

TEAM SAN JOSE ANNUAL REPORT

FISCAL YEAR 2013-14



Team San Jose is a non-profit organization and the primary driver in generating economic impact to San Jose's local economy through leisure and business travel. Team San Jose has two major contracts with the City of San Jose that includes management of seven public venues and is responsible for selling and promoting San Jose as a tourism, convention and meetings destination.

Team San Jose is the exclusive provider of destination marketing for the City of San Jose, acting as the San Jose Convention and Visitors Bureau (CVB). Team San Jose also manages San Jose's Convention and Cultural Facilities which includes the recently expanded and renovated San Jose McEnery Convention Center. Also included in Team San Jose's portfolio are unique arts and entertainment venues including the California Theatre, the Center for the Performing Arts, Montgomery Theater and the newly renamed City National Civic.

Team San Jose is committed to achieving performance measures set by the City of San Jose. The performance measures are tracked on a balanced scorecard with Team San Jose achieving 120% for the fiscal year. Key performance measure results include:

- Contracting over 255,000 hotel room nights
- Welcoming 1.2M visitors to our managed facilities
- Generating over \$91M in direct spending to local economy from visitors to our managed facilities
- Earning \$6.5M in gross operating profit

Team San Jose's budget supports 99 full-time staff and engages in sales and marketing initiatives to elevate San Jose's perception as a leisure and meetings and conventions destination. Team San Jose has satellite offices in Chicago, Phoenix, Sacramento and Washington, D.C.

Team San Jose is governed by a 15-member voting Board of Directors, representing the hotel, arts, business community and labor sectors as well as two City liaisons. They ensure that resources are invested carefully and help to steer future growth of the organization. In addition, Team San Jose meets extensively with our Client Advisory Board to seek their feedback on our standard business practices and key initiatives that impact customers and our stakeholders. The organization's Client Advisory Board consists of 22 experienced meeting professionals who meet semi-annually over a two-day period.



San Jose Convention and Visitors Bureau





FROM THE CHAIRMAN OF THE BOARD

Dear Business Partners and Community Leaders,

I am proud to announce that Team San Jose has concluded another impressive year by exceeding its fiscal goals for the third consecutive year while hitting several key milestones that position us very well moving forward. During the past year, our board recruited and hired CEO Karolyn Kirchgesler, cut the ribbon on the expansion and renovation of the beautiful San Jose McEnery Convention Center, repositioned a glorious concert venue with the re-naming of City National Civic, and received unanimous approval from the San Jose City Council to extend Team San Jose's contract to manage downtown San Jose's Convention and Cultural Facilities. Additionally, Team San Jose helped the City reinforce its reputation as the "Capital of Silicon Valley" with the launch of Wickedly Fast Free Wi-Fi throughout the Convention Center and enhanced technical capabilities for the downtown theaters.

Michael Mulcahy
*Chairman of the Board
Team San Jose*

As the meeting and travel economy continues to boom, we take aim on our fourth consecutive year of record results. Our partnership with the City of San Jose will no doubt result in growth in the tourism, convention and meetings marketplace in support of our collective goal to maximize 'heads in beds, butts in seats and feet on the streets'.

San Jose's future is extremely bright. I am confident that Team San Jose will help position our great City for strong future success as we raise the bar as a destination for business and visitors.

Best Regards,

A handwritten signature in blue ink that reads "Michael Mulcahy".

Michael Mulcahy





FROM THE CHIEF EXECUTIVE OFFICER

Dear San Jose Business and Community Leaders,

It is my pleasure to provide you with the Fiscal Year 2013-14 Annual Report for Team San Jose. This report is an overview of our major accomplishments and outlines the important role that Team San Jose plays in bringing more dollars into the local economy.

As the official Convention and Visitors Bureau (CVB) for the City of San Jose, our job is to increase awareness of San Jose as a destination and provide leadership within the community to support programs that attract out of town visitors, conventions and tourism. Through strategic sales and marketing initiatives, we host travel writers and media contacts, participate in direct selling at tradeshows and events and influence convention and event planners who bring hundreds of events into the City and facilities we manage. These efforts increase hotel room night bookings and generate additional jobs and tax revenue resulting in a broader financial impact for San Jose.

Karolyn Kirchgesler
Chief Executive Officer
Team San Jose

As we embark on a new fiscal year, our focus is to elevate San Jose's destination awareness by launching an ongoing visitor study, strengthening relationships with members of the travel media and revamping our website. The recent renovation and expansion to the San Jose McEnery Convention Center continues to produce a strong interest in the national marketplace. We are committed to providing a great visitor experience and based on the 98% positive customer satisfaction survey responses that we received this past year, we know we are on the right track.

I am thankful for the engaged community leaders that make up the Team San Jose Board of Directors as well as the experienced members of our Senior Team. I appreciate the great direction and feedback we get from our Client Advisory Board, whose members were instrumental in driving many of the wonderful features in our newly renovated and expanded Convention Center. Most importantly, our success would not be possible without the support of our partners at City Hall. Together, we look forward to continued success!

Sincerely,



Karolyn Kirchgesler



YEAR IN REVIEW

Team San Jose Celebrated Key Milestones in Fiscal Year 2013-14

Grand Opening of the Renovated and Expanded San Jose McEnery Convention Center

Fiscal Year 2013-14 saw the completion of the San Jose McEnery Convention Center expansion and renovation project. The \$130 million project added over 125,000 sq. ft. of new flexible meeting space to the Convention Center, bringing the total meeting and event space of Team San Jose managed venues to 550,000 sq. ft. One prominent feature was the new Grand Ballroom, which at 35,000 sq. ft. became the largest, premier event space in Silicon Valley.

The project also featured a complete renovation of the existing space, the resulting facility bearing the standard of excellence one would expect from the heart of Silicon Valley. Befitting of San Jose's green spirit, the building materials included 95% of the demolition spoils (nearly 1,300 truckloads) from the defunct Martin Luther King, Jr. Library that previously occupied the footprint. Likewise, prominent accents of recycled redwood give the space a truly Northern California feel. Designed with extensive input from the Team San Jose Client Advisory Board, the new Convention Center was designed to offer premium convention and event space for meeting planners and attendees alike.

The response has been overwhelming. Since opening the finished Convention Center, Team San Jose has contracted 105 new events which have never been to the destination before. Of these new events, 47 are utilizing the new space.

On October 10, Team San Jose celebrated by hosting a Community Day open house for local community residents. Mayor Chuck Reed and the Team San Jose board dedicated the "Idea Tree" art installation by artist Soo-in Yang that is the centerpiece of the convention center plaza. On October 11, Team San Jose hosted over 700 invited clients and guests at a Grand Opening Gala dinner to show off the new Grand Ballroom.



YEAR IN REVIEW

Team San Jose Celebrated Key Milestones in Fiscal Year 2013-14

Renewal of Team San Jose's Contract with the City of San Jose

The City of San Jose unanimously approved new contracts for Team San Jose to lead convention and visitor bureau services and to manage the San Jose McEnery Convention Center and Cultural Facilities. The new agreements reinforce Team San Jose's pioneering single vendor approach, which provides convention and visitor bureau services combined with convention center and theater operations management under one roof, increasing San Jose's competitive edge as a destination. Recognizing the mutually beneficial relationship between Team San Jose and the Office of Economic Development, the contract allows Team San Jose greater flexibility in managing the hotel tax dollars entrusted to its care while still ensuring that the City is realizing maximum return on its investment.

Perhaps Team San Jose's greatest endorsement came when the contract passed on the San Jose City Council's consent agenda, a true symbol of the healthy relationship Team San Jose enjoys with its number-one client. The contract, with an initial five-year term starting July 1, 2014, includes two five-year extensions with the potential for Team San Jose to continue to manage the City's facilities for up to fifteen years through 2029.

Improvements Bring New Activation to the City National Civic

Fiscal Year 2013-14 saw the completion of extensive renovations to the City National Civic (formerly the San Jose Civic), including entering into a naming-rights deal with City National Bank. Extensive upgrades to the customer experience including concessions, restrooms, sound & lighting systems, wayfinding and a new marquee have led to a marked increase of activation in the historic venue. Luminary names such as Wynonna Judd, Morrissey, the Pixies, Emmylou Harris, Jackson Browne, Joan Baez and Crosby Stills & Nash all played the City National Civic this past year. In addition to these legendary concerts, the City National Civic also hosted a wide-variety of other acts such as Sesame Street Live, So You Think You Can Dance and Disney Junior Live. With a string of recent sold out shows, Team San Jose looks forward to carrying the positive momentum of this revitalized space into the new fiscal year.





San Jose Hotel Business Improvement District Increases Funding

Since 2006, the San Jose Hotel Business Improvement District (HBID) has aided Team San Jose's efforts to attract visitors to the destination. The 35 member hotels self-assess a per-room-night fee that is then used in turn to augment the sales, marketing and public relations activities that Team San Jose undertakes. Since its inception, the district has raised over \$13 million that has furthered the marketing reach of San Jose and has been utilized to strategically attract conferences and tradeshows to San Jose. In fact, through this past fiscal year, the HBID fund has been instrumental in securing 157 pieces of business representing 551,628 room nights for the destination.

With this proven track record of success, HBID hotels not only re-authorized the zone to continue, but agreed to a raise of the fee. The new fee is expected to generate \$2.7 million in Fiscal Year 2014-15. Team San Jose is grateful for the continued partnership with the entire hotel community in bringing more business to San Jose.



ECONOMIC IMPACT

Team San Jose Met and Exceeded Performance Goals

Team San Jose is measured on an annual basis by performance goals that calculate the economic impact of activities within the managed facilities, customer satisfaction, activation of the theaters and fiscal management. In Fiscal Year 2013-14, Team San Jose had another stellar year of performance as it met and exceeded nine out of its nine performance measures.

Attendance and Economic Impact of Attendees



1.2 million attendees visited the San Jose Convention and Cultural Facilities



\$91.1 million was spent by attendees at the hotels, restaurants and other attractions in San Jose



\$12 million generated in total local taxes from attendees

\$22 million generated in state taxes

\$2.45 was returned in direct spending for every tax dollar invested into the San Jose Convention and Cultural Facilities



Fiscal Results of the San Jose Convention and Cultural Facilities



\$28.5 million in revenue generated

\$6.5 million in gross operating profit

Jobs



88,440 people are employed in the San Jose hospitality industry



Team San Jose has **99** full-time employees and up to **1,300** people can be working in the facilities at any given time

Customer Satisfaction



98% of meeting planners said they would return to San Jose based on their experiences with Team San Jose

Team San Jose Hotel Sales Performance



255,466 hotel room nights were sold this fiscal year for future years



MORE IMPRESSIVE RESULTS FROM TEAM SAN JOSE

Marketing and Public Relations

The Team San Jose Marketing and Public Relations team is the primary driver of San Jose's brand as a travel destination. Our team seeks to provide valuable tools to prospective travelers and strives to share San Jose's story to garner positive publicity for the City. Team San Jose managed facilities and the destination's amenities and assets.

This fiscal year, the PR team hosted a total of 30 travel writers as part of four familiarization (FAM) press trips and individual media visits in San Jose. The PR team secured top media placements in: NBC's The Today Show, American Way Magazine, CBS San Francisco, NBC Bay Area, KCBX/KBNX (NPR's local affiliate), About.com, California Meetings + Events, Smart Meetings, San Jose Mercury News and Contra Costa Times to name a few.

Additional highlights include:

- Secured 555 articles that appeared in national and regional online, broadcast and print media
- Team San Jose's websites, www.sanjose.org and www.sanjosetheaters.org, attracted 414,520 unique visitors
- Placed 78 advertisements in 23 trade publications



Convention Sales

- Produced 718 sales lead opportunities representing a total potential of 1.19 million room nights for San Jose
- Participated in 51 industry tradeshows and special events
- 12,241 direct sales interactions with meeting planners through the tradeshow and events programs

“San Jose’s expanded convention center leads the way to an enhanced presence in the meetings and events market.”

Janet Fullwood
California Meetings + Events



Recent Accolades for San Jose

San Jose tabbed “Smartest City in America”
- NBC's The Today Show, January, 2014

San Jose is the #1 metropolitan for jobs
- Forbes, June 2014

Biz2Credit ranks Silicon Valley as the best market for small business
- Silicon Valley Business Journal, May 2014

San Jose ranked #4 as the United States' best-performing City
- Milken Institute, December 2013

'In its 'Healthy, Wealthy, Wise,' series, TODAY reveals that the U.S.' Smartest City is San Jose, California.'

NBC's The Today Show



Green Spirit

- Recycled 87% of all material waste from Team San Jose managed facilities
- Over 26,000 sq. ft. of reclaimed redwood was installed in both the expansion and renovation of the San Jose McEnergy Convention Center



Convention and Visitor Services

Assisted 200 groups with a menu of services including:

Housing

Welcome Volunteers

Public Relations

On-site Registration Personnel

City Branding

Custom Dine-Around Programs

Merchant Awareness Programs

Concierge Service

Ticketing

Chef Gil Believes the UnConventional

Team San Jose's in-house culinary staff seeks to provide the best food and beverage experience of any convention center in the nation. Led by Executive Chef Gil Hitzler, the Team San Jose food and beverage team excelled in providing outstanding service yet again this past fiscal year.

Food and Beverage

- Over 330,000 meals served over the course of the year
- Over 100 client tastings
- Donated thousands of meals last year to those in need using the Bill Emerson Good Samaritan Act
- 85% of food and beverage product is from within a 100 mile radius of the Convention Center

'Not content to live in the shadow of San Francisco, San Jose balances early-California history with modern-day tech play.'

Jill Robinson

American Way Magazine

TEAM SAN JOSE MANAGED CULTURAL VENUES

In addition to the San Jose McEnery Convention Center, Team San Jose also manages and operates the City National Civic, the Center for the Performing Arts, California Theatre and Montgomery Theater, as well as the Parkside Hall and South Hall meeting facilities. Beyond acting as critical auxiliary space for extremely large conventions, the Cultural Facilities serve as a catalyst for the activation of Downtown and San Jose's civic life.

Team San Jose managed theaters are the proud home to our key resident arts partners: Ballet San Jose, Broadway San Jose, Children's Musical Theater San Jose, Opera San Jose and Symphony Silicon Valley. Team San Jose's arts partners were responsible for a total of 135 performance days in the theaters this year. Team San Jose's theaters and events team also books the theaters above and beyond the arts partners, booking an additional 230 performance days this fiscal year.

Team San Jose also made significant capital investments into the theaters over the past year. In total, hotel revenues in Fund 536, the San Jose Theater Preservation Fund and naming rights have helped to underwrite over \$1 million in theater improvements. These include significant upgrades to the food and beverage, sound and lighting system, restrooms, signage and backstage at the City National Civic. Likewise, the backstage at the Center for the Performing Arts and the courtyard of the Montgomery Theater had significant improvements.

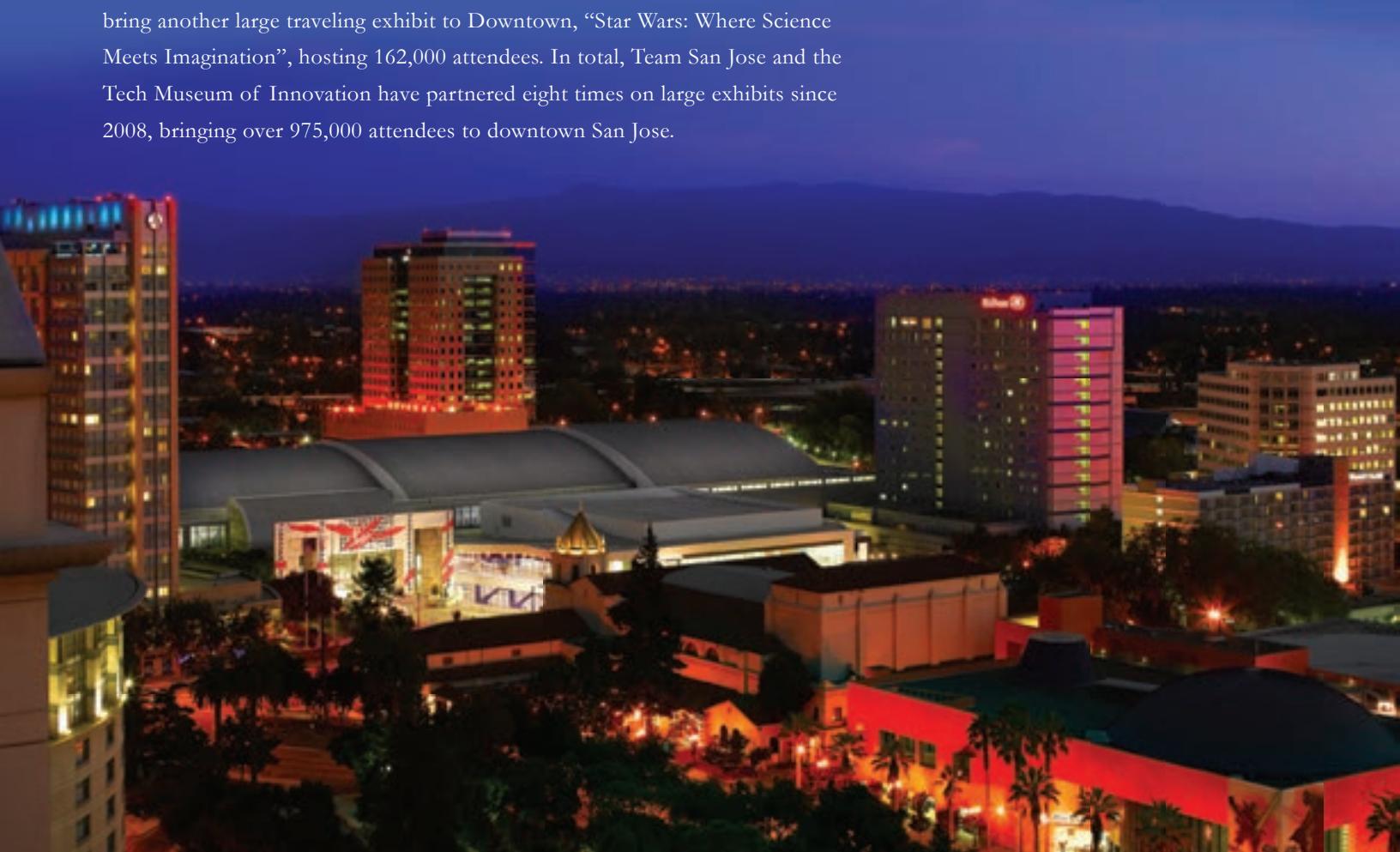
Parkside Hall partnered with the Tech Museum of Innovation once again to bring another large traveling exhibit to Downtown, "Star Wars: Where Science Meets Imagination", hosting 162,000 attendees. In total, Team San Jose and the Tech Museum of Innovation have partnered eight times on large exhibits since 2008, bringing over 975,000 attendees to downtown San Jose.



South Hall



Parkside Hall was used for the recent Star Wars exhibit with the Tech Museum of Innovation





CITY NATIONAL CIVIC

Seats: 3,036

Events: 61

FY Attendance: 101,351

NOTABLE EVENTS:

“The Pixies”, “Sesame Street Live”, “Disney Junior Live on Tour!”, “Morrissey”, “Wynonna and the Big Noise”, “An Acoustic Evening with Joan Baez, Emmylou Harris and Jackson Browne”, “Earth, Wind and Fire”, “Styx”



NOTABLE EVENTS: Ballet San Jose’s “The Nutcracker”, Broadway San Jose’s presentations: “Evita”, “Joseph and the Amazing Technicolor Dreamcoat”, “Priscilla Queen of the Desert” and “The Australian Bee Gees Show” Photo by Alejandro Gomez



Photo by Michael Halberstadt



NOTABLE EVENTS: Children’s Musical Theater San Jose presentations: “The Wizard of Oz”, “Shrek the Musical”, “White Christmas”, Lyric Theatre presentations: “The Mikado”, “Ruddigore”



NOTABLE EVENTS: Cinequest Film Festival 24, Symphony Silicon Valley, Opera San Jose

Photo by Pat Kirk Courtesy of Opera San Jose



MONTGOMERY THEATER

Seats: 475

Events: 38

FY Attendance: 45,210

Resident Partners: Children’s Musical Theater San Jose, Lyric Theatre



CALIFORNIA THEATRE

Seats: 1,122

Events: 55

FY Attendance: 84,221

Resident Partners: Symphony Silicon Valley, Opera San Jose



VISITOR INDUSTRY AND DESTINATION DEVELOPMENT

Along with Team San Jose's exciting results, the tourism industry and destination saw significant growth.

New Stadiums

This fiscal year, construction began on a new home for Major League Soccer's San Jose Earthquakes in North San Jose. Likewise, with the arrival of Levi's Stadium as the new home for the NFL's San Francisco 49ers in next door Santa Clara, Team San Jose was happy to support the San Jose Sports Authority in securing several large events. WrestleMania 31 and Super Bowl 50, in 2015 and 2016 respectively, will bring in over an estimated 190,000 visitors to the region, representing well over \$100 million in economic impact to the Bay Area.

Downtown Development

Construction cranes have appeared all over downtown San Jose as new development projects will bring more residents and activity. Coupled with an increase in commercial occupancy and the opening of 19 new restaurants, Downtown is increasing its reputation as the city center of Silicon Valley.

Hotel Occupancy

San Jose's hotels enjoyed a banner year. The reporting hotels of San Jose posted their highest occupancy and average daily rates since Fiscal Year 2000-01. New hotel developments in North San Jose will continue to drive positive Transient Occupancy Tax growth for the City.

Airport Growth

Mineta San Jose International Airport (SJC) posted a 6.8% growth in passenger traffic this fiscal year, welcoming over nine million departing and arriving passengers. This June marked the 18th consecutive month of passenger growth.



A BRIGHT FUTURE FOR SAN JOSE

Team San Jose is excited to enter our Fiscal Year 2014–15 with such bright prospects. San Jose will become the second city in the country to launch the Experience Dedicated Destination Report, an ongoing study which will give us an unprecedented look at the health of the San Jose tourism economy. Team San Jose will convene a CVB Advisory Committee, creating better synergy with our stakeholders and partners in the tourism community - allowing San Jose to continue to grow as a destination of choice. This increased focus on leisure will be accompanied by exciting new collateral projects like a visitor focused redesign of the sanjose.org website and a new tourism map and guide.

Operationally, Team San Jose is excited to launch free Wi-Fi throughout the San Jose Convention Center. This extends the City's popular Wickedly Fast Free Wi-Fi already offered at the Mineta San Jose International Airport (SJC) and within downtown San Jose – delivering reliable, fast, free Wi-Fi connectivity to business travelers and conference attendees – an experience that only happens in Silicon Valley. One connection covers an attendee from the airport to the downtown core and throughout the San Jose Convention Center. Team San Jose also anticipates LEED certification for the expanded Convention Center to be awarded in the new fiscal year.

Team San Jose looks forward to working with our partners and friends in securing more visitors and tourism business for San Jose!



Photo by Alejandro Gomez





Karolyn Kirchgesler
Chief Executive Officer



Dave Costain
Chief Operating Officer

TEAM SAN JOSE SENIOR TEAM

Team San Jose is proud to be accredited through the Destination Marketing Accreditation Program (DMAP). This independent international body defines quality and performance issues and recognizes those organizations that meet or exceed industry standards. This commitment to excellence begins with Team San Jose's CEO and Senior Team who lead the day-to-day operations. Each member of the executive team brings 20 to 30 years of experience in their respective areas of expertise.



Janette Sutton
Chief Financial Officer



Diana Ponton
*Vice President,
Sales and Marketing*



Magda Madriz
Director, Human Resources



Bill Sherry
*Former CEO
Team San Jose
& Director of Aviation,
Mineta San Jose
International Airport*

IN THANKS AND ACKNOWLEDGMENT

Former Team San Jose CEO Bill Sherry's admirable dedication and service resulted in overseeing the completion of several key capital projects including the \$1.3 billion modernization of the Mineta San Jose International Airport (SJC) and \$130 million expansion and renovation of the San Jose McEnery Convention Center, boosting San Jose's appeal as a meetings destination. Sherry elevated Team San Jose's city-wide reputation and his leadership forged a standard of excellence that has put this organization in a successful position for the future.



TEAM SAN JOSE BOARD OF DIRECTORS

Team San Jose is governed by a 15-member voting Board of Directors comprised of representatives from the hotel, arts, business community and labor sectors as well as two City liaisons. The Board represents outstanding community leaders who are instrumental at implementing strategic direction to help guide Team San Jose's business success.

HOTEL PARTNERS



Bonnie Best
Hotel Valencia
Santana Row



Kelley Cosgrove
The Fairmont
San Jose



Gary Hageman
Hilton San Jose



Neil Poisson
DoubleTree by Hilton
San Jose



John Southwell
San Jose Marriott

LABOR PARTNERS



Josh Ende
Sign Display & Allied
Crafts Local 510



Bill Fairweather
IATSE Local 134



Enrique Fernandez
UNITE HERE Local 19



Ben Field
South Bay Labor
Council

BUSINESS COMMUNITY PARTNERS



Michael E. Fox
Board Treasurer
Goodwill Industries



James MacGregor
Silicon Valley
Business Journal



Michael Mulcahy
Chairman of the Board
SDS NexGen Partners, LP

CITY LIAISONS



Lee Wilcox
San Jose Office of
Economic Development



Pete Constant
Councilman, District 1

ARTS PARTNERS



Andrew Bales
Board Secretary
Symphony Silicon
Valley



Larry Hancock
Opera San Jose



Michael Miller
Children's Musical
Theater San Jose

RETIRING BOARD MEMBERS

Team San Jose would like to thank recently retired Board Members Rob Balmer and Robert Thomas for their service on the board and long-term impact they've made at Team San Jose. Both Rob and Robert have demonstrated vital leadership and helped to position Team San Jose as a leader in the industry.

