



INFORMAL STAFF REPORT

MEMORANDUM

To: Margie C. Rose, City Manager *MR*
From: Esther Velazquez, Assistant to the City Manager *EMV*
Date: November 10, 2017
Subject: CCARS American Bank Center Management Services

Issue/Problem

During the presentation of the American Bank Center Management Services item at the November 7, 2017 City Council meeting, questions and concerns were raised regarding several operational areas of the American Bank Center complex.

Background & Findings

Questions and concerns were raised regarding the eight operational areas listed below:

Budget – A request was made to provide information on American Bank Center funding sources. The majority of funds for the American Bank Center operating and capital improvements come from Hotel Occupancy Tax and Sales Tax. Please see the attached funding sources graphic and supporting financial statements.

Customer Service – SMG is continuously training the staff at the American Bank Center with SMG proprietary tools that lead the industry in best practices. A new interactive survey was implemented in January 2017 that rated the concert experience at the American Bank Center Arena at 8.1 (10 being the best) for the year. This new survey is an SMG proprietary tool that is in sync with tickets purchased online at Ticketmaster.com and automated for every concert in the Arena.

SMG will be implementing (1) Guest Service Ambassadors who will staff the Convention Center concierge desk in the main lobby. The Ambassadors will greet convention attendees and be available for any needs. (2) Text-to-Service to enhance communication with convention attendees. Attendees will be able to text a number for any issues or needs so that SMG staff can address them immediately.

In their proposal, one of SMG's initiatives is to develop an Advisory Council comprised of stakeholders. The Advisory Council will meet regularly throughout the year and participate in review of event processes, sales promotion ideas and receive customer-driven input.

In the proposed Service Agreement, customer satisfaction is a key component of the incentive fee. After award of the contract, specific customer satisfaction goals will be established and monitored as a part of the performance measurement "report card."

Events – A question was raised regarding a discrepancy in the number of events held and reference was made to Attachment A-5 Calendar of Events to the Service Agreement for Management of American Bank Center. There are 116 events listed on Attachment A-5. This list was provided by SMG at the request of the RFP Development Team for incorporation into the RFP. The request was for a list of upcoming events from time of request (mid-July 2017) through the end of Fiscal year 2018. The list is a "living" document meaning that it will change from month to month based on newly booked events and its only intent was to provide a snapshot of upcoming events to potential proposers.

Additionally, the A-5 Calendar of Events recognizes the name of the events not the number of event days. Many events require load-in and load-out days in addition to the event itself. For example:

December 2017 – Feast of Sharing is six day event

March 2018 – BPA Convention is a five day event

April 2018 – CC Ballet Spring Performance is a six day event with multiple performances

April 2018 – Texas Skills is a seven day event

The American Bank Center has averaged 432 event days from October 2013-September 2017.

- Arena
 - Oct 2013–Sept 2014 – 122 event days
 - Oct 2014–Sept 2015 – 117 event days
 - Oct 2015–Sept 2016 – 121 event days
 - Oct 2016–Sept 2016 – 121 event days
- Convention Center/Auditorium
 - Oct 2013–Sept 2014 – 311 event days
 - Oct 2014–Sept 2015 – 341 event days
 - Oct 2015–Sept 2016 – 294 event days
 - Oct 2016–Sept 2016 – 302 event days

Food Quality – Food and beverage surveys completed from 2014-2017 for conventions, social events and banquets rated six areas: ease of pre-event arrangements, meal value, meal variety, food quality, presentation and quality of wait staff. On a scale of 1 to 10, with 10 being the best, the average scores for those years are as follows:

- 2014 – 8.83
- 2015 – 8.80

- 2016 – 8.83
- 2017 – 8.74

Marketing – There was discussion regarding SMG’s ability to fully market the American Bank Center. During a pre-award meeting with SMG corporate, marketing was one of the topics covered and SMG has committed to an action plan to address this concern.

Parking Rates – There was mention of \$10, \$15 and \$20 parking near the American Bank Center. SMG charges \$5 per vehicle to park in City owned American Bank Center lots. City owned lots are identified in Attachment A-3 Parking Lot Map to the Service Agreement for Management of American Bank Center. Nearby lots charging anywhere from \$5-\$25 are privately owned and are not controlled by the City or SMG.

Performance Metrics – A report on SMG’s performance for the current contract period (February 1, 2013 - present) was requested. During this contract period, the contract administrator held (and continues to hold) regular meetings with SMG to review financial statements and the progress on capital projects. Please note that SMG has no control over the timing or completion of capital projects run by City Engineering Services.

Performance Metrics in the current Management Agreement include:

- Net operating income is an improvement over net operating income/loss benchmark
- Food and beverage operating profit margin is 34.5% or greater
- SMG meets customer satisfaction goals

2013/2014

- Net operating income exceeded benchmark by \$204,338
- Food & Beverage profit margin was 60.8%
- Customer satisfaction average year score: 8.99

2014/2015

- Net operating income exceeded benchmark by \$491,932
- Food & Beverage profit margin was 63.9%
- Customer satisfaction average year score: 8.83

2015/2016

- Net operating income below benchmark by (\$65,437) – no incentive paid
- Food & Beverage profit margin was 64.4%
- Customer satisfaction average year score: 8.83

2016/2017 Eligibility for incentive will not be calculated until actuals are reported in audited year-end financials.

Utility Costs – A question was raised regarding the cost of utilities. In Attachment A-7 Proposed 2018 Budget to the Service Agreement for Management of American Bank Center the line item “utilities” encompasses costs for electricity, gas, telephone, water, sewage, IT and the Thermal Electric Storage System (TESS).

Over the past five years, 2012-2017, SMG has averaged the following:

Arena

Electricity: \$309,594 (decreased electricity by 3% from FY16 to FY17)

Gas: \$150,456

Telephone: \$21,320

Water/Sewage: \$161,409

IT: \$205,098

Convention Center

Electricity: \$720,233 (decreased electricity by 8% from FY16 to FY17)

Gas: \$40,027

Telephone: \$20,473

Water & Sewage: \$214,031

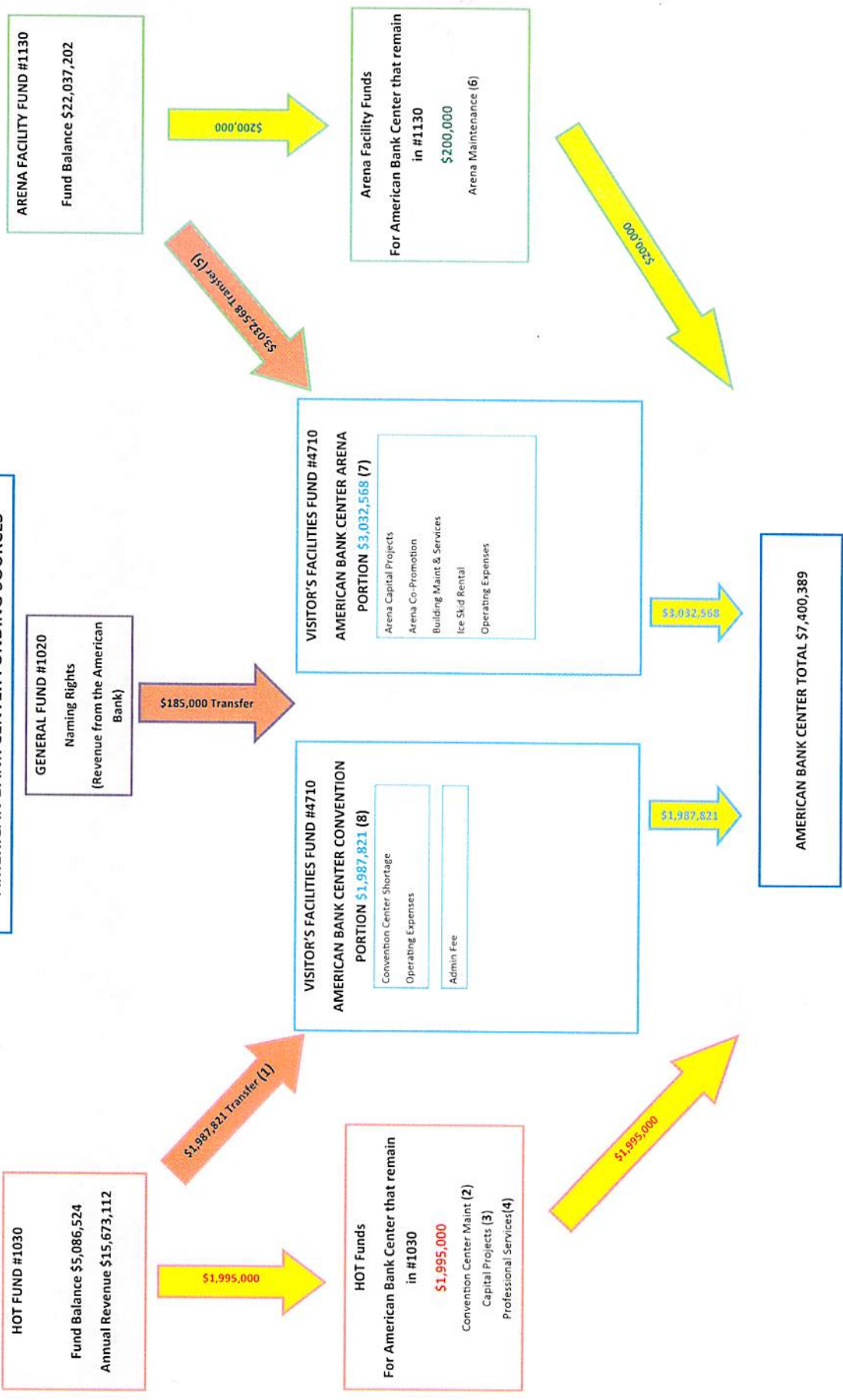
IT: \$147,201

TESS: \$388,919

Conclusion

The RFP Selection Committee believes that SMG is the best firm to manage the American Bank Center complex and that SMG is committed to making significant improvements in all operational areas. Staff maintains its recommendation of approving a 5 year and 8 month base year contract with the option for three additional one year renewals.

AMERICAN BANK CENTER FUNDING SOURCES



HOTEL OCCUPANCY TAX FUND (1030)
REVENUE DETAIL

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	ACTUALS 2015-2016	BUDGET 2016-2017	ESTIMATED 2016-2017	ADOPTED 2017-2018
	Unreserved	5,495,215		6,101,506	5,109,861
	Reserved for Encumbrances	609,876		609,876	0
	Reserved for Commitments	0		0	0
	BEGINNING BALANCE	6,105,091		6,711,382	5,109,861
OPERATING REVENUE					
	Hotel Occupancy Taxes				
300500	Hotel occupancy tax	11,524,051	12,000,000	12,000,000	12,120,000
300501	Hotel occ tx-conv exp	3,234,052	3,494,368	3,494,368	3,529,312
300530	Hotel tax penalties-current yr	8,737	7,000	8,090	8,100
300531	Hotel tx penalties CY-conv exp	2,407	2,000	2,347	2,500
	Total Hotel Occupancy Taxes	14,769,247	15,503,368	15,504,804	15,659,912
	TOTAL OPERATING REVENUE	14,769,247	15,503,368	15,504,804	15,659,912
NON-OPERATING REVENUE					
340900	Interest on investments	17,526	7,300	25,206	13,200
340995	Net Inc/Dec in FV of Investment	(1,342)	0	458	0
	TOTAL NON-OPERATING REVENUE	16,184	7,300	25,664	13,200
	TOTAL REVENUE & INTERFUND CONTRIB	14,785,431	15,510,668	15,530,468	15,673,112
	TOTAL FUNDS AVAILABLE	20,890,522	15,510,668	22,241,851	20,782,973

HOTEL OCCUPANCY TAX FUND (1030)
EXPENDITURE DETAIL BY ORGANIZATION

ORG NUMBER	ORGANIZATION NAME	ACTUALS 2015-2016	BUDGET 2016-2017	ESTIMATED 2016-2017	ADOPTED 2017-2018
Departmental Expenditures					
11305	Administration	0	15,611	15,611	0
13601	Convention Center	3,000,000	3,200,000	3,200,000	2,900,000
13605	Convention Ctr. Maintenance	84,468	255,900	255,900	250,000
13606	Convention Ctr. Capital	1,049,587	4,574,464	2,714,141	1,470,000
13817	Tourist Area Amenities	12,741	522,233	150,000	200,000
15100	Economic Development	0	56,389	56,389	100,000
80000	Reserve Appropriation	0	6,000	6,000	0
Total Departmental Expenditures		4,146,796	8,630,597	6,398,041	4,920,000
Non-Departmental Expenditures					
13013	Museum Marketing	30,223	50,000	50,000	50,000
13492	Art Museum of South Tx	340,000	350,000	350,000	380,000
13495	Botanical Gardens	20,000	40,000	40,000	40,000
13616	Convention Center Incentives	244,054	290,946	290,946	275,000
13640	Harbor Playhouse	7,964	15,000	15,000	15,000
13641	Heritage Park - Historic Tour Guides	0	0	0	50,000
13800	Convention promotion	4,905,114	5,226,091	5,226,091	5,001,999
13812	Texas State Aquarium	0	150,000	150,000	150,000
13815	Arts Grants/Projects	217,172	372,217	204,010	278,000
13816	Multicultural Services Support	131,230	269,316	275,314	322,850
13818	North Beach Plaza Historical Signs	0	0	0	12,500
13826	Baseball Stadium	175,000	175,000	175,000	175,000
13835	Beach Cleaning(HOT)	1,825,088	1,900,000	1,825,088	1,900,000
60130	Transfer to Debt Service	2,136,500	2,132,500	2,132,500	2,126,100
Total Non-Departmental Expenditures		10,032,344	10,971,070	10,733,948	10,776,449
TOTAL HOTEL OCCUPANCY TAX FUND (1030)		14,179,140	19,601,667	17,131,989	15,696,449
RESERVED FOR ENCUMBRANCES		609,876		0	0
RESERVED FOR COMMITMENTS		0		0	0
UNRESERVED		6,101,506		5,109,861	5,086,524
CLOSING BALANCE		6,711,382		5,109,861	5,086,524

Priority #	Project #	Project Name	Estimated Project Cost	Brief Project Description
1	CC2018-3	Replace Expansion Caps and Flashing on Convention Center's Roof	\$ 230,000	
2	S2018-3	Sound System	\$ 100,000	
3	S2018-5	Metal Detectors	\$ 30,000	
4	CC2018-2	Facility Wi-Fi Enhancements	\$ 350,000	
5	CC2018-7	Refurbish Exhibit Hall / Watergarden Air Walls	\$ 50,000	
6	CC2018-9	Replace Miscellaneous Concessions/Catering Equipment	\$ 150,000	
7	S2018-1	Replace Selena's Follow Spotlights	\$ 60,000	
8	CC2018-4	Replace Operating Equipment	\$ 250,000	Includes items such as tables, chairs, podiums, furniture for green room and/or around CC as needed (things like couches), digital audio & video, pipe, drape, and unplanned repairs.
9	CC2018-5	Minor Building Upgrades and Enhancements (Convention Center)	\$ 150,000	
10	CC2018-6	Replace Major Floor Cleaning Equipment	\$ 40,000	
11	CC2018-8	Annual Landscaping Improvement Budget	\$ 60,000	
FY18 ADOPTED HOT FUNDS			\$ 1,470,000	

ARENA FACILITY FUND (1130)
REVENUE DETAIL

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	ACTUALS 2015-2016	BUDGET 2016-2017	ESTIMATED 2016-2017	ADOPTED 2017-2018
	Unreserved	18,185,876		19,828,465	20,476,471
	Reserved for Encumbrances	0		0	0
	Reserved for Commitments	0		0	0
	BEGINNING BALANCE	18,185,876		19,828,465	20,476,471
	OPERATING REVENUE				
300630	Arena sales tax	6,655,272	6,925,000	6,675,000	6,741,750
	TOTAL OPERATING REVENUE	6,655,272	6,925,000	6,675,000	6,741,750
	NON-OPERATING REVENUE				
	Interest Income				
340900	Interest on investments	84,705	31,800	95,029	200,000
340995	Net Inc/Dec in FV of Investmen	(5,579)	0	1,703	0
	Total Interest Income	79,125	31,800	96,732	200,000
	INTERFUND CONTRIBUTIONS				
352000	Transfer from Other Fds	0	0	0	1,321,491
	TOTAL INTERFUND CONTRIBUTIONS	0	0	0	1,321,491
	TOTAL NON-OPERATING REVENUE	79,125	31,800	96,732	1,521,491
	TOTAL REVENUE	6,734,397	6,956,800	6,771,732	8,263,241
	TOTAL FUNDS AVAILABLE	24,920,273	6,956,800	26,600,197	28,739,712

ARENA FACILITY FUND (1130)
EXPENDITURE DETAIL BY ORGANIZATION

ORG NUMBER	ORGANIZATION NAME	ACTUALS 2015-2016	BUDGET 2016-2017	ESTIMATED 2016-2017	ADOPTED 2017-2018	
	Departmental Expenditures					
13821	Arena Administration	3,172	15,000	15,000	15,000	
13822	Arena Maintenance & Repairs	198,210	200,000	200,000	200,000	6
	Total Departmental Expenditures	201,382	215,000	215,000	215,000	
	Non-Departmental Expenditures					
60010	Transfer to General Fund	27,039	25,105	25,105	27,542	
60130	Transfer to Debt Service	3,423,400	3,427,200	3,427,200	3,427,400	
60400	Transfer to Visitor Facilities	1,439,987	2,456,421	2,456,421	3,032,568	5
	Total Non-Departmental Expenditures	4,890,426	5,908,726	5,908,726	6,487,510	
	TOTAL ARENA FACILITY FUND (1130)	5,091,808	6,123,726	6,123,726	6,702,510	
	RESERVED FOR ENCUMBRANCES	0		0	0	
	RESERVED FOR COMMITMENTS	0		0	0	
	UNRESERVED	19,828,465		20,476,471	22,037,202	
	CLOSING BALANCE	19,828,465		20,476,471	22,037,202	

Project #	Project Name	Estimated Project Cost
A2018-1	Irwin Retractable Seating Inspection and Repairs	\$ 1,200,000
A2018-2	Enhanced Digital Sign Package for the Concourse	\$ 50,000
A2018-3	Rebuild Supplemental Chill Water Pump Motor	\$ 25,000
A2018-4	Replace Actuators and Gear Operators for Chill Water and Condensing Valves	\$ 150,000
A2018-5	Major Building Enhancement and Improvements	\$ 300,000
TOTAL ARENA CAPITAL		\$ 1,725,000

VISITORS FACILITIES FUND (4710)
REVENUE DETAIL

ACCOUNT NUMBER	ACCOUNT DESCRIPTION	ACTUALS 2015-2016	BUDGET 2016-2017	ESTIMATED 2016-2017	ADOPTED 2017-2018	
	Unreserved	629,905		1,208,247	1,930,009	
	Reserved for Encumbrances	0		0	0	
	Reserved for Commitments	0		595,009	0	
	BEGINNING BALANCE	629,905		1,803,256	1,930,009	
	OPERATING REVENUE					
	Arena Services					
311760	Operating Revenues - Arena	2,641,786	2,768,507	2,558,318	2,839,206	SMG Operating Revenue
	Total Arena Services	2,641,786	2,768,507	2,558,318	2,839,206	
	Convention Center Services					
311600	Operating Rev - Convention Ctr	2,753,862	2,506,187	2,259,998	2,405,936	SMG Operating Revenue
	Total Convention Center Services	2,753,862	2,506,187	2,259,998	2,405,936	
	TOTAL OPERATING REVENUE	5,395,648	5,274,694	4,818,316	5,245,142	
	Other Revenue					
302350	Special events permits	21,650	15,100	20,906	25,000	
311500	Multicultural Center rentals	35,278	39,200	40,010	35,000	
311510	Heritage Park maint contract	40,620	40,000	16,510	40,000	Revenue to pay for Cultural Facilities
312000	Pavilion rentals	22,075	13,800	16,875	14,850	
340200	Capital Contributions	150,000	0	0	0	
340900	Interest on investments	6,332	0	7,871	0	
340995	Net Inc/Dec in FV of Investments	(332)	0	135	0	
343650	Purchase discounts	959	0	0	0	
	Total Other Revenue	276,582	108,100	102,306	114,850	
	TOTAL NON-OPERATING REVENUE	276,582	108,100	102,306	114,850	
	INTERFUND CONTRIBUTIONS					
352000	Transf from other fd - ARNTA	1,634,026	2,641,421	2,641,421	3,235,200	5 3,032,568 Transfer Arena + 185,000 Naming +
	TOTAL INTERFUND CONTRIBUTIONS	1,634,026	2,641,421	2,641,421	3,235,200	17,632 Internal Service rebates
	REIMBURSEMENTS					
360030	Reimbursements-Inter-deptmntal	3,000,000	3,200,000	3,200,000	2,900,000	1 1,987,821 HOT Transfer for Convention + 912,179
	TOTAL REIMBURSEMENTS	3,000,000	3,200,000	3,200,000	2,900,000	Parks
	TOTAL REVENUE & INTERFUND CONTRIB	10,306,256	11,224,215	10,762,043	11,495,192	
	TOTAL FUNDS AVAILABLE	10,936,160	11,224,215	12,565,299	13,425,201	

VISITORS FACILITIES FUND (4710)
EXPENDITURE DETAIL BY ORGANIZATION

ORG NUMBER	ORGANIZATION NAME	ACTUALS 2015-2016	BUDGET 2016-2017	ESTIMATED 2016-2017	ADOPTED 2017-2018	
Departmental Expenditures						
13600	Convention Ctr/Auditorium Ops	4,670,712	4,667,006	4,726,435	4,395,182	8 3,999,120 SMG internal Exp + 396,062 City Exp
13610	Arena Capital	152,554	1,876,500	653,584	3,330,001	7 1,725,000 Capital Proj. + 182,085 Ice Skid + 200,000 Maint. + 1,222,916 Transfer back to Arena
13615	Arena-Marketing/Co-Promotion	330,000	805,000	805,000	600,000	7 439,236 Transfer from Arena + 160,764 Past years Savings
13625	Arena Operations	2,842,236	3,416,971	3,070,941	3,195,186	7 1,708,939 SMG Internal Exp + 486,247 City Exp
13630	Water Garden	(7)	0	0	0	
80000	Reserve Approp - Visitor Fac	0	0	0	0	
Total Departmental Expenditures		7,995,495	10,765,477	9,255,960	11,520,369	
Non-Departmental Expenditures						
12930	Bayfront Arts & Sciences Park	709,228	971,045	946,232	943,281	912,179 transfer from HOT + 31,102 Past years Savings
13710	Cultural Facility Maintenance	90,785	136,380	135,479	144,412	114,850 Revenue + 29,562 Past years Savings
50010	Uncollectible accounts	21,876	0	0	0	
60010	Transfer to General Fund	130,716	113,553	113,553	183,519	8 Full Cost Allocation Calculated by MGT annually
60130	Transfer to Debt Service	184,803	184,066	184,066	184,572	35,911.88 Arena + 148,153.35 Convention (McKinstry)
Total Non-Departmental Expenditures		1,137,409	1,405,043	1,379,330	1,455,784	
#REF!		9,132,904	12,170,520	10,635,290	12,976,153	
RESERVED FOR ENCUMBRANCES		0		0	0	
RESERVED FOR COMMITMENTS		595,009		0	0	
UNRESERVED		1,208,247		1,930,009	449,048	
CLOSING BALANCE		1,803,256		1,930,009	449,048	