


SANTA CLARA
CONVENTION CENTER

July 1, 2019-September 30, 2019

Quarterly Report



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EXECUTIVE SUMMARY

After assuming operations of the Santa Clara Convention Center on March 18, 2019, Spectra began its first fiscal year (FY 19/20) on July 1, 2019. In its first quarter of management Spectra has transitioned the F&B department from Aramark to Spectra F&B, tentatively awarded services for Audio Visual and IT partners; generated over \$1-million in new business for the year, booked a new city-wide convention for 2020, continued to update and enhance policies and procedures; began the process of completing the approved Capital Projects all while maintaining exceptional customer service for every client utilizing the Center.

Financially, the first quarter historically is the slowest of every year. Both July and August saw losses while September saw Spectra generate in excess of \$89k over its budgeted number. \$175k behind budget numbers.

Market Segment Definitions

Tradeshows-An exhibition of products and/or services held for members of a common or related industry. Not open to the general public.

Conventions-An event where the primary activity of the attendees is to attend educational sessions, participate in meetings/discussions, socialize or attend other organized events of which the attendees are primarily from out of town. Sometimes there is a secondary exhibit component.

Consumer Shows-An exhibition that is open to the public, usually requiring an entrance fee. Common examples of consumer shows include auto shows, bridal shows, boat shows, flower and gardens shows, craft shows and festivals.

Banquets-Formal, often ceremonial, dinner for a select group of people, often in honor of a particular person. The meal is the primary component of the event, consisting of a sit-down breakfast, lunch or dinner.

Meetings & Seminars- An event where the primary activity of the attendees is to attend educational sessions, participate in meetings/discussions, socialize, or attend other organized events. There is no exhibit component to this event.

Sporting Events-An event where athletes compete, and spectators view the athletic activities and ceremonies. Events that include sporting-related activities, but do not involve a competition, are classified as miscellaneous events.

Special Events-Any event that does not meet the criteria for the other categories. This includes church services, dance events that do not include a competition component, concerts, dances/balls, examinations, fashion shows, graduations, job fairs, proms, reunions and weddings.



Financial Overview

Event Statistics

*Totals may not match due to rounding

Event Types	Percentage	Number of Events	Days	Attendance
Banquets		0	0	0
Consumer Shows	4%	3	8	8,000
Conventions	11%	9	43	15,475
Meetings	53%	45	76	21,405
Special Events	24%	20	41	20,815
Sporting Events	3%	3	11	1,830
Trade Shows	5%	5	15	9,800
Total:	100%	85	194	77,325

Actual Revenue

*Totals may not match due to rounding

Event Types	Gross Revenue	Cost of Sales	Net Revenue
Banquets	\$0	\$0	\$0
Consumer Shows	\$54,375	\$8,154	\$46,221
Conventions	\$2,008,203	\$974,576	\$1,033,627
Meetings	\$855,648	\$540,567	\$315,081
Special Events	\$209,730	\$45,041	\$164,689
Sporting Events	\$10,265	\$0	\$10,265
Trade Shows	\$830,759	\$572,642	\$258,117
Total:	\$3,968,980	\$2,140,981	\$1,828,000

SANTA CLARA CONVENTION CENTER
GROSS INCOME STATEMENT
For the Three Months Ending September 2019

	YEAR TO DATE		
	Actual	Current Budget	Budget Variance
Event Revenue			
Rental	857,133	1,233,795	(376,663)
Services	284,072	179,730	104,341
IT/Telecom	336,094	509,849	(173,755)
Food & Beverage	2,071,124	1,604,700	466,424
Audio Visual	420,557	725,768	(305,211)
Total Event Revenue	3,968,980	4,253,843	(284,863)
Event Expenses			
Services	174,016	0	174,016
IT/Telecom	230,531	377,289	(146,758)
Food & Beverage	1,450,013	1,170,787	279,226
Audio Visual	286,421	479,007	(192,586)
Total Event Expenses	2,140,981	2,027,083	113,898
Net Event Income (Loss)	1,827,999	2,226,760	(398,761)
Other Revenue	64,709	43,549	21,160
Total Revenue	1,892,708	2,270,309	(377,601)
Indirect Expenses			
Executive	161,673	167,458	(5,785)
Marketing	61,213	80,800	(19,587)
Finance	118,929	124,603	(5,675)
Event Services	118,963	148,091	(29,128)
Operations	804,008	983,904	(179,897)
Overhead	366,316	346,215	20,101
Transition Costs	16,929	0	16,929
Total Indirect Expenses	1,648,031	1,851,072	(203,040)
Net Operating Income	244,677	419,237	(174,561)

Partner Introductions

Spectra Food Service and Hospitality: Exclusive provider of F&B services.

Smart City: Smart City is the exclusive provider of IT services at the Santa Clara Convention Center.

Electrical: Multiple Providers of temporary electrical services for trade shows, convention and special event industry.

PSAV: PSAV is the preferred provider of Audio-Visual services at the Santa Clara Convention Center.

UPS: The Santa Clara Convention Center store provides full-service copying, notary services, office supplies, computer services, passport services, and other business-related services



Partner's Revenue

*Totals may not match due to rounding

Partner	Gross	Cost of Sales	Net Revenue
Aramark Spectra FS&H	\$2,071,124	\$1,450,013	\$621,111
Smart City-IT	\$336,094	\$230,531	\$105,563
PSAV-AV	\$420,557	\$286,421	\$134,136
Electrical	\$223,732	\$161,994	\$61,738
UPS	\$3,160		\$3,160
TOTAL	\$3,054,667	\$2,128,959	\$925,708



Operating Expenses: Department Definitions

Executive: All expenses for Senior Personnel

Marketing: All expenses for Sales and Marketing

Finance: All expenses for Finance and Human Resources

Event Services: All expenses for staffing to manage events

Operations: All expenses for Engineering, Building Services, Security and all expenses to operate the building

Overhead: All expenses that are non-departmental

Transition Costs: All expenses for the transition to Spectra



Operating Expenses

*Totals may not match due to rounding

Departments	Indirects
Executive	\$161,673
Marketing	\$61,213
Finance	\$118,929
Events	\$118,963
Operations	\$804,008
Overhead	\$366,316
Transition Costs	\$16,929

Highlighted Events

Top 3 Revenue Grossing Events of the Quarter



Flash Memory Summit

Conference Concepts:

- Convention
- Gross Revenue: \$460,515
- Days:3
- Attendees: 5,500

Health 2.0 ANNUAL CONFERENCE

Health 2.0/HIMSS //Media:

- Convention
- Gross Revenue: \$423,626
- Days: 2
- Attendees: 800



AeriesCon Fall 2019/Aeries Software, Inc.

- Convention
- Gross Revenue: \$540,501
- Days: 3
- Attendees: 1,500

Key Performance Indicators

The following provides an update on the status of Spectra's Key Performance Indicators through the 1st Quarter of FY 19/20.

1. **Gross Revenue** – Spectra is currently trending 6% behind it's budgeted Gross Revenue of \$18,484,540 for FY 19/20
2. **Net Income** – Spectra is currently trending 4% behind it's budgeted Net Income of \$2,283,697 for FY 19/20
3. **Room Nights Consumed** – Spectra is working with clients and destination partners to track hotel room nights consumed by events utilizing the Center. Through the first quarter Spectra has recognized 11,099 room nights used. This process will be used to create a baseline for future years.
4. **Economic Impact** – Spectra is working in conjunction with the City's consultant (JLL) to obtain rights for the use of an Economic Impact Calculator from Destination Marketing Association International (DMAI). Goal is to have the calculator up and functional by 3Q of FY 19/20.
5. **Customer Service Survey Results Scores** – Spectra has created an on-line customer survey and has been beta testing it in the 1Q. Spectra received three (3) surveys in the 1Q, results are listed later in this report. The survey will measure all areas of the business including: Sales, Event Services, Food & Beverage, AV, IT, Building Cleanliness, Security, etc. The goal will be to obtain/maintain a rating of Four (4) or higher based on the following scoring system:
 - Very Satisfied – 5 points
 - Satisfied – 4 points
 - Neither Satisfied nor Not Satisfied – 3 points
 - Dissatisfied – 1 point
 - Very Dissatisfied – 0 points



6. **Event Mix** – In FY 19/20 Spectra’s focus is on booking or hosting more Conventions, particularly of the City-Wide variety and multi-day events, i.e. Meetings/Conferences, Sporting Events or Trade Shows. As of the end of the 1st Quarter of FY 19-20 the following are highlights of what Spectra has booked for future business:

- City-Wide Convention
 - **Fortinet**-November 7-12, 2020
 - 4,405 total hotel room nights
 - 1,200 hotel room nights on peak
 - Full use of the Convention Center
 - Use of in-house AV & IT
 - Estimated \$500k in F&B
- Multi-Day Meeting/Conference
 - **O’Reilly TensorFlow**-October 18-23, 2020
 - 1,200 hotel room nights
 - Estimated \$500k in F&B
 - Estimated \$140k in Room Rental
 - **O’Reilly Velocity**-June 12-18, 2021
 - 1,200 hotel room nights
 - Estimated \$300k in F&B
 - Estimated \$185k in Room Rental
 - **PennWell SIL**-February 7-11,2021
 - 2,500 hotel room nights
 - Estimated \$120k in F&B

- Sporting Events
 - US Futsal-December 19-22, 2019
 - New event to the Center
 - 290 hotel room nights (weekend)

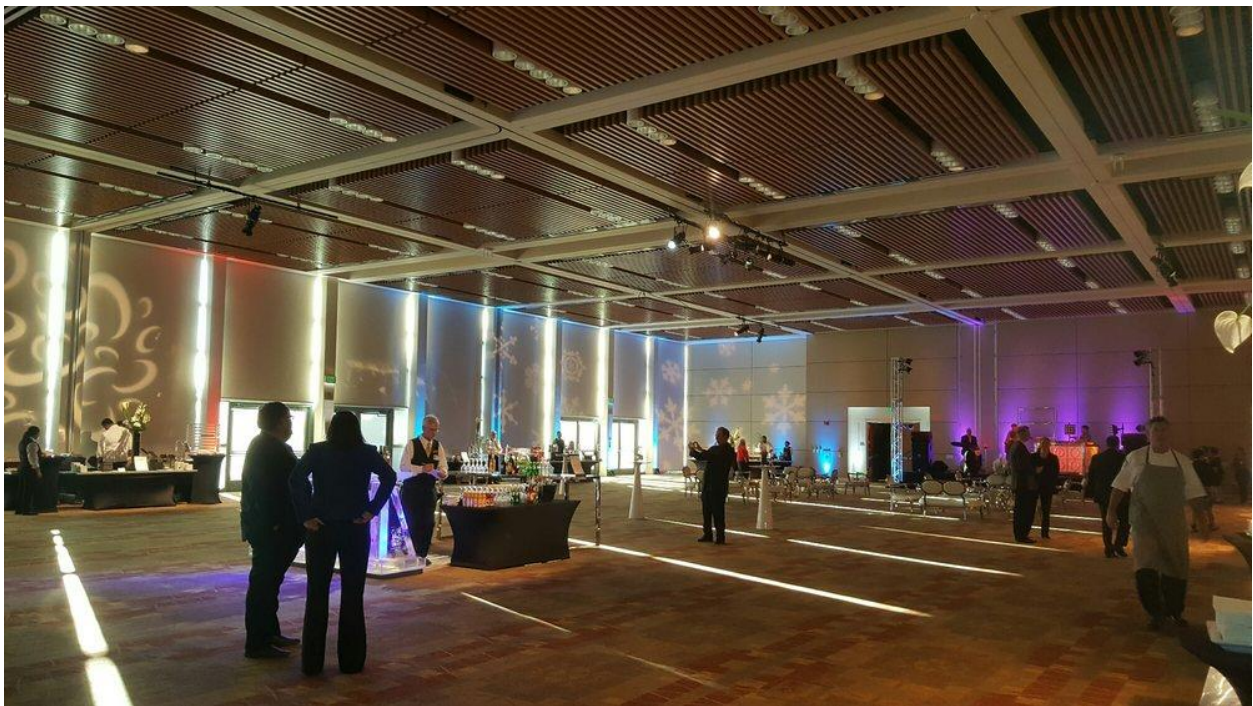


7. **Community Benefit** – Spectra has created and submitted a Not-for-Profit Rate/Program to assist local Not-for-Profit groups to utilize the Convention Center. This policy is currently being reviewed. Spectra F&B, when possible, is donating leftover food to Second Harvest Food Bank.

Forecast

Currently Spectra is trending 6% below budgeted Gross Revenues and 4% below budgeted Net Income. Based on historical data, this is typical. Second quarter sales are down slightly from previous years, but not significantly and there is still time to make up the difference. Third and fourth quarter sales and revenues are strong, as in previous years.

There are some extenuating circumstances on the expense side, including Aramark's reconciliation in July and the current unknown of event revenues and event expenses of Levy. Those factors will most likely have an effect on Spectra's budgeted numbers, but until we have a clear picture of the agreed Pro Forma it is difficult to determine exactly what impact that will have.



Capital Improvement Projects

As a part of the management agreement, Spectra has completed and provided a five-year capital plan with a budget for operations. Spectra has been working with the City on projects slated and approved for FY 19/20. The following is an update on the status of the larger events.

Building Envelope: Spectra, in conjunction and with approval from the City, has hired an engineering firm to create a scope of work and provide project management for the roof membrane and glass pyramid repairs. Bid specs are expected to be issued and awarded during the 2nd Quarter of FY 19/20. Work is expected to be completed by early 3rd Quarter.

Security System: An RFP for the replacement of all cameras inside and outside the building and an operating system will be issued in the 2nd Quarter of FY 19/20. Awarding of the project and replacement work is expected to be done before the end of FY 19/20.

Flooring: Bid specifications and scope of work is expected to be issued before the end of the 2nd Quarter. Awarding of the project is slated for early 3rd Quarter. Work will be done in phases to have the least amount of interference with venue events. Goal is to have all new flooring installed by 4th Quarter.

Message Boards/ Video Boards/ Ad Panels: RFP for this project is expected to be issued early 3rd Quarter. Awarding of the work and installation of new components and operating system is to be completed by end of 4th Quarter.

Other: Walls and Ceilings- Bid specifications and scope of work is expected to be issued before the end of the 2nd Quarter. Awarding of the project is expected early 3rd Quarter with work completed in the 3rd Quarter.





Other Operating Projects

- Within this quarter Spectra tentatively awarded Audio Visual Services (AV) to PSAV and Information Technology (IT) services to Smart City. Updated agreements between the parties are being reviewed by legal counsel. The new term is expected to begin in the 2nd Quarter for both entities.
- Spectra transitioned the Food & Beverage Department from Aramark to Spectra Food & Hospitality in July. Spectra F&B will remain the provider of F&B for the Center until December 31, 2019.
- Spectra created a new and refreshed Convention Center website. (www.santaclaraconventioncenter.com) The new site provides all pertinent information about the center, contact information and a RFP submittal portal.
- Spectra, in conjunction with Spectra F&B implemented the “Tailgate on Tasman” a new concept to capitalize on events at the stadium. The idea is to create an experience for stadium attendees here at the Center prior to events at the stadium.
- Spectra continued to work with the City and its consultant on the reformation of the Destination Marketing Organization/Convention &

Visitors Bureau (DMO/CVB) by discussing and presenting a draft of a “Booking Strategy” for the destination.

- Spectra negotiated a new 5-year Collective Bargaining Agreement with Local 39-International Union of Operating Engineers.

Community Involvement

Mission College Extended Opportunities Programs and Services (EOPS) Scholarship. The EOPS program serves students who are typically first-generation college students and facing financial hardships. Over twenty applicants applied for the Spectra scholarship. On September 18th Spectra’s General Manager and Marketing Manager attended the 50th anniversary luncheon of EOPS at Mission College and recognized our first winner.



Santa Clara Art & Wine Festival

In September Spectra partnered with Levi's Stadium as the "Stage" sponsor for the annual Santa Clara Art & Wine Festival. The sales staff spent two days meeting and speaking to groups and individuals about either using the Center for events or attending events at the Center. In addition, Spectra F&B provided the food for the event's hospitality area.



Adopt a Spot

On September 6, 2019, Spectra and Spectra F&B participated in the City's "Adopt-a-Spot" program. Approximately 15 team members collected refuse and beautified the San Tomas Aquinas Creek trail, running from Tasman Drive to west of Great America Parkway (the creek directly behind the convention center).



Proof of Performance/Survey

Within this quarter we developed and began testing of a new online survey system that will allow for more visibility and increase our return response rate. For the first quarter we received three responses.

Very Satisfied	5-points
Satisfied	4-points
Neither Satisfied nor Not Satisfied	3-points
Dissatisfied	1-point
Very Dissatisfied	0-points

Using the chart above to score the responses, here are the results:

- Response 1
 - 32-points out of a possible 38-points
 - Lowest score was for A/V, 3-points
 - Comments- “Major improvements in this (catering) area.
- Response 2
 - 18-points out of a possible 18-points
 - Client did not use A/V, IT, F&B or interact with Building Services personnel.
- Response 3
 - 25-points out of a possible 28-points
 - Client did not use IT or F&B