



Agenda Report

19-450

Agenda Date: 11/12/2019

REPORT TO COUNCIL

SUBJECT

Action on the Santa Clara Convention Center 4th Quarter Financial Status Report

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), replacing the Chamber of Commerce (Chamber). Spectra began management of the SCCC on March 18, 2019.

This is the first quarterly financial report brought forward by Spectra. A third quarter financial status report was not prepared this year due to the transition of the convention center manager. This 4th quarter report reflects results under the management of Spectra for the period of March 18, 2019 through June 30, 2019 and provides information on the various business activities of the SCCC.

Staff is transmitting Spectra's SCCC status report to Council for compliance with agreement terms. This report has not been separately audited.

DISCUSSION

Submitted for Council information is a Financial Status Report for the 4th quarter ended June 30, 2019, as submitted by Spectra. This report is unaudited and therefore, subject to change. The delay in submitting this 4th quarter report is due to the change in the convention center manager, closing out the previous manager's accounting, and transitioning to Spectra's accounting and reporting.

As part of that 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. For this reason, line items in this report are not comparable to the methodology used during the rest of the fiscal year. Net operating income in the 4th quarter totaled \$831,803. Total FY 2018/19 full year operating income for the SCCC totaled \$1.6 million. This compares to net income in FY 2017/18 of \$2.2 million. Given the significant transition initiated by the City Council to use a new operator and establish a new convention visitors bureau, this outcome was anticipated. The full year end convention center results at the financial statement reporting level will be presented to the Council during the annual financial statement audit report in December 2019.

Lastly, SCCC activities indirectly impact the City's Transient Occupancy Tax received through hotel bookings that result from events booked at the SCCC. For FY 2018/19, TOT revenues increased 5% from \$21.4 million in FY 2017/18 to \$22.5 million in FY 2018/19. The upward trend of the fourth quarter, along with TOT trend, provides a good signal for this work going forward. However, until the transition is complete for both the operator, and convention visitor's bureau is operational, the numbers presented must be viewed as transitional and subject to swings.

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 financial operations of the Convention Center as reflected in the attached 4th quarter report show total revenues of \$6,643,036 and total expenses of \$5,811,233 for net income of \$831,803. Full year -end operating income results totaled \$1.6 million will be presented to the Council in December 2019.

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 Financial Status Report for the fourth quarter ended June 30, 2019, as submitted by Spectra.

Reviewed by: Kenn Lee, Director of Finance

Approved by: Deanna J. Santana, City Manager

ATTACHMENTS

1. SCCC Activity Report for Fourth Quarter 2018/19