



Durham Convention Center Authority Meeting
 Thursday, October 25, 2012
 Durham Convention Center Meeting Room II
 11:30 AM

The meeting was called to order at 11:30AM with the following representatives present: *Authority:* Patrick Byker, Bill Kalkhof, Rosemarie Kitchin, and Billy Ruffin. *Owners:* Drew Cummings, Sharon DeShazo, Jina Propst, Joel Reitzer, and Al Walker. *Management Company (Global Spectrum):* Jen Noble. A motion was made to excuse absences for Richard Ford and Dawn Paffenroth. Their absences were approved unanimously. Ms. Kitchin made a motion to approve the September 27, 2012 meeting minutes, Mr. Ruffin seconded, and the minutes were approved unanimously.

Action Items: *(Comments italicized)*

- Interior and exterior signage to identify and market the Durham Convention Center.
Included in prioritized construction related expenses.
- A Public Relations program is in process.
No current update provided.
- The Authority requested staff compute the incentive fee due to Global Spectrum comparing the twelve month term to the ten month actual, as the DCC did not open until construction was completed in September 2011.

Durham City and County Administration:

Total Incentive Payment Available - \$100,000

Financial Performance (70%)		<u>Full Year</u>	<u>10 Month Basis</u>
FY2011/12 Gross Revenue		\$1,712,330	\$1,712,330
Benchmark for FY2012		<u>\$1,500,000</u>	<u>\$1,249,950</u>
		\$212,330	\$462,380
Contractual Percentage:		20%	20%
		<u>\$42,466</u>	<u>\$92,476</u>
Total Financial		<u>\$42,466</u>	<u>\$70,000</u>
Non-Financial Performance (30%)			
Overall Management	\$15,000 (100%)	\$15,000	\$15,000
Corporate Citizenry	\$5,000 (100%)	\$5,000	\$5,000
Customer Service	\$5,000 (93%)	\$4,625	\$4,625
Asset Management	\$5,000 (100%)	<u>\$5,000</u>	<u>\$5,000</u>
Total Non-Financial		\$29,625	\$29,625

Total Incentive Due for FY2011/12

\$72,091

\$99,625

FY2011/12 produced an operational savings of \$157,689 less the FF&E purchased. The DCC financial performance is based on 70% of the maximum incentive fee (per management fee of the fiscal year). The remaining 30% of the maximum potential incentive fee earned is based on overall management performance, corporate citizenry, customer service and asset management. Global Spectrum has been 100% compliant with replying to contractual obligations. A ten month adjustment period was used this past fiscal year due to time allotted for construction. There is no specific provision within the agreement that allows for a ten month adjustment versus a full year. Due to Global Spectrum exceeding savings in the FY2011/12, the operating funds have reserves available for use. Mr. Kalkhof expressed reservation about using funds that may be needed for future FF&E. The fund contingency in addition to operational savings subtotal \$231,835; minus the proposed incentive for Global Spectrum calculated at \$99,625 leaving a remaining balance of \$132,210. The following are additional FF&E needed:

○ Two double stacked ovens	\$23,000
○ Wireless Firewall	\$6,500
○ Security System with cameras	\$12,000
○ Interior flag signage	\$11,563
○ Lobby sprinkler repairs	\$4,500
Total Prioritized Items	\$57,563

As Owner's administrator, Mr. Reitzer recommends that we proceed with purchasing the two ovens, the wireless firewall, and the security cameras which total \$41,500. \$110,000 remains for an operating reserve. \$200,104.50 prioritized construction related expenses is included in the capital budget. Other improvements and purchases for DCC operations totaling \$250,196 are pending until funding is available.

- Shaner's remaining phase II project reimbursement to the Owners is approximately \$200,000. A second payment has not been received. The Owners are forwarding a reminder for payment with accumulated interest.
- The phase II capital improvements project currently has \$72,091 in contingency.
- Joint booking with the Armory could expand marketing opportunities. The Armory is currently booked through the Department of Parks and Recreation.

Phase II Renovation Update:

- Punch list and remaining items:
 - Wall sconces for ballrooms have been fabricated and delivery is expected within the next two weeks.

Global Spectrum Report:

- In September, the DCC hosted 29 events with 9,018 guests and 40 event days. October currently has 29 events with an estimated 6,245 guests and 36 event days. Customer survey scores are consistent at 4.659 out of 5.
- Notable September and October events:
 - Escapist Show - 5285 guests; DCC Revenue - \$24,906.66.
 - Duke Medicine Cell Therapy – 360 guests; DCC Revenue - \$17,138.40.

- Duke Medical Marketing and Communications – 1902 guests; DCC Revenue - \$20,169.40.
- SECAC – 900 guests; DCC Revenue - \$30,444.40; Room Revenue - \$58,625.
- Sales bookings for fiscal year 2012/13.

	Beginning 07/26/2012	September 2012
○ Definite:	\$706,838	\$1,302,551
○ Tentative:	\$138,612	\$172,180
○ Proposals:	\$214,760	\$80,125
○ Grand Total:	\$1,060,210	\$1,474,732
- Global Spectrum Public Relations:
 - Duke Magazine.
 - Met with Durham Magazine regarding bridal issue.
 - Attended Rotary Club on weekly basis.
 - Updated Facebook and website– accumulating a lot of wedding traffic.
 - AENC – Success magazine – full page advertisement.
- Durham Convention Center Staffing:
 - Travis Brooks – New Executive Chef – starts October 29.
 - Jose Carlos Gonzales from James L. Knight Center – start date: November 5.
 - Anthony Solomon – Operations – start date: November 5.
 - Currently conducting intern interviews for the fall semester.
- Budget: September 2012

○ Net Income (loss) for September:	(\$ 46,742)
○ Year-to-date Budget Variance:	\$ 26,836
○ Year-to-date Actual:	(\$94,793)
○ Total Event Income (Actual):	\$ 67,113
○ Total Event Income (Budget):	\$ 81,812
○ Total Event Income (Variance)	(\$ 14,699)
○ Total Annual Budget:	(\$573,046)

DCCA:

- On behalf of the DCCA, Ms Kitchin made a motion for a resolution that will support the City and County both in changing their processes to allow carryover funds from fiscal year savings for use in a fund exclusively for DCC improvements and capital expenses. This process would be supported by the Durham Convention Center Authority. Mr. Kalkhof seconded and the motion was approved unanimously.
- On behalf of the DCCA, Ms Kitchin made a motion for the Owners to authorize expenditures for three prioritized items: two double ovens, wireless firewall and a security system with cameras at \$41,500 funded from operational savings. Mr. Ruffin seconded and the motion was approved unanimously.
- The DCCA would like to see exterior DCC signage visible from Morgan Street.
- On behalf of the DCCA, Mr. Kalkhof made a motion to recommend that Global Spectrum receive \$99,625 for an outstanding performance in operating the DCC during the FY2011/12. In addition, the Authority supports awarding the incentive based on a ten month operational fiscal year, since the DCC was closed for the first two months of the past fiscal year and was not due to any actions by Global Spectrum. Prior to Global Spectrum’s tenure, the DCC deficit was approximately \$1.35 million dollars during FY2008/09 and

FY2009/10, and \$1 million in FY2010/11. The savings earned through Global Spectrum's first full year of management (FY2011/12) has allowed use of operational savings to acquire needed FF&E. Ms Kitchin seconded and the motion was approved unanimously.

Subcommittees:

- Finance Committee:
 - The committee did not meet this month; however, accepts DCC financials from Global Spectrum.

- Hotel Task Force:
 - Within two years, downtown will have hotel options that will provide up to 501 rooms. This will include 21c Hotel with 125 rooms and Holland Hotel with 52 rooms.

New Business:

- Joint City/County Committee meeting presentation to be made on November 13.