

## Follow-up to Questions 4 and 5 from Feb. 24, 2009 meeting



**Carol Wallace, President and CEO  
San Diego Convention Center Corporation**



Good evening.

At our last meeting, several questions were asked regarding a slide we presented summarizing the reasons we currently lose business. I'd like to provide additional information, which I hope will answer your questions.

## Questions

- 1. Which conventions could be gained if the Center expands?**
- 2. Which conventions will be lost if the Center does not expand?**
- 3. Clarify the "20% other" line item on the Lost Business slide.**
- 4. Clarify the "outgrew CC" line item on the Lost Business slide.**



- Specifically, there were four questions we promised to get you additional information on.
- A list of conventions that could be gained if the Center expands;
- A list of lost conventions if the Center does not expand;
- Clarification on the "20% other" line on the lost business slide; and
- Clarification on the "outgrew CC" line on the lost business slide.
- I'll address the first two questions first.

## Questions

### 1. Which conventions could be gained if the Center expands?



- Materials were mailed to Task Force members over the weekend, which cover both this question, as well as the second question. They are also available online at the Task Force web site.
- The materials included a list of clients, broken down into several categories, which we'll quickly review.



- As you may recall from last month's presentation, the number one reason we lose business is "Center Unavailable."
- 39.7% is attributed to this reason alone.
- We want to make it clear that it's just not existing business outgrowing the building. This is fresh, new business that we'd like to bring to San Diego, but simply can not accommodate because the building is too small.
- This lost business translates into:
  - 810,000 room nights lost in '06
  - 975,000 room nights lost in '07
  - And, 705,000 room nights lost in '08
- To put these room nights into perspective, you should know that our annual goal for booking future room nights is 850,000.

## Conventions to be gained if SDCC Expands

### Category #4: Events that have never booked San Diego because of their size, and can only consider us if we expand

- American College of Cardiology
- American Heart Association
- Infocomm International
- International Helicopter
- National Assoc. of Music Merchandisers
- SAP Sapphire
- Amer. Academy of Ophthalmology
- National Assoc. of Convenience Stores
- Institute of Food Technologists
- National Business Aviation Assoc. (large annual)
- American Wind Energy Association
- Radiological Society of North America

| Projected Total Room Nights | Projected Economic Impact | Projected Transient Occupancy Tax |
|-----------------------------|---------------------------|-----------------------------------|
| <b>574,000</b>              | <b>\$ 1,203,657,600</b>   | <b>\$ 19,709,309</b>              |



- This is a list of new business that can only consider coming to San Diego if the Convention Center expands because they are too large to fit into our current size.
- These conventions are valued at:
  - Over \$1.2 billion in economic impact
  - Over \$19.7 million in hotel room tax, and
  - 574,000 room nights for local hoteliers
- This is a pretty big chunk of change our city is missing out on contingent upon expansion.

## Questions

### **2. Which conventions will be lost if the Center does not expand?**



- The next question: Which conventions will be lost if the Convention Center does not expand?

## Conventions that we will lose without an expansion

| Category #1: Definite groups that may cancel future rotations without expansion |                           |                                   |
|---|---------------------------|-----------------------------------|
| Projected Total Room Nights   | Projected Economic Impact | Projected Transient Occupancy Tax |
| 347,415   | \$ 889,012,800            | \$ 14,906,200                     |



- The figures on this slide represent business with definite dates on the books who may cancel future rotations without an expansion.
- These are definite, full facility users who presently need a shoe horn to fit in our building.
- A good example is Golf Course Superintendants coming to San Diego in less than a year with 25,000 attendees. Future dates for this group are now in jeopardy pending an expansion of the building.
- The overall cost of events falling into this category for San Diego:
  - Nearly \$900 million in economic impact
  - \$14.9 million in hotel room tax revenue, and
  - 347,000 room nights

## Conventions that we will lose without an expansion

| Category #2: Events that have <u>previously booked San Diego, but cannot return without expansion</u> |                           |                                   |
|---|---------------------------|-----------------------------------|
| Projected Total Room Nights   | Projected Economic Impact | Projected Transient Occupancy Tax |
| 205,000   | \$ 210,379,000            | \$ 9,783,815                      |



- The figures on this slide represent events that have previously booked and can no longer return without an expansion.
- For example, HIMSS (Health Information Management Systems Society) brought more than 25,000 attendees to San Diego in 2006 and generated nearly \$2 million in tax revenues for the city. While they wanted to remain in San Diego, they will not be back because we can no longer accommodate their space demand.
- This category of events represents and estimated:
  - \$210 million in economic impact
  - \$9.7 million in hotel room tax revenue, and
  - 205,000 room nights

## Conventions that we will lose without an expansion

| Category #3: Annual events that may discontinue future annual rotations without expansion (Comic-Con and ESRI) |                           |                                   |
|--|---------------------------|-----------------------------------|
| Projected Total Room Nights  | Projected Economic Impact | Projected Transient Occupancy Tax |
| 42,000   | \$ 99,269,200             | \$ 1,733,688                      |



- And, finally, these figures represent annual money-makers like the Environmental Systems Research Institute and everybody's favorite, Comic-Con.
- These events represent approximately:
  - \$99.2 million in economic impact
  - \$1.7 million in TOT revenue, and
  - 42,000 room nights.

## Conventions that we will lose without an expansion

| TOTALS of Categories #1, #2 and #3. |                           |                                   |
|-------------------------------------|---------------------------|-----------------------------------|
| Projected Total Room Nights         | Projected Economic Impact | Projected Transient Occupancy Tax |
| 594,415                             | \$1,198,661,000           | \$26,423,703                      |



•When you combine the last three slides which represent existing business in jeopardy, this is the summarized total impact.

- Over \$1 billion in economic impact
- Over half a million hotel room nights, and
- \$26.4 million in hotel room tax for the city.

•I want to emphasize that this is not a one time loss. Since these events are on a rotational pattern, the losses roll over into future years.

## Questions

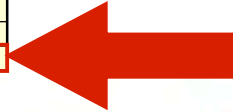
- 3. Clarify the “20% Other” line item on the Lost Business slide.**



- The next question was: What comprises the “other” elements of the lost business slide?

## Lost Business

| CAUSE                                | % OF LOST BUSINESS |
|--------------------------------------|--------------------|
| Center Unavailable                   | 39.7%              |
| Prefer Single Property or Downsized  | 7.4%               |
| Geographical/ Rotation               | 5.3%               |
| Meeting/Event Cancelled or Postponed | 4.8%               |
| Center Rates Too Expensive           | 5%                 |
| No Response from Client              | 4.3%               |
| Hotel Rates Too Expensive            | 3.8%               |
| No Headquarter Hotel                 | 3.6%               |
| Preferred Hotel Pkg. Unavailable     | 2%                 |
| Option Forced                        | 1.5%               |
| Economic Downturn                    | 1.5%               |
| Competitive Show/ Similar Dates      | .7%                |
| Do not use Centers                   | .3%                |
| Outgrow CC                           | .1%                |
| Other                                | 19.9%              |



- Here is the slide again to refresh your memory.

## What comprises the "Other" elements of the Lost Business slide?

- **Flights into San Diego inadequate/too costly**
- **Meeting space at Center or hotels is inadequate**
- **Political/Board preference**
- **Third party meeting planner not chosen to represent the client (primarily corporate)**
- **Prior contractual obligations**



- The 20% of lost business listed as "other" represent additional reasons for the lost business occurring. A sampling of these include:
  - Flights into San Diego inadequate/ too costly: this comes up mostly in regard to international groups which require a large amount of inbound/outbound international flights.
  - Meeting space at Convention Center or Hotels inadequate: ballrooms not big enough, meeting room configuration or locations inadequate or not suite to groups needs. Not a function of space not being available, but rather space not fitting the specific needs of that group.
  - Political/Board Preference: Governing bodies of associations are often required to confirm a certain city simply because of influence of one member of their Board. All other factors might point toward San Diego being chosen, but Board preference or "politics" may require another destination be awarded a certain future convention.
  - Client is forced to commit to another destination because of contractual obligations with destination. This can result when a client has liability with another center or hotel due to cancellation of a previous event, and is obligated to choose that city for no other reason that to fulfill that financial responsibility
  - "Third Party" meeting planner not awarded the business: Occurs mostly with corporate groups who source the meeting to several different 3rd party meeting planning companies, and then choose the destination based on the package presented to the end user by that third party.

## Questions

### **4. Clarify the “outgrew CC” line item on the Lost Business slide.**



- The final question was clarify the “outgrew CC” line item on the Lost Business slide reflecting .1%.

## Why does the “outgrew CC” line only show .1%?

- It captures one corporate event that is categorized incorrectly.
- The “Lost Business” tracking does not capture our regular clients who are already aware of the size limitations at the center.
- Clients who have outgrown or are about to outgrow our current facility are tracked separately by sales managers and added to a master list.
- Approximately 78% of clients are “repeat” and are very familiar with the facility.
- As a result, clients who, because of their knowledge of our building size and their requirements, don't submit an RFP.



- This percentage captures one corporate event that is categorized incorrectly.
- Additionally:
  - The “Lost Business” tracking which does not capture our regular clients who are already aware of the size limitations at the center.
  - Clients who have outgrown or are about to outgrow our current facility who are tracked separately by sales managers and added to a master list.
  - Approximately 75% of clients who are “repeat” and are very familiar with the facility.
  - And, as a result, clients who because of their knowledge of our building size and their requirements, don't submit an RFP.

## Thank You



- I hope this clarifies your questions.
- Are there any additional questions?
- Thank you.