

Memorandum



CITY OF DALLAS

DATE January 29, 2016

TO Members of the Budget, Finance & Audit Committee: Jennifer S. Gates (Chair), Philip T. Kingston (Vice Chair), Erik Wilson, Rickey D. Callahan, Scott Griggs, Lee M. Kleinman

SUBJECT Convention and Event Services: Enterprise Fund Overview

On February 1, 2016 the Budget, Finance and Audit Committee will be briefed on a Convention and Event Services: Enterprise Fund Overview. The briefing is attached for your review.

Please let me know if you need additional information.

A handwritten signature in blue ink, appearing to read 'Ryan S. Evans'.

Ryan S. Evans
First Assistant City Manager

Attachment

c: Honorable Mayor and Members of City Council
A.C. Gonzalez, City Manager
Warren M.S. Ernst, City Attorney
Rosa A. Rios, City Secretary
Craig D. Kinton, City Auditor
Daniel F. Solis, Administrative Judge
Jill A. Jordan, P.E., Assistant City Manager

Joey Zapata, Assistant City Manager
Eric D. Campbell, Assistant City Manager
Mark McDaniel, Assistant City Manager
Jeanne Chipperfield, Chief Financial Officer
Sana Syed, Public Information Officer
Elsa Cantu, Assistant to the City Manager

CONVENTION & EVENT SERVICES: ENTERPRISE FUND OVERVIEW

BUDGET, FINANCE & AUDIT COMMITTEE
FEBRUARY 1, 2016



KAY BAILEY HUTCHISON
CONVENTION CENTER DALLAS



BRIEFING OUTLINE

- Provide an overview of the Convention & Event Services (CES) Department, including:
 - FY 2016 Budget Summary
 - Facility Operations & Maintenance
 - Recent Accomplishments
 - Industry Trends



CONVENTION & EVENT SERVICES OVERVIEW

- The Convention & Event Services department is an enterprise department comprised of:
 - Kay Bailey Hutchison Convention Center Dallas
 - Office of Special Events
 - Union Station
 - Contract oversight for American Airlines Center, Omni Dallas and the Dallas Convention & Visitor's Bureau



KAY BAILEY HUTCHISON CONVENTION CENTER DALLAS

- On average 101 professional, religious, corporate, consumer, trade, sports, and educational events are hosted each year
- In FY 2015 the KBHCCD hosted 105 events, 19 of which were citywide events
- Together these events brought in over 1 million people to the facility and yielded \$20m to the convention center through rentals, concessions, service charges and parking revenue
- The largest event based on Food & Beverage spend was SAS Global, with \$1.2m



2015 TOP 5 ANNUAL EVENTS (ATTENDANCE & SPACE)

Attendance

1. National Cheerleaders Association – All Star National Championships
2. College Football Playoff
3. Austin Junior Volleyball Association – Lone Star Classic
4. DFW New Car Dealers
5. Mary Kay



Space Utilization

1. National Association for the Education of the Young
2. American Academy of Otolaryngology
3. Mecum Auctions
4. College Football Playoffs
5. True Value Hardware

OFFICE OF SPECIAL EVENTS

- The Office of Special Events is the regulatory authority of permitting outdoor special events, street pole banners, neighborhood farmers markets and commercial filming activities
 - Governed by Chapter 42A of the Dallas City Code
 - Currently being reviewed
 - In FY 2015 OSE permitted 887 events, banners, neighborhood farmers markets and filming shoots, including:
 - 7 Neighborhood Farmers Markets, totaling over 140 days and 200 vendors
 - 159 commercial filming activities, including a feature film, 20 TV series, 50 commercials and 8 international documentaries



CITY OF
DALLAS

**OFFICE OF
SPECIAL EVENTS**

UNION STATION

- Purchased in 1973 and renovated to serve as the City's primary transportation center
- Currently under private management
- CES provides funding for security, utilities, building maintenance and disposal services for approximately 161,000 square feet
- Home to Wolfgang Puck Catering , DART, TRE and Amtrak



CONTRACT OVERSIGHT

- American Airlines Center
 - The City receives a \$3.4m annual lease payment from ArenaCo
 - Reported in the Certified Annual Financial Report as part of the Convention Event Services Enterprise Fund, as required by ordinance
 - Lease payment is transferred annually to the General Fund, and may be used for any lawful purpose
 - FY 2016 budgeted uses are \$1.75m for the Street Maintenance Fund and \$1.65m for the City Facility Major Maintenance Fund
- Omni Hotel Dallas
 - Hotel Operating Agreement for operation of the Omni Hotel Dallas and Hotel Ancillary Development
 - Continues to exceed Pro Forma
 - Occupancy 77.5%; all hotels in Dallas 70.6%
 - Food & Beverage up \$13.4m
 - Year to date guest satisfaction scored 8.97 out of 10, with over 9,300 guests surveyed

CONTRACT OVERSIGHT

- Dallas Convention & Visitor's Bureau (DCVB)
 - DCVB provides convention facility promotion, advertising and tourism development services
 - City Council authorized a new contract in September 2015
 - The DCVB agreed to an early contract renewal in order to reduce their HOT revenue allocation from 32.6% to 30%
 - The remaining 2.6% HOT revenue was reallocated to Cultural Arts, as allowed by State Law, to create a dedicated revenue stream for the Arts.
 - The new DCVB contract also includes updated performance goals and reporting requirements as well as a continued annual commitment of \$500,000 for KBHCCD Capital Improvements

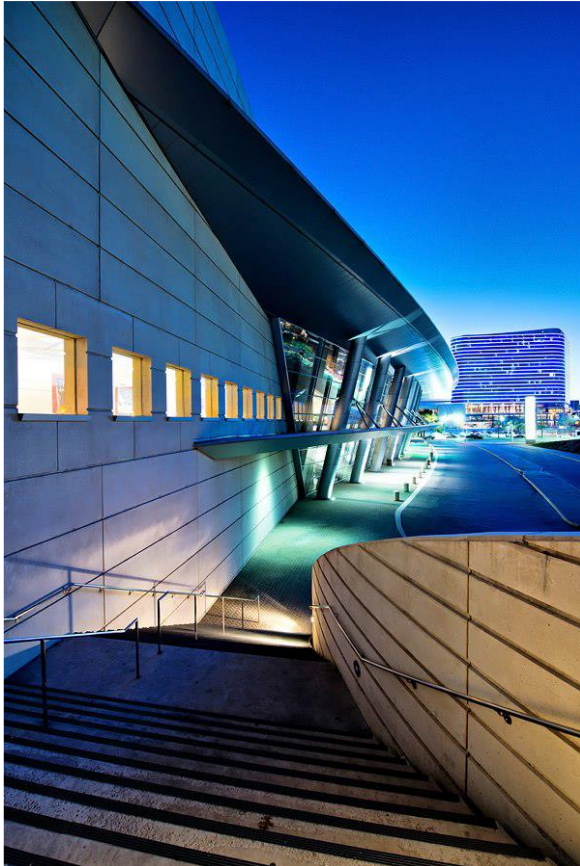




BUDGET OVERVIEW



BUDGET OVERVIEW



- Sources of funding:
 - 7% Hotel Occupancy Tax
 - 10.7143% Alcohol Beverage Tax
 - Operating Revenues, such as:
 - Facility Rental
 - Parking
 - Food & Beverage
- The economic impact* of the Convention Center is growing:
 - FY 2014: \$662m
 - FY 2015: \$699m
 - FY 2016: \$762m

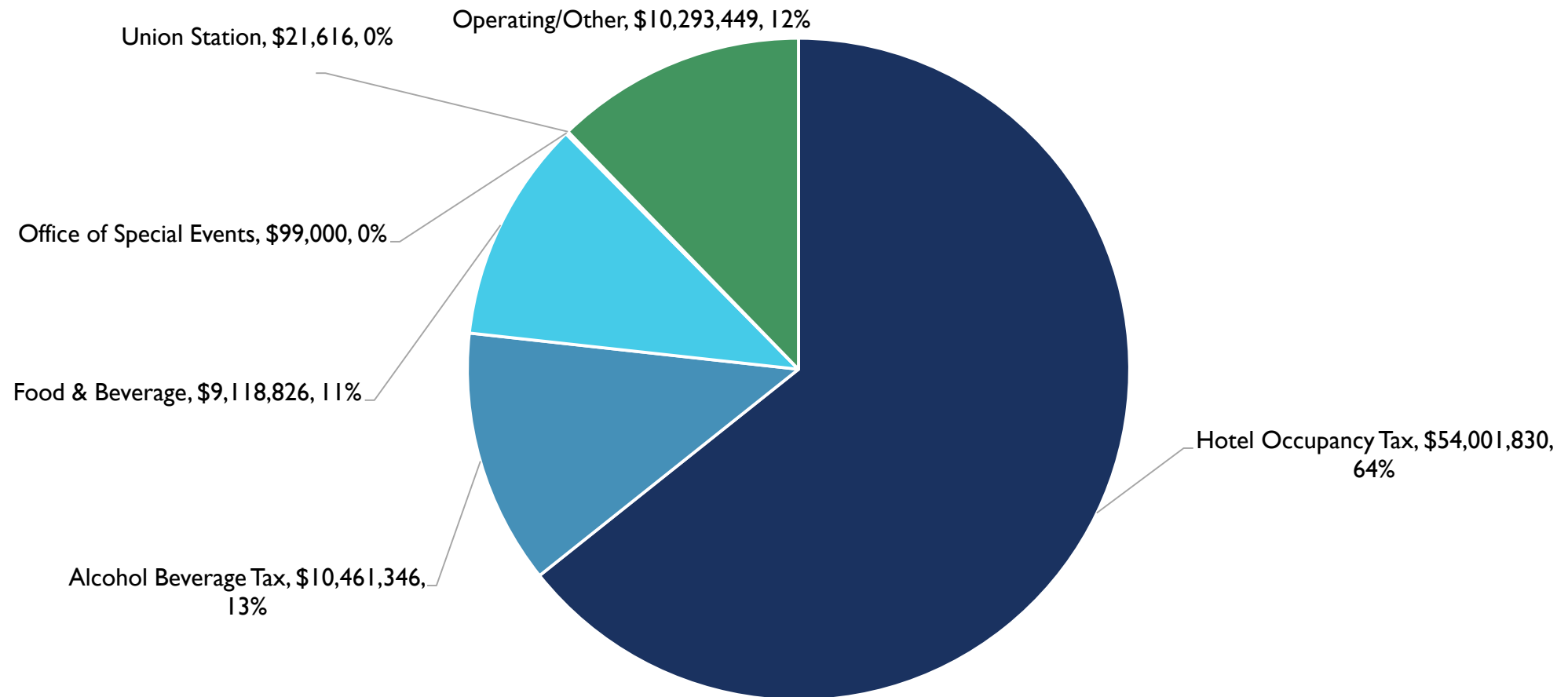
*Tourism Economics, Oxford
Economics partner

FY 2015-16 BUDGET

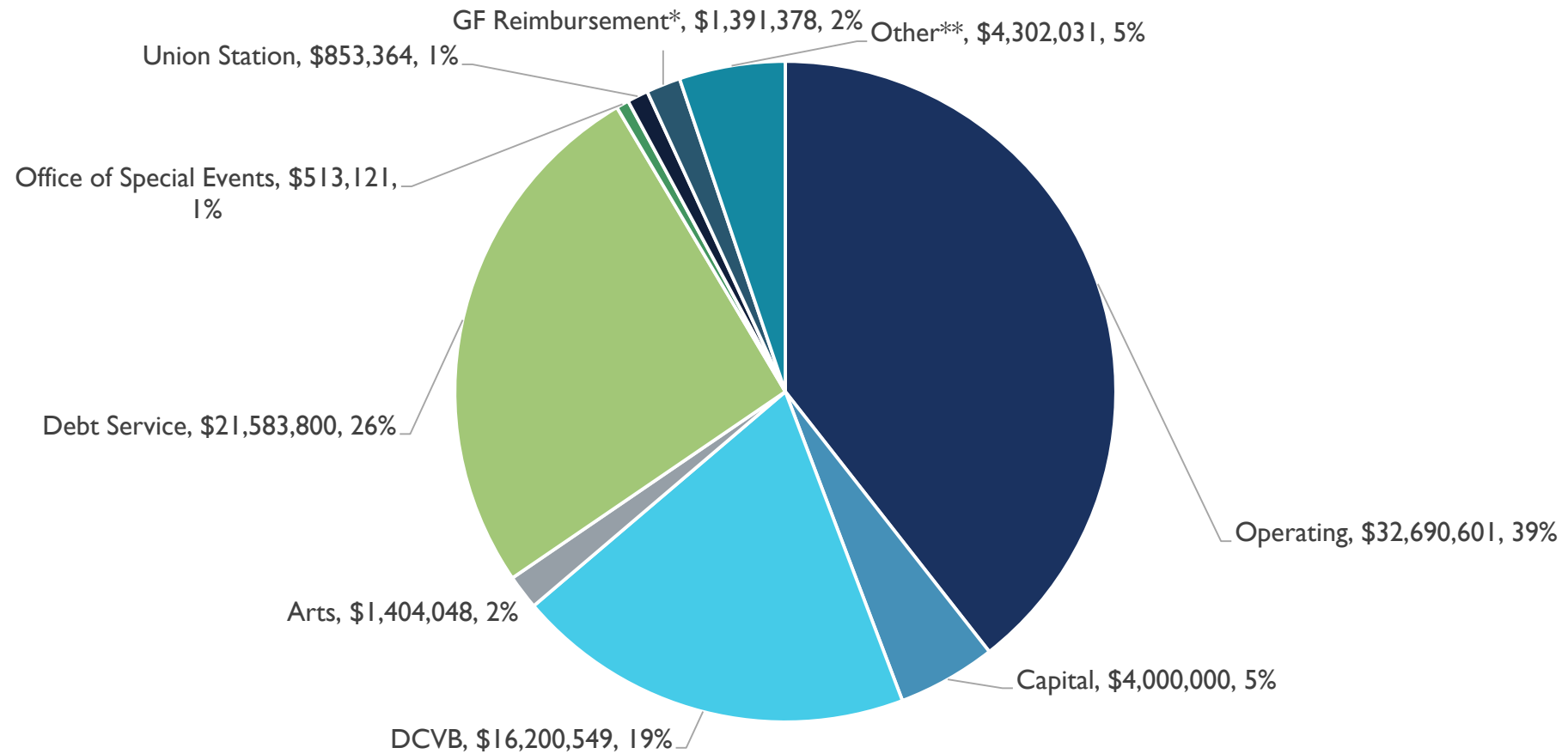
Revenues/Expenditures	FY 2015 Estimate	FY 2016 Adopted
Hotel Occupancy Tax	\$49,881,001	\$54,001,830
Alcoholic Beverage Tax	\$11,246,549	\$10,461,346
Food & Beverage	\$9,915,310	\$9,118,826
Operating/Other	\$10,798,229	\$10,293,449
Office of Special Events	\$104,130	\$99,000
Union Station	\$21,616	\$21,616
Total Revenues	\$81,966,835	\$83,996,067
Operating/Other Expenditures	\$35,090,429	\$38,384,010
Capital Fund Transfer	\$7,250,000	\$4,000,000
DCVB	\$16,234,947	\$16,200,549
Arts	-	\$1,404,048
Debt Service	\$20,868,820	\$21,583,800
Office of Special Events	\$406,279	\$513,121
Union Station	\$592,754	\$853,364
Total Expenditures	\$80,443,229	\$82,938,892
Net Revenue	\$1,523,606	\$1,057,175

Major Funding Items:
DCVB payment reduced to 30%
2.6% dedicated to Arts

FY 2015-16 BUDGET - REVENUES



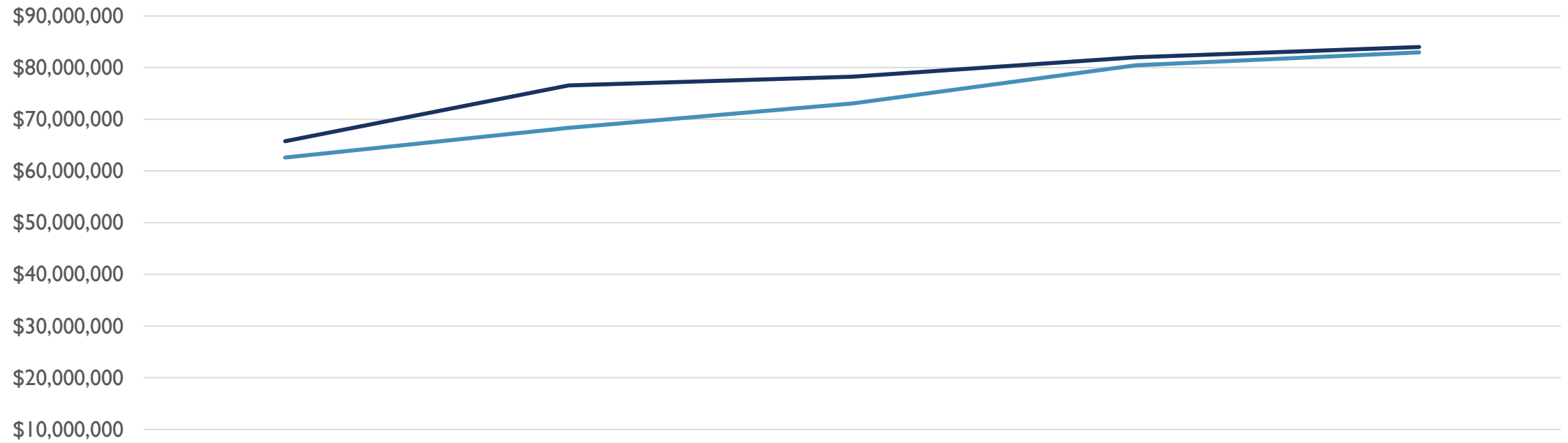
FY 2015-16 BUDGET - EXPENDITURES



*General Fund Reimbursements, include: PBW, EBS, DEV, PKR and CCO

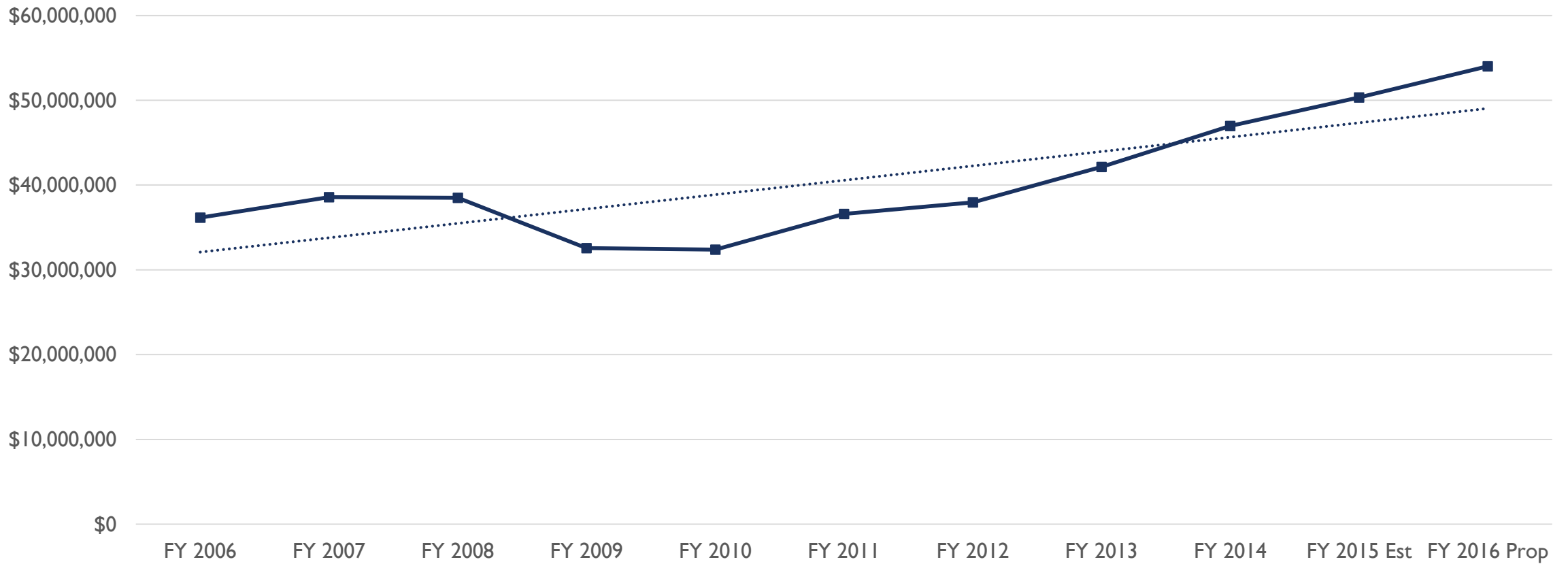
**Other Expenses, include: land payment, DART D-Link, and Energy Management Performance Contract

BUDGET HISTORY



	FY2012	FY2013	FY2014	FY2015 Est	FY2016 Prop
Revenues	\$65,743,816	\$76,570,842	\$78,236,557	\$81,996,835	\$83,996,067
Expenditures	\$62,588,608	\$68,340,833	\$73,073,703	\$80,443,229	\$82,938,892

REVENUE TRENDS: HOTEL OCCUPANCY TAX



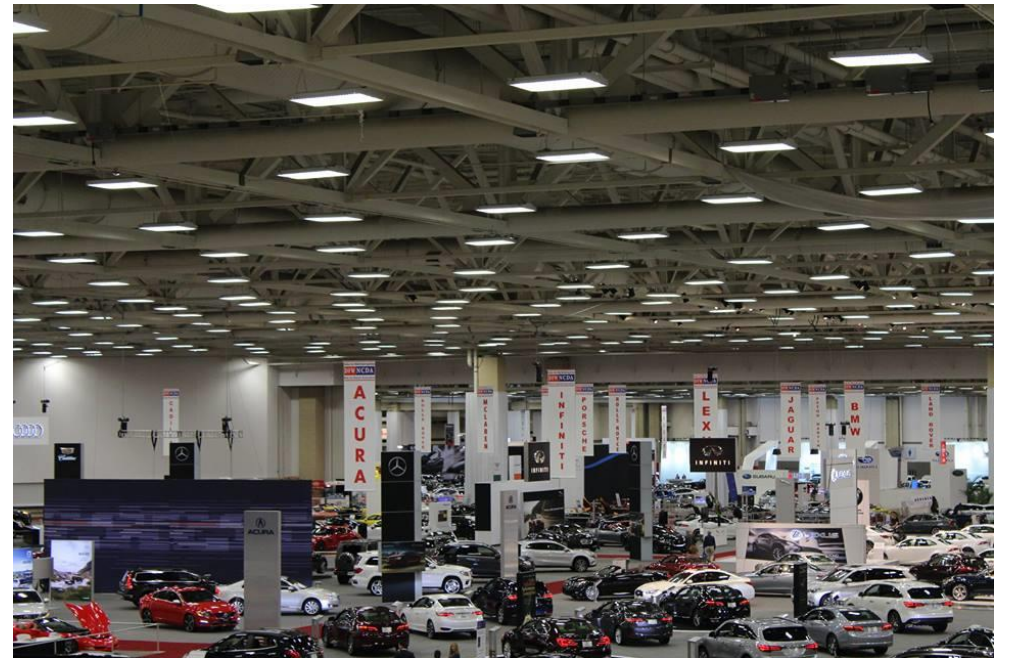


FACILITY OPERATIONS & MAINTENANCE



KAY BAILEY HUTCHISON CONVENTION CENTER DALLAS

- The Kay Bailey Hutchison Convention Center Dallas is a nationally prominent convention and trade show facility
 - Over 1 million square feet of total exhibit space
 - 88 individual meeting rooms totaling 99,567 square feet
 - 3 ballrooms totaling 65,129 square feet
 - 9,816 seat arena and a 1,750 seat general assembly theater
 - 250,000 square feet of lobby/common space



FACILITY OVERVIEW



- Original Dallas Auditorium was built in 1957
- The Dallas Auditorium was expanded and renamed the Dallas Convention Center in the 1970s
- Expansions in 1984, 1994 and 2002 followed
- The \$500 million Omni Dallas Hotel opened in November 2011
- The Center was renamed the Kay Bailey Hutchison Convention Center Dallas in 2013

FACILITY MAINTENANCE

- From FY 2007 to FY 2009 revenues were not sufficient to cover operating expense and CES deferred maintenance in order to balance the budget
- A 2010 Needs Assessment identified \$170m+ in needed capital improvements and repairs
- Increases in revenues have allowed CES to begin addressing unfunded needs by transferring revenues to the Capital Improvement Fund
 - Current balance: \$12.5m
- Tourism PID
 - \$500,000 annual commitment for facility improvements



RECENT CAPITAL IMPROVEMENTS

- City initiated a \$60m Capital Improvement Program to:
 - Address capital needs
 - Better serve customer requirements
 - Complement the hotel development
 - Increase competitiveness
- Completed Projects include:
 - Roof Replacement
 - Upper Level D ballrooms and updated finishes
 - Upgrades and updated finishes in C Area
 - Fire Alarm/Life Safety Upgrades
 - Lamar Streetscape, including improved wayfinding and streetscaping



REMAINING UNFUNDED NEEDS

- \$110m+ in needs remain, including:
 - Mechanical & Plumbing System (cooling tower/chiller/boiler replacements)
 - Electrical System (replacement of failing electrical equipment and infrastructure)
 - Vertical Circulation (replacement/modernization of escalators and elevators)
 - Security System (addition of updated camera and recording equipment)
 - Interior Integrity (replacement of worn finishes and replacement of outdated/damaged equipment)
 - AV/Telecommunications (replacement/upgrade of in-house equipment)



PLANNED PROJECTS

- Replacement of various boilers and electrical buses
- Complete design and begin construction of the KBHCCD Kitchen Renovation
 - Increase ventilation
 - Installation of new equipment, supplied by Centerplate as part of their \$2m capital investment
 - Plumbing and electrical renovations to bring up to code
 - New slip-resistant flooring to reduce safety concerns
- Replace lighting controls and automation
- Replacement/upgrade of flooring in Area A and F Lobby
- Replacement of furniture, including tables and staging equipment
- Issue an RFP for the design and implementation of a security camera system
- Issue an RFP for additional design services to design and implement Phases 2 and 3 of the KBHCCD interior and exterior wayfinding system
- Begin design of phased upgrades to restroom finishes and plumbing fixtures





RECENT ACCOMPLISHMENTS



RECENT ACCOMPLISHMENTS

- Hotel Ancillary Development
 - In response to customer demand, in July 2015, construction of four new restaurants on City-owned land was completed adjacent to the Omni Dallas Hotel
 - These new offerings will provide meeting organizers, attendees, and residents additional entertainment options in the Convention Center District.
 - This 16,000 square foot, \$27m development was shepherded by Convention & Event Services staff in partnership with Matthews Southwest and the Omni Dallas hotel
 - The below-ground parking garage has opened, as well as 3 of the 4 new restaurants: Biergarten, Coal Vines and Little Katana
 - Café Herrera is slated to open soon



RECENT ACCOMPLISHMENTS

- Marketing & Communications
 - CES has expanded its marketing and communications programs to include an enhanced website, robust social media presence, media relations, and an onsite marketing and advertising program
 - The onsite marketing and advertising program launched in FY 2014 has increased marketing revenue from \$5,000 in FY 2014 to an estimated \$38,000 in FY 2015
- Management Systems
 - CES is certified in ISO 9001:2008, OHSAS 18001:2007 and EMS 14001:2004
 - Over the last 24 months CES has created over 165 documents, including forms, procedures and work instructions to enhance the quality, environmental and safety management systems

RECENT ACCOMPLISHMENTS

- Good Neighborhood Program
 - In partnership with its exclusive F&B provider., Centerplate, the U.S. Environmental Protection Agency, and Rock N Wrap it Up!, the KBHCCD launched a Good Neighbor Program to donate unconsumed food and consumer items from events at the convention center to nonprofits serving children and adults who are homeless in Downtown Dallas
 - Since FY 2014 nearly two tons of food and goods have been donated to local nonprofits
 - The Region 6 Office of the EPA recommends it as a model for other organizations in North Texas
- Environmental Stewardship
 - As one of the nation's first U.S. Green Building Council LEED-certified convention centers, the KBHCCD operates in a sustainable manner to divert waste, recycle, reuse, and reduce energy and water consumption
 - In the last four years the facility recycled 825 tons of material
 - In 2014 the American Chemical Society (ACS) and Greenview Hospitality lauded the Convention Center for supporting a sustainable event by using locally sourced menu items, piloting an organics collection program, tracking electricity and water usage, and offering free recycling during their show

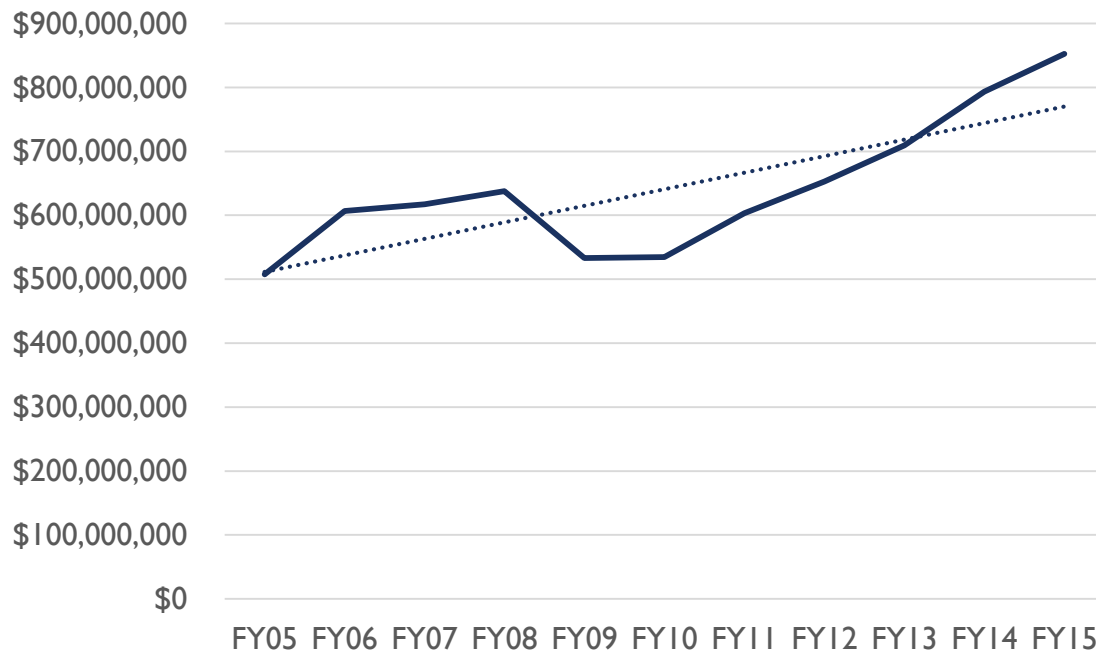


INDUSTRY TRENDS

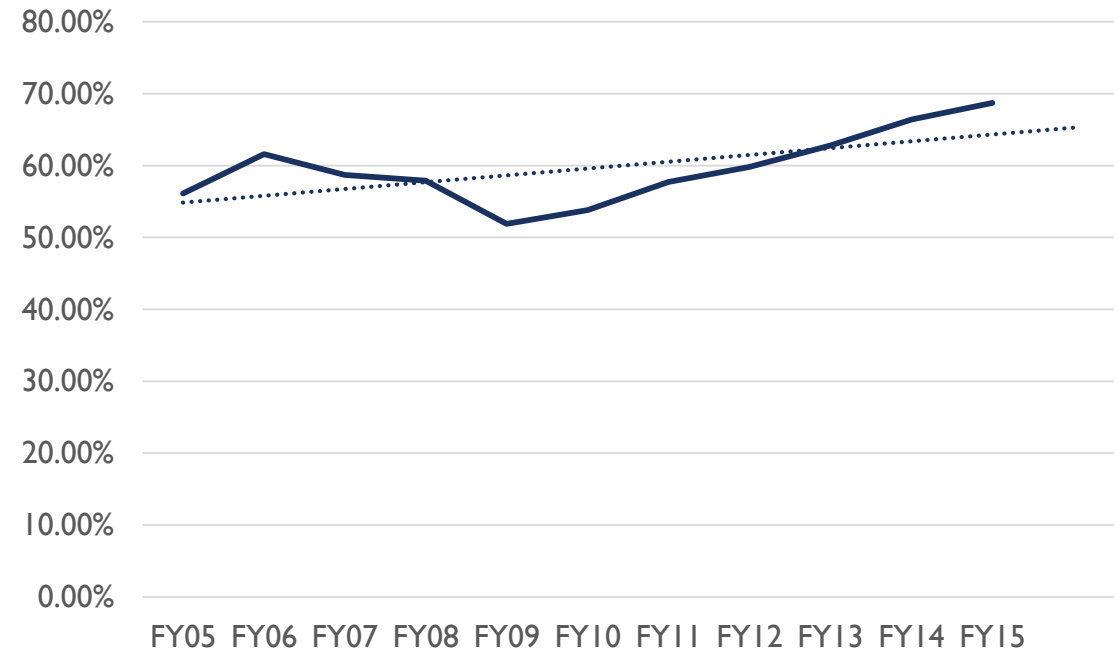


INDUSTRY TRENDS

Hotel Revenue



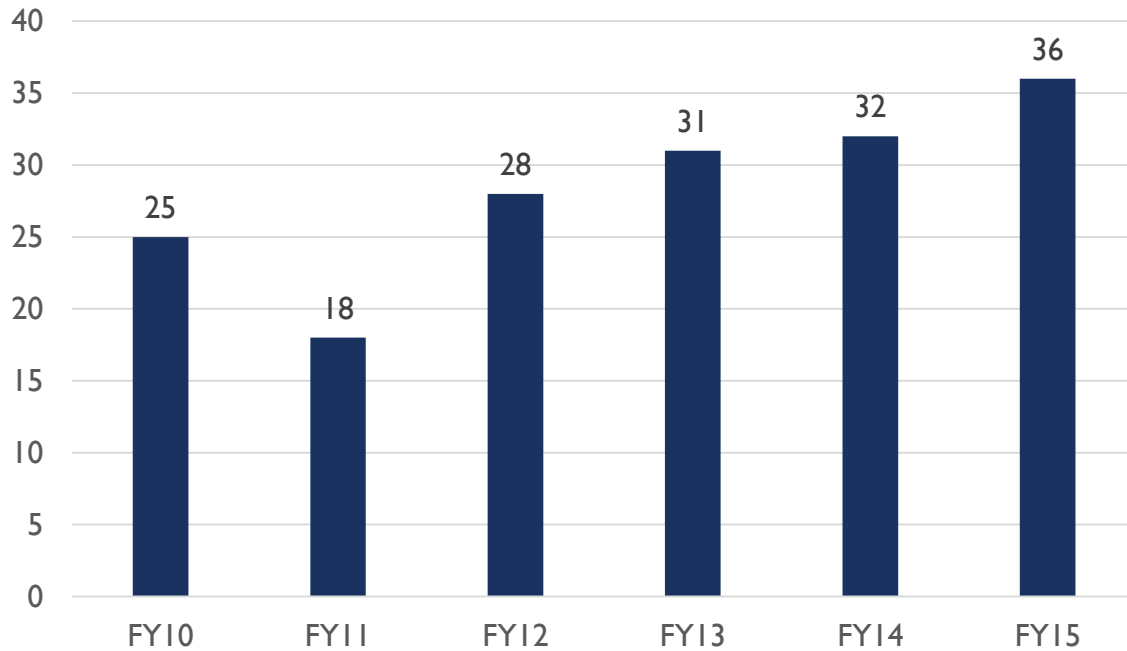
Hotel Occupancy



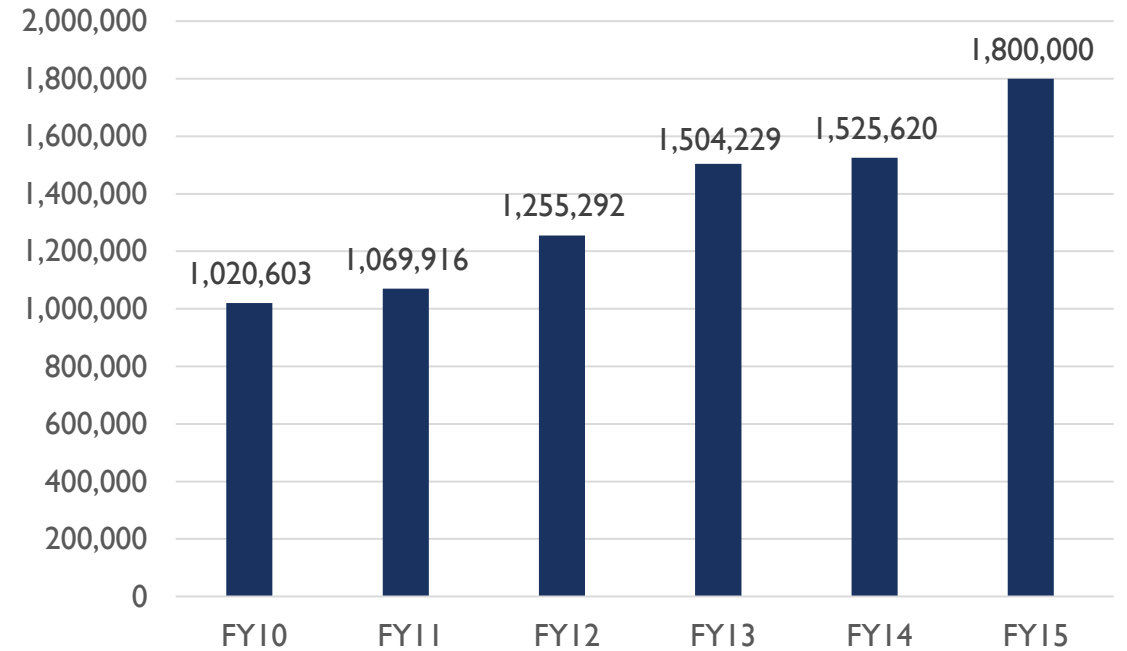
Since FY 2009 hotel revenues and occupancy rates have steadily increased. These trends have resulted in increased Hotel Occupancy Tax (HOT) revenue to the City.

INDUSTRY TRENDS

No. of Citywide Meetings Booked

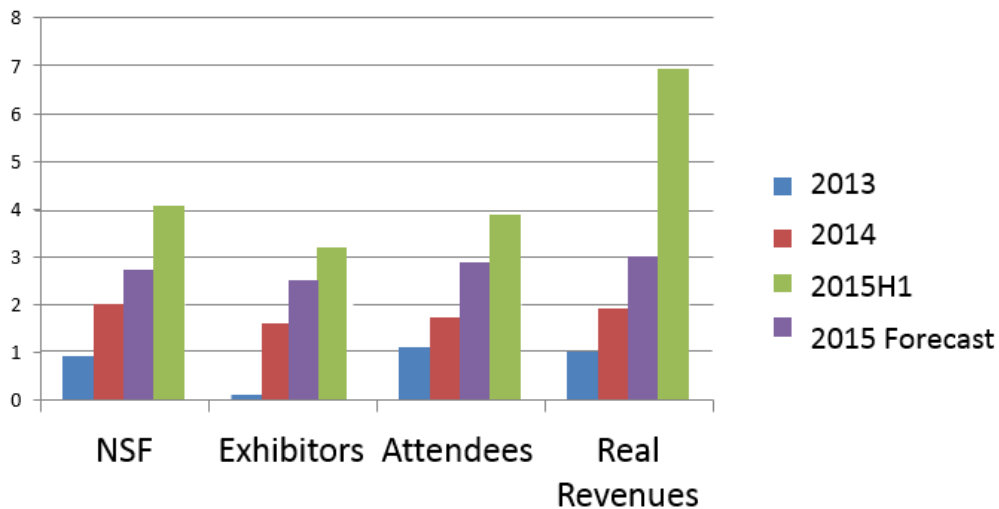


No. of Room Nights Booked



2015 CEIR INDEX REPORT

Overall Industry, Year Over Year % Change

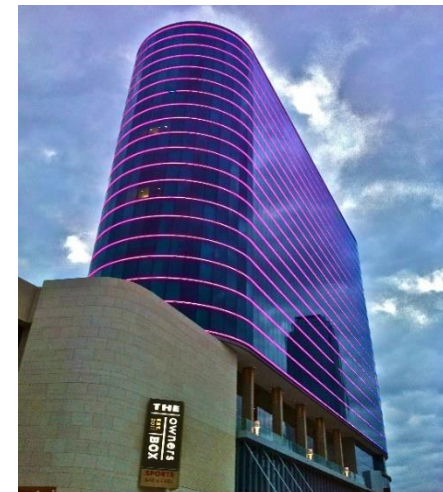


- If economy strengthens, Total Index could rise by another 2-3% in both 2016 and 2017 on top of a strong 2015 gain.

*Center for Exhibition Industry Research

INDUSTRY OUTLOOK

- Average Daily Rate (ADR) for the City of Dallas for December 2015 was \$103.30, \$5.34 over December 2014
- Occupancy is now over 70% for Downtown Dallas and the city limits
- Growth in Occupancy, Revenue per Available Room (RevPAR), Room Revenues in Dallas continue to outpace national averages
- Dallas' hotel development market is expected to continue to grow rapidly with 16 new hotel projects, 8 of them in Downtown Dallas
- Room nights booked have continued to grow year over year since FY 2009
- Bookings on the calendar through 2026





QUESTIONS?