, policy-making principles, and respect for clarified roles, by speaking with one voice, and by resisting any tendency to stray from governance processes adopted in Board policies.
5. Establish prudent and ethical boundaries of acceptable executive activity, decision-making and organizational responsibility.
6. To assure effective performance of, and appropriate compensation for, the Chief Executive Officer.
7. To serve as the link between the Bureau, its funding sources, and the community in which it operates.
8. Adopts salary and personnel policies. Evaluate the performance only of the Executive Director.

Beyond the role of the Board, there are ethical and business-like conduct standards that the Board should adhere to as a body and as individual members. This commitment includes proper use of authority and appropriate decorum in group and financial behavior when acting as Board members. Specific conduct provisions should include the following.

1. Board members must represent un-conflicted loyalty to the interest of the DMO and its constituents. This accountability supersedes any conflicting loyalty such as that to advocacy of interest groups and membership on other boards, councils or organizations.
2. Board members must avoid any conflict of interest with respect to their fiduciary responsibility.
 - There must be no self-dealing or any conduct of private business or personal services between any Board members and the DMO except as procedurally controlled to assure openness, competitive opportunity and equal access to "inside" information.
 - Board members must not use their positions to obtain for themselves, family

members, or close associates, employment with the DMO.

- Should a Board member be considered for employment, he or she must temporarily withdraw from Board deliberations, voting and access to applicable Board information.
3. Board members may not attempt to exercise individual authority over the DMO except as explicitly set forth in Board policies.
- Board members' interaction with the Chief Executive Officer or with staff must recognize the lack of authority in any individual Board member or group of Board members.
 - Board members' interaction with public, press, or other entities must recognize the same limitation and the similar proscription of any Board member or Board members to speak for the Board. Notwithstanding this, Board members must recognize that the public, media, or other entities may consider them to be speaking for the Board or the DMO and must act accordingly.
 - Board members will make no judgments of the Chief Executive Officer or staff performance, except as outlined in explicit policies (when fully articulated and approved).

Some version of the provisions outlined above should be adopted as part of the Greater Minneapolis Convention & Visitors Association bylaws, as part of the Agreement between the Association and the City, or both.

5.0 Convention Center and DMO Interaction

Recently, several markets, including Boston and San Diego have implemented a revised convention center sales and marketing model. In San Diego, all center sales and marketing efforts are performed by convention center staff, reporting to the CEO of the San Diego Convention Center Authority. The San Diego Convention & Visitors Bureau is focused on hotel event sales and marketing, and overall destination tourism sales and marketing. In Boston, the convention center sales function is also controlled by the CEO of the Massachusetts Convention Center Authority which oversees the Boston Convention and Exhibition Center (BCEC). The Executive Director of the convention marketing effort is a CVB employee, but as noted above reports directly to the BCEC manager.

There are a variety of reasons that each of these markets pursued these convention sales and marketing structures, however the large majority of markets continue to employ the traditional convention center sales and marketing structure.

In an ideal situation, convention centers and DMO's follow a coordinated path of mutual benefit and productivity. These entities strive for a condition under which both center and DMO management seek to maximize economic impact and room nights, while at the same time protecting the financial operating integrity of the center.

In reality, there are always issues that arise when separate organizations, with separate governing bodies and related yet distinct objectives, have to interact on a day to day basis. Some of the issues that many cities have to address with respect to center and DMO interaction include the following:

- A DMO that is incentivized and rewarded for achieving room night goals and to a lesser degree center revenue objectives.
- A center that is almost solely evaluated by government in terms of the financial operations of the center.
- A center manager that, while evaluated based on financial performance, often has little control over the center sales and marketing process.
- A DMO that is willing to argue for highly reduced or waived center rent in order to book an event, and a center that may rather book a local event with limited room nights but that generates significant center revenue.

These and other issues are faced every day in communities across the country. Somewhat in response to these issues, there has been a level of "experimentation" with the organizational and departmental structures under which DMO's and center's operate. In general, there are three organizational structure categories that can be evaluated.

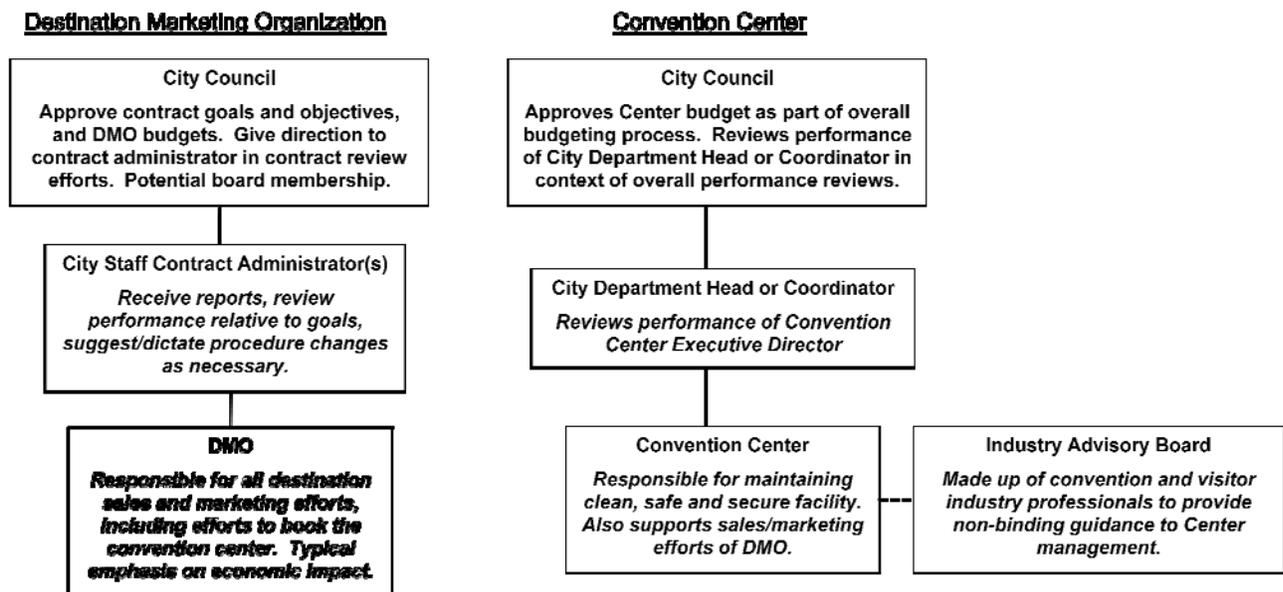
5.1 Traditional Center and DMO Structure

This is the model used in Minneapolis whereby the DMO and the Center operate separately under two distinct governing bodies – a board of directors for Meet Minneapolis, and City management and Council for the MCC. As will be discussed, a large majority of cities use this

model for center and DMO organization. One of the primary reasons that cities have adopted this model relates to the fact that convention planners, tour operators and other individuals involved in bringing large groups of people to a market require assistance with a variety of production issues. These can include booking a convention center, securing hotel room blocks, organizing shuttling, setting up itineraries for entertainment and related efforts. A DMO is traditionally been uniquely staffed to provide a “full service” approach in these situations.

The following chart highlights the general organizational principles of this model.

Exhibit 6 Summary of Traditional DMO/Center Governance and Oversight Models



As noted above, in the standard model, the DMO is responsible for long term center sales and marketing, and overall destination sales and marketing for the group and leisure segments. City staff administers the contract with the DMO making sure goals are set and evaluating performance relative to those goals. The City Council exercises oversight by providing direction to the staff contract administrator(s), and potentially by serving on the DMO board. The responsibility of center management is to maintain a safe, clean and user friendly facility. In addition, center management will typically handle short-term bookings. A representative of City management is responsible for reviewing the performance of the Center director, and is in turn reviewed by the City Council as part of standard performance reviews.

5.1 Center Control of all Convention Sales and Marketing Model

This model addresses the lack of convention sales control at the convention center. Centers in Boston and San Diego represent examples where the general manager is in full control of the convention sales and marketing efforts. In both cases, a convention center and marketing department reports directly to the center manager. The DMO is then responsible for hotel event and tourism sales and marketing. The pursuit of this model is a fairly recent phenomenon, and appears to be used more in very large markets such as Boston and San Diego, and to some extent in very small markets such as Bellevue, Washington. In the larger markets that have



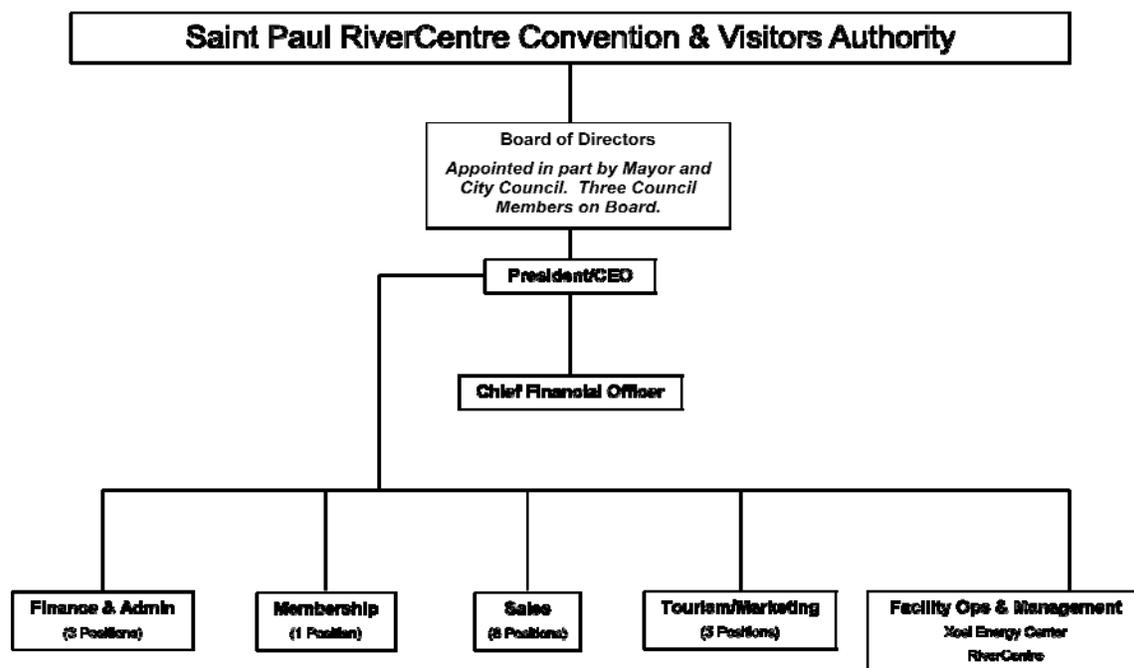
used this model, the Center is operated under an authority separate from direct city control, and has significant financial resources available to fund sales and marketing efforts. In the smaller markets, resources for destination marketing are limited, and the housing of these efforts as part of the convention center operation is seen as a cost savings method.

5.1 Single Authority Model

Under this model, both the center and DMO operate under a single authority. This model is in place in Charlotte, St. Paul, St. Louis, Las Vegas and several other markets. In these cases, the center and DMO executive both report to a single authority CEO. This model can provide for greater strategic coordination as compared to more traditional DMO and center structures.

It is useful to review examples of the organizational structure for this model. Below, the organizational structure for the St. Paul RiverCentre Convention & Visitors Authority is presented.

**Exhibit 7
Saint Paul RiverCentre Convention & Visitors Authority Organizational Structure**



As noted above, the Saint Paul RiverCentre Convention & Visitors Authority (RCVA) oversees both the traditional DMO operations as well as convention center operations. A private company is used to provide convention center management services.

The board of the RCVA consists of 19 members, and includes three city council members appointed by council. The Mayor also has several appointments to the board. There is also a seven member executive committee.

From a city perspective, the use of an authority to oversee a convention center and DMO (or just a center in some cases) is predicated on several key factors such as:

- If an authority system is pursued, the city must remain revenue neutral with respect to existing operating, sales and marketing costs. The use of the authority system will not create added costs to the city.
- The city must retain some element of control over the authority, through board appointment or contract oversight.
- The authority structure must allow for participation by local visitor industry and business professionals.
- The financial obligations of the authority should be funded through a dedicated revenue stream, not through annual allocations from a public body.

While it is not likely a short term priority of the City, consideration should be given to evaluating the steps required and implication of a transfer of MCC management obligations to a new authority under which both the MCC and MM would report.

6.0 Findings and Recommendations

Based on the analysis conducted for this study and the results as presented herein, we have developed the following primary study findings and recommendations.

- Meet Minneapolis operates under a five year contract with the City of Minneapolis. The terms of the contract call for payments of various tax revenue collected by the City to MM. MM in turn is designated as the primary destination sales and marketing organization for the City. There are numerous references in the performance and reporting section of the contract that refer to the sales and promotion of the MCC as the primary focus for MM. In fact, the contract, more than typical on a national basis, emphasizes the importance of convention center events and revenue, and invests in the City (presumably the City Coordinator) the power to direct MM sale and marketing efforts in order to ensure the priorities of the contract are adhered to.
- In conducting our research for the study, there appeared to be some concern on the part of Minneapolis elected officials and city staff/management that MM had not directed sufficient efforts or resources towards MCC sales. Whether this is a perception based on reality or not, the contract in place with MM clearly defines a priority on MCC bookings.
- Beyond directing the priority of DMO efforts, it is common in the industry for the measurable goals and objectives included in a contract to be set in terms of room nights and economic impact. In effect, most cities look to a DMO to book their convention center with an emphasis on large events generating significant room nights and economic impact. In Minneapolis, the emphasis is clearly *not* on economic impact, but primarily on the generation of revenue for the MCC. This is an unusual provision industry-wide that clearly defines the focus of MM, and runs counter to the fact that the city representatives interviewed for the study express the “lack of focus on MCC booking” concern as previously described. Regarding the appropriate focus of MM efforts based on City priorities, it does not appear to be an issue with contract provisions, but more likely with contract oversight.
- The following observations with respect to MM contract oversight can be made.
 - It is not uncommon to have city council members serving on the board of a CVB. However, it should not be the role of council members serving on the Board to act as industry experts nor as “contract administrators”. The contract administrator function should be left to city staff. Although not stated in the official bylaws, a MM board member from any industry or background should be charged with providing strategic guidance to the executive leadership of the organization, not with acting to monitor contract issues. The MM contract does not require that city council members serve on the MM Board, only that six city representatives serve. The six city council members currently on the MM board are more than needed to represent the council. Consideration should be given to formally reducing the Council members on the Board to no more than three. Council members could serve as voting or ex-officio non-voting members.
 - The primary responsibility for contract oversight should rest with City staff. In most cases, either a city manager/coordinator, convention center director, or a combination of both will serve as primary contract administrator. It is at the staff

level that detailed assessments of performance against goals can be prepared, and evaluations can be made as to whether or not sales/marketing focus is being placed on the desired business segments. For monitoring CVB performance, it is common to rely on the convention center director given the tangential relationship of the director with the visitor industry. However, we are concerned about a sole oversight role for the center director given that he or she may be highly focused on financial operating results versus broader city-wide visitor industry and economic impact issues. Conversely, the city coordinator brings this broader perspective, but with typically relatively little industry experience. For these reasons, we recommend that the City Coordinator and the Center director both play a role in MM contract administration. The specific mechanism for identifying City Coordinator and Center Director administrator roles should be determined by the relevant parties. City staff should regularly report to City Council and appropriate committees with respect to MM performance and sales/marketing efforts. City Council would have at this point the opportunity to direct staff with respect to oversight of the MM contract. As stated above, City Council contract oversight efforts at the MM Board level are not always helpful, and in fact can make it more difficult for staff to perform their oversight function.

- The MM contract contains a provision that the City can request that MM direct the marketing and sales effort toward achieving a specific revenue goal agreed on by the Association (MM) and the City Coordinator. This is a level of control at the contract level that is not provided for in many of the contracts reviewed for other markets. It does not appear that significant changes to the contract would be needed to empower staff to request changes in the sales/marketing priority of MM. Consideration could be given to allowing City staff to intercede on budget priorities should a determination be made that the MM focus is not consistent with contract goals and priorities.
- The contract states that MM will cooperate with the Executive Director of the Convention Center in marketing the Center. It is this point that may need to be addressed further with modifications to procedures involving MM and Center staff. As noted above, MM maintains full control over all Center sales efforts, yet the Center management is evaluated based on financial operating performance. The nature and focus on the sales and marketing efforts can have a direct impact on financial performance, and as a result, Center management should have significant input into sales and marketing efforts. Consideration should be given to ensuring that Center representatives participate in MM's efforts regarding short and long range Center sales/marketing planning at the earliest stages. This will require a formal coordination between MM and Center executives, leading to a schedule of planning meetings in order to form the Center sales and marketing plan.
- The current 501(c)(6) model under which the City receives destination sales and marketing services is typical in the industry and is an appropriate approach that does not require modification at this time.
- Provisions regarding the appropriate role and conduct of MM board members should be developed based on the parameters included in this report. Some version of these provisions should be adopted as part of the Greater Minneapolis Convention & Visitors Association bylaws, as part of the Agreement between the Association and the City, or both.

- In most cities, and until several years ago in Minneapolis, MCC staff were generally responsible for local event sales and marketing within an 18 month window. Currently, this booking window has been eliminated, and MM conducts all short and long-term booking of the MCC. This is a somewhat unusual situation relative to current industry conditions, but does represent a creative response to a trend that finds many high impact/high room night events booking within shorter windows. The model is worth continuing, particularly with the modifications to sales staff deployment currently being considered by MM management.
- While it is not likely a short term priority of the City, consideration should be given to evaluating the steps required and implications of a transfer of MCC management obligations to a new authority under which both the MCC and MM would report.