



Durham Convention Center Authority Meeting

Thursday, February 22, 2018

Durham Convention Center

301 West Morgan Street

DCC Authority Members Present: *Richard Ford, Jason Friday, Bill Kalkhof, Lew Myers, Alice Sharpe, Craig Spitzer and Darah Whyte*

Spectra Venue Management (SVM) Present: *Andrea Gliatta and Rebecca Bolton*

City and County Representatives Present: *Steven Hicks, David Boyd, Sharon DeShazo, Jina Propst, Todd Tingler, Drew Cummings, David Ades,*

- I. The meeting was called to order at 11:45 AM by Bill Kalkhof, DCCA chairperson. Bill thanked Global Spectrum for a well-executed annual report. He also applauded the DCC “Empty Bowls” soup event and the Authority’s Annual Report.
- II. A quorum was established for meeting minute’s approval. Lew Meyers made a motion to approve October 26, 2017, meeting minutes; seconded by Craig Spitzer, motion carried; minutes approved.
- III. **DCC AGREEMENT RENEWAL:**
 - Bill Kalkhof inquired about the status of contract options for renewal. Requested meeting with Owners to discuss agreement status and options.
 - The agreement is current per a two-year renewal through FY2019.

IV. DCC OPERATING BUDGET:

The Authority received the proposed 2018-19 budget from David Boyd, City Finance Director, and Rebecca Bolton. The DCCA raised several questions regarding the DCC and its budget. What is the perspective of our public partners? What can the Owners do to plan for future contributions to have consistency on the capital side? How can we reduce the subsidy closer to zero? The budgeted subsidy at \$286,533 is beginning to consistently mirror what the Owners are receiving for Air Lease. Air lease covers subsidy. The Owners may look to use this as future contributions to reducing capital. Air lease revenue does not flow through operations.

David Boyd, City Finance Director specified the aggressiveness of the FY18/19 proposed budget versus the budget proposal from last fiscal year, which proved to be low leading to a more moderate budget for the current year. The owners are moving towards a more realistic, but conservative projection. The Authority’s Finance Committee recommended approval of the budget. The DCCA unanimously voted to support the FY2018/19 operating budget with Richard Ford making the motion to approve, and seconded by Lew Meyers.

Plaza Fountain:

The Plaza Fountain has been out of service since the beginning of fall 2017, has often not been working and is in need of significant repairs. Over the years, the Center's clients and the general public have expressed having a major water feature is a valued amenity. The Authority held a lengthy discussion regarding the fountain. The Spectra management team and the City staff consulted with the W. P. Law Company to determine the cost to repair the fountain. Representatives from the company noted two major necessary repairs. The initial repair (Phase 1) will get the fountain operational without risking leaks at the cost of \$56,000. The second major repair (Phase 2) would be to the operational components at an additional cost of \$90,000. It discussed cost and other expenses associated with demolishing the current fountain and building a new fountain. The cost to build a new fountain is estimated at \$300,000 - \$350,000, and to demolish is an additional \$60,000. However, if we were to demolish and build a new fountain, there would be a significant "snowball" effect to the remainder of the Plaza that would require funding beyond replacing the existing fountain. As a result, the Authority's recommendation to the Owners is that Spectra move forward in scheduling the phase 1 repair for the fountain at the cost of \$56,000. This unexpected capital expense was not included in the approval process for the current fiscal year; however, there have been savings on approved capital items, and the Spectra management team is projected to finish the year well ahead of budget. The Authority is required to obtain the Owners' approval for this project. The Authority's capital improvement plan for Phase 2 of the fountain repair is to request the additional \$90,000 in the DCC's 2018-19 capital improvement fund.

The Authority voted to request Bill Kalkhof and Rebecca Bolton to draft correspondence for review of the City and County managers. Subsequent to this meeting, the correspondence was forwarded to the City and County managers unfolding the plan for the fountain and was approved by the City and County managers.

V. Durham City/County Administration Update:

DCC PROJECTS (Updated status):

Loading Dock Door

- The issued door is on Shaner's side. No further steps have been made to replace the door.
- To date, no solution has been made to add creative/artistic elements.
- Plan to add planters

- 2017 – completed lobby renovation work.
- 2018
 - looking to close out remedial action on fire proofing in the loading dock.
 - Difficulty finding contractors for this project.
 - LED project – midway completion.
 - Staff currently researching upgrades for electronics (video conferencing)
 - MBP – implementation of Facility Maintenance Plan
 - Restroom Renovation
 - Cosmetic work
 - Ceiling fans
 - Lighting

Proposed Capital Request: FY17/18:

	<u>Projected</u>
▪ Fireproofing (carry-over FY16)	
PFC	\$66,000
Loading Dock - Shared	\$21,000
▪ PFC, Meeting Rooms (LED lighting replacement)	\$111,600
▪ Back Hallways – Maybe Shared	\$20,000
▪ Loading Dock – Shared	\$6,987
▪ Boardroom and Alcove Carpet	\$10,000
▪ New Trash and Recycling receptacles	\$10,000
▪ Kitchen Equipment Recommended (placeholder)	\$53,000
▪ Bathroom Renovation	\$50,000
TOTAL	\$348,587
▪ Fountain – Liner removal, leak repair, liner replacement	<u>\$56,000</u>
TOTAL (fountain included)	
▪ Shaner allocation of Shared Expenses	\$23,994
▪ Shaner Invoice from HVAC control upgrade	\$8,152

VI. Spectra Venue Management (SVM) Update:
EVENTS FOR THE MONTH OF January 2018

SVM held 26 events with 6,659 guests.

Notable events:

	<u>DCC Revenue</u>	<u>Guests</u>
▪ Relias Learning	\$55,016	480 (4 day meeting)
▪ Star Quest	\$26,688	280 (over 5 days)
▪ Unplugged Gaming	\$21,962	1400 (over 4 days)

New Bookings:

▪ New Hope Convention	July 2018
▪ NC Retired Gov. Employee's Assoc.	April 2018
▪ Outside catered Wedding	September 2017

New Bookings:

▪ Duke Graduate Professional Student Formal – February 2018	\$20,000
▪ Society of Environmental Toxicology and Chemistry (SETAC) – April 2018	\$25,000
▪ RHO – March 2018	\$27,000
▪ Participate Global School Symposium – June 2018	\$15,000
▪ Duke Friends of Nursing – October 2018	\$50,000
▪ Banks Rogers Williams Holiday Party – December 2018	\$15,000
▪ Victorious Praise Fellowship Church of God in Christ – April 2018	\$11,000
▪ NC Clean Energy Technology Center – August 2018	\$30,000

OCCUPANCY: For the month of January 2018 is 37%.

FINANCIAL OVERVIEW FOR THE MONTH OF JANUARY 2018

	Actual	Budget	Variance
Gross Revenues	\$158,126	\$170,842	(\$12,716)

Less Event Expenses	(\$62,889)	(\$63,099)	\$210
Less Indirect Expense	(\$134,779)	(\$142,266)	\$7,487
Net Income (Loss)	(\$39,542)	(\$34,523)	(\$5,019)

FINANCIAL OVERVIEW YTD

	Actual	Budget	Variance
Gross Revenues	\$1,554,899	\$1,333,051	\$221,848
Less Event Expenses	(\$604,193)	(\$544,090)	(\$60,102)
Less Indirect Expense	(\$990,989)	(\$1,023,462)	\$32,474
Net Income (Loss)	(\$40,283)	(\$234,502)	\$194,219

Sales Pace for FY2017/18 as of 02/09/2018

▪ Definite Total	▪ \$2,348,218
▪ Firm Total	▪ \$51,486
▪ Proposal Total	▪ \$75,926
▪ Total Projection	▪ \$2,475,630

Annual Budget Revenue Projection Status

Total Projection	Budgeted Total Gross Income	% of Gross Year-end Budget Achieved
\$2,475,630	\$2,485,708	99%

FORECAST

DURHAM CONVENTION CENTER ROLLING FORECAST (DETAIL) FYE 2018 1/31/18

	ACTUAL JUL-JAN 2018	PROJECTED FEB-JUN 2018	TOTAL ACT/PROJ FY 2018	ORIG BUDGET 6/30/18	VARIANCE \$ FAV(UNFAV)
# OF EVENT DAYS	225	199	424	454	(30)
DIRECT EVENT INCOME GROSS	344,733	225,048	569,781	625,453	(55,672)
ANCILLARY INCOME GROSS	1,208,297	900,194	2,108,491	1,764,656	343,835
TOTAL EVENT INCOME GROSS	1,553,030	1,125,242	2,678,272	2,390,109	288,163
OTHER INCOME	1,869	1,250	3,119	8,000	(4,881)
SERVICE EXPENSE	110,394	94,520	204,914	238,207	33,293
ANCILLARY EXPENSE	493,799	378,081	871,880	754,312	(117,568)
TOTAL EVENT EXPENSE	604,193	472,602	1,076,795	992,519	(84,276)
EXECUTIVE	134,071	101,943	236,014	242,238	6,224
SALES/MARKETING	125,913	122,543	248,456	239,829	(8,627)
FINANCE	76,317	57,624	133,941	134,133	192
EVENTS	107,118	105,272	212,390	209,114	(3,276)
OPERATIONS	212,642	175,320	387,962	367,343	(20,619)
FOOD & BEVERAGE	118,547	78,738	197,285	187,501	(9,784)
OVERHEAD	216,381	161,217	377,598	387,207	9,609
TOTAL INDIRECT EXPENSES	990,989	802,657	1,793,646	1,767,365	(26,281)
OPERATING NET INCOME (LOSS)	(40,283)	(148,767)	(189,050)	(361,775)	172,725

CUSTOMER SURVEY SCORES: 4.67 out of 5.

WEBSITE ACTIVITY: December 16th – January 16th

	2017	2016
▪ Sessions (Visitors):	1,117	1,310
▪ New Sessions:	87.08%	89.02%
▪ Page Views	3,483	3,512
▪ Page/Session:	3.01	2.68
▪ Average Session duration:	1.38 minutes	1.39 minutes
▪ Organic Search	805	776
▪ Direct Search	291	197
▪ Referral Search	29	162
▪ Social Search	5	34

FY2018/19 Budget Narrative

Revenue

FY19 Budget	\$2,607,431
FY18 Projection	\$2,681,391
FY18 Budget	\$2,398,109
FY17 Actual	\$2,608,886
FY17 Budget	\$2,260,530

FY2018/19 budget projection increases 9% in revenue over FY2017/18 budget - \$209,000 increase.

Personnel

- Budgeted for a full staff last fiscal year at expected benefits costs and again in FY2019.
- Adding a Sales Manager at \$45,000 – this position will assist in elevating DCC sales (social, military, and education, religious and fraternal groups) to the next level.
- **New live Website** – will launch publically with partners at a later time.
- Increased funding for **equipment maintenance** cost.
Ex. Partition wall maintenance agreement – will have the ability to plan for expenses throughout the year.
- **Utilities Cost Share** with Shaner – adjusted 40/60% - will this adjustment be made prior to July 1. (60% Shaner)

VII. DURHAM CONVENTION CENTER AUTHORITY:

On behalf of the DCCA, Alice Sharpe made a motion to move and approve the FY2019/20 capital expenditures; seconded by Craig Spitzer, motion carried and approved by all. Spectra to begin planning for FY 18 project implementation.

VIII. SUBCOMMITTEES

- **FINANCE COMMITTEE:** *Lew Myers, Richard Ford, and Jason Friday*
City and County staff, the DCCA Finance Committee and members of SVM reviewed and discussed the DCC January 2018 financials. The net subsidy for the month reveals a profit of

\$27,990 and a favorable variance of \$85,137. Revenues are higher than budget by \$121,034. The number of attendance for the month continues to rise and is more significant than budget by 3,554. The projected DCC budget is on the agenda for the DCCA meeting. The Finance Committee discussed the budget and also voted to approve the fountain repairs for the Plaza.

- **MARKETING & SALES COMMITTEE:** *Bill Kalkhof, Darah Whyte, Alice Sharpe and Craig Spitzer*
No update to report.