



FY 2020/21 QUARTERLY REPORT – 2nd Quarter Ended December 31, 2020



January 25, 2021

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Santa Clara Convention Center is strategically located in the heart of Silicon Valley, a prime location for conventions, trade shows and exhibitions. The Santa Clara Convention Center is minutes from hotels, restaurants, Levi’s Stadium, California’s 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 of Santa Clara, generating economic benefits through attendee direct and indirect spending and sustaining over 500 local jobs.

For more information, visit www.santaclaraconventioncenter.com.

2nd Quarter Highlights

This quarterly report covers fiscal operation of the Santa Clara Convention Center for the 2nd quarter ended December 31, 2020. This report is unaudited and, therefore, subject to change.



0

Total Attendance



0

Total Events



\$5,946

Total Revenue

Strategic Highlights

Spectra has been actively involved with the City and its consultant, Jones Lang LaSalle (JLL) on the development of a new Destination Marketing Organization (DMO) for Santa Clara. After an extensive search, the new CEO started in the 2nd Quarter. Once the County Shelter-in-Place Order is lifted, it is expected that the CEO will be working on-site at the Center as an office has been prepared and completed. Having the DMO on site will provide synergy between the Spectra, Levy and DMO sales teams. Work continued in the 2nd Quarter on the Convention Center booking strategy. The terms were updated by Spectra, the City, JLL and the Tourism Improvement District (TID) to better reflect the state of the industry at this time and the challenges created by the COVID-19 pandemic. In Q2, Spectra continued to monitor the effects of the pandemic on the facility. In order to further control expenses Spectra reduced its staff by another position, reducing overall staff to two (2) employees.

Financial Highlights

COVID-19 has continued to have an impact on the building, gross revenue through December was \$62,833 representing 0.55% of the overall budget for revenue; conversely expenses totaled \$1,233,633, 12.44% of the budgeted expenses.

Event Highlights

There were no events at the Center this quarter.

Operational Highlights

- ➔ Due to the continued restrictions on large events and indoor gatherings, the Convention Center does not anticipate hosting events for the remainder of the Fiscal Year. Spectra will utilize this time to complete Capital Improvement Projects and

prepare for reopening and working with clients and its partners to move their events into the next Fiscal Year.

- Spectra, Levy, the City and JLL started holding bi-monthly sales meetings to continue the development of a new long-term sales strategy for the Center. The strategy further defines goals and responsibilities of Spectra, Levy and the DMO as we strive to optimize the building's business and revenues over future years.
- Spectra issued an additional layoff in Q2 for one employee, reducing staff to two (2) overall; the General Manager and a Sales Manager remain.
- Substantial completion of the Glass Pyramid capital project was reached in Q2.
- Spectra selected professional design firms for the Flooring, Paint and Kitchen project as well as for the Digital Signage and Security Camera projects.

Other Noteworthy Highlights

- Spectra began work on its operating budgets for FY 2021/22 and FY 2022/23.
- Spectra completed its annual inspection of vertical transportation at the Center (elevators and escalators) in Q2, with all equipment passing and receiving permits.
- Spectra had its annual fire alarm inspection in Q2 where the system was certified.
- Spectra participated in virtual community events at Milpitas High School's Hospitality program "Interview and Resume" workshop and Mission College's Extended Opportunity Program and Services Advisory Board meeting.



Financial Summary

Financial Results

As the pandemic persists, the environment and restrictions continue to prohibit large indoor gatherings/events, therefore no events were hosted at the Convention Center in the 2nd quarter. Spectra continued to eliminate unnecessary expenditures and implemented additional staff layoffs.

Financial Summary – 2nd Quarter ended December 31, 2020

	Budget	Actual	Difference
Gross Revenue	\$7,785,998	\$5,946	(\$7,780,052)
Total Expense	6,324,164	535,091	5,789,073
Net Income/(Loss)	\$1,461,834	(\$529,145)	(\$1,990,979)

Total expenses for the quarter were \$535,091 and there was no event revenue. Other revenue for the quarter was \$5,946, mostly made up of commissions for cell site usage (digital antenna system).

Financial Summary – YTD ended December 31, 2020

	Budget	Actual	Difference
Gross Revenue	\$11,490,023	\$62,833	(\$11,427,190)
Total Expense	9,915,069	1,233,633	8,681,436
Net Income/(Loss)	\$1,574,954	(\$1,170,801)	(\$2,745,754)

Year-to-date expenses were \$1,233,633, and year-to-date net loss was \$1,170,801.

Income Statement

SANTA CLARA CONVENTION CENTER
GROSS INCOME STATEMENT
For the Three Months Ending December 31, 2020

	QUARTER 2 TO DATE			YEAR TO DATE		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
Number of Events	125	-	(125)	220	-	(220)
Number of Event Days	457	-	(457)	614	-	(614)
Attendance	93,664	-	(93,664)	169,894	-	(169,894)
Event Revenue						
Rental	\$ 1,439,560	\$ -	\$ (1,439,560)	\$ 2,598,609	\$ -	\$ (2,598,609)
Services	22,792	-	(22,792)	42,142	-	(42,142)
IT/Telecom	543,160	-	(543,160)	934,319	-	(934,319)
Food & Beverage	5,167,450	-	(5,167,450)	6,845,550	-	(6,845,550)
Audio Visual	471,328	-	(471,328)	775,485	-	(775,485)
Electrical	99,500	-	(99,500)	209,500	(140)	(209,640)
Total Event Revenue	7,743,789	-	(7,743,789)	11,405,605	(140)	(11,405,745)
Event Expenses						
Services	-	-	-	-	-	-
IT/Telecom	401,938	-	401,938	691,396	-	691,396
Food & Beverage	3,507,616	216,423	3,291,193	4,651,267	475,871	4,175,395
Audio Visual	315,790	-	315,790	519,575	(109)	519,684
Electrical	74,625	-	74,625	157,125	-	157,125
Total Event Expenses	4,299,969	216,423	4,083,546	6,019,363	475,762	5,543,601
Net Event Income (Loss)	3,443,820	(216,423)	(3,660,243)	5,386,242	(475,902)	(5,862,144)
Other Revenue	42,209	5,946	(36,263)	84,418	62,973	(21,445)
Total Revenue	3,486,029	(210,477)	(3,696,506)	5,470,660	(412,929)	(5,883,589)
Indirect Expenses						
Executive	199,861	103,332	96,529	376,430	226,530	149,900
Marketing	157,384	30,062	127,323	299,462	58,609	240,853
Finance	152,422	25,071	127,351	290,464	62,512	227,952
Event Services	141,591	10,331	131,260	265,265	35,899	229,367
Operations	1,002,099	40,640	961,459	1,922,411	125,306	1,797,105
Overhead	370,837	109,231	261,606	741,674	249,016	492,659
Transition Costs	-	-	-	-	-	-
Total Indirect Expenses	2,024,196	318,668	1,705,528	3,895,706	757,871	3,137,835
Net Operating Income	1,461,833	(529,145)	(1,990,979)	1,574,954	(1,170,801)	(2,745,754)
Net Income	\$ 1,461,833	\$ (529,145)	\$ (1,990,979)	\$ 1,574,954	\$ (1,170,801)	\$ (2,745,754)

Event Statistics

There were no events.

Event Revenue

Event Net Revenue – 2nd Quarter ended December 31, 2020

Event Types	Gross Revenue	Cost of Sales	Net Revenue
Banquets	\$-	\$-	\$-
Meetings	-	(216,423)	(216,423)
Consumer Shows	-	-	-
Trade Shows	-	-	-
Conventions	-	-	-
Special Events	-	-	-
Miscellaneous Events	-	-	-
Sporting Events	-	-	-
Totals	\$-	(\$216,423)	(\$216,423)

There is no event revenue to report this quarter. Levy incurred event expenses of \$216,423 to support existing Levy staff salaries, union expenses and indirect expenses.

Event Net Revenue – YTD ended December 31, 2020

Event Types	Gross Revenue	Cost of Sales	Net Revenue
Banquets	\$-	\$-	\$-
Meetings	-	(405,413)	(405,413)
Consumer Shows	-	-	-
Trade Shows	-	-	-
Conventions	-	-	-
Special Events	-	-	-
Miscellaneous Events	-	(70,489)	(70,489)
Sporting Events	-	-	-
Totals	\$-	(\$475,902)	(\$475,902)

There is no year-to-date event revenue to report. Year-to-date incurred event expenses was \$475,902.

Partners

Partner Revenue – 2nd Quarter ended December 31, 2020

Partner	Gross Revenue	Cost of Sales	Net Revenue
Levy Restaurants	\$-	(\$216,423)	(\$216,423)
Smart City (IT services)	-	-	-
ENCORE-AV (AV services) (previously PSAV)	-	-	-
Electrical	-	-	-
UPS	-	-	-
Totals	\$-	(\$216,423)	(\$216,423)

There is no partner revenue to report this quarter. The cost of sales were \$216,423 to support existing Levy staff salaries, union expenses and indirect expenses.

Partner Revenue – YTD ended December 31, 2020

Partner	Gross Revenue	Cost of Sales	Net Revenue
Levy Restaurants	\$-	(\$475,871)	(\$475,871)
Smart City (IT services)	-	-	-
ENCORE-AV (AV services)	-	(31)	(31)
Electrical	-	-	-
UPS	-	-	-
Totals	\$-	(\$475,902)	(\$475,902)

There is no year-to-date partner revenue to report and partner expenses totaled \$475,902.

Indirect Expenses

Total indirect expenses were \$318,668 for the quarter.

Departments	Expense Description	Indirect Cost
Executive	Senior personnel	\$103,332
Marketing	Sales and marketing related	30,062
Finance	Finance and Human Resources	25,071
Events	Staffing to manage events	10,331
Operations	Engineering, building services, security, and all other related expenses to operate the building	40,640
Overhead	Non-departmental expenses	109,231
Transition Costs	Costs related to the transition to Spectra	-
Total		\$318,668

Other Activities

Both Spectra and Levy have continued to review expenditures in an effort to mitigate financial losses to the City, including additional reduction of staff. Levy is currently at four full-time employees, retaining its general manager, executive chef, controller, and director of sales. Spectra further reduced staffing and is at two full-time employees; the general manager and sales manager.

Spectra and Levy's sales teams continued to proactively move events originally scheduled from January 2021 through June 2021 into the next Fiscal Year and beyond. Of 34 events schedule this quarter, nine events rebooked and confirmed new dates, eight are in process of rebooking a future date, and 17 cancelled. It is estimated that 50% of the cancelled events will return to the Center once the ability to host events resumes.

Working in conjunction with Levy, the City and JLL, the sales teams generated a total of 163 sales prospects in Q2. Thirteen of those prospects developed into tentative¹ business. Additionally, four prospects became definite² business. Applying the goals of the booking strategy, Spectra has put an emphasis on prospecting and generating leads for Priority 3 business, while Levy has concentrated on building prospects for banquets and social events. Additionally, the sales team created, prepared, and presented a "Virtual Event Package" that is being utilized to entice new prospects for FY 2021/22. The team will continue to build its prospecting list in Q3 striving to reach its goal of 500 new prospective clients for the Convention Center.

In November, the new CEO of the recently formed Destination Marketing Organization (DMO) started. Prior to his start date, Spectra worked with Smart City, the Center's IT provider, to review, purchase and install a new computer and office set-up. The DMO will be located at the Convention Center so the two entities will be able to work in conjunction to generate new, more lucrative business for the destination.

¹ A tentative is defined as having dates held and/or proposals issued to the client.

² A definite is realized when a client signs its Use License Agreement for an event at Convention Center.

Key Performance Indicators (KPIs)

Spectra, in conjunction with the City is reviewing and enhancing it's KPI's for the upcoming fiscal years.

Forecast

At the end of Q2, the Center operated at a loss of \$1,170,800. As a result of continued event restrictions, the Center will remain closed through the remainder of the Fiscal Year. Estimated expenditures forecasted for the third and fourth quarter is \$1,287,972 for FY 2020/21 with a year-to-date loss of \$2,458,772.

SANTA CLARA CONVENTION CENTER ROLLING FORECAST FY 2020/2021					
	ACTUAL YTD July - Dec '20 FY 2021	FORECAST Jan'21-June'21 FY 2021	TOTAL PROJECTION FYE 6/30/21	ORIGINAL BUDGET FYE 6/30/21	VARIANCE
# OF EVENTS	0	0	0	436	(436)
DIRECT EVENT INCOME	\$ -	\$ -	\$ -	\$ 6,389,775	\$ (6,389,775)
ANCILLARY INCOME	(475,762)	(459,972)	(935,734)	4,299,483	(5,235,217)
TOTAL EVENT INCOME	(475,762)	(459,972)	(935,734)	10,689,257	(11,624,991)
OTHER INCOME	62,833	12,000	74,833	168,836	(94,003)
EXECUTIVE	226,530	250,000	476,530	752,860	276,330
MARKETING	58,609	75,000	133,609	598,924	465,315
FINANCE	62,512	75,000	137,512	580,927	443,415
EVENTS OPERATIONS	35,898	10,000	45,898	530,531	484,633
OPERATIONS	125,306	155,000	280,306	3,844,722	3,564,415
OVERHEAD	249,016	275,000	524,016	1,483,349	959,333
INDIRECT EXPENSES	757,871	840,000	1,597,871	7,791,312	6,193,441
OPERATING NET INCOME (LOSS)	(1,170,800)	(1,287,972)	(2,458,772)	3,066,781	(5,525,553)
NET INCOME (LOSS)	\$ (1,170,800)	\$ (1,287,972)	\$ (2,458,772)	\$ 3,066,781	\$ (5,525,553)

FY 2020/21 Capital Improvement Projects (CIP) Budget

During the City's FY 2020/21 budget approval process, City Council approved approximately \$4.1 million in carry-over CIP funds for the Convention Center.

In October, Spectra submitted its updated 5-year Capital Project plan for the SCCC.

CIP Project Updates

Glass Pyramid Project

- Western Specialty Contractors reached substantial completion of the Glass Pyramid project.
- Only repairs on the pyramid flashing and glass replacement remain.
 - These two items should be completed no later than the end of the 3rd quarter.

Flooring/Paint/Kitchen & Digital Signage

- Statement of Qualifications/ Proposals (SOQ/P) for professional design services for the Interior Paint, Carpet Replacement and Digital Signage projects were returned in October. Review of submissions resulted in a short list that underwent virtual interviews in November.
- After analysis, interviews and consideration, **HOK** was selected as the design firm of choice for the Flooring/Paint/Kitchen project and **Idibri** was selected as the design firm of choice for the Digital Signage project.
- Work for both projects is expected to begin in the 3rd Quarter.

Security System Project

- RFP for the Security Camera project was issued in October.
- Original submission deadline was extended from October to November at the request of proposers.
- Eight (8) Bids were received and reviewed by Spectra.
- Spectra narrowed the list from eight companies to three. The three finalists were presented with additional questions.
- Following responses, Spectra made its recommendation of **Johnson Controls** as the selected vendor.
- Work is expected to begin in Q3.

HVAC Portable A/C Units

- Spectra continued work with a local vendor to utilize an existing co-op agreement to complete the HVAC/AC project.
- Pricing returned was satisfactory.
- Spectra is reviewing purchase order language supplied by the City to complete the purchase.
- Once language is agreed upon, Spectra will issue a purchase order for the completion of this project.

The updated list of capital projects is in the chart below.

Capital Improvement Projects Update

Proj. #	Project Name	Phase	Total FY 20/21 Total Budget	YTD Exp.	FY 2020/21 Balance
001	Convention Center HVAC Study	-	\$ 11,250	\$ -	\$ 11,250
002	Convention Center HVAC - Duct Work	-	\$ 57,375	\$ -	\$ 57,375
003	Convention Center HVAC - BMS System Upgrade	Completed FY 2019/20	\$ -	\$ -	\$ -
004	Convention Center HVAC Portable A/C Units	Contract Negotiation	\$ 50,625	\$ 2,774	\$ 47,851
005	Convention Center Security System	Contract Negotiation	\$ 168,750	\$ 13,046	\$ 155,704
006	Convention Center Lobby Roof (Glass Pyramids) Assessment and Repair	Implementation	\$ 1,104,200	\$ 248,816	\$ 855,384
007	Convention Center Building Envelope Repair - Terrace Building Front	-	\$ 111,875	\$ -	\$ 111,875
008	Convention Center Message Boards, Marquees, Digital Signage Upgrades	Contract Negotiation	\$ 562,500	\$ 8,701	\$ 553,799
009	Convention Center Interior Paint	Implementation	\$ 506,250	\$ 5,792	\$ 500,458
010	Convention Center Door Replacements	-	\$ 56,250	\$ -	\$ 56,250
011	Convention Center Facility Lighting Project	-	\$ 22,500	\$ -	\$ 22,500
012	Convention Center Riding Vacuum Purchase	Completed FY 2019/20	\$ -	\$ -	\$ -
013	Convention Center Carpet Replacement	Implementation	\$ 1,225,000	\$ 5,792	\$ 1,219,208
014	Balance - Contingency	n/a	\$ 200,937	\$ 2,415	\$ 198,522
SPECTRA/CITY			\$ 4,077,512	\$ 287,336	\$ 3,790,177
Kitchen (Levy) - Upgrades		-	\$ 190,395	\$ 983	\$ 189,412
TOTAL CONVENTION CENTER CIP PROJECT		-	\$ 4,267,907	\$ 288,318	\$ 3,979,589

Community Involvement



In the 2nd quarter, the Spectra General Manager attended the online career day for Milpitas HS hospitality classes and met with six students to discuss their resumes and cover letters and provided ideas and strategies on how to enhance them for future job opportunities.



Spectra General Manager attended the online quarterly meeting for the Extended Opportunity Program & Services (EOPS) advisory board for Mission College in October.



Santa Clara Convention Center

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