

# Performance Audit

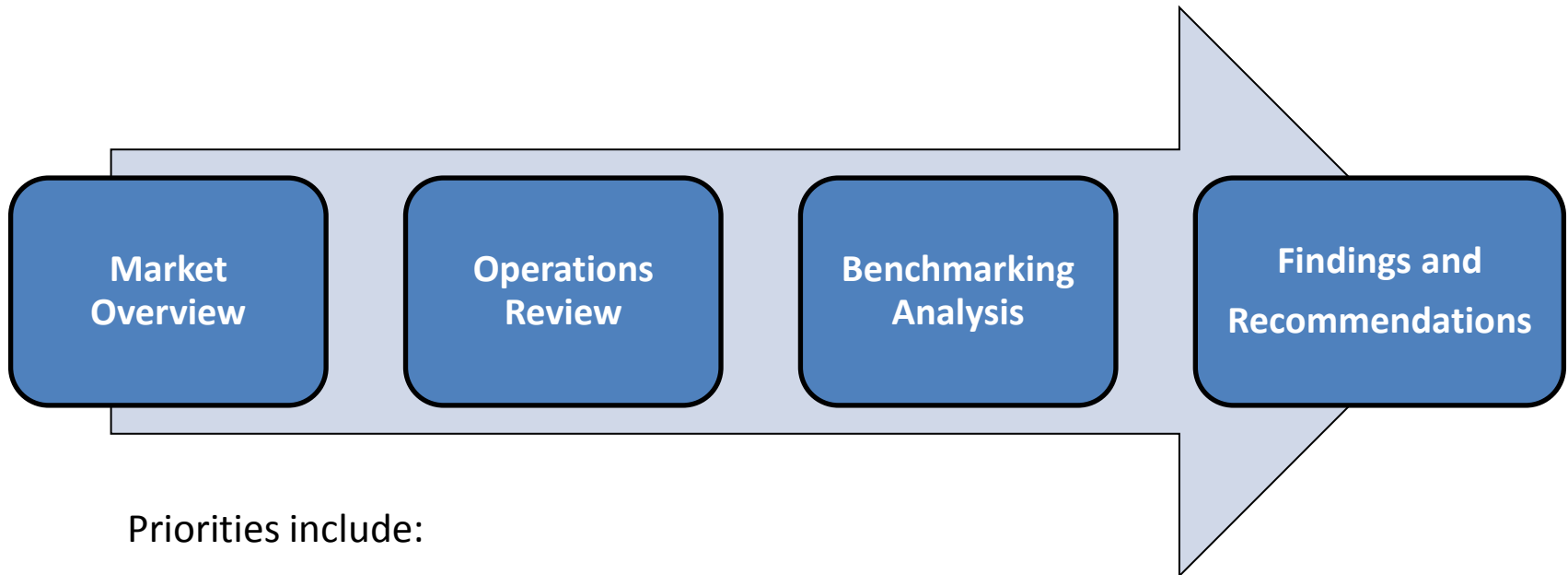
## American Bank Center in Corpus Christi, Texas



### Summary of Key Findings

#### February 2012

# Performance Audit Elements & Priorities



Priorities include:

- Enhancing usage/occupancy
- Maximizing financial performance through revenue generation, cost containment, and profit maximization
- Managing, marketing and maintaining the complex in a first-class manner
- Streamlining operations to improve overall efficiency
- Providing consistent, high quality customer service to patrons

# Operations and Benchmarking Analysis

## Management Practices

- Management Structure
- Mission Statement
- Booking Policy
- Facility Rental Rates
- Organizational Structure
- Staffing Levels
- Marketing Efforts
- Preventative Maintenance
- Capital Improvement Planning

## Major Third Party Contracts

- Centerplate
- Tenant Sports Teams
- Ticketmaster

## Performance Measures

- Utilization
- Financial Performance
- Client Satisfaction
- Economic Impact

# Operations and Benchmarking Analysis (cont'd)

- Several performance measures were used to compare the ABC to peer facilities including utilization and financial operations.
- Given the ABC's building program, three different sets of peer facilities were utilized in the analysis: complexes, convention centers and arenas.
- Facilities used in the benchmarking analysis were chosen based on one or more of the following:
  - Market attributes
  - Building program
  - Type of event activity hosted
  - Destination attributes offered
  - Utilizes industry best one or more areas
  - Management structure
- Although efforts were made to utilize both competitive facilities and comparable venues, differences exist between each facility and its surrounding amenities relative to the ABC Complex.
- Other factors impact facility performance such as market size, facility size, accessibility, etc.
- While there is no perfect comparable facility, valuable lessons can still be learned relative to enhancing ABC operations.

# Overall, the ABC has Performed Well Relative to Profiled Peer Facilities Despite Industry Pressures

- The industries in which the Convention Center and Arena operate have experienced downturns in recent years
  - Reduced convention/meeting business
  - Fewer touring entertainment acts
  - Declining average attendance due to economic conditions
- On-going broader economic issues have impacted facilities nationwide
  - Price-conscious market
- Lack of proximate hotel supply
- Despite these pressures, the Convention Center and Arena have performed well reflective of
  - Its experienced management team
  - Quality customer service

# Comparison of Utilization - ABC and Peer Facilities

- In FY 2010, the ABC Complex hosted fewer events but more total attendees than profiled peer facilities
- While the Convention Center hosted fewer events and attendees overall, it attracted a higher percentage of convention/tradeshows delegates (51%) relative to profiled peers (30%). This is particularly notable in light of challenges associated with the age, size and configuration of the Convention Center as well as the lack of an adjacent convention quality hotel.
- Although the Arena hosted fewer events than the average of profiled peers, it drew more total attendees.

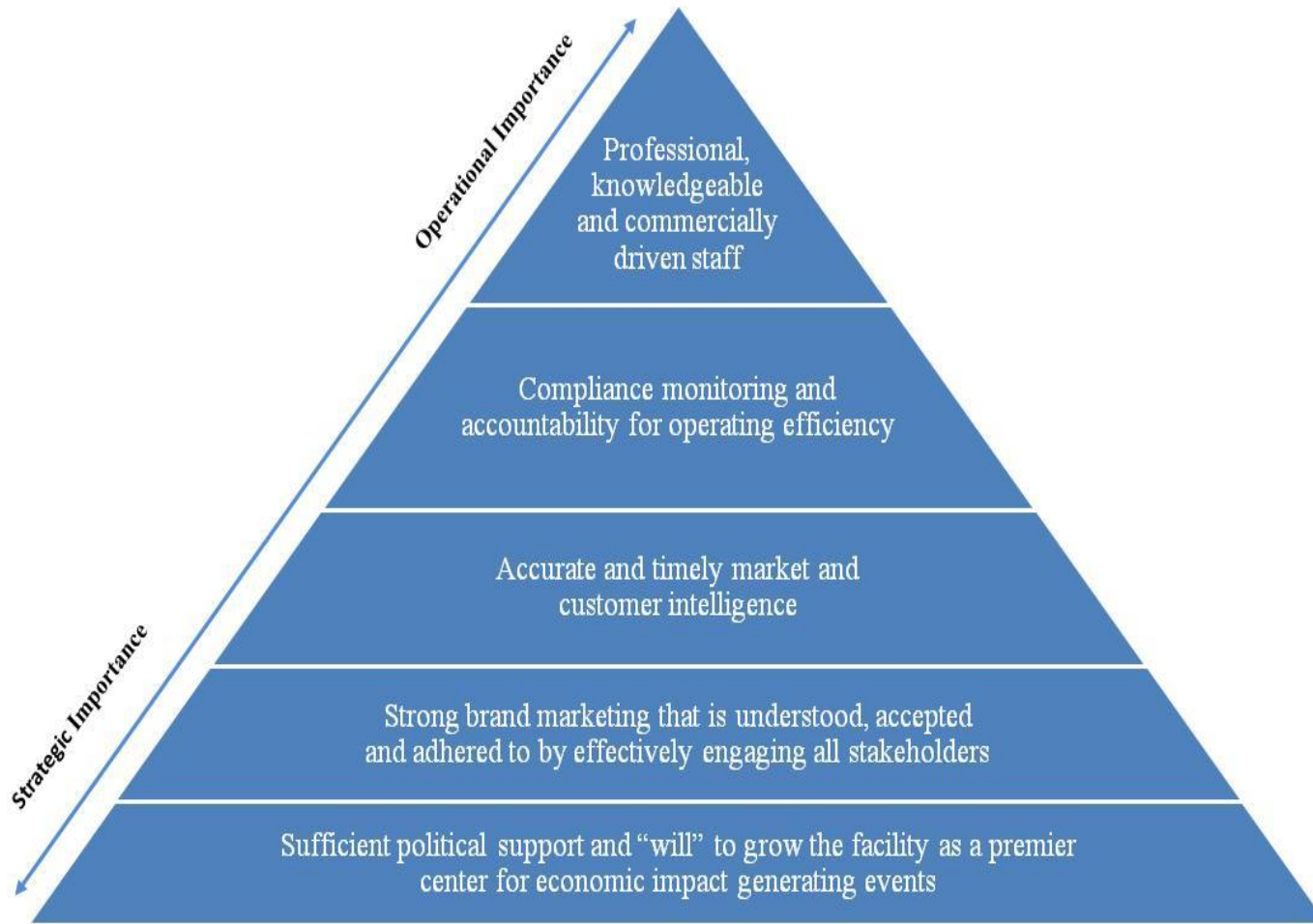
<b>FY 2010</b>	<b>ABC Complex</b>	<b>Complex Peer Average</b>	<b>ABC is</b>
Total Events	318	344	-8%
Total Attendance	718,200	621,537	16%
<b>FY 2010</b>	<b>ABC Conv Ctr</b>	<b>Conv Ctr Peer Average</b>	<b>ABC is</b>
Total Events	195	408	-52%
Total Attendance	333,509	389,700	-14%
<b>FY 2010</b>	<b>ABC Arena</b>	<b>Arena Peer Average</b>	<b>ABC is</b>
Total Events	123	160	-23%
Total Attendance	384,691	375,926	2%

# Comparison of Financial Performance - ABC and Peer Facilities

- In addition, actual financial performance was better than budgeted amounts for the Arena and Convention Center in both FY 2009 and FY 2010.
- In aggregate, the ABC generated a higher operating loss when compared to profiled peer complexes. While the Convention Center generated 50% less revenue than profiled peer facilities, its operating expenses were 37% lower resulting in a more favorable bottom-line. Although the ABC Arena generated less operating revenues and expenses relative to the average of profiled peers, it realized slightly higher operating income.

<b>FY 2010</b>	<b>ABC Complex</b>	<b>Complex Peer Average</b>	<b>ABC is</b>
Operating Revenues	\$3,175,000	\$4,069,000	-22%
Operating Expenses	\$4,580,000	\$4,930,000	-7%
Net Loss	(\$1,405,000)	(\$861,000)	63%
<b>FY 2010</b>	<b>ABC Conv Ctr</b>	<b>Conv Ctr Peer Average</b>	<b>ABC is</b>
Operating Revenues	\$1,376,000	\$2,726,000	-50%
Operating Expenses	\$2,850,000	\$4,543,000	-37%
Net Loss	(\$1,474,000)	(\$1,817,000)	-19%
<b>FY 2010</b>	<b>ABC Arena</b>	<b>Arena Peer Average</b>	<b>ABC is</b>
Operating Revenues	\$1,799,000	\$3,105,000	-42%
Operating Expenses	\$1,733,000	\$3,050,000	-43%
Net Income	\$66,000	\$55,000	22%

# Pyramid of Industry Best Practices





# Summary of Key Findings

- Our analysis indicates that SMG has met its contractual obligations from an overall financial and operational perspective.
- SMG's base management fee is 18% less than the average at peer complexes and 37% less than the average for both peer convention centers and arenas.
- ABC Convention Center and Arena utility expenses represent a higher portion of total expenses than at peer facilities.
- The 20% rental rate discount cap is a competitive disadvantage compared to peer facilities.
- The Convention Center/Auditorium has not had a dedicated funding source for capital improvements.
- The economic impact generated by ABC activity is estimated biennially which is not consistent with industry best practices, particularly for convention centers.
- The City's Convention/Events Fund (CEF) of \$50,000 annually is used to underwrite/subsidize rental space and other services at ABC to secure conventions or other events that generate economic impact.

# Summary of Key Recommendations

- Implementing these recommendations will require joint strategic decision-making and necessary approval by multiple parties including the City, SMG, and Corpus Christi CVB.

