



Agenda Report

20-1239

Agenda Date: 1/14/2020

REPORT TO COUNCIL

SUBJECT

Action on the Santa Clara Convention Center FY 2019/20 1st 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. This report has not been separately audited.

DISCUSSION

Submitted for Council information is a Financial Status Report for the 1st quarter ended September 30, 2019, 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 - 1st Quarter Summary Financial Summary

	Projected in Budget	Actual	Difference
Gross Revenue	\$4,297,392	\$4,033,689	(\$263,703)
Total Expenses	\$3,878,154	\$3,789,012	(\$89,142)
Net Income	\$419,237	\$244,677	(\$174,561)

As detailed in Table 1, gross event revenue was off by \$263,703. This was due to fewer events booked at the Convention Center (-\$376,663 variance), resulting in a decrease of audio-visual and information technology (IT) services rental needs (-\$478,966 variance). This lower revenue was offset by higher food and beverage and other services revenue (+\$591,926 variance).

Net expenses were under budget by \$89,142. This was due to savings in audio-visual and IT services costs (+\$339,344 variance) and indirect expenses (+\$203,040 variance). These expense savings were offset by higher food and beverage and other services (-\$453,242 variance).

Net income actuals came in just under what was projected (-\$174,561 variance) due to the revenue and expenditure performance described above. In addition, there were some unanticipated costs resulting from the transition and close-out of Aramark to another food and beverage operator; utility costs previously paid for by Aramark that were absorbed by the Convention Center; and the required five-year testing of the Center's fire system.

It is important to note that during the first quarter of the current Fiscal Year, the financial performance at the Convention Center increased in comparison to the first quarter of the prior Fiscal Year. The current first quarter ended with a year-to-date net income of \$244,677.

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 revenue generated by the Convention Center for the 1st quarter of FY 2019/20 is \$244,677. 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>> 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 first quarter ended September 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 First Quarter FY 2019/20