



Agenda Report

18-995

Agenda Date: 9/18/2018

REPORT TO COUNCIL

SUBJECT

Action on the Santa Clara Convention Center and Convention-Visitors Bureau 4th Quarter and Fiscal Year Ended June 30, 2018 Financial Status Report

BACKGROUND

The purpose of this report is to provide a financial status update for the 4th quarter and fiscal year ending June 30, 2018 for the Santa Clara Convention Center and Convention-Visitors Bureau. The report covers the period of time when the City had two Agreements with the Santa Clara Chamber of Commerce & Convention- Convention Visitors Bureau (Chamber), which required that the Chamber provide the City with a quarterly activity and operations report for the Santa Clara Convention Center (SCCC) and the Convention-Visitors Bureau (CVB) within 30 days after the end of each quarter during the fiscal year. The SCCC-CVB Financial Status Report for fourth quarter and fiscal year ended June 30, 2018 provides current information on the business activities of the Santa Clara Convention Center and Convention-Visitors Bureau. Since that time, the SCCC-CVB agreement for CVB services has expired.

DISCUSSION

Submitted for City Council review and acceptance is the SCCC-CVB Financial Status Report for the 4th quarter and fiscal year ending June 30, 2018, as submitted by the Chamber. Submission of the report is required under the Management Agreement for the operation of the Santa Clara Convention Center and the Agreement for convention and visitor services which expired June 30, 2018. This report is unaudited and therefore, subject to change. The City is simply transmitting to the City Council the Chamber's report for its compliance with its agreement terms.

It should be noted that information included in prior quarterly reports such as room rental nights, convention attendees, and estimated revenues for convention center rental and Transient Occupancy Tax associated with CVB bookings was excluded from this report. The Convention Center submitted the report without this information. The Convention Center stated that these figures were omitted from the report because the Chamber released from employment the CVB staff members, who provided this information and, as a result, the Chamber is not able to obtain this information. It is worth noting that at the June 26, 2018 City Council meeting, Council provided a 60-day salary appropriation for CVB staff, from July 1 through August 31, 2018, for the purpose of transitional/close out activities; however, the Chamber released staff in July and did not ensure proper close out of the fiscal year. As such, the Convention Center General Manager, Lisa Moreno, provided a letter dated September 7, 2018 explaining why this information was not provided with this report (see Attachment 2).

Although the City continues to work with the Santa Clara Convention Center staff to research this

information, it was not available at the time this report was prepared. As it is unclear when the information might be forthcoming, and should also be noted that the provision of this information to the City is required under both Agreements and even though the CVB Agreement expired on June 30, 2018, all accounting requirements survive the expiration of the Agreement. Staff may require the assistance of an accountant/auditor to reconcile CVB accounts and to obtain a valid close out report.

ENVIRONMENTAL REVIEW

The action being considered does not constitute a “project” within the meaning of the California Environmental Quality Act (“CEQA”) pursuant to CEQA Guidelines section 15378(b)(4) in that it is a fiscal activity that does not involve any commitment to any specific project which may result in a potential significant impact on the environment.

FISCAL IMPACT

Year-end positive net operating results could be a revenue source to the General Fund, while net operating losses may be require a subsidy by the General Fund.

The financial status of the Convention Center operation as captured in the attached quarterly report is one of several aspects of the City’s overall financial obligation related to the Convention Center. In addition to the general management and day-to-day operation of the Convention Center as captured in the quarterly report, in FY 2017/18 the City budgeted funds for the Convention Center’s Capital Improvement Program (CIP) in the amount of \$304,000; an annual contribution of \$1,461,601 for the Convention-Visitors Bureau (CVB); a contribution of \$669,941 into Maintenance District 183 (an agreement between the Convention Center, TechMart, and Hyatt for maintenance of shared spaces); and funds of \$145,291 for an annual management fee. (It should be noted that while the management fee was budgeted, payment of the fee was frozen by Council direction as of May 2018.) The budgeted General Fund subsidy for the Convention Center overall was \$2,317,825 for FY 2017/18.

The Convention Center operation shows a net profit of \$2,227,366, compared to \$1,470,826 for fourth quarter YTD 2016/17. As of June 30, 2018, the City contributed \$212,594 and \$669,941 for CIP and Maintenance District expenditures, respectively, and paid \$1,479,956 to CVB operations. ***Based on the final net operating results and capital expenditures for the fiscal year ended June 30, 2018, the actual General Fund subsidy is \$135,125.***

PUBLIC CONTACT

Public contact was made by posting the Council agenda on the City’s official-notice bulletin board outside City Hall Council Chambers. A complete agenda packet is available on the City’s website and in the City Clerk’s Office at least 72 hours prior to a Regular Meeting and 24 hours prior to a Special Meeting. A hard copy of any agenda report may be requested by contacting the City Clerk’s Office at (408) 615-2220, email clerk@santaclaraca.gov <<mailto:clerk@santaclaraca.gov>> or at the public information desk at any City of Santa Clara public library.

RECOMMENDATION

Note and file the Santa Clara Convention Center and Convention-Visitors Bureau Financial Status Report for the 4th quarter and fiscal year ended June 30, 2018, as submitted by the Santa Clara Chamber of Commerce & Convention-Visitors Bureau.

Reviewed by: Angela Kraetsch, Director of Finance
Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. SCCC-CVB Activity Report for Fiscal Year 2017/18 Fourth Quarter
2. Convention Center Letter dated September 7, 2018



**SANTA CLARA
CONVENTION CENTER
AND
CONVENTION - VISITORS BUREAU
FINANCIAL STATUS REPORT
(Unaudited)
Quarter Ending June 30, 2018**



August 16, 2018

Overview

The Santa Clara Convention Center (SCCC) is strategically located in the heart of Silicon Valley, a prime location for conventions, trade shows, and exhibitions. The SCCC is minutes from hotels, restaurants, Levi's Stadium, Great America Theme Park, and many of the largest and most influential technology companies in the world, with easy access to freeways and Norman Y. Mineta San Jose International Airport and only 45 miles south of San Francisco.

The Convention Center features 100,000 square feet of exhibit space, a 22,400 square foot ballroom, 31 breakout rooms and a 607-seat theater and attracts over 350,000 visitors annually. The facility is an integral economic component to Santa Clara, generating economic benefits through attendee direct and indirect spending and sustaining over 500 local jobs. For more information, please visit santaclaraconventioncenter.org.



**Santa Clara Convention Center
 Fiscal Year 2017-18
 4th Quarter**

88,175
 Total Attendance

127
 Total Events

\$3,326,805
 Total Revenue

\$5,661,159
 Direct Economic
 Impact generated from
 SCCC Events

Gross Estimated Economic Impact Fourth Quarter 2017-18				
Event Category	# of Events	Avg Event Days	Attendees	Estimated Total Revenue*
Banquet	7	1	4,780	\$ 315,804
City Wides				
Conventions	8	2	7,500	1,150,728
Meetings	83	1	51,145	2,981,943
Public Shows	21	1	14,750	169,062
Trade Shows	8	3	10,000	1,043,623
TOTAL	127	2	88,175	\$ 5,661,160

* Includes space rental, food/beverage, audio visual and telecommunications

1st Quarter Projection

- Currently, 99 events with a total potential attendance of 74,346 are scheduled for the 1st Quarter.

1st Quarter 2018-19 Projection	
Events	99
Attendees	74,346

Financial Results

Revenue

Revenue through the fourth quarter of 2017-18 was \$9,047,604 representing 125% of the overall annual budget for revenue. This is an increase in revenue of \$953,840.

Expenses

Total expenses through the fourth quarter totaled \$6,820,538, representing 95% of the annual budget for expenses. This is an increase \$197,300 when compared to the prior year due primarily to the JLL Contract payments and legal fees.

Net Income

The Convention Center ended the fourth quarter with an YTD profit of \$2,227,366.

SANTA CLARA CONVENTION CENTER and CONVENTION-VISITORS BUREAU FINANCIAL STATUS REPORT

Quarter Ending June 30, 2018

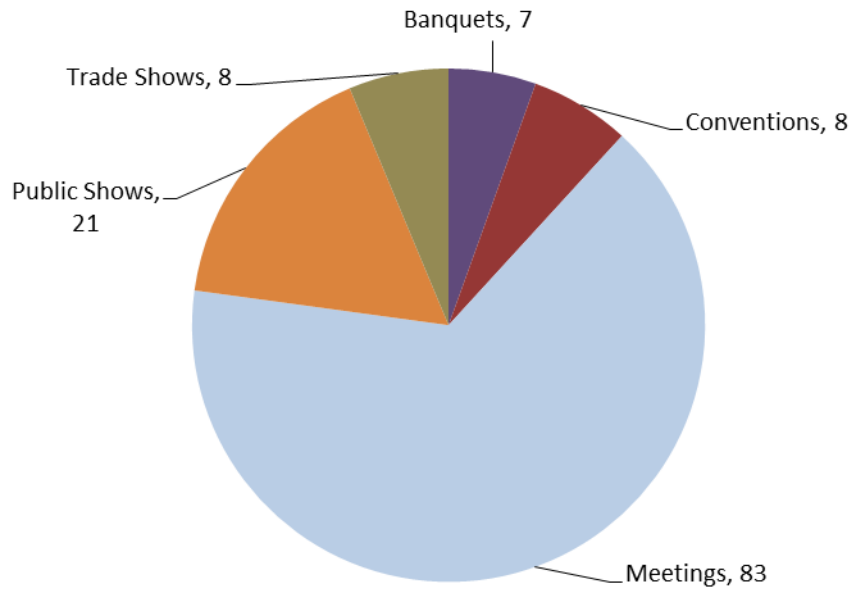
Santa Clara Convention Center Income Statement Comparisons								
	YTD for Quarter Ending June 30, 2018				YTD for Quarter Ending June 30, 2017			
	Annual Budget	YTD Actuals	Remaining Balance	% Used	Annual Budget	YTD Actuals	Remaining Balance	% Used
Revenues								
Space Rental	\$ 2,800,000	\$ 3,718,344	\$ 918,344	133%	\$ 2,600,000	\$ 3,131,387	\$ 531,387	120%
Event Revenue	455,575	592,910	137,335	130%	474,000	477,972	3,972	101%
Audio-Visual	927,052	853,587	(73,466)	92%	758,734	638,611	(120,123)	84%
Catering	2,647,923	2,874,957	227,034	109%	2,600,000	3,060,064	460,064	118%
Telecommunications	330,000	559,546	229,546	170%	333,039	671,972	338,933	202%
Other	104,000	448,259	344,259	431%	69,200	113,759	44,559	164%
Total Revenues	7,264,551	9,047,604	1,783,053	125%	6,834,973	8,093,764	1,258,792	118%
Labor & Operating Expenses								
Employee Related Expenses								
Wages, Taxes & Insurance	4,156,776	4,004,566	152,210	96%	3,897,353	3,886,408	10,944	100%
Benefits	1,204,751	1,016,271	188,480	84%	1,200,873	1,097,556	103,317	91%
Operating Expenses								
Insurance	197,376	174,206	23,170	88%	190,443	169,205	21,237	89%
JLL Evaluation	-	89,375	(89,375)		-	39,500	(39,500)	
Maintenance & Supplies	229,721	234,521	(4,800)	102%	219,665	248,849	(29,184)	113%
Management Fee	145,291	133,184	12,107	92%	136,699	136,699	-	100%
Monthly Service Contracts	146,923	146,575	348	100%	138,884	143,624	(4,740)	103%
Office & Legal	229,930	268,886	(38,956)	117%	120,200	143,169	(22,969)	119%
Parking Fees & Rentals	30,000	6,000	24,000	20%	60,000	8,550	51,450	14%
Utilities	806,065	746,653	59,412	93%	759,108	788,877	(29,769)	104%
Total Labor & Operating Exp.	7,146,833	6,820,238	326,595	95%	6,723,225	6,662,438	60,786	99%
Net Income/(Loss)	\$ 117,718	\$ 2,227,366			\$ 111,748	\$ 1,431,326		

NOTE: Totals may not add due to rounding

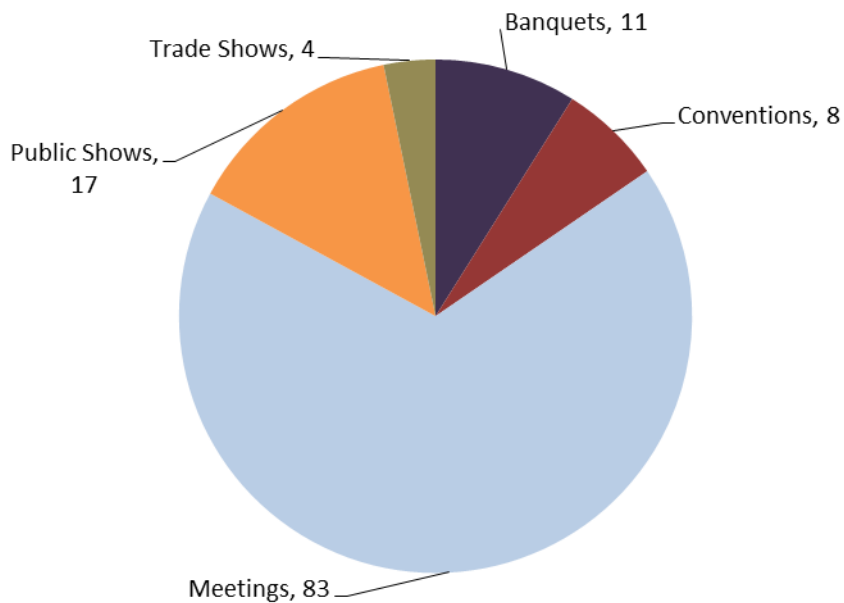
Event Mix Statistics

Results	Q4 2017-18	Q4 2016-17
Number of Events	127	123
Number of Event Days	208	187
Attendance	88,175	94,369

2017-2018



2016-2017



Other Revenue

Increased General Fund sales tax collections result from the direct and indirect economic activity related to Convention Center events.

Sales taxes generated from food and beverage, audio-visual and telecommunication sales are taxable, resulting in significant sales tax revenue for the City. The 4th Quarter 2017-18 sales tax collections indicate that sales transactions at the Convention Center generated \$434,614 of sales tax revenue, with \$48,290 benefitting the General Fund. In addition, other businesses in Santa Clara benefit from the influx of people coming into town to attend various events, resulting in additional sales tax collections for the General Fund.



2017-18 Capital Improvement Program Budget

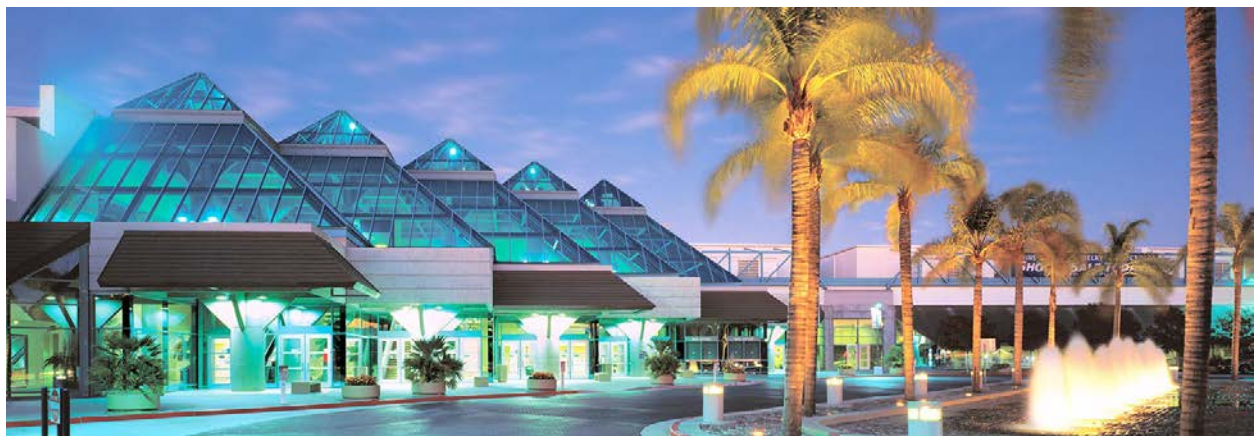
The Convention Center capital improvement program budget for fiscal year 2017-18 totals \$304,000. The following table provides a breakdown of the budget as of 4th Quarter 2017-18.

Santa Clara Convention Center Capital Improvement Projects 2017-18				
Description	QTY	Annual Budget	Actual to Date	Budget Remaining
Exhibit Hall floor combo sweeper & scrubber	1	\$ 67,000	\$ 64,661	\$ 2,339
Podium	5	27,000	26,438	562
Roll n Set Stage Units	4	68,000	68,408	(408)
72 inch Round tables - no carts	60	32,000	31,724	276
Floor Boxes (Exhibit Halls A-D)	N/A	20,000	21,364	(1,364)
Switchgear Labeling (OSHA)	N/A	40,000	-	40,000
Repair Makeup Air Unit for Mission Ball Room Kitchen	N/A	50,000	-	50,000
TOTAL		\$ 304,000	\$ 212,594	\$ 91,406

Santa Clara Convention and Visitors Bureau Cost Comparison

	Year to Date Quarter Ending June 30, 2018			
	Annual Budget	YTD Actuals	Remaining Balance	% Used
Group Marketing & Sales	\$ 1,090,874	\$ 847,686	\$ 243,188	78%
Convention Services	156,143	142,099	14,044	91%
Visitor Marketing and Communications	420,985	482,727	(61,742)	115%
Total	\$ 1,668,002	\$ 1,472,512	\$ 195,491	88%

	Year to Date Quarter Ending June 30, 2017			
	Annual Budget	YTD Actuals	Remaining Balance	% Used
Group Marketing & Sales	\$ 1,060,626	\$ 874,479	\$ 186,147	82%
Convention Services	134,042	127,716	6,326	95%
Visitor Marketing and Communications	514,060	353,206	160,854	69%
Total	\$ 1,708,728	\$ 1,355,401	\$ 353,327	79%





Santa Clara Convention Center

5001 Great America Parkway

Santa Clara, CA 95054

408-748-7000

santaclaraconventioncenter.org



SANTA CLARA

SILICON VALLEY CENTRAL
CONVENTION CENTER

"Your Partner In Excellence"

September 7, 2018

Angela Kraetsch
Director of Finance
City of Santa Clara

Dear Angela:

The Santa Clara Convention Center (SCCC) team was unable to provide the Santa Clara Convention Visitors Bureau (CVB) portion of the Fourth Quarter Report as this information was compiled and managed by the CVB in two separate data bases. The SCCC team is in the process of learning these software programs and is confident that within a couple of weeks to one month we should be in the position to resume data compilation and data entry.

Sincerely,

Lisa Moreno
General Manager
Santa Clara Convention Center

2003 - 2011 WINNER