SANTA CLARA
CONVENTION CENTER

FY 2022/23 QUARTERLY REPORT – 4th Quarter Ended June 30, 2023

OVG360

July 25, 2023

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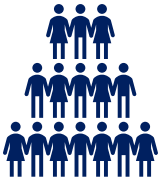
Santa Clara Convention Center is strategically located in the heart of Silicon Valley, a prime location for conventions, trade shows and exhibitions. The Santa Clara Convention Center is minutes from hotels, restaurants, Levi's Stadium, California's Great America Theme Park, and many of the largest and most influential technology companies in the world, with easy access to freeways and Norman Y. Mineta San Jose International Airport and only 45 miles south of San Francisco. The Convention Center features 100,000 square feet of exhibit space, a 22,400 square foot ballroom, 31 breakout rooms and a 607-seat theater and attracts over 350,000 visitors annually. The facility is an integral economic component of Santa Clara, generating economic benefits through attendee direct and indirect spending and sustaining over 500 local jobs.

For more information, visit www.santaclaraconventioncenter.com.

4th Quarter Highlights

This quarterly report covers fiscal operations of the Santa Clara Convention Center for the fourth quarter ended June 30, 2023. This report is unaudited and, therefore, subject to change.



86,569
Total Attendance

84
Total Events

$6,614,989
Total Revenue

Strategic Highlights

Oak View Group (OVG) continues to be actively involved with the City and its consultant, Jones Lang LaSalle (JLL) on the development of the Silicon Valley/Santa Clara DMO, Inc dba Discover Santa Clara®. In the fourth quarter, the OVG General Manager, as a board member of Discover Santa Clara®, participated in interviewing Marketing Manager candidates, implemented the new Booking Policy changes, assisted the DMO's accounting firm to edit new financial SOPs, and provided input on the submission of multiple proposals to potential clients.

OVG and its partners from Levy, Smart City and Encore implemented the Convention Center's new Booking Policy and continued prospecting new business focused on bringing high impact events to the destination. The Center booked 67 new events, 15 of which are P3 or higher. Sales efforts were aligned with OVG, Levy and the DMO's shared key performance indicators (KPIs). The continued bookings are a positive sign for the Convention Center, but the ongoing layoffs and downsizing within the tech industry continue to be concerning. The tech industry is a major driver of convention center business in Santa Clara, and if the layoffs continue, it could have a negative impact on future bookings.

OVG increased part-time staffing in the fourth quarter due to event demand. Overall, employee totals averaged 32 individuals, still 18 fewer than the pre-pandemic number of 50. All employees were brought back in accordance with SB 93, California's Rehiring and Retention Law.

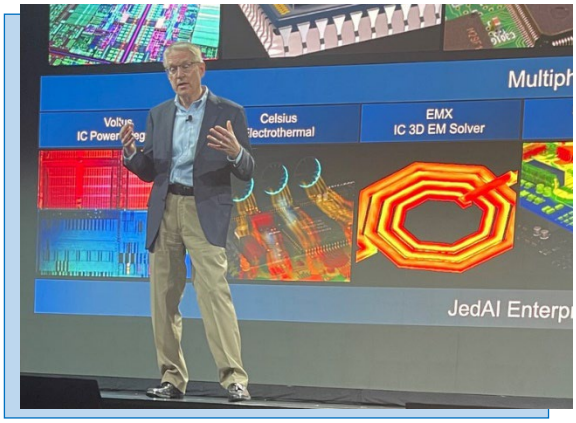
Financial Highlights

The fourth quarter started very strongly as April had the highest number of events and net profit in the quarter. May was slower yet was still better than budget and June also saw a higher profit margin than projected. Conventions and consumer shows both exceeded their budgeted event numbers. Gross revenue, April through June, was $6,614,989 representing 170.20% of the overall budget for revenue. Conversely, expenses totaled $5,421,421, 146.27% of the budgeted expenses for the quarter, resulting in an overall profit of $1,193,568 for the fourth quarter.

Event Highlights

Eighty-four events took place during the quarter, 20 less than the budgeted number of 104. In the quarter, 23 events were lost, six events rescheduled their dates, and 17 clients did not move forward with their proposal. Budgeted meetings continue to underperform, while Sporting Event feed-in business did not materialize at the anticipated levels.

In April, the Center hosted the Cadence CDN Live 2023, a conference that brings together users, developers, and industry experts to share ideas and inspire design and solutions for today's tech challenges. In May, TieCon returned to Santa Clara for the first time since the pandemic. Nearly 2,000 people attended the world's largest technology conference for entrepreneurs, corporate executives, and investors. June was highlighted by Docusign Momentum. Over 300 attendees heard from some of the largest companies in North America including UBER and Santa Clara based NVIDIA.



Cadence CDN Live 2023

DocuSign Momentum 2023

TieCon 2023

Operational Highlights

- As mentioned above, 84 events took place in the fourth quarter. Thirty-three in April, 22 in May, and 29 in June.
- The General Manager (GM) continued to monitor event load and scheduled staffing levels based on business quantity and projected revenue generation. Therefore, employee levels varied from 25 to 30 throughout the quarter.
- The Teamsters, Local 853, was unable to provide additional needed staffing for events in the quarter, so temporary staffing was required in order to service events.
- The GM continued to meet with the new Teamsters, Local 853, business agent to negotiate an extension to the current Collective Bargaining Agreement. Rates and new work rules are being discussed that will hopefully assist the Center in generating additional business.
- Conducted performance evaluations of staff.
- Signed three one-year agreements with the Pacific International Quilt Festival for 2023, 2024 and 2025.
- Held a call with OVG Corporate to review and discuss IUOE, Local 39, letter pertaining to Withdrawal of Liability and Pension Audit.
- Collaborated with Discover Santa Clara® to produce a draft of a new standard operating procedure that addresses booking events outside the standard booking window.
- GM continued to oversee the Convention Center Safety Committee. During the quarter, the GM and the Safety Committee team continued monthly safety training and held an additional evacuation drill.

Other Noteworthy Highlights

- In Q4, OVG hosted 30 site tours for potential future events at the Convention Center.
- Implemented a new License Agreement for events.
- The OVG GM met with the new Business Agent for IUOE, Local 39, to begin discussions on renewal of its CBA for June 2024.
- Prepared a report on the use of the Tasman Parking garage usage by the SCCC for City staff.
- The OVG GM held multiple interviews with potential Director of Sales candidates for Discover Santa Clara®.
- The OVG GM provided a tour of the Convention Center for the new City Manager.
- The OVG GM held interviews for a Marketing Coordinator position for Discover Santa Clara®.
- The OVG GM met with representatives of the Triton Art Museum to discuss a partnership for displaying artwork at the Convention Center.
- Participated in a two-day site tour with Discover Santa Clara® for a large potential group that is considering Santa Clara for its event from 2027-2030.
- The SCCC team hosted its second Community event in June.

Financial Summary

Financial Results

The Center's second quarter demonstrated impressive performance, with April being exceptionally strong, May remained profitable, and June also performed well. Historical strength in the fourth quarter was evident, as Conventions, Consumer Shows, and Special Events all exceeded expectations, contributing to the overall success of the quarter. As a result, the quarter saw gross revenue of $6,614,989, exceeding the budgeted amount by $2,728,279. Q4's net income of $1,193,568 was $1,013,350 higher than the budgeted amount of $180,218.

Financial Summary – 4th Quarter Ended June 30, 2023

	Projected in Budget	Actual	Difference
Gross Revenue	$3,886,710	$6,614,989	$2,728,279
Total Expense	$3,706,492	$5,421,421	($1,714,929)
Net Income	$180,218	$1,193,568	$1,013,350

Total expenses for the quarter were $5,421,421 or $1,714,929 more than the budgeted amount of $3,706,492. There was $170,732 of other revenue recognized in Q4 primarily from cancelation fees.

The year-to-date expenses were $14,344,309, a year-to-date negative variance of $522,959 versus budgeted expenses.

Income Statement

SANTA CLARA CONVENTION CENTER

QUARTERLY GROSS INCOME STATEMENT

For the Twelve Months Ending June 30, 2023

	QUARTER 4			YEAR TO DATE		
	BUDGET	ACTUAL	VARIANCE	BUDGET	ACTUAL	VARIANCE
Number of Events	104	84	(20)	374	242	(132)
Number of Event Days	193	190	(3)	739	539	(200)
Attendance	113,665	86,569	(27,096)	248,505	294,193	45,688
				-		
Event Revenue				-		
Rental	781,611	1,077,596	295,985	3,100,791	3,376,018	275,227
Services	41,736	115,030	73,294	132,636	388,953	256,317
IT/Telecom	318,250	739,310	421,060	1,098,600	1,348,309	249,709
Food & Beverage	2,312,075	2,886,611	574,536	7,588,310	7,141,958	(446,352)
Electrical	85,000	522,365	437,365	355,548	1,245,578	890,030
Audio Visual	329,800	1,103,345	773,545	1,254,800	2,714,399	1,459,599
Total Event Revenue	3,868,472	6,444,257	2,575,785	13,530,685	16,215,215	2,684,530
Event Expenses						
Services	-	11,310	(11,310)	-	53,613	(53,613)
IT/Telecom	235,505	502,731	(267,226)	812,964	916,850	(103,886)
Food & Beverage	1,863,807	1,942,717	(78,910)	6,401,870	5,360,224	1,041,646
Electrical	60,000	395,340	(335,340)	262,911	952,004	(689,093)
Audio Visual	220,966	777,989	(557,023)	840,716	1,905,979	(1,065,263)
Total Event Expenses	2,380,278	3,630,087	(1,249,809)	8,318,461	9,188,670	(870,209)
Net Event Income (Loss)	1,488,194	2,814,170	1,325,976	5,212,224	7,026,545	1,814,321
Other Revenue	18,238	170,732	152,494	72,950	576,414	503,464
Total Net Event & Other Revenue	1,506,432	2,984,902	1,478,470	5,285,174	7,602,959	2,317,785
Indirect Expenses						
Executive	79,096	93,003	(13,907)	339,384	326,772	12,612
Finance	82,694	103,139	(20,445)	346,281	313,689	32,592
Event Services	103,121	85,663	17,458	429,193	403,017	26,176
Sales/Marketing	83,643	102,146	(18,503)	359,017	355,947	3,070
Operations	624,396	1,039,005	(414,609)	2,615,957	2,602,059	13,898
Overhead	353,264	368,378	(15,114)	1,413,057	1,154,155	258,902
Total Indirect Expenses	1,326,214	1,791,334	(465,120)	5,502,889	5,155,639	347,250
Net Operating Income	180,218	1,193,568	1,013,350	(217,715)	2,447,320	2,665,035
Other Income/(Expense)						
Net Income	180,218	1,193,568	1,013,350	(217,715)	2,447,320	2,665,035

Event Statistics

There were 84 events scheduled in Q4 with $6,444,257 in revenue and $3,630,087 in expenses. Conventions and Trade Shows generated the largest amount of revenue in the quarter.

Event Revenue

Event Net Revenue – 4th Quarter Ended June 30, 2023

Event Types	Gross Revenue	Cost of Sales	Net Revenue
Banquets	$385,152	$238,127	$147,025
Meetings	1,215,683	796,778	418,905
Consumer Shows	87,224	9,290	77,934
Trade Shows	1,197,375	652,076	545,299
Conventions	3,050,908	1,761,720	1,289,188
Special Events	393,664	152,888	240,776
Miscellaneous Events	-	-	-
Sporting Events	114,251	19,208	95,043
Totals	**$6,444,257**	**$3,630,087**	**$2,814,170**

This quarter, there was a profit of $2,814,170 and the gross event revenue was higher than anticipated. This was in spite of a lower number of events being contracted, 84 compared to the 104 budgeted. The benefit of fewer events is that it usually leads to a decrease in overall event expenses, which was the case in the fourth quarter.

Partners

Partner Revenue – 4th Quarter Ended June 30, 2023

Partner	Gross Revenue	Cost of Sales	Net Revenue
Levy Restaurants	$2,886,611	$1,942,717	$943,894
Smart City (IT services)	739,310	502,731	236,579
ENCORE-AV (AV services)	1,103,345	777,989	325,356
Electrical	522,365	395,340	127,025
Totals	**$5,251,631**	**$3,618,777**	**$1,632,854**

Partner revenue for Q4 was $5,251,631. The cost of sales was $3,618,777 for a net profit of $1,632,854. Year-to-date, net partner revenue is $3,315,187.

Indirect Expenses

Total indirect expenses were $1,791,334 for the quarter.

Departments	Expense Description	Indirect Cost
Executive	Senior personnel	$93,003
Marketing	Sales and marketing related	102,146
Finance	Finance and Human Resources	103,139
Events	Staffing to manage events	85,663
Operations	Engineering, building services, security, and all other related expenses to operate the building	1,045,932
Overhead	Non-departmental expenses	361,451
Transition Costs	Costs related to the transition to OVG	-
Totals		**$1,791,334**

Other Activities

In the fourth quarter, the GM worked with the project management team to move the Digital Signage project forward. There continues to be delays in receiving the equipment but are still on track for full installation by the end of the calendar year.

OVG continued active prospecting for FY 2022/23, FY 2023/24 and beyond. OVG's goal for the year is to average 204 active business prospects throughout the fiscal year. At the end of the fourth quarter, OVG's sales team is actively working on 270 sales prospects. Applying the goals of the Booking Strategy, OVG has put an emphasis on prospecting and generating leads for Priority 3 business. OVG is aiming to convert 20% of those prospects into tentative[1] business. Of those tentative events, OVG will work to reach a conversion rate of 20% into definite[2] business throughout the fiscal year. With a full year of data, the sales team is reviewing the conversion ratios. The partners and sales team continue to discuss and identify ideas or concepts that will differentiate the Santa Clara Convention Center from its competitors.

During the fourth quarter, OVG and Levy GMs worked together with the DMO CEO and Director of Marketing (DOM) to review new marketing materials for the sales team. The DOM produced a new floor plan layout that will provide meeting planners with clearer and easier to follow drawings. Work was also done on creating a more streamlined proposal that can be sent to P1 & P2 groups. This new proposal will assist with speed to market while maintaining the valuable information that makes Santa Clara unique.

During Q4, OVG and its partners, Levy, Smart City, and Encore AV, organized a successful community event called "June Bloom" to kick off the summer. The event garnered immense popularity, attracting over 200 participants who enjoyed various activities like a petting zoo, bounce house, and arts & crafts. Several local non-profit entities, including the Santa Clara Parks Department and Santa Clara Libraries, also participated. Impressively, attendees came from as far as Los Angeles, with over 15% of the visitors being residents of Santa Clara. OVG aims to continue hosting such events to encourage more local participation and strengthen the community bond.

[1] A tentative is defined as having dates held and/or proposals issued to the client.
[2] A definite is realized when a client signs its Use License Agreement for an event at Convention Center.

Key Performance Indicators (KPIs)

Gross revenue was $6,614,989 and net income was $1,193,568 for Q4. Through the fourth quarter, the event mix shows the Convention Center hosted 20 of its targeted P3's, 36 of its P4 goal and 186 of its P5 mark. Prospecting numbers remain strong as the Sales Managers continue to focus on bringing new business to the facility. KPI Q4 and YTD results are reported below.

OVG Venue Management – Santa Clara Convention Center		
Performance Measures		
	2022/23 Target	**2022/23 Actuals**
1. Convention Center Gross Revenue	**$13,603,635**	**$16,791,629**
2. Net Income	**($217,715)**	**$2,447,320**
3. Number of Room Nights Consumed	**14,755**	**19,059**
4. Economic Impact	**$17,234,704**	**$57,879,937**
5. Customer Service Survey Results *(overall satisfaction)*	**85%**	**90%**
6. Event Mix at the Convention Center *(consumed)*		
Percent of P1 Events	**1%**	**0.00%**
Number of P1 Events	**3**	**0**
Percent of P2 Events	**2%**	**0.00%**
Number of P2 Events	**6**	**0**
Percent of P3 Events	**6%**	**8.26%**
Number of P3 Events	**24**	**20**
Percent of P4 Events	**18%**	**14.88%**
Number of P4 Events	**67**	**36**
Percent of P5 Events	**73%**	**76.86%**
Number of P5 Events	**274**	**186**
Total Events	**374**	**242**
7. Community Benefit		
Number of collaborative, community-based events hosted at the Center	**2**	**2**
Percent of Center employees that volunteer in the community	**60%**	**44%**
Percent of small, local and M/WBE businesses/vendors	**20%**	**6%**
8. Number of Prospects (active) *(non-cumulative)*	**220**	**254**

Updates to the Convention Center Booking Strategy went into effect April 1, 2023. Adjustments were made to the booking windows as well as the event type criteria (number of room nights and total Convention Center spend). The adjusted booking windows now provide a greater emphasis on P1 – P3 groups and events to ensure there is room for the highest revenue producing groups for the DMO, hotels, Convention Center, Levy, and the City. Groups are evaluated based upon priority number, current market conditions, day-of-week pattern, type of group (i.e., industry), Center revenue, and needs of all parties on a case-by-case basis.

- Priority 1 (P1) event – Large multi-day convention and/or conference that utilizes all venue space at the Convention Center, utilizes significant venue services such as food and beverage, audio-visual and information technology, and draws a substantial number of out-of-town visitors that stay in multiple Santa Clara hotels. Based on projected combined building spend and peak hotel room nights booked, has an 18+ month booking window.
- Priority 2 (P2) event – Primarily large multi-day convention and/or conference that utilizes most of the venue space at the Convention Center, utilizes venue services such as food and beverage, audio-visual and information technology, and draws out of town visitors that stay in multiple Santa Clara

hotels. Based on projected combined building spend and peak hotel room nights booked, has a 12 – 18 month booking window.

- Priority 3 (P3) event – Multiple or single day event that utilizes space at the Convention Center. Attendance and out of town visitors are less than for a P1 or P2. Examples of P3 events may include trade shows, consumer shows, smaller conventions/conferences, and sporting events. Based on projected combined building spend and peak hotel room nights booked, has a 9 – 12 month booking window.
- Priority 4 (P4) event – Typically a one- or two-day event that utilizes space at the Convention Center. Attendees are primarily local. Special events (e.g., graduations), smaller meetings and/or smaller trade and consumer shows are examples of P4 events. Based on projected combined building spend and peak hotel room nights booked, has a 6 – 9 month booking window.
- Priority 5 (P5) event – Usually a single day event. Examples of P5 events are banquets, galas, other social type events and meetings. Based on projected combined building spend and peak hotel room nights booked, has a 0 – 6 month booking window.

Forecast

Financials for FY 2022/23 are complete. The forecast for FY 2023/24 will be issued in the first quarter report.

FY 2022/23 Capital Improvement Projects (CIP) Budget

CIP Project Updates

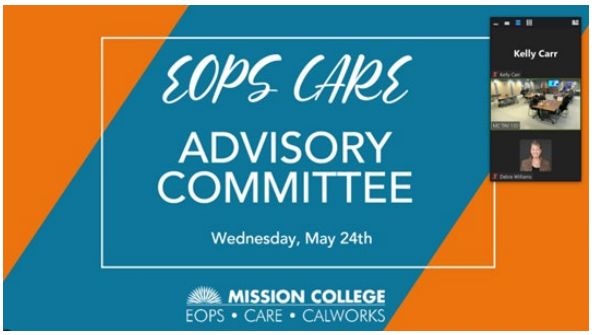
- OVG continued to work with Levy and Sixth Dimension, the Center's third-party project management team, on revising the scope of work for the kitchen upgrades at the Center; the related bid documents and permitting were completed in the fourth quarter.
- OVG hosted several site tours with AVI-SPL, the company completing the design-build of the digital signage project, and their sub-contractors. New drawings were completed, and layout was finalized.
- Challenges with the air wall system in the Grand Ballroom resurfaced in Q4. OVG worked with a new vendor to install new hardware to provide a stopgap which allowed events to continue. OVG is working with the City on a long-term solution for the air wall system.
- The agreement for the Levy refrigeration project was signed in the fourth quarter. Work is estimated to start either in the summer of 2023 or winter of 2023, depending on event load at the Center.
- Following the power outage in December 2022-January 2023, OVG issued an RFP for a full electrical assessment of the facility. The project was awarded but has been put on hold until funds to support this project can be identified

CIP Project Budget

Proj. #	Project Name	Phase	CITY/OVG 360 REVISED BUDGET	LEVY	TOTAL BUDGET	YTD Exp.	*Balance*
003	Convention Center HVAC - BMS System Upgrade	Completed FY 2019/20	$ 20,450	$ -	$ 20,450	$ 20,450	*$ -*
004	Convention Center HVAC Portable A/C Units	Completed FY 2020/21	$ 75,350	$ -	$ 75,350	$ 75,350	*$ -*
005	Convention Center Security System	Completed FY 2021/22	$ 177,381	$ -	$ 177,381	$ 172,831	*$ 4,550*
006	Convention Center Lobby Roof (Glass Pyramids) Assessment and Repair	Completed FY 2021/22	$ 480,787	$ -	$ 480,787	$ 479,300	*$ 1,487*
008	Convention Center Interior Digital Signage and Display System	Implementation	$ 955,386	$ -	$ 955,386	$ 479,513	*$ 475,873*
009	Convention Center Interior Paint	Completed FY 2021/22	$ 694,994	$ -	$ 694,994	$ 648,052	*$ 46,942*
012	Convention Center Riding Vacuum Purchase	Completed FY 2019/20	$ 31,238	$ -	$ 31,238	$ 31,238	*$ -*
013	Convention Center Carpet Replacement	Completed FY 2021/22	$ 1,628,720	$ 241,856	$ 1,870,576	$ 1,751,725	*$ 118,851*
014	Balance - Contingency	-	$ 45,694	$ -	$ 45,694	$ 32,924	*$ 12,770*
015	Kitchen/Tech Café/Stand B	Planning	$ -	$ 1,757,065	$ 1,757,065	$ 289,005	*$ 1,468,060*
		TOTAL	$ 4,110,000	$ 1,998,921	$ 6,108,921	$ 3,980,388	*$ 2,128,533*

Community Involvement

In the 4th Quarter, the OVG team, with its partners at Levy hosted their second Community event of the fiscal year called June Bloom. The OVG GM continued to serve on the EOPS Advisory Board at Mission College and the OVG GM, Director of Finance and Senior Director of Sales attended the Milpitas HS Academy of Travel and Tourism event.



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