



## **Governance and Priorities Committee Report**

### **For the Meeting of May 22, 2014**

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**To:** Governance and Priorities Committee  
**From:** Jocelyn Jenkyns, General Manager  
**Subject:** VCC Optimization Review Report

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**Date:** May 9, 2014

#### **Executive Summary**

The Victoria Conference Centre (VCC) was established as a self-financing department of the City of Victoria in 1989. The centre was built on property owned by the Fairmont Empress. The Fairmont Empress and the City are parties to a 50 year lease which extends to 2037. The centre is one of 16 publicly owned and managed convention facilities in Canada and is one of the smallest centres at 73,000 square feet.

The VCC is the sales organization for conferences in Victoria and works in partnership with the business, post-secondary, technology, tourism and hospitality sectors to bring direct spending related economic impact to the City of between \$40 million and \$60 million a year. The VCC is benchmarked each year with other convention centres across the country and ranks highly year after year in its competitive set.

In 2013, Criterion Communications was retained by the City to conduct an Optimization Review on the VCC. The objectives for the review were to:

- Provide an overview of changes in industry conditions impacting conference/convention centre performance;
- Compare VCC structure and performance with similar centres in order to determine if there were any significant differences relative to comparable/competing facilities;
- Identify any unique issues and challenges related to the operation of the VCC that should be taken into account when assessing performance, and
- Recommend actions to address any competitive disadvantages to enhance future performance.

The review included interviews with local business, tourism and hospitality representatives as well as research reviews of Canadian and International Convention Centre Annual Surveys and benchmarking as well as applicable industry literature.

The report contained both findings and future recommendations. Council publically disclosed the findings on April 24, 2014. Of the four key recommendations in the report (Governance, Revenue, Sales and Marketing and Community Interface); this report focuses on Governance. Revenue will be dealt with in a subsequent report.

This report provides staff review and analysis on the Governance recommendations for Council's

consideration and decision.

**Recommendation:**

That Council approves Option 1, and directs staff to implement the Option 1 recommendations.

Respectfully submitted



Jocelyn Jenkyns  
General Manager



**Report accepted and recommended by the City Manager:** \_\_\_\_\_

**Date:** May 16, 2014

## **Purpose**

To provide Council with information and recommendations related to Governance as outlined in the VCC Optimization Review (Appendix A).

## **Background**

The Victoria Conference Centre (VCC) was established as a self-financing department of the City in 1989. Revenues from space rental, retail spaces, a parkade, ancillary services and commissions fund VCC operating costs and the capital replacement costs. The centre also receives a portion of the Hotel Tax, which funds sales and marketing activities.

The VCC's self-financing model is unique in Canada as the majority of convention and conference facilities receive an annual taxpayer subsidy to offset operating and capital costs. The VCC expanded in 2007 with the addition of Crystal Garden, which relied solely on space rental revenue to offset its operating costs.

With the City's acquisition of the Crystal Garden in March 2014, overall operating costs have decreased by \$100,000. That decrease combined with further operating reductions at the VCC has resulted in a reduction of \$200,000 in the taxpayer subsidy to the VCC. For fiscal 2014, the operating subsidy stands \$701,000 (\$400,000 operating and \$300,000 debt repayment). VCC recognizes the need to return to being a self-financing facility; Naming Rights is an important new stream of revenue to help meet this objective.

## **Issues & Analysis**

The VCC Optimization Review analysed four business areas and provided recommendations:

- Governance: including ownership, operation, owner expectations
- Revenue: a means to "reset" the financial model in response to changing conditions
- Sales and Marketing: Making VCC more competitive in today's market
- Community interface: Increasing engagement and improving communications and cooperation

This report focuses on Governance. Revenue, Sales and Marketing and Community Interface expectations will be dealt with in a future report.

### **1) Recommendations re: Governance;**

The recommendations on VCC governance are intended to focus the City's expectations on specific performance targets, which should also satisfy business community interests regarding VCC mandate, effectiveness, independence and strategic orientation. Specific recommendations include:

1. Clarifying owner expectations and creating performance measures based on those expectations
2. Providing a letter of direction to VCC to be shared with community:
3. Adopting an arms-length management model
4. Developing a board structure to ensure broad community input and a business orientation

### ***VCC – Performance Measures***

The VCC currently tracks and measures delegate days and room nights generated as well as direct and indirect economic impact related to VCC conference business. In 2015 as part of the new budget process, the City will be identifying services, outcomes and performance measures related to expenditures. The VCC will work towards meeting future financial goals and service levels set by Council.

### ***VCC Collaboration - Victoria Conference Optimization Network (VCON)***

On March 7, 2014 the VCC, Tourism Victoria and various conference hotels formed the Victoria Conference Optimization Network (VCON). The goal of VCON is to leverage synergies within sales and marketing activities between the hotels, TVIC and VCC to increase hotel room nights to the destination through increased conference and meeting business. A focus on performance measures and return on investment are key elements of the VCON initiative moving forward.

VCON is currently focusing on:

- Increasing hotel room nights to the destination
- Developing a unifying visible identity for the destination that will be extended to the meetings and conference sector
- Highlight the collaborative nature of the meetings sector in Victoria
- Highlight Victoria as a “one stop” seamless conference destination

### ***Adoption of a Single Purpose Corporation and Board of Operation***

The adoption of an arms-length management entity such as a Single Purpose Corporation of the City would require legal advice as to whether such an entity would be permissible under the Operating Agreement with the Fairmont Empress. The establishment of an operating board is consistent with the original intention that the VCC operate arms-length from the City; however, analysis of the staff time and additional resources required to provide administrative and governance support to a board must be undertaken. For example, it is estimated that 50% of the General Manager's time and 40% of the Director of Sales' time would be redirected to board administration and support. Additional administrative, legal and communication resources would also be required in the establishment and ongoing administration of the board and related sub committees.

### ***Options & Impacts***

Option 1 - Recommended option:

That Council review the composition and terms of reference (Appendix B) of the existing VCC Advisory Committee to ensure optimum community and business input to the VCC.

Option 2:

Should Council wish to adopt an arms-length management model and an operating board, staff would recommend that a report be brought forward by December 31, 2014 to identify the following:

- The legal implications of establishing a Single Purpose Corporation of the City and whether this would be allowed under the Fairmont Empress Operating Agreement
- Options for VCC governance boards based upon Convention Centre management models and boards that exist across Canada

- An analysis of staff time and additional resources required to provide administrative and governance support to the board, including administrative, legal and communication resources required to establish and support the board and related sub committees.

**Recommendations**

That Council receive this report and approve Option 1 - the recommended option.