



## Agenda Report

20-489

Agenda Date: 6/9/2020

### REPORT TO COUNCIL

#### SUBJECT

Action on the Santa Clara Convention Center FY 2019/20 3<sup>rd</sup> Quarter Financial Status Report  
[Council Pillars: Promote and Enhance Economic and Housing Development, Enhance Community Engagement and Transparency, and Sustainability]

#### BACKGROUND

On February 5, 2019, the City approved an agreement with Global Spectrum L.P. dba Spectra Venue Management (Spectra) to operate the Santa Clara Convention Center (SCCC). Spectra began management of SCCC on March 18, 2019.

Staff is transmitting Spectra's SCCC status report to Council for compliance with agreement terms.

#### DISCUSSION

Submitted for Council information is a Financial Status Report for the 3<sup>rd</sup> quarter ended March 31, 2020, as submitted by Spectra. This report is unaudited and, therefore, subject to change.

As part of the management transition, there are several reporting additions and changes that are aligned with Spectra's accounting system. Some revenue and expenditure reporting groups are combined differently, and a new revenue recognition policy related to food and beverage activities has been implemented.

As discussed in the attached Quarterly Report, budget to actual financial results are as follows:

**Table 1 - 3<sup>rd</sup> Quarter Summary Financial Summary**

	<b>Projected in Budget</b>	<b>Actual</b>	<b>Difference</b>
<b>Gross Revenue</b>	\$4,741,378	\$3,971,786	(\$823,592)
<b>Total Expenses</b>	\$3,782,087	\$3,844,009	\$61,922
<b>Net Income</b>	\$959,291	\$73,777	(\$885,515)

As detailed in Table 1, gross event revenue came in under budgeted projections largely due to cancellations or rebooking of nearly all March events due to the COVID-19 pandemic. Revenue performance in food and beverage (-\$331,578 variance), lower rental (-\$816,084 variance), audio-visual (AV) rental needs (-\$91,402 variance) and IT (-\$178,595 variance). Remaining categories generated higher than budgeted net revenue proceeds (+\$594,067 variance).

Net expenses were over budget by \$61,922. This was due to higher than anticipated other service cost (-\$122,147 variance), AV (-\$26,114 variance) and food and beverage (-\$347,712 variance)

expenditures offset by savings in IT costs (+\$133,174 variance) and indirect expenses (+\$300,876 variance).

Net income actuals came in under budgeted projections for the quarter (-\$885,515 variance) due to the revenue and expenditure performance described above, reflecting 92% lower than originally projected.

When comparing to last year, net income of \$73,777 in the third quarter of the current Fiscal Year, was less than the net income of \$780,082 in the third quarter of the prior Fiscal Year, reflecting 91% unfavorably when compared year to year.

It should be noted that without the ability to host events at the Convention Center due to COVID-19 and the Shelter in Place order, Spectra is forecasting a loss of \$1,783,572 for the 4<sup>th</sup> Quarter (April 1 - June 30).

### **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**

The net income generated by the Convention Center for the 3<sup>rd</sup> quarter of FY 2019/20 is \$73,777. This amount does not include any fiscal impact related to TOT, TID, and/or sales tax activity.

### **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).

### **RECOMMENDATION**

Note and file the Santa Clara Convention Center Financial Status Report for the third quarter ended March 31, 2020, as submitted by Spectra.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

### **ATTACHMENTS**

1. SCCC Activity Report for Third Quarter FY 2019/20