

EXECUTIVE SERVICE CORPS

A Division of



ZERO-BASED MANAGEMENT REVIEW

OF THE

***CITY OF SAN DIEGO
QUALCOMM STADIUM***

*PRESENTATION TO THE
SELECT COMMITTEE*

January 25, 2000

*A Report by
Nonprofit Management Solutions/Executive Service Corps
For the City Manager and
City Council Select Committee for
Government Efficiency and Fiscal Reform*

Foreword

Nonprofit Management Solutions/Executive Service Corps is pleased to forward this Zero-Based Management Review, which represents hundreds of hours of research and interviews undertaken by volunteer consultants, experienced in the area of their study focus.

We wish to express our gratitude for the generous contribution of time, talent and expertise these citizen consultants provided to produce the recommendations forwarded to the City of San Diego at this time.

When citizens and government and elected officials work together...

**THE
RESULTS
CAN BE
OUTSTANDING!**

ZBMR TEAM MEMBERS

The Qualcomm Stadium Department was visited by a team of private industry executives during March – June 1999. The Administrative, Facilities and Grounds Maintenance functions were reviewed by citizen volunteers listed below. These volunteers represent some of the finest executive and professional skills in the community, bringing a wealth of management and operational experience, success and know-how to each team assignment and to the City of San Diego. The compiled findings and recommendations for Qualcomm Stadium also include investigative data and comments provided by stadium managers in discussions with the Project Coordinator.

LARRY BORNSTEIN: Former president and owner, wholesale/retail company; score counselor, SBA; arbitrator member, California and national panel of consumer arbitrators.

JERRY GREENSPAN: President San Diego SCORE chapter and business counselor.

DIRECTOR: Linc Ward, Chair of Zero-Based Management Review Sub-Committee of the City Council Select Committee.

COORDINATOR: Joel J. Snyder, Ph.D., Volunteer Consulting Services, Nonprofit Management Solutions/Executive Service Corps.

BACKGROUND

This report is a product of a five-year Zero-Based Management Review effort originated by the Mayor's Change² Committee, sponsored by the City Manager, performed under the aegis of the City Council Select Committee for Government Efficiency and Fiscal Reform, and coordinated under the management of the Nonprofit Management Solutions/Executive Service Corps.

A select corps of citizen volunteer consulting teams are recruited, trained and supported by NMS/ESC to conduct departmental systems assessments. The ZBMR corps is comprised of recently retired and semi-retired individuals, as well as loaned executives and working professionals representing a broad range of private and public sector business background. All have demonstrated a commitment to management effectiveness and an ability to contribute through their knowledge, experience and expertise.

A typical assignment involves the recruitment of executive-level volunteers who possess the management skills and experience appropriate for their task. A kick-off meeting is conducted with the City Manager, Linc Ward of the Select Committee, the two-person study team, and appropriate levels of the city departments in the operations to be reviewed. The team spends several sessions in the field, applying a macro-management viewpoint. They also conduct research of comparative practices in other cities across the nation. Their reviews focus on operations to determine answers to the following questions:

- ◆ Is this work function consistent with City goals and direction?
- ◆ Is this work function (and its related functions) effective and efficient?
- ◆ Is this work function consistent with other related functions?
- ◆ Can this function be done elsewhere?
- ◆ Is it competitive with private industry?

At the end of their review, the team prepares a report for the Department Directors, the City Manager, and the Select Committee on Government Efficiency and Reform. The Select Committee's Chair Byron Wear, and Council members Harry Mathis and Barbara Warden, meet periodically to assess implementation progress on these reports' recommendations.

Nonprofit Management Solutions/Executive Service Corps is a major provider of comprehensive management assistance to nonprofit organizations in the region since 1984. NMS/ESC is a volunteer-driven and client-centered nonprofit technical assistance resource. Its purpose is to high-quality management assistance through cost-effective consulting, training and development services. NMS/ESC has built a significant track record of high-quality service to public and private nonprofit institutions, including Arts and Culture, San Diego Community Foundation, Neighborhood House, the Public Health Departments of San Diego and San Bernardino Counties, along with other public and private institutions.

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QUALCOMM STADIUM Executive Summary

- A. BACKGROUND:** Qualcomm Stadium is owned and operated by the City of San Diego. First constructed in 1967, the stadium was expanded in 1984 and 1997. The latest upgrades added 10,500 seats to bring the stadium's present capacity to 71,500. The stadium also provides 113 skybox executive suites and seven restaurants and lounges for food service and refreshments. The stadium is one of a few in the country that provides a multi-sports arena on natural turf, in open air.
- B.** During the next few years, strategic decisions will be required. San Diego Super Bowl in 2003, possibly before the transfer of Padres baseball to a new ballpark, anticipated in 2002-2003 and the aging of its structure--40 years old in 2007--present new opportunities and unavoidable challenges. The Stadium needs an economically viable, long-term development plan for its future operation.
- C.** Overall the operational efficiency and effectiveness of the Qualcomm Stadium is exemplary. Its management costs compare quite favorably to other sports stadiums. For example, the 75,000 seat Miami Pro Player Stadium, also conducts a baseball and football season, plus special events. Pro-Player management is a private commercial business with 97 full time positions, double the size of Qualcomm Stadium's full time staff.
- D.** Future operations budgets will need to be reduced to offset the loss of the Padres baseball season. Baseball games represent two-thirds of Qualcomm Stadium use currently. After the Padres' departure, the same size operational and maintenance staff will not be needed. Management should also investigate commercial contracts, versus part time city employees for scaled back custodial and maintenance activities.
- E.** With a full multi-sports calendar, past efforts to market the Qualcomm Stadium have not needed to generate much new activity. The Padres' departure will release summer months for new activities. Future competition will require more vigorous promotion for the few lucrative events appropriate for this location. Parking lot events and non-sports entertainment may demand non-traditional approaches. A qualified marketing staff member should be assigned to serve this need, either as a full time position or dedicated management function.

I. OBJECTIVES AND SCOPE OF THE REVIEW

- A.** The Zero-Based Management Review team visited Qualcomm Stadium during the spring 1999 baseball season. They met with Bill Wilson, Stadium General Manager and the Stadium Assistant Manager, Steve Shushan. They also interviewed key supervisors and observed operations in custodial and maintenance functions. They wish to thank all of the stadium operations staff who assisted in their review and who provided the key information for their management assessment.
- B.** The focus of the review was on stadium operations efficiency and effectiveness, including future planning for the pending transfer of Padres Baseball to a new location.

II. OVERVIEW OF QUALCOMM STADIUM

- A.** The city can be proud of its stadium operations. A number of high-level sporting events have been successfully conducted, including Super Bowls and World Series games, bringing millions of dollars of revenue into San Diego, as well as entertaining its citizens with top-level sporting events. In 1998, Qualcomm Stadium was the first to host both the Super Bowl and World Series in the same year.
- B. ORGANIZATION:** In the past Qualcomm Stadium administration staff was divided into three sections: Stadium Maintenance, which included field and landscape maintenance as well as structural maintenance on the facility; Custodial Services, and Support Services. Beginning in FY 2000 Support Services functions will separate financial services from its normal safety, purchasing and staff payroll functions. Contractual agreements with tenants, bond and interest payments on the stadium expansion, and other unique expenses, that used to be included within regular stadium operating budgets, will be listed separately. The ZBMR team applauds such efforts to clarify funds that are generated from Stadium revenues and used for operational costs, from other capital investments and contract expenses.
- C.** Department expenses are summarized in TABLE ONE. During the past several years, since its recent expansion, its operating budget has run from approximately \$16 - 21 million.

TABLE ONE
Stadium Expenses

| CATEGORY | FY97 | FY98 | FY99 |
|--|---------------------|---------------------|---------------------|
| Operating Expense | \$ 8,819,464 | \$10,746,819 | \$11,545,330 |
| Debt Service | 1,423,760 | 5,561,176 | 5,570,158 |
| Other | 5,611,441 | 1,659,934 | 4,163,030 |
| TOTAL | \$15,854,665 | \$17,967,929 | \$21,278,518 |
| Personnel Positions* | 48 | 49 | 49 |
| *Does not include allocation for Deputy City Manager and Executive Secretary | | | |

D. Not only has Qualcomm Stadium operated efficiently, its overall economic impact continues to be very positive. However, its debt service for recent capital expansion, and transfer payments for rent rebates, attendance guarantees, etc., has detracted attention from Qualcomm Stadium's real contribution to the local economy. Sales taxes generated at the Stadium plus the local salaries and wages paid by tenants have been ignored. Worse, no reliable surveys have gauged its popularity as a sports travelers' destination for overnight tourists. These sources of real income and revenues to the city (beyond directly earned stadium revenue) which would not exist if there were no stadium are substantial, but they have not been recently assessed. TABLE TWO lists several estimates that if taken into account would present a more balanced perspective of the Stadium's overall value.

E. Economic Impact of Stadium Events:

1. The ZBMR team found that the financial data regarding operational efficiency and effectiveness was at best misleading. Earned revenues, capital improvement funds, contract offsets, etc., confuse the positive contribution to general fund revenues generated by stadium events.
2. The Stadium management and other citywide promotional efforts are remiss to ignore objective measurement of its real economic impact. Aside from city revenues earned directly by the stadium, or indirectly through TOT and sales taxes, baseball and football athletic teams also create thousands of jobs and pay an estimated \$87 million in wages and salaries to local residents. TABLE TWO lists several sources of revenues for the city, as a result of the sports entertainment provided by Qualcomm Stadium.

TABLE TWO
Estimates of Direct and Indirect Revenues*
(1998 –1999)

| SOURCES | REVENUES | TOTALS |
|---|--------------|---------------------|
| Direct Operating Revenues: | | \$12,443,413 |
| Padres | \$ 4,328,655 | |
| Chargers | \$ 5,513,045 | |
| Aztecs | \$ 268,202 | |
| Special Events | \$ 2,333,511 | |
| Indirect Tax Revenues: | | \$34,411,300 |
| Out of town stadium attendees accommodations, meals etc. | \$31,223,300 | |
| Stadium vendor, concessions and major parking lot vehicle sales (1.5% sales tax of gross sales) | \$ 1,650,000 | |
| Taxes paid by visiting teams (sales & TOT) | \$ 1,538,000 | |
| Total Gross Revenue Impact: | | \$46,854,713 |

* Sources: *Travel Industry Association (TIA) Study of Sports Travelers, 1999*; *Arthur Anderson Consultants, Analysis of San Diego Padres Economic Activity, 1996*; *Chargers Public Relations Office*; *Qualcomm Stadium attendance and survey data*.

3. TABLE TWO compares Direct Operating Revenues with Indirect Tax Revenues resulting from stadium events. The major source, out of town visitors' overnight attendance, has never been completely accounted for, but this is no excuse for ignoring its obvious impact. The ZBMR team examined available data to objectively estimate this indirect revenue source:
 - a) The Travel Industry Association (TIA) surveyed 240,000 sports travelers and found that 40% had traveled 50 miles away from home to participate in organized sports events. Baseball and football were most popular. In San Diego 122,000 traveled to Super Bowl XXXI, and another 37,500 came for the Holiday Bowl in 1998, according to the TIA survey.
 - b) An independent survey of baseball was conducted by Arthur Anderson Consultants for the Padres. They reported about 7% came from out of the city or county and another 9% from out of state to attend Qualcomm Stadium games. If only half of these out of town sports travelers (8%) stayed overnight, baseball in Qualcomm Stadium would have generated 218,877 overnight visitors.
 - c) No surveys of regular season football sports travelers exist. However the Super Bowl in San Diego generated a number of

sports travelers twice its paid attendance. Out of town loyal football fans are vociferous and noticeable. The ZBMR team estimated that 15% of the Chargers' 583,868 attendance were likely to be overnight visitors, a total of 87,580 people.

- d) A variety of other stadium events – concerts, soccer, conventions – also attract numbers of out of town visitors. The ZBMR team compiled a short list in TABLE THREE below, and arrived at an 8.9% total of attendance:

TABLE THREE
1998 Special Events Attendance
and Estimated Out of Town Overnight Visitors

| Event | Attendance | Estimated % Out of town | Total |
|--------------------------------|----------------|----------------------------|---------------|
| Rolling Stones Concert | 54,301 | 5% | 2,715 |
| Supercross | 52,007 | 3% | 1,560 |
| Monster Truck | 19,309 | Local | |
| Off-Road | 7,315 | Local | |
| Soccer Matches | 25,052 | 15% | 3,758 |
| National Religious Conventions | 122,622 | 50% | 15,328* |
| Aztecs and other football | 171,484 | 10% | 17,148 |
| TOTALS | 452,090 | 8.9% | 40,509 |

* Although national religious conventions attract many out of town visitors, these are often guests of private families. We estimate only ¼ of the travelers would stay in hotels overnight.

- e. The total of these estimates and survey reports exceeds 624,000 overnight guests. Compared to Qualcomm Stadium's 1998 turnstile attendance count of 3.9 million, out of town overnight visitors represent approximately 16% of all sports attendance.
- f. Baseball and football visiting teams bring approximately 3,000 players, staff and media visitors for each sport. These 6,000 plus travelers stay 1-2 nights. They pay at least \$1.5 million in taxes for lodging and meals to the city. This is a conservative figure. Padres' studies of 1996 recorded \$1 million in direct local tax payments for lodging and meals outside the Stadium. In TABLE TWO, an estimated addition represents football visiting teams as well.

- g. According to the San Diego Convention and Visitors Bureau, overnight tourists stay in San Diego on average 4.6 days. Making the following assumption:
- ◆ The sports travelers average stay to be only 2 days.
 - ◆ The average sports traveler spends \$250 per day for accommodations, meals, etc.
 - ◆ Tax revenues from sports travelers' expenditures are 10%.

The sum of estimated transient and sales tax for 624,466 people would be \$31,223,300 annually.

4. These totals, based upon conservative estimates and available data, call for a vigorous effort to accurately measure and assign the true economic value of Qualcomm Stadium to San Diego's quality of life. It appears that the Stadium earns three times its operating revenues from indirect city taxes paid by sports travelers to Qualcomm Stadium events.

F. STAFFING: Besides a full time staff of 49 people, sports events in the stadium also require a large number of contract personnel who are hired and funded by Padres, Chargers, or other tenants. These include as many as 600 private contract personnel, who serve mainly as ushers, stadium security and medical staff. Any major event may also require a number of part-time employees of the city. About 130 part time custodial employees clean up the Stadium during and after events. They also work with the full time administrative staff from time to time. This flexible human resource pool allows the Stadium to staff up for full capacity events, and reduce staff to save operating costs when the Stadium is not in use.

G. SPECIAL EVENT SCHEDULES: Most of the \$7-8 million annual operating costs for Qualcomm Stadium are offset with revenues earned by Charger football games and Padre baseball games.

1. In addition, special events also contribute more than \$2 million to the total annual revenues. Special Events include the Holiday Bowl, several soccer matches, automotive racing, and parking lot events, which earn significant revenues. In 1998 Qualcomm Stadium hosted two major special events: the NFL Super Bowl and Padres' World Series. These uniquely top-level sports events proved the worth of the stadium's \$78 million renovation and expansion.
2. In four years, 2003, San Diego is scheduled to host the NFL Super Bowl again, which will promise substantial one-time increased

revenues. Overall, estimated citywide costs associated with stadium expansion and hosting the 2003 Super Bowl will exceed \$7 million, according to the San Diego Super Bowl Task Force. Extra Super Bowl expenses will be generated from private contributions, sponsorships, merchandising rights and “in-kind” donations. When the Padres move out, revenues earned by Qualcomm Stadium will be reduced, although indirect tax revenues remain in the city. The Stadium will be able to reduce expenses and bring in new events along with revenues for some of these needs.

H. MAINTENANCE: The 15 acre high-quality natural turf playing field and the structure of the stadium costs \$4.3 million annual maintenance, including \$322,000 for 9 field maintenance personnel salaries and wages. The 17.75 man structural maintenance section was increased in FY99 with one refrigeration mechanic, to handle the air-conditioned skyboxes, offices and players’ locker rooms. Their staff budget was \$941,296 for direct personnel expenses. Other stadium maintenance costs and services provided by private contractors added about another \$600,000. These specialized contracts included escalator and elevator maintenance, trash hauling, pest control, etc.

1. A key effectiveness measure of stadium maintenance is the number of guests who file liability claims for slips and falls in the facility. To reduce this hazard, a safety inspection of the entire facility is carried out prior to each event. As a result, accident claims have declined, and large savings in public liability have been achieved over previous years. The stadium staff has focused its custodial efforts during events to keep restroom facilities and walkways free of litter or other spills from audience use. In addition a stadium surveillance booth is equipped with a safety observer and high-resolution video cameras to record unusual crowd behaviors.
2. The only real difficulty in maintenance involves the additional seating provided by large roll-in bleachers. Whenever this system is used it destroys large amounts of the natural grass turf which must be continually replaced during the football and baseball seasonal overlaps. The movement of these extra seats in and out of the stadium consumes the efforts of about 20 people who are paid overtime to move bleachers during the night hours between events. In the past season, five such roll-in bleacher movements cost \$125,000 extra. This is an example of avoided costs that will be reduced after the transfer of Padres baseball. These bleachers will become permanent, and the roll-in expense will be eliminated

III. FINDINGS

- A.** The operation of the Stadium reflects competent, experienced leadership. The stadium manager is a top professional with more than 15 years experience at Qualcomm Stadium and the Rose Bowl previously, and he has served three years as President of the Stadium Managers Association. The senior maintenance supervisor has been taking care of the stadium structure for more than 14 years. These top professionals also are nearing retirement. Although their departures would diminish the management staff at a critical juncture, the Assistant Stadium Administrator has assembled a smooth-operating, well-coordinated team, and he is well positioned to take over Stadium Management.
1. Qualcomm Stadium received four prestigious awards in 1998, including *Excellence in Construction Award* and the *Prime Site Award* as one of the best entertainment facilities in the country, according to *Facilities Magazine*. Its recent expansion also received the San Diego General Contractor's *Build San Diego Award*, and the Design/Build Institute's *National Project of the Year Award*.
 2. Other indicators of effectiveness from recent customer surveys gave Qualcomm Stadium high marks. (In November 1998, 643 fans were interviewed by Sports Management Research Institute during a Chargers football game.) More than 93 percent rated their overall experience good or excellent, which was better than the average 89 percent of other stadiums surveyed. A similar number rated stadium personnel good or excellent. An overall survey comparison of Qualcomm Stadium to other sports facilities rated San Diego's stadium the same or better in cleanliness and restroom facilities for 87 percent of the survey; and 85 percent rated the concessions good or excellent, compared to approval scores of 77 percent averaged at other stadiums.
- B.** The customer survey also indicated a few areas for management attention. For example, food quality at the concessions was very good or excellent for only 35 percent of the fans, who also indicated that restroom cleanliness was very good or excellent for just 52 percent. Despite the fact that concessions at Qualcomm Stadium are leased to a private contractor, this survey illustrates some room for improvement.
- C.** Prior to 2003, the Padres plan to move into their own ballpark. When they do, revenues earned by Qualcomm Stadium will be significantly reduced. The loss of 81 Padres games also cuts \$3.5 million of operating revenues. The inevitable reduction of concession sales, as paid attendance declines, will add to this projected revenue loss. Stadium management has already

begun plans to reduce operating expenses, to adjust to the Padres pending move. Current plans are to reduce 20-30 staff positions, thereby cutting projected personnel expenses as much as \$2.8 million by FY2002. Equivalent reductions in Padres-related avoided costs will represent another \$1.4 million, for a total saving of \$4.2 million to offset the drop in earned revenues.

1. Although it is difficult to predict what additional events could be booked into the Stadium, there will definitely be more open dates and opportunities once the Padres leave. This will allow new bookings inside the Stadium and parking lot. For example, preliminary discussions are ongoing for soccer World Cup games in 2002. Potential revenue from a game would be \$250,000 - \$300,000. Special events parking lot revenues also could double from the current \$400,000 as more dates become available. Fifteen new events coupled with the planned reductions in Stadium expenses possibly could improve the overall operating revenues and expenses picture for Qualcomm Stadium. However, competition for big concerts and rock-star bands is stiff, and event contracts might offer only slim margins.
2. Two obvious conclusions follow: special events that appeal to sports travelers, i.e. truck rodeos have higher earnings potential and should be given greater marketing attention. Second, improving concession, vendor and parking lot sales to the "captured audience" of Stadium guests would also increase revenues at.

IV. RECOMMENDATIONS

- A. The ZBMR team strongly recommends that a major marketing effort be expended to attract potential events and users to Qualcomm Stadium. An agenda of new events will require future scheduling. Therefore efforts to replace the Padres schedule should be underway immediately. City contracts with Padres during this transition should include provisions to enable Qualcomm Stadium to schedule new events in summer months to replace the Padres, pending their move. Top level events like the Super Bowl will not replace the need for a year around, steady flow of revenue generating activities at the Stadium. There are a number of resources in the city which Stadium management can use to enhance the marketing expertise in its own staff. The Citizens Holiday Bowl Committee is one example. Event marketing in coordination with the San Diego Convention and Visitors Bureau is another. There needs to be a citywide awareness that Qualcomm Stadium is a very desirable facility, and that San Diego benefits directly and indirectly from its vigorous promotion.

- B.** The city should conduct a thorough study of indirect revenues earned from Qualcomm Stadium events. Sports travelers who stay overnight to attend stadium events add a significant amount to overall tourism-earned revenues. This economic impact needs to be assessed accurately and objectively and added to the balance sheet of Qualcomm Stadium's effectiveness and efficiency.
- C.** The ZBMR team commends Stadium management's current efforts to plan for operating staff reductions over the next two years. The Stadium's current direct personnel cost for custodial and facilities maintenance, is comparable to the \$12 – 14 per hour contract services for the same functions. Other indirect and city overhead charges for the same labor raise this to approximately \$19 per man-hour. The future use of private services in place of city employees offers a good opportunity for a city-led competitiveness study. City employees should be allowed to meet or better private industry costs if at all possible. The ZBMR team recommends that Stadium management speed up current plans to transition to cheaper services. Operating cost reductions should begin as soon as feasible. At the least, a competition effort can be initiated now with existing personnel and some savings realized.

Additionally the ZBMR team noted that the Stadium does not have a Capital Improvement Reserve Fund. This matter should be addressed.

- D.** During the transition and construction of a new ballpark downtown these two major sports facilities could complement and reinforce their operations. Dual sports facilities can operate successfully in the same city. The Los Angeles Coliseum and Dodgers ballpark is such an example. Automotive racing, for instance, is unlikely in the baseball park, but convention center events would be conducted there. Inevitable competition for similar events underlines the imperative need to think ahead. Without a serious effort to plot a future course through the transfer of the Padres, Qualcomm Stadium's transition is likely to be inefficient and fraught with missed opportunities. The current Stadium Advisory Council should be empowered to develop economically viable, long-term development strategies and other possible uses for the Stadium and its property. Perhaps new members could be recruited to strengthen its existing marketing subcommittee.