



## Legislation Details (With Text)

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**Title:** Action on the Santa Clara Convention Center (SCCC) 1st Quarter Financial Status Report

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. SCCC Activity Report for Fiscal Year 2018-19 First Quarter.pdf

Date	Ver.	Action By	Action	Result
1/29/2019	1	Council and Authorities Concurrent Meeting		

### REPORT TO COUNCIL

#### SUBJECT

Action on the Santa Clara Convention Center (SCCC) 1<sup>st</sup> Quarter Financial Status Report

#### BACKGROUND

The SCCC Financial Status Report for the first quarter ending September 30, 2018 provides current information on the business activities of the Santa Clara Convention Center. Submission of the report by the Santa Clara Chamber of Commerce (Chamber) is required under the Management Agreement for the operation of the Santa Clara Convention Center. Staff is transmitting to the City Council the SCCC report for compliance with agreement terms and has not separately audited or validated the information.

#### DISCUSSION

Submitted for City Council consideration is the SCCC Financial Status Report for the first quarter ending September 30, 2018, as submitted by the Santa Clara Convention Center. This report is unaudited and therefore, subject to change. The delay in submitting this first quarterly report is due to competing priorities in the Finance Department and working with the Convention Center staff to correct clerical errors in the submitted Financial Status Report.

It is important to note that during the first quarter of the current fiscal year, the financial performance at the Convention Center declined in comparison to the first quarter of the prior fiscal year. The current first quarter ended with a year to date (YTD) loss of \$497,487 compared to a loss of \$31,718 in the prior year.

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 is not included in this 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 require a subsidy by the General Fund.

The financial status of the Convention Center operation as reflected 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 2018/19 the City budgeted funds for the Convention Center’s Capital Improvement Program (CIP) in the amount of \$55,800; a contribution of \$706,591 into Maintenance District 183 (an agreement between the Convention Center, TechMart, and Hyatt for maintenance of the common area). The budgeted General Fund subsidy for the Convention Center program overall (i.e., Convention Center operation, CIP and Maintenance District) was \$587,568 for FY 2018/19. However, the actual General Fund subsidy for FY2018/19 is subject to change depending on the final net operating results and capital expenditures for the remainder of the fiscal year.

## **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) <<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 Financial Status Report for the first quarter ended September 30, 2018, as submitted by the Santa Clara Chamber of Commerce.

Reviewed by: Angela Kraetsch, Director of Finance

Approved by: Deanna J. Santana, City Manager

## **ATTACHMENTS**

1. SCCC Activity Report for Fiscal Year 2018/19 First Quarter



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**SANTA CLARA  
CONVENTION CENTER  
FINANCIAL STATUS REPORT  
(Unaudited)  
Quarter Ending September 30, 2018**



**January 29, 2019**

## 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](http://santaclaraconventioncenter.org).



**Santa Clara Convention Center  
 Fiscal Year 2018-19  
 1st Quarter**

**71,576**  
 Total Attendance

**102**  
 Total Events

**\$1,233,387**  
 Total SCCC Revenue

**\$2,625,789**  
 Direct Economic  
 Impact generated from  
 SCCC Events

<b>Gross Estimated Economic Impact                      First Quarter 2018-19</b>				
<b>Event Category</b>	<b># of Events</b>	<b>Avg Event Days</b>	<b>Attendees</b>	<b>Estimated Total Revenue*</b>
<b>Banquet</b>	4	1	2,400	\$ 94,431
<b>City Wides</b>				
<b>Conventions</b>	9	5	21,300	743,374
<b>Meetings</b>	69	1	27,676	1,370,322
<b>Public Shows</b>	11	1	7,500	51,025
<b>Trade Shows</b>	9	2	12,700	366,637
<b>TOTAL</b>	<b>102</b>	<b>2</b>	<b>71,576</b>	<b>\$ 2,625,789</b>

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

## 2nd Quarter Projection

Currently, 116 events with a total potential attendance of 84,875 are scheduled for the 2nd Quarter.

2nd Quarter 2018-19 Projection	
Events	116
Attendees	84,875

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## Financial Results

### Revenue

Revenue through the first quarter of 2018-19 was \$1,233,387 representing 16% of the overall annual budget for revenue. This is a decrease in revenue of \$298,854 when compared to the prior year. The decrease was due to lower than budgeted revenues from both our catering and audio-visual partners due to fewer shows, attendees and change in event mix.

### Expenses

Total expenses through the first quarter totaled \$1,730,874, representing 24% of the annual budget for expenses. This is an increase \$166,914 when compared to the prior year. This is due to the City Allocated contract costs (\$42K), increase in utilities (\$48K), and increased payroll and benefit costs that were included in the approved budget.

### Net Income

The Convention Center ended the first quarter with an YTD loss of \$497,487.

**SANTA CLARA CONVENTION CENTER**

Quarter Ending September 30, 2018

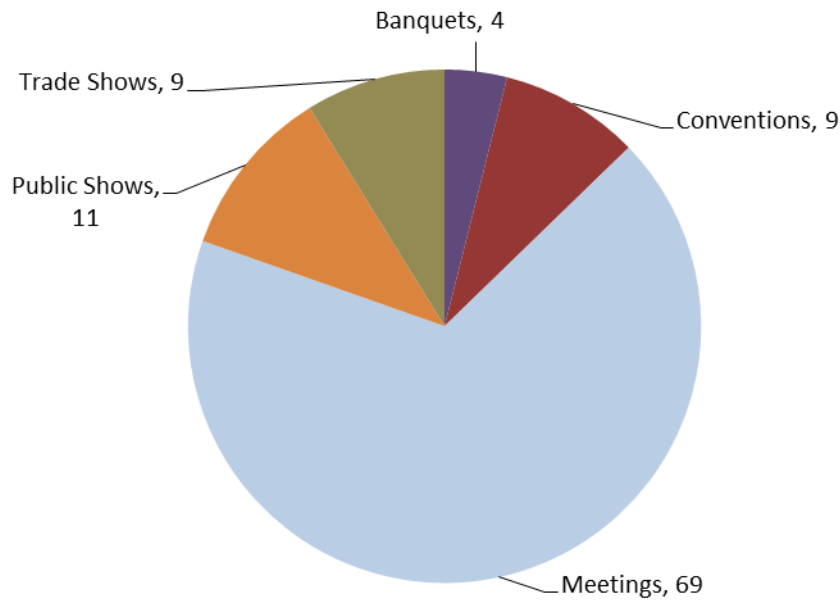
Santa Clara Convention Center								
Income Statement Comparisons								
	Quarter Ending September 30, 2018				Quarter Ending September 30, 2017			
	Final Budget	YTD Actuals	Remaining Balance	%	Final Budget	YTD Actuals	Remaining Balance	%
<b>Revenues</b>								
Space Rental	\$ 3,100,000	\$ 793,408	\$ 2,306,592	26%	\$ 2,800,000	\$ 968,953	\$ (1,831,047)	35%
Event Revenue	482,000	106,492	375,508	22%	455,575	119,932	(335,643)	26%
Audio-Visual	847,647	71,624	776,022	8%	927,052	116,623	(810,429)	13%
Catering	2,650,000	4,928	2,645,072	0%	2,647,923	195,955	(2,451,968)	7%
Telecommunications	330,000	174,668	155,332	53%	330,000	83,270	(246,730)	25%
Other	89,000	82,267	6,733	92%	104,000	47,509	(56,491)	46%
<b>Total Revenues</b>	<b>7,498,647</b>	<b>1,233,387</b>	<b>(6,265,260)</b>	<b>16%</b>	<b>7,264,551</b>	<b>1,532,241</b>	<b>(5,732,310)</b>	<b>21%</b>
<b>Labor &amp; Operating Expenses</b>								
<b>Employee Related Expenses</b>								
Wages, Taxes & Insurance	4,327,177	1,007,428	3,319,749	23%	4,156,776	945,298	(3,211,478)	23%
Benefits	1,270,739	274,691	996,049	22%	1,204,751	223,017	(981,734)	19%
<b>Operating Expenses</b>								
Insurance	206,900	50,116	156,784	24%	197,376	45,631	151,745	23%
Maintenance & Supplies	316,255	49,820	266,435	16%	229,721	38,465	191,256	17%
Management Fee	-	-	-		145,291	36,320	108,971	25%
Monthly Service Contracts	167,717	43,874	123,843	26%	146,923	34,482	112,441	23%
Office & Legal	190,770	13,743	177,027	7%	229,930	45,425	184,505	20%
Parking Fees & Rentals	25,000	5,786	19,214	23%	30,000	-	30,000	0%
Utilities	819,266	236,898	582,368	29%	806,065	188,446	617,618	23%
City Allocated Contract Costs	-	48,518	(48,518)		-	6,875	(6,875)	
<b>Total Labor &amp; Operating Expense:</b>	<b>7,323,824</b>	<b>1,730,874</b>	<b>5,592,950</b>	<b>24%</b>	<b>7,146,833</b>	<b>1,563,960</b>	<b>5,582,873</b>	<b>22%</b>
<b>Net Income/(Loss)</b>	<b>\$ 174,823</b>	<b>\$(497,487)</b>	<b>\$ 672,310</b>		<b>\$ 117,718</b>	<b>\$(31,718)</b>	<b>\$ 149,437</b>	

NOTE: Totals may not add due to rounding

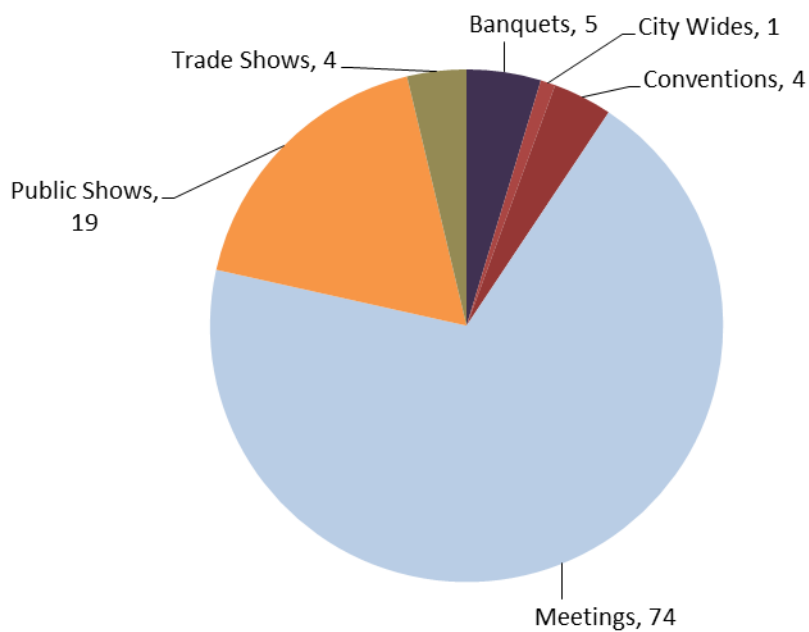
## Event Mix Statistics

Results	Q1 2018-19	Q1 2017-18
Number of Events	102	107
Number of Event Days	197	189
Attendance	71,576	99,962

### 2018-2019



### 2017-2018





## Revenue

General Fund sales tax and transient occupancy tax (TOT) collections result from the direct and indirect economic activity related to Convention Center events. 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.

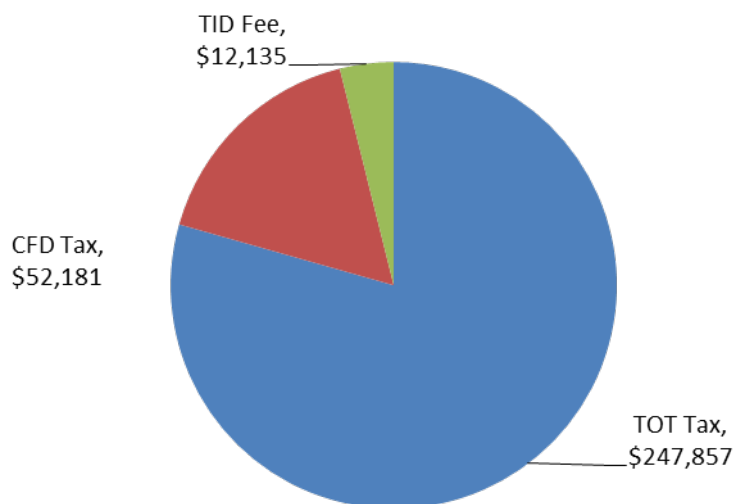
## Sales Tax Revenue

Sales generated from food and beverage, audio-visual and telecommunication sales are taxable, resulting in sales tax revenue for the City. The 1st Quarter 2018-19 sales tax collections indicate that sales transactions at the Convention Center generated \$141,592 of sales tax revenue.

## Hotel Revenue

During 1<sup>st</sup> Quarter 2018-19, the events generated an estimated \$2,609,025 in Hotel Revenue. This is based on 12,135 room nights based on an Average Daily Rate of \$215.

Hotel Tax Revenue includes the Tourism Improvement District Fee (TID), Community Facilities District Tax (CFD), and Transient Occupancy Tax (TOT). Total Hotel Tax Revenue for the quarter was \$312,173.



## 2018-19 Capital Improvement Program Budget

The Convention Center capital improvement program budget for fiscal year 2018-19 totals \$55,800. The following table provides a breakdown of the budget as of 1st Quarter 2018-19.

<b>Santa Clara Convention Center</b>				
<b>Capital Improvement Projects</b>				
<b>2018-19</b>				
<b>Description</b>	<b>QTY</b>	<b>Annual Budget</b>	<b>Actual to Date</b>	<b>Budget Remaining</b>
Design Study for Terrace	1	\$ 10,000	\$ -	\$ 10,000
Surveillance System Expansion/Upgrade	1	30,800	-	\$ 30,800
Chilled water and HVAC Design Study	1	15,000	-	\$ 15,000
TOTAL		<u>\$ 55,800</u>	<u>\$ -</u>	<u>\$ 55,800</u>



**Santa Clara Convention Center**

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[santaclaraconventioncenter.org](http://santaclaraconventioncenter.org)