

FY 2022/23 QUARTERLY REPORT – 2nd Quarter Ended December 31, 2022

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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 operations of the Santa Clara Convention Center for the second quarter ended December 31, 2022. This report is unaudited and, therefore, subject to change.



80,959
Total Attendance



56
Total Events



\$3,664,200
Total Revenue

Strategic Highlights

Oak View Group (OVG) continues to be actively involved with the City and its consultant, Jones Lang LaSalle (JLL) on the development of the Silicon Valley/Santa Clara DMO, Inc dba Discover Santa Clara®. In the second quarter, the OVG General Manager, as a board member of Discover Santa Clara®, participated in the onboarding of the new Chief Executive Officer, studied, and analyzed the interim booking policy, and provided input on the submission of multiple proposals to potential clients.

OVG and its partners from Levy, Smart City and Encore continued utilizing the interim booking policy and prospecting new business focused on bringing high impact events to the destination. Sales efforts were aligned with OVG, Levy and the DMO's overlapping key performance indicators (KPIs). Bookings are steady, but still below pre-pandemic levels. The recent economic slowdown and continued fears inflation have led to several cancellations. OVG and its leadership continue to monitor the on-going layoffs within the tech industry and are watching for any trends that may impact the overall business at the Convention Center.

OVG continued to phase in and out employees. Employee totals varied from 24 to 26 based on event load and projected revenue generation. All employees were brought back in accordance with SB 93, California's Rehiring and Retention Law.

Financial Highlights

The second quarter started strong with a very robust October, however the event load diminished significantly in November and December as banquets and meetings continued to lag behind the projected feed-in numbers. Holiday parties remained low as businesses are still navigating the impacts of the post-pandemic world. Gross revenue October through December was \$3,664,200 representing 91.83% of the overall budget for revenue. Conversely, expenses totaled \$3,306,462, 87.83% of the budgeted expenses for the quarter, resulting in an overall profit of \$357,738 for second quarter.

Event Highlights

Fifty-six events took place during the quarter, 45 less than the budgeted number of 101. In the quarter, 20 events canceled, two events rescheduled their dates later in the fiscal year, six events canceled citing concerns with COVID-19 and non-availability at local SCTID hotels. A total of 12 clients did not move forward with their proposal. Budgeted meetings continue to underperform, while banquets were impacted by a low request for holiday parties.

In October, the Center hosted the Taiwan Semiconductor Manufacturing Company (TSMC) North America Fall event. Over 1,700 attendees took place in the single day event. In November, the SJ Holiday Craft Fair returned for its second year. The event that was previously held in San Jose attracted over 5,000 holiday shoppers to the building over Thanksgiving weekend. December was highlighted by the Global Semiconductor Alliance Awards Dinner. Essentially, the Oscars® of the semiconductor industry. Over 1,500 attendees took part in this event that returned to the center for the first time since before the pandemic.



TSMC North America Fall event



SJ Holiday Craft Fair



Global Semiconductor Alliance Awards Dinner

Operational Highlights

- As mentioned above, 56 events took place in the second quarter. Twenty-five in October, 17 in November, and 14 in December.
- The General Manager (GM) continued to monitor event load and scheduled staffing levels based on business quantity and projected revenue generation. Therefore, employee levels varied from 24 to 26 throughout the quarter.
- The GM continued negotiations with the Teamsters, Local 853 on a new two-year Collective Bargaining Agreement. The entities met several times to discuss more productive ways to provide needed labor for events. Negotiations are progressing.
- GM continued to oversee the Convention Center Safety Committee. During the quarter, the GM and the Safety Committee team updated and issued a new evacuation policy and plan for the Convention Center.
- OVG's senior management met to review the current operations at the center and to discuss strategies on how to streamline processes and procedures for upcoming fiscal years.

Other Noteworthy Highlights

- In Q2, OVG hosted 37 site tours for potential future events at the Convention Center.
- The OVG GM, with input from OVG Operations reviewed the previous 5-year capital plan, added new jobs, and discussed reprioritizing the list of the projects.
- OVG held multiple interviews for the vacant position of Sales Coordinator, a role OVG has been trying to fill since June of 2022. OVG also held interviews for the open Operations Supervisor job. The acquisition of talent continues to be extremely challenging as many applicants do not respond to requests for interviews. Those that do typically lack the required experience or ask for salaries that are not in line with those for the position.
- The OVG GM along with the Sr. Sales Manager, Levy and the DMO hosted a meeting with the Santa Clara Tourism Improvement District (SCTID) hotel GM's and Director of Sales. Conversations focused on new ideas and concepts of how to provide a more streamlined process for clients and review of the current Convention Center Booking Policy. Another meeting is scheduled for February.
- Began the budgeting process for the next two-year operating budget by meeting with Levy, Encore (AV) and Smart City (IT) to discuss their projected revenue budgets.

Financial Summary

Financial Results

Historically, the second quarter has tended to be one of the stronger quarters of the fiscal year. October of FY 2022/23 followed the pre-pandemic pattern with solid revenues despite a diminished event load. Conversely, November and December were not as robust as previous years. There were multiple cancelations in November that led to lower revenues. Holiday parties that used to be a staple in December are still not materializing at the rate anticipated. As a result, OVG and its partners generated \$3,664,200 in gross revenue during the quarter missing the budgeted amount by \$326,135. Net income for Q2 was \$357,738 or \$131,855 more than the budgeted amount of \$225,883.

Financial Summary – 2nd Quarter Ended December 31, 2022

	Projected in Budget	Actual	Difference
Gross Revenue	\$3,990,335	\$3,664,200	(\$326,135)
Total Expense	\$3,764,452	\$3,306,462	\$457,990
Net Income	\$225,883	\$357,738	\$131,855

Total expenses for the quarter were \$3,306,462 or \$457,990 less than the budgeted amount of \$3,764,452. There was \$69,530 of other revenue recognized in Q2 primarily from cancellation fees.

The year-to-date expenses were \$5,711,806, a year-to-date positive variance of \$881,708 versus budgeted expenses.

Income Statement

SANTA CLARA CONVENTION CENTER
 QUARTERLY GROSS INCOME STATEMENT
 For the quarter ending December 31, 2022

	QUARTER 2 TO DATE			YEAR TO DATE		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
Number of Events	101	56	(45)	166	107	(59)
Number of Event Days	196	124	(72)	341	233	(108)
Attendance	52,540	80,959	28,419	92,540	127,024	34,484
Event Revenue						
Rental	956,230	855,514	(100,716)	1,466,660	1,439,101	(27,559)
Services	31,800	133,704	101,904	57,400	204,467	147,067
IT/Telecom	174,250	209,756	35,506	469,150	423,527	(45,623)
Food & Beverage	2,369,370	1,619,940	(749,430)	3,384,300	2,794,300	(590,000)
Electrical	85,448	172,780	87,332	168,948	305,655	136,707
Audio Visual	355,000	602,976	247,976	530,000	992,303	462,303
Total Event Revenue	3,972,098	3,594,670	(377,428)	6,076,458	6,159,353	82,895
Event Expenses						
Services	-	29,132	(29,132)	-	42,063	(42,063)
IT/Telecom	128,945	142,634	(13,689)	347,171	287,998	59,173
Food & Beverage	1,908,341	1,382,356	525,985	2,922,426	2,261,804	660,622
Electrical	64,086	129,192	(65,106)	126,711	234,958	(108,247)
Audio Visual	237,850	420,740	(182,890)	355,100	690,977	(335,877)
Total Event Expenses	2,339,222	2,104,054	235,168	3,751,408	3,517,800	233,608
Net Event Income (Loss)	1,632,876	1,490,616	(142,260)	2,325,050	2,641,553	316,503
Other Revenue	18,237	69,530	51,293	36,475	262,708	226,233
Total Net Event & Other Revenue	1,651,113	1,560,146	(90,967)	2,361,525	2,904,261	542,736
Indirect Expenses						
Executive	90,596	75,685	14,911	181,192	147,729	33,463
Finance	90,447	74,833	15,614	180,894	140,952	39,942
Event Services	111,475	113,176	(1,701)	214,596	206,422	8,174
Sales/Marketing	95,866	93,617	2,249	191,731	157,297	34,434
Operations	683,581	557,332	126,249	1,367,164	1,007,548	359,616
Overhead	353,265	287,765	65,500	706,529	534,058	172,471
Total Indirect Expenses	1,425,230	1,202,408	222,822	2,842,106	2,194,006	648,100
Net Operating Income	225,883	357,738	131,855	(480,581)	710,255	1,190,836
Other Income/(Expense)						
Net Income	225,883	357,738	131,855	(480,581)	710,255	1,190,836

Event Statistics

There were 56 events scheduled in Q2 with \$3,594,670 in revenue and \$2,104,054 in expenses. 'Conventions' and 'Trade Shows' generated the largest amount of revenue in the quarter.

Event Revenue

Event Net Revenue – 2nd Quarter Ended December 31, 2022

Event Types	Gross Revenue	Cost of Sales	Net Revenue
Banquets	\$944,554	\$751,260	\$193,294
Meetings	82,400	19,021	63,379
Consumer Shows	346,387	137,247	209,140
Trade Shows	504,560	190,535	314,025
Conventions	1,519,934	931,590	588,344
Special Events	99,255	29,279	69,976
Miscellaneous Events	-	-	-
Sporting Events	97,580	45,122	52,458
Totals	\$3,594,670	\$2,104,054	\$1,490,616

This quarter, there was a profit of \$1,490,616 even though the gross event revenue was lower than anticipated. This was in spite of a lower number of events being contracted, 56 compared to the 101 budgeted. The benefit of fewer events is that it usually leads to a decrease in overall event expenses which was the case in the second quarter.



Partners

Partner Revenue – 2nd Quarter Ended December 31, 2022

Partner	Gross Revenue	Cost of Sales	Net Revenue
Levy Restaurants	\$1,619,940	\$1,382,356	\$237,584
Smart City (IT services)	209,756	142,634	67,122
ENCORE-AV (AV services)	602,976	420,740	182,236
Electrical	172,780	129,192	43,588
Totals	\$2,605,452	\$2,074,922	\$530,530

Partner revenue for Q2 was \$2,605,452. The cost of sales was \$2,074,922 for a net profit of \$530,530. Year-to-date, net partner revenue is showing a \$1,040,048 profit versus budget.

Indirect Expenses

Total indirect expenses were \$1,202,408 for the quarter.

Departments	Expense Description	Indirect Cost
Executive	Senior personnel	\$75,685
Marketing	Sales and marketing related	93,617
Finance	Finance and Human Resources	74,833
Events	Staffing to manage events	113,176
Operations	Engineering, building services, security, and all other related expenses to operate the building	557,332
Overhead	Non-departmental expenses	287,765
Transition Costs	Costs related to the transition to OVG	-
Totals		\$1,202,408

Other Activities

OVG produced and submitted the Building Condition System and Maintenance Report for the City in the quarter. The document provides a narrative on any challenges with operating systems and a recap of continuing and preventative maintenance of the facility.

Working in conjunction with Levy, the DMO, the City and JLL, the sales team reconfirmed its prospect goals for FY 2022/23. OVG's goal for the year is to average 204 active business prospects throughout the fiscal year. At the end of the second quarter, OVG's sales team is actively working 236 sales prospects. Applying the goals of the booking strategy, OVG has put an emphasis on prospecting and generating leads for Priority 3 business. OVG is aiming to convert 20% of those prospects into tentative¹ business. Of those tentative events, OVG will work to reach a conversion rate of 20% into definite² business throughout the fiscal year. With a full year of data, the sales team is reviewing the conversion ratios. The partners and sales team continue to discuss and identify ideas or concepts that will differentiate the Santa Clara Convention Center from its competitors.

In the second quarter, the GMs of OVG and Levy, in tandem with the DMO's new CEO continued to review and examine new marketing materials to drive sales for the destination. Mock-ups of the proposed social media campaign were presented by the marketing firm. Review of the proposed ads will take place at the beginning of the third quarter. In addition, OVG's GM remained working with the DMO CEO on obtaining room block pick-ups from events sending requests to the SCTID hotels for submission.

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)

Gross revenue was \$3,664,200 and net income was \$357,738 for Q2. Through the second quarter, the event mix shows the Convention Center hosted eight of its targeted P3's, 20 of its P4 goal and 79 of its P5 mark. Prospecting numbers remain strong as the Sales Manager continues to focus on bringing new business to the facility. KPI Q2 and YTD results are reported below.

OVG Venue Management – Santa Clara Convention Center						
Performance Measures						
	2022/23 Target	YTD	October	November	December	NOTES
1. Convention Center Gross Revenue	\$13,603,635	\$6,422,061	\$2,183,790	\$609,028	\$871,382	
2. Net Income	(\$217,715)	\$710,255	\$621,162	(\$193,451)	(\$69,973)	
3. Number of Room Nights Consumed	14,755	7,960	1,822	115	1,347	
4. Economic Impact	\$17,234,704	\$20,203,115	\$4,612,778	\$3,548,563	\$2,155,887	
5. Customer Service Survey Results (<i>overall satisfaction</i>)	85%	-	-	-	-	Reported at year-end
6. Event Mix at the Convention Center (<i>consumed</i>)						
Percent of P1 Events	1%	0.00%	0.00%	0.00%	0.00%	
Number of P1 Events	3	0	0	0	0	
Percent of P2 Events	2%	0.00%	0.00%	0.00%	0.00%	
Number of P2 Events	6	0	0	0	0	
Percent of P3 Events	6%	7.48%	8.00%	5.88%	7.14%	
Number of P3 Events	24	8	2	1	1	
Percent of P4 Events	18%	18.69%	28.00%	23.53%	7.14%	
Number of P4 Events	67	20	7	4	1	
Percent of P5 Events	73%	73.83%	64.00%	70.59%	85.71%	
Number of P5 Events	274	79	16	12	12	
Total Events	374	107	25	17	14	
7. Community Benefit						
Number of collaborative, community-based events hosted at the Center	2	1	0	0	1	
Percent of Center employees that volunteer in the community	60%	0%	-	-	-	Reported at year-end
Percent of small, local and MWBE businesses/vendors	20%	0%	-	-	-	Reported at year-end
8. Number of Prospects (active) (<i>non-cumulative</i>)	220	245	244	244	236	Average for the year of P3, P4, P5

Forecast

The Center operated at a profit of \$357,738 through Q2 as a result of larger than anticipated revenues in the month of October. For the remainder of FY 2022/23, revenues are projected at a \$564,064 loss resulting in an overall profit of \$146,191 for the fiscal year. If these projections hold, the Center will beat its budgeted loss of \$217,715 by \$363,907. While it is the midway point of the fiscal year, short term bookings continue to be active, the event numbers are expected to grow.

SANTA CLARA CONVENTION CENTER ROLLING FORECAST FY 2022/23

	ACTUAL YTD July - Dec FY 2023	FORECAST Jan - June FY 2023	TOTAL PROJECTION FYE 6/30/23	ORIGINAL BUDGET FYE 6/30/23	VARIANCE
# OF EVENTS	107	114	221	374	(153)
DIRECT EVENT INCOME	\$ 1,737,033	\$ 1,937,002	\$ 3,674,035	\$ 3,519,063	\$ 154,972
ANCILLARY INCOME	904,520	844,407	1,748,927	1,693,161	55,766
TOTAL NET EVENT INCOME	2,641,553	2,781,409	5,422,962	5,212,224	210,738
OTHER INCOME	262,708	-	262,708	72,950	189,758
EXECUTIVE	147,729	182,351	330,080	339,385	9,305
MARKETING	140,952	204,444	345,396	346,281	885
FINANCE	206,422	223,624	430,046	429,193	(853)
EVENTS OPERATIONS	157,297	201,513	358,810	359,017	207
OPERATIONS	1,007,548	1,630,473	2,638,021	2,615,957	(22,064)
OVERHEAD	534,058	903,068	1,437,126	1,413,057	(24,069)
INDIRECT EXPENSES	2,194,006	3,345,473	5,539,480	5,502,889	(36,589)
OPERATING NET INCOME (LOSS)	710,255	(564,064)	146,191	(217,715)	363,907
NET INCOME (LOSS)	\$ 710,255	\$ (564,064)	\$ 146,191	\$ (217,715)	\$ 363,907

FY 2022/23 Capital Improvement Projects (CIP) Budget

CIP Project Updates

- OVG worked with Levy and Sixth Dimension, the center’s third-party project management team, on revising the agreement with the architectural firm to provide updated design documents for kitchen upgrades at the Center.
- Partition Specialties, Inc. (PSI) provided unexpected maintenance on the Grand Ballroom air wall system. A full report and recommendations are expected to be submitted to in Q3.
- The final punch list item from the Carpet/Flooring project was completed in December.
- The agreement for the Levy refrigeration project was reviewed, updated, and forwarded to the vendor for review.
- Idibri submitted a proposal for the Digital Signage project. After review and acceptance of the proposal, during contract negotiations, Idibri was unable to agree to the full terms of the agreement.
- It was determined that AVI-SPL was part of a global procurement co-op, so contract documents were produced for AVI-SPL, submitted, and signed to continue moving the Digital Signage project forward. Installation is expected to begin in Q4 of this fiscal year.

CIP Project Budget

- OVG reviewed, revised, and produced an updated 5-year Capital Plan. The document, that was submitted within the quarter, is currently under review by the City.

SANTA CLARA CONVENTION CENTER - OVG CAPITAL PROJECTS							
Proj. #	Project Name	Phase	CITY/SPECTRA REVISED BUDGET	LEVY	TOTAL BUDGET	YTD Exp.	Balance
001	Convention Center HVAC Study	-	\$ -	\$ -	\$ -	\$ -	\$ -
002	Convention Center HVAC - Duct Work	-	\$ -	\$ -	\$ -	\$ -	\$ -
003	Convention Center HVAC - BMS System	Completed FY 2019/20	\$ 20,450	\$ -	\$ 20,450	\$ 20,450	\$ -
004	Convention Center HVAC Portable A/C Units	Completed FY 2020/21	\$ 75,350	\$ -	\$ 75,350	\$ 75,350	\$ -
005	Convention Center Security System	Completed FY 2021/22	\$ 177,381	\$ -	\$ 177,381	\$ 172,831	\$ 4,550
006	Convention Center Lobby Roof (Glass Pyramids) Assessment and Repair	Completed FY 2021/22	\$ 480,787	\$ -	\$ 480,787	\$ 479,300	\$ 1,487
007	Convention Center Building Envelope Repair - Terrace Building Front	-	\$ -	\$ -	\$ -	\$ -	\$ -
008	Convention Center Interior Digital Signage and Display System	Planning	\$ 855,386	\$ -	\$ 855,386	\$ 45,999	\$ 809,387
009	Convention Center Interior Paint	Completed FY 2021/22	\$ 694,994	\$ -	\$ 694,994	\$ 648,052	\$ 46,942
010	Convention Center Door Replacements	-	\$ -	\$ -	\$ -	\$ -	\$ -
011	Convention Center Facility Lighting Project	-	\$ -	\$ -	\$ -	\$ -	\$ -
012	Convention Center Riding Vacuum Purchase	Completed FY 2019/20	\$ 31,238	\$ -	\$ 31,238	\$ 31,238	\$ -
013	Convention Center Carpet Replacement	Completed FY 2021/22	\$ 1,628,720	\$ 241,856	\$ 1,870,576	\$ 1,751,725	\$ 118,851
014	Balance - Contingency	-	\$ 145,694	\$ -	\$ 145,694	\$ 32,924	\$ 112,770
015	Kitchen/Tech Café/Stand B	Planning	\$ -	\$ 1,757,065	\$ 1,757,065	\$ 214,901	\$ 1,542,164
TOTAL			\$ 4,110,000	\$ 1,998,921	\$ 6,108,921	\$ 3,472,770	\$ 2,636,151

Community Involvement

In the 2nd quarter the OVG team, with its partners Levy, Encore and Smart City hosted their inaugural Community Event, “Frosty Fest”.

Here are some details about the event:

- Promoted solely on social media
- Free registration hosted on Eventbrite
- Sold out registration of 300



- Event included the following activities:
 - Gingerbread men decorating
 - Treasure Hunt
 - Winter-themed movies
 - Games and crafts
- Levy provided complimentary snacks



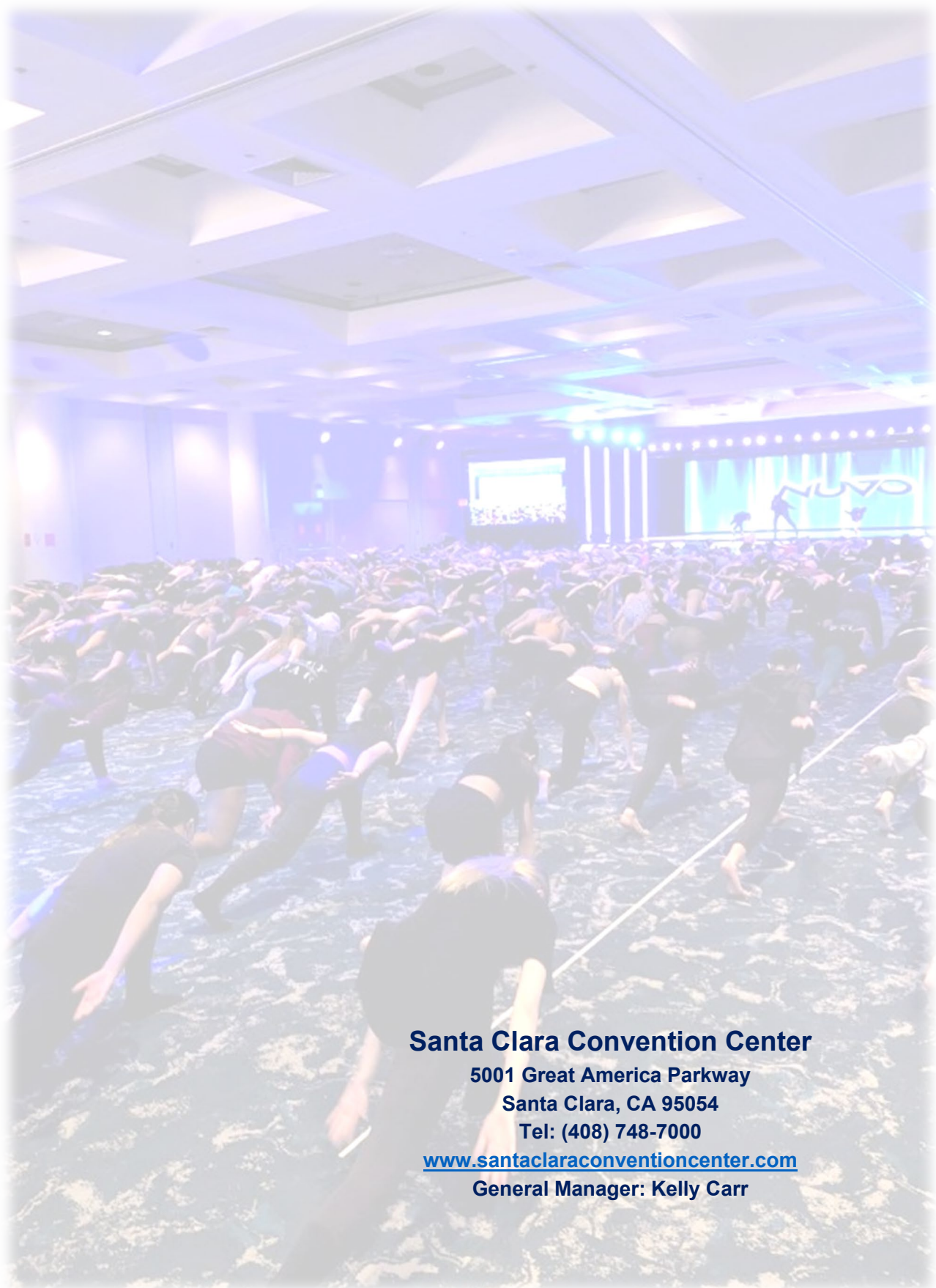
- Sourdough Sam (49ers mascot) visited for one hour
- Heavy rains on event day decreased attendance to approximately 150

In October, the GM and Sr. Sales Manager volunteered for the Academy of Travel & Tourism (ATT) program at Milpitas High School as mentors and judges. ATT is a small learning community focusing on Hospitality, Tourism and Recreation in partnership with local businesses. Teachers integrate class subjects and projects. The GM and Sr. Sales Manager conducted mock interviews and discussed resume tips with students.



The GM continued to serve as a volunteer Board Member for the Extended Opportunity Programs and Services program at Mission College (EOPS). EOPS is a state-funded, services-oriented program. It combines financial assistance with support services designed to inform, recruit, admit, and academically motivate low-income and educationally disadvantaged full-time students to pursue a college education. In December the GM attended the Fall Meeting recap.





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