



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