

CONVENTION CENTER

MISSION

The Minneapolis Convention Center will be the best convention center by providing an exceptional facility, outstanding internal and external customer service, and responsible use of departmental resources.

BUSINESS LINES

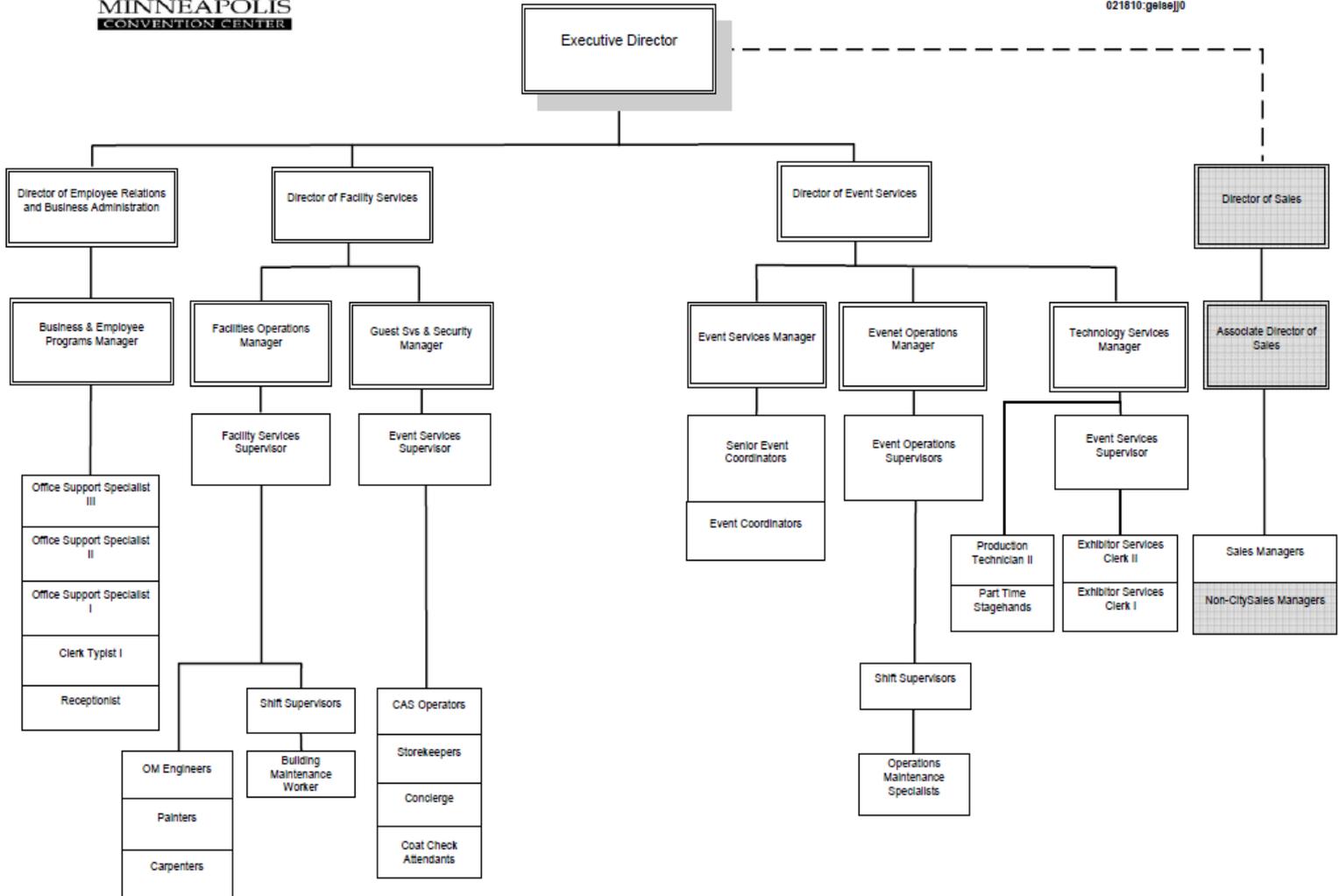
- ◆ **Event Services** is responsible for providing an exceptional product through the coordination of both in-house departments and contracted services for these major event activities: Event Services, Event Operations, and Technology Services. These business units work to address the areas of production, set-up, event coordination, and other client needs.
- ◆ **Facility Services** ensures that sufficient building, safety, and capital resources are available to maintain world-class facilities for customers. Proper maintenance, contract management, and capital planning are keys to maintaining a world-class facility. Facility Services coordinates the areas of safety and security, guest services, parking and marshaling operations, building and grounds maintenance, capital project planning and management, as well as custodial operations.
- ◆ **Sales and Marketing Services** provides the first point of contact for all business. This group is responsible for providing information about the facility, identifying and attracting events, maintaining relationships, and gathering data on how the MCC serves customers. The majority of these services are provided through partnership with Meet Minneapolis, in coordination with the Convention Center's Executive Management Team.
- ◆ **Business and Employee Services** addresses the growing need to for depth and sophistication in the business reporting requirements for the Executive Management Team, as well as responds to employee relations and employee development needs. The Convention Center recognizes that its labor force must be fully developed, fully utilized, and fully recognized in order to move the Center to the next level of superior customer service.

ORGANIZATION CHART



Minneapolis Convention Center Organizational Chart

February 18, 2010
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Denotes Meet Minneapolis Personnel

RESULTS MINNEAPOLIS MEASURES, DATA AND TARGETS TABLE					
MEASURE	2006	2007	2008	2009	2010 target
Total revenue (in millions)	\$14.54	\$14.34	\$15.56	\$13.36	\$14.55
Operating expense % of MCC fund	30.7%	32.0%	33.4%	37.4%	35.5%
Capital projects completed	83%	88%	93%	56%	90%
Client satisfaction rating	4.42	4.57	4.42	4.26	4.4
Total occupancy	61.8%	60.7%	61.0%	56.5%	60%
Total attendance (1,000s)	836	782	779	754	750

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

- *MCC leadership stability*

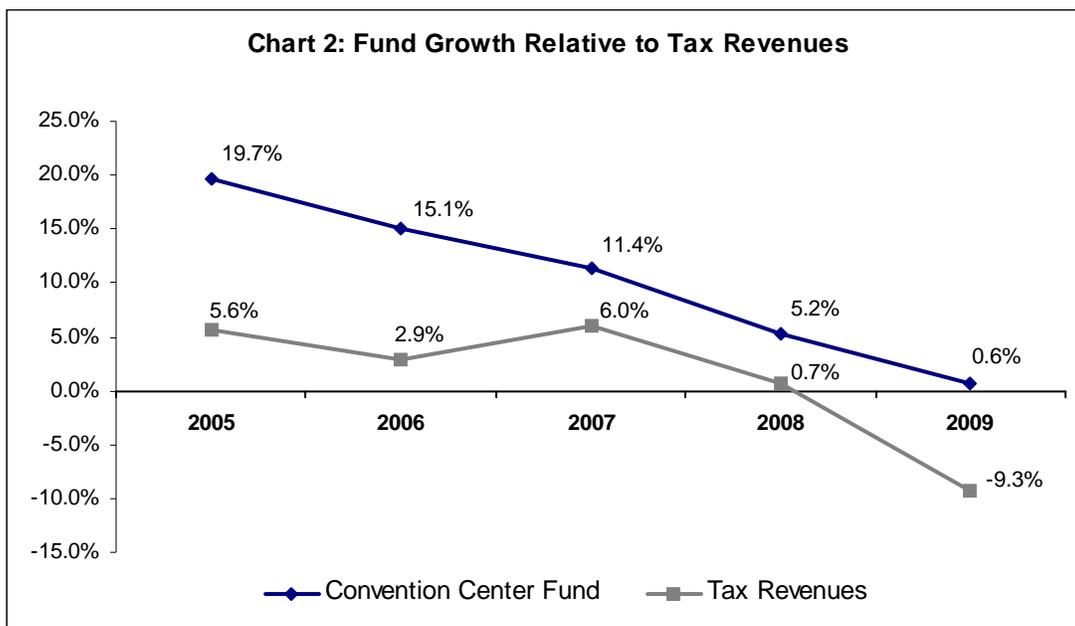
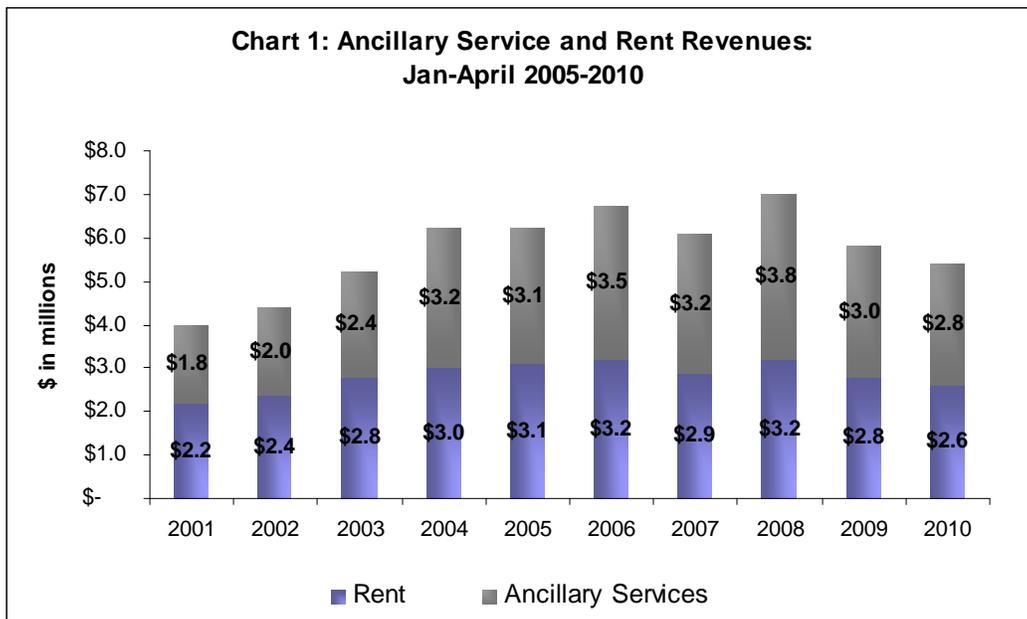
Since 2006, there have been four Executive Directors of the Convention Center with three interim designations in between official appointments. At the same time, the department's primary partner, Meet Minneapolis, has also turned over a vast majority of its executive team, including a new CEO and three new Senior Vice Presidents. In order to provide for the success of both organizations, stability is needed and a clear direction for the future of the hospitality industry in Minneapolis must be a priority.

A renewed relationship with Meet Minneapolis will take the partnership to a new level. A results-oriented, performance-based contract outlines goals and desired outcomes that, if achieved, lead to performance pay for Meet Minneapolis and greater community effect through increased economic impact. Strong leadership at both the Convention Center and Meet Minneapolis will be a key component to shared successes.

As new leaders become a part of the Convention Center team, it will be imperative for them to interact well with staff and to help redefine the work culture at the Convention Center. Because employee buy-in is essential to the continued improvement and increased success of the organization, department leadership recently worked with all staff members to recreate the department's mission, vision, and values. The next step is for Convention Center leadership to collaborate with all employees to define these words and integrate them into the renewed workplace culture.

- *Flat and declining revenues with increasing expenses will impact the Convention Center Fund's health*

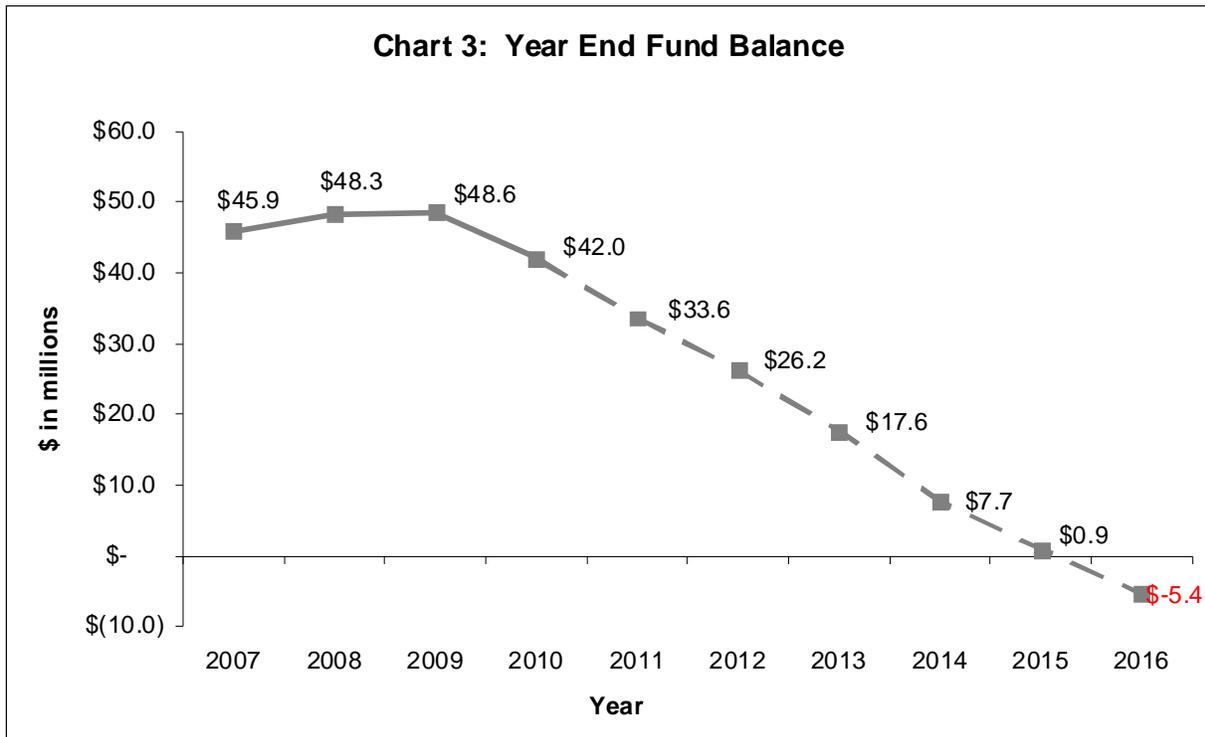
Both the Convention Center operating revenues (Chart 1) and the Convention Center Fund tax revenues (Chart 2) reached their lowest level since 2004, with projections for 2010 after the first quarter showing little or no growth. Convention Center customers have scaled back spending on ancillary services to levels at or below pre-expansion levels. Industry trends are showing that spending is slowly increasing but many areas of revenue may never regain their past levels. Competition for clients both nationally and internationally is fierce due to an oversupply of meeting space compared to the demand. Convention Center clients are in a buyer's market and have been asking for and receiving monetary concessions that lessen the department's ability to show a direct revenue impact of the Convention Center. Understanding and being able to show the benefits of wider economic impact to the City, region, and State will be a key component of success in demonstrating the importance of the Convention Center.



Expenses continue to be a challenging area of focus. For several years, the Convention Center has reduced operating expenses through efficiencies in energy use, staffing, and purchases. The department's ability to impact expenses in the future without additional significant changes becomes difficult under the current structure and revenue forecasts. The facility is well kept, but passing 20 years old and in need of significant capital outlays to maintain the resource into the future. Minneapolis must decide on its path so that adjustments may be made to future operation of the Convention Center accordingly.

The Convention Center Fund has been historically healthy; after 2009, the fund balance topped \$48 million. The cash balance, exclusive of loans to other entities, is approximately \$28 million. Current trends will result in a projected zero Fund balance by 2016. The Convention Center has the opportunity to alter the course of these projections through significant changes to its structure and operations.

The Convention Center has begun the practice of analyzing data to produce a long-term financial plan and to better track trends. The department believes that information opens the door to good fiscal management.



- *Industry Competitiveness*

Many communities are debating their place in the hospitality industry and trying to position themselves appropriately. Across the industry in places like Chicago, Las Vegas, and others, there have been substantial changes to government-supported funding of subsidies, staffing plans/structures, and pricing models while others are pulling back resources. Still other communities have also invested in their hospitality products, making competition for convention and meeting business intense. As competitors have invested in their hospitality products, some have been able to diversify and increase their offerings, leading to a positive

impact in their ability to attract clients to their cities. Some destinations have been able to improve their hospitality offerings to give themselves a competitive advantage over other cities including Minneapolis. Just as cities have invested in their hospitality community, many convention centers have been built, remodeled, or renovated to better serve the needs of the industry.

Minneapolis has reaped considerable benefits from having the Convention Center as the centerpiece of a visitor attraction and economic impact strategy. The Minneapolis Convention Center is very fortunate to have a well maintained and functional building that has served the City well for many years. The department must build on to this strong foundation and continue to invest in unique products and quality services that provide what clients need.

In what internal/external partnerships is the department currently engaged and/or exploring for the future?

The Convention Center's role in the City has continued to grow and evolve. The partnerships with Meet Minneapolis and the Target Center have been well established, but the department will do additional work to further relationships with the other major hospitality venues and organizations throughout the City. This work will allow the Center to continue to showcase the City for visitors and expose them to other opportunities and experiences available in Minneapolis. By expanding partnerships with other cultural, entertainment, and hospitality entities, the Convention Center will be able to better serve guests and community and therefore expand economic impact.

Partnerships with internal City departments in BIS, Public Works, and CPED will also help the Convention Center become a better and more efficient tool for the City.

- ◆ Technology: The Convention Center has undertaken an IT Assessment through an outside vendor that will help the Center discuss business needs more intelligently with BIS. Partnering with BIS so that the department can respond to the technology needs of the industry will help the Center have better service and offerings to its clients, as well as make employees more efficient.
- ◆ Parking: Discussions with Public Works have been centered on needs dedicated to the Plaza Ramp that is connected to the Convention Center and managed through Public Works. Customers have asked for certain specific outcomes at the Plaza Ramp that may be different than other City ramps, so a working relationship with Public Works is critical to customers' satisfaction and accessibility the Convention Center.
- ◆ Energy Efficiency: The Convention Center has been partnering with Public Works to facilitate the LEED-EB process to increase the facility's energy efficiency. In addition, Public Works has been a strong partner in the solar panel project.
- ◆ Community Planning: The department's work with the Target Center has opened up many different avenues with CPED in areas where it makes sense to leverage the assets of the Convention Center with the work that CPED does to enhance the City.

How is the department evaluating programs or services for cost effectiveness?

- *Quality products and services balanced with efficiency*

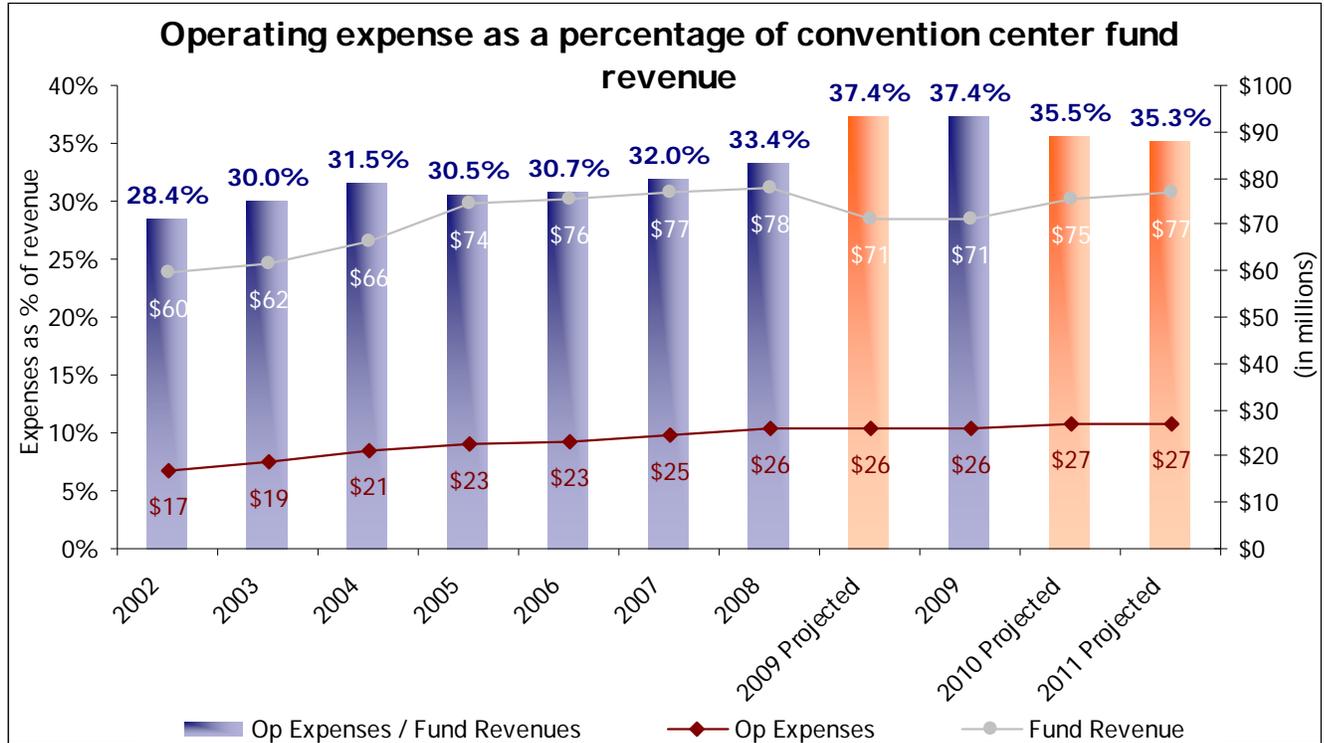
Due to challenges on both the revenue and expense sides of the budget, the department must look at its business model to determine areas of innovation and areas that may need to be retooled or discarded. The department has been in a long process of trying to determine the cost of each event that it hosts as it relates to the revenues and economic impact that it produces. Understanding this costing information will allow management to understand the profitability of services better along with pricing strategies. Some services that the department provides do not produce significant profit, but provide opportunities for excellent service which increases the customer's satisfaction. The Convention Center's reputation in the industry helps attract and retain clients.

- *Facility Efficiency*

Making the Convention Center more energy efficient and eco-friendly will result in cost savings in electricity as well as building heating and cooling. The Convention Center has already taken initial steps towards attaining LEED-EB certification and continues to make progress in retro-commissioning. Finally, the department will be undertaking a facility condition assessment to ascertain the needs of the facility as it ages in order to make capital planning and spending as efficient as possible.

What actions will the department take to meet the current service level reductions? Please include a description of any revenue proposals. Identify *Results Minneapolis* measures where you anticipate a service level impact based on cuts. Specifically include charts that show 2011 projections of no cuts and target reductions.

In the interest of good fiscal management, the department has analyzed its budget and decided to reduce the Current Service Level for 2011 from \$37 million to \$32 million, exclusive of accounting for the Target Center and Meet Minneapolis. These cuts will place the Center in better position to keep the subsidy at approximately 50% of operating expenses; however, this level of subsidy is unsustainable in the future. Revenues must increase and expenses must be, at a minimum, held flat. The "easy" expense reductions have already been made, so additional reductions will be part of a challenging discussion about departmental operations going forward.



FINANCIAL ANALYSIS

EXPENDITURE

The Convention Center's 2011 budget is \$48.5 million, a \$4.7 million increase from the 2010 Revised Budget. The 2011 amount includes \$8.3 million in funding for the Target Center through the Arena Reserve Fund. Backing out this amount, the Convention Center's expenditure budget would be \$40.2 million, a \$3.5 million decrease from the 2010 Revised Budget.

The Convention Center reduced their operating expenditures by approximately \$5 million after the current service level increase to better align expenses with 2011 business needs. If not for the reduction, backing out the Target Center, the departmental budget would have been \$45 million.

The City changed the health care budget methodology and made a health care adjustment to City departments for 2011 to better reflect actual use of health insurance based on 2010 elections. With the composition of Convention Center employees, the Convention Center's adjustment was a reduction of \$409,460.

REVENUE

The Convention Center's 2011 revenue is expected to decrease to \$73.6 million, a \$4.0 million decrease from the 2010 Revised Budget. The 2011 decreases include: \$3.4 million to tax revenue, \$305,000 from charges for services, and \$250,000 from other miscellaneous revenue from the 2010 Revised Budget. The Convention Center has seen a general scaling back of services customers purchase during their events.

MAYOR'S RECOMMENDED BUDGET

The Convention Center identified several areas for cost savings. This includes nearly \$2 million in continued departmental operations reductions from 2010, facilities and capital cuts of approximately \$2.5 million, and labor savings (including contracted labor) totaling around \$600,000. The Mayor recommended these changes.

COUNCIL ADOPTED BUDGET

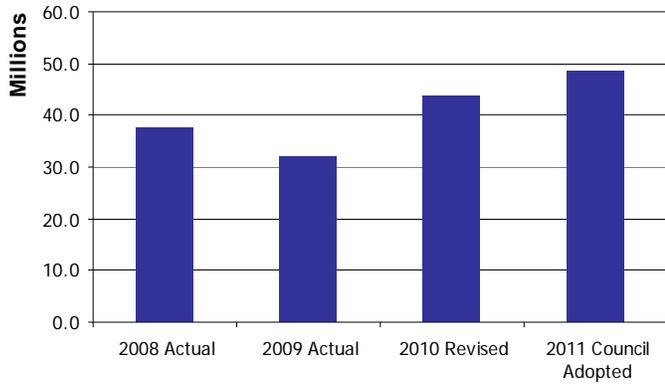
The Council adopted the Mayor's recommendation and reduced the capital in the Target Center financial plan by \$1.1 million on a one-time basis, transferring the corresponding resources into the General Fund.

CONVENTION CENTER EXPENSE AND REVENUE INFORMATION

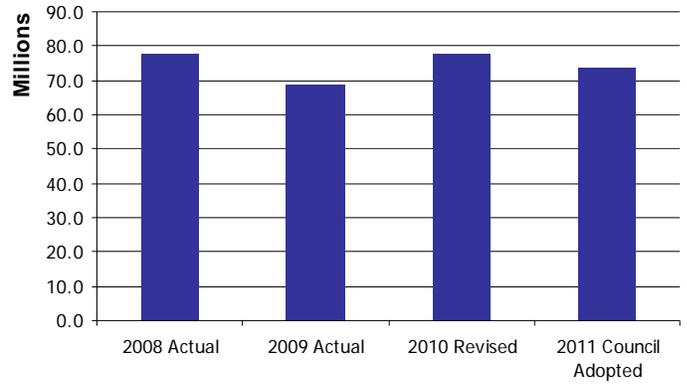
EXPENSE	2008 Actual	2009 Actual	2010 Revised Budget	2011 Council Adopted	Percent Change	Change
AGENCY						
OPERATING COSTS	(1,705,065)	(2,763,618)			0.0%	0
TOTAL AGENCY	(1,705,065)	(2,763,618)				0
SPECIAL REVENUE						
SALARIES AND WAGES	9,500,093	9,274,756	9,470,596	9,496,592	0.3%	25,996
FRINGE BENEFITS	3,262,672	3,584,485	4,709,835	3,929,310	-16.6%	(780,524)
CONTRACTUAL SERVICES	19,986,632	18,053,595	20,933,758	21,834,057	4.3%	900,299
OPERATING COSTS	1,235,297	1,211,068	1,316,428	1,430,682	8.7%	114,254
CAPITAL	5,315,676	2,449,811	7,291,577	11,779,119	61.5%	4,487,542
TOTAL SPECIAL REVENUE	39,300,370	34,573,715	43,722,194	48,469,761	10.9%	4,747,567
TOTAL EXPENSE	37,595,305	31,810,097	43,722,194	48,469,761	10.9%	4,747,567

REVENUE	2008 Actual	2009 Actual	2010 Revised Budget	2011 Council Adopted	Percent Change	Change
AGENCY						
GAINS	6,505				0.0%	0
LONG TERM LIABILITIES PROCEEDS	(7,737)				0.0%	0
TOTAL AGENCY	(1,233)				0.0%	0
SPECIAL REVENUE						
SALES AND OTHER TAXE	60,480,504	54,868,226	62,435,620	59,038,997	-5.4%	(3,396,623)
CHARGES FOR SERVICES	6,062,364	4,583,253	5,585,000	5,280,000	-5.5%	(305,000)
INTEREST	1,277,715	435,261	402,611	359,760	-10.6%	(42,851)
RENTS	6,705,066	6,410,144	6,432,411	6,400,000	-0.5%	(32,411)
CONTRIBUTIONS	509,500	75,000			0.0%	0
OTHER MISC REVENUES	2,809,463	2,558,556	2,770,000	2,520,000	-9.0%	(250,000)
TOTAL SPECIAL REVENUE	77,844,612	68,930,440	77,625,642	73,598,757	-5.2%	(4,026,885)
TOTAL REVENUE	77,843,380	68,930,440	77,625,642	73,598,757	-5.2%	(4,026,885)

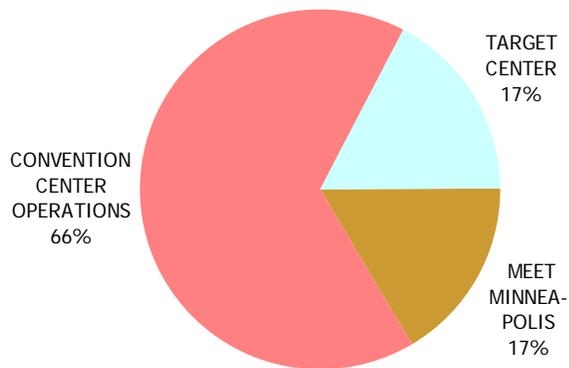
Expense 2008 - 2011



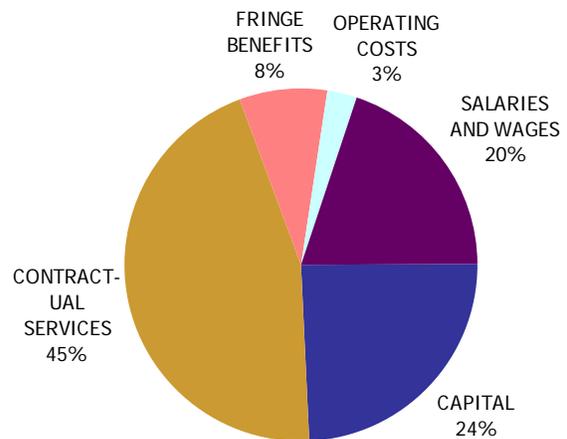
Revenue 2008 - 2011



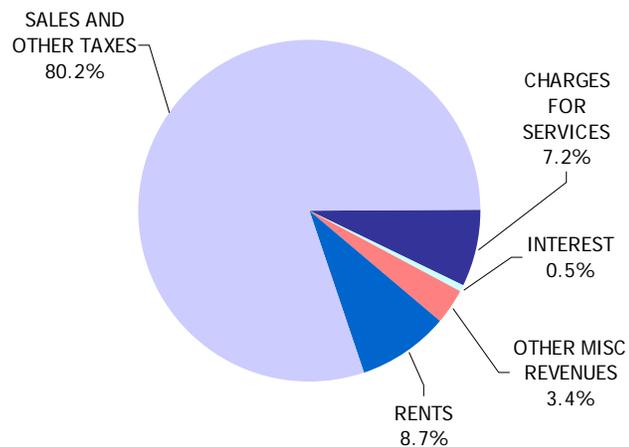
Expense by Division



Expense by Category



Direct Revenue by Type



CONVENTION CENTER Staffing Information

Expense	2008 Budget	2009 Budget	2010 Budget	2011 Budget	% Change	Change
CONVENTION CENTER	212.00	208.18	208.18	193.00	-7.3%	(15.18)
TOTAL	212.00	208.18	208.18	193.00	-7.3%	(15.18)

Positions 2008-2011

