

2025 RiverCentre/Visit Saint Paul Budget Memo

To: Mike Solomon
From: Susan Hubbard, Sheeeyng Moua
CC: Jaimee Lucke Hendrickson, Kate Setley, Bill Huepenbecker Jim Ibister
Date: November 1, 2024
Re: 2025 Visit Saint Paul – RiverCentre Budget

Mr. Solomon,

We respectfully submit the 2025 Visit Saint Paul - RiverCentre Budget for your review.

As in previous years, revenues for rent, service income, and food and beverage were calculated with a master event summary schedule, which we call the EVENT budget. The event budget is used as a foundation to build the operating budget. This system also allows us to forecast budgets for future years, plan a calculated sales attack, and assist in explaining any variances from budget.

2025 Budget Assumptions

Facility

- Number of events: 237* as of 11/1/2024
- Rent is based on estimated P&L for all known confirmed, tentative and pick up events
- Service Income is based on estimated P&L for all known confirmed and tentative events. Pick up events added based on market trends and date availability
- Parking budget anticipates a similar event schedule as 2024. There will need to be some rate adjustment to allow for the additional sales taxes
- Sponsorship is expected to be 24% lower than 2024
- Other Income represents income from Verizon cell tower lease and outdoor sign rental. It also represents the loss of the Saint Paul Conservatory for Performing Arts Performing Artists tenant income due to their 2024 departure
- Expenses also include the following:
 - 2.5 to 4% Union wage increases
 - 2.5 to 4% Admin/Management wage increases
- Slight reallocation of labor % between facilities
- Allocation for PT costs for minimum wage increase and a reliance on more contracted cleaning services due to a diminishing part time labor pool
- Large repairs and equipment purchases continue to be paid from operating budget as we balance the needs of the capital budget and the ramp needs
- Sales efforts continue to be aggressive for rent, catering and service income revenue

*Includes estimates from Pick Up Events. Some of these events could combine into one event.

Visit Saint Paul Assumptions

Authority Revenue

24 Budget	24 Forecast	25 Budget	
\$3,247,657	\$3,309,098	\$3,256,714	<p>Budgeted revenue for 2025 assumes less than a 1% increase compared to the 2024 budget, based on:</p> <ul style="list-style-type: none"> Continued recovery of lodging tax performance along with the realization of the 1% lodging tax increase that first went into effect as the industry shut down due to the pandemic Forecasting a less than 1% decrease on Hotel/Motel Revenue compared to the 2024 budget Securing several new groups, along with returning events in 2025 Membership dues are budgeted at the same level as 2024, with a slight increase in advertising in the insider's guide and online advertising

Authority Expense

24 Budget	24 Forecast	25 Budget	
\$3,547,657	\$2,984,730	\$3,556,714	<p>Budgeted expenses for 2025 will assume a very small increase compared to the 2024 budget. Included in the budget:</p> <ul style="list-style-type: none"> Maintaining our budget for our Convention Promotional Fund at \$300,000 Continuing support for festivals/events through the 3rd year of a marketing promotion program and participating in the Tour Connection tradeshow Increasing the number of sales team engagement events to 14: 8 tradeshow and 6 client events Continuing the sales incentive program to bring group business to hotels Increasing the PR/media coverage of Saint Paul Dedicating \$225,000 to a digital marketing campaign

Foundation Revenues

2024 Budget	2025 Budget	
\$10,450	\$18,500	<ul style="list-style-type: none"> Includes revenue from annual partnership contribution and sponsorship

Foundation Expenses

2024 Budget	2025 Budget	
\$19,080	\$20,250	<ul style="list-style-type: none"> Community outreach including the Legislative Reception, the Mayor's Reception and tax filing

2025 Visit Saint Paul Budget Overview and Goals

In 2025, Visit Saint Paul will be coming off another year of transition having just brought on a whole new leadership team and establishing post-pandemic services/programming made possible by the City tourism grant and growth in lodging tax performance. The continued recovery of lodging tax revenues, the organization's primary funding source, along with interest in Saint Paul as a meetings/events destination, brings more stability to the organization's financial outlook.

Administration

- To execute programs and efforts to engage and support members, and to identify and execute initiatives to leverage the organization in support of the community
- Retain a positive culture of support and guidance to maximize organizational productivity. Successfully manage staff workloads and transitions while championing a positive culture, morale, and loyalty
- Ensure Visit Saint Paul is critical to local and regional initiatives. Successfully championed efforts to again adjust and enhance upon deliverables

Sales Department

- Generate new business for the local hotel community and increase economic impact from the convention and meeting industry for the city of Saint Paul
- Utilize the Convention Promotion Fund/Subsidy to provide incentives for RiverCentre rent to remain competitive in the meeting industry. Continue our incentive program with the hotel community to entice planners to book at Downtown Saint Paul hotel properties
- Participate in 14 tradeshow and national events to solicit new business for the RiverCentre and hotels
- Utilize a digital marketing campaign focused on reaching existing and new national, state, and local meeting professionals at the RiverCentre and hotel community for meetings
- Focus on client engagement with national and local FAM Tours, Xcel Energy suite events and Saint Paul Saints
- Work in partnership with Minnesota Sports and Events to target Saint Paul area sporting events
- Solicit metro-wide events with our partners in Minneapolis and Bloomington that bring increased economic impact to the Twin Cities region
- Participate at Tour Connection tradeshow to solicit and promote Saint Paul to festival and event promoters

Marketing Department

- Create fresh, new marketing campaigns and strategies aimed at boldly telling Saint Paul's story to leisure travelers, meeting planners and event attendees featuring the rich breadth of the city's assets through digital and print channels, including production and distribution of the annual Insider's Guide
- Expanded storytelling and economic inclusion for women- and BIPOC-owned businesses and event organizers
- Increase the PR/media coverage of Saint Paul's stories, assets and people to promote the city to attract visitors, conventions and events
- Additionally supporting local non-profit events with marketing support packages including digital billboard advertising, radio underwriting, photography, website and social promotion. Growing our engagement with potential visitors through social media and content creation in new and collaborative ways
- Increasing brand awareness among consumers, media, and stakeholders of Saint Paul's tourism industry to drive demand for the city through brand, marketing, promotions and messaging

Partnership Department

- Showing value by engaging businesses and organizations and making connections with those looking for information about Saint Paul, meeting planners, convention/event attendees, media producing stories about Saint Paul and the travel/hospitality community in the city
- Promoting Saint Paul businesses and boldly sharing Saint Paul's story through publication and distribution of a print visitor's guide and PR opportunities to drive visitors and convention attendees to their doors
- Hosting impactful meetings/events to build community while providing educational and professional development opportunities
- Expand connections and outreach with BIPOC- and women-owned businesses as well as those in Cultural Destination Areas in support of economic inclusion
- Provide access to relevant business intelligence and activate a center, proactive message strategy to be utilized by partners to better amplify key messages and generate excitement and return visits
- Increasing awareness of Visit Saint Paul's mission while advocating for the far reaching economic and social impacts of tourism and meetings on the local community, delivering on our brand promise

2025 RiverCentre Budget Overview

RiverCentre is competing with other publicly owned convention centers that consistently operate at significant losses and receive public subsidies. RiverCentre endeavors to:

- Cover its operating expenses. Subsidized primarily through operation of the parking ramp
- Fund its maintenance and replacement reserves through excess sales tax dollars, and a portion of reserves, after debt and other obligations are met

RiverCentre's Local Competition

- Minneapolis Convention Center is forecasting a loss of \$40M in the Mayor Recommended Budget. The variance is funded by hotel/motel tax, sales tax, entertainment tax and food and beverage revenue via the city's Downtown Assets Fund and fund balance
- Monona Terrace (Madison, WI) budgeted a deficit of \$5.3M for 2025; its deficits are covered by hotel/motel tax and other city transfers. Monona Terrace has asked for \$1.9M from the city for capital expenditure

Status of RiverCentre

2025 Outlook

2024 revealed considerable event stabilization compared to previous years. We enter 2025 with slightly more confidence in the predictability of events and their performance

Budget variances

Increases in the 2025 budget expenses are largely attributed to the increase in labor rates, the dependence on more alternative labor sources due to a shift in the market and rising costs of goods and services

RiverCentre Parking Ramp

The RiverCentre Parking Ramp continues to be a critical piece of our operation. Without it, attraction of events would be extremely challenging. Financially, RiverCentre would post a loss of \$3.9M without the revenue from this parking ramp.

Sales Approach

The facility has consistently emphasized a premium experience in order to present a quality value proposition that is required to generate the revenue needed to cover expenses

Customer Feedback

Evidenced through formal and informal feedback, client satisfaction continues to score very high on a five-point scale. 2024 year-to-date numbers show client satisfaction ratings averaging 4.9 / 5.0 for all surveyed clients. Despite high client satisfaction, consistent feedback from clients denotes an aging facility. Considerable work was done in 2024 to upgrade facility aesthetics and address critical maintenance projects and will continue

Work Force

Employee attraction and retention have changed considerably over the last five years, both on the part-time and full-time front. Common topics include pressure on wages, work life balance, competition for labor pools

Food and Beverage

Notable Influences

- We anticipate business levels to remain steady heading into 2025. Booking windows for conventions are still shortened but have improved over the past year and we expect this to continue for 2025
- Economic factors were considered in our forecast for 2025. The Minnesota legislature passed several bills this year that will impact expenses including minimum wage and employee benefits among others. We adjusted our expense forecast accordingly for 2025

Revenue Assumptions as of 11/1/24

- 2025 food and beverage revenue is budgeted at \$8,002,404
 - Gross catering revenue = \$6,239,869
 - Gross concessions revenue = \$1,281,400
 - Gross Headwater's Café revenue = \$481,135
 - NOI = \$1,639,947

Catering Event Summary

Type and volume of significant (\$30k+ per event day) events returning in 2025:

- Hunt Electric (\$119k), MN Chamber of Commerce Session Priorities (\$120k), Northern Green (\$100k), Winter Carnival Coronation Banquet (\$60k), LeadingAge MN (\$28k), Park Dental & The Dental Specialists (\$48k), AGC Construction Summit (\$68k), Gala4Goals (\$95k), St. Paul Chamber Annual Meeting (\$40k), Larson King Offsite (\$30k), MN Transportation Conference (\$180k), MN CLE – 4 Events Total (\$260k), Annual National Service-Learning Conference (\$52k), MN Dental Association (\$95k), Connect (\$200k), Minnesota Tech Connect (\$40k), Focus on Fresh (\$115k), INFRA Annual Conference (\$130k), Federated Challenge Gala (\$80k), Co+nvergence (\$114k), Federated Quarter Century Club (\$90k), Allen D Leman Swine Conference (\$82k), MN Council of Non-Profits (\$60k), Opus & Olives Gala (\$50k), MN Water Resources (\$70k), MARRCH Conference (\$117k), MN Power Systems Conference (\$138k), MN English Learners (\$60k)

Type and volume of NEW events in 2025:

- Auer Steel Expo (\$45k), Loffler Companies 2025 Tech Fest (\$33k), Housing First Minnesota Foundation Gala (\$47k), Nature Everywhere Conference (\$100k), AAW's Annual Symposium (\$40k), ADMC SummerFest (\$275k), Western Interstate Child Support Engagement Council (WICSEC) (\$90k)

Type and volume of significant events LOST and not returning in 2025:

- MREA (MN Rural Electric Association) Annual Meeting (\$49k), Xcel Energy Solutions Expo (\$30k), Noche de Colores Gala (\$38k), HP Transformation Tour (\$30k), The National Adaptation Forum (\$176), Republican Party of MN State Central Meeting & State Convention (\$60k), Frontiers in Hydrology (\$100k), North American Baptist 2024 Triennial Conference (\$90k), National Veterinary Symposium (\$176k), The North American SAF Conference & Expo (\$60k), MRCA 2024 Annual Conference & Expo (\$92k)

Concession Event Summary

Type and volume of significant (\$10k+ per event day) events returning in 2025:

- Land O' Lakes Kennel Club (\$30k), MN Roller Derby (\$15k each bout), St. Paul RV Super Show (\$50k), Northern Green (\$15k), MN Cheerleading Competition (\$31k), CannaCon (\$10k), Celebrity Championships (\$20k), MSHSL Gymnastics Tournament (\$35k), Donnie Smith Bike Show (\$115k), Hall of Fame Dance (\$45k), Minnesota Card Show – 2 events (\$125k), StarQuest Dance (\$23k), CFA State Cheerleading Competition – 2 events (\$32k), Twin Cities Tattoo Festival (\$56k), Modest – Premium Automotive Showcase (\$11k), Hmong New Year (\$90k), Ice Fishing Show (\$140k)

Type and volume of NEW events in 2025:

- Royal Weekend Minnesota (\$20k), League of Champions Dance Competition (\$40k), The Ultimate Collectors Expo (\$25k), 2026 World Juniors Hockey Championship Fan Fest (\$41k).

Type and volume of significant events LOST and not returning in 2025:

- First Tech Challenge and Lego League (\$29k), World Wide Dream Builders (\$10k), Frozen Four Fan Fest (\$40k), Republican Party of MN State Central Meeting & State Convention (\$20k)

Analysis of 2024 Event Budget, 2024 Forecast and 2025 RiverCentre Budget

The 2024 event budget and 2024 forecast vs. 2025 event budget as of 11/1/2024:

<u>2024 Budgeted Events</u>	<u>2024 Forecasted Events</u>	<u>2025 Budgeted Events</u>
248 Total Events	213 Total Events	243 Total Events
132 Firm Events	123 Firm Events	132 Firm Events
116 Tent/Pick Up Events	90 Tent/Pick Up Events	111 Tent/Pick Up Events
17 Conventions	15 Conventions	15 Conventions*
120 Meetings*	86 Meetings	114 Meetings*
16 Consumer Shows*	17 Consumer Shows	19 Consumer Shows*

*Includes estimates from Pick Up Events. Some of the meetings could combine into larger events.

The 2024 EVENT budget proposed that:

- 76% of Net EVENT budget revenue is from Confirmed events
- 10% of Net EVENT budget revenue is from Tentative events
- 14% of Net EVENT budget revenue is from Pick Up events

The 2024 EVENT forecast proposes that:

- 82% of Net EVENT budget revenue is from Confirmed events
- 5% of Net EVENT budget revenue is from Tentative events
- 13% of Net EVENT budget revenue is from Pick Up events

The 2025 EVENT budget proposes that:

- 83% of Net EVENT budget revenue is from Confirmed events
- 4% of Net EVENT budget revenue is from Tentative events
- 13% of Net EVENT budget revenue is from Pick Up events

The 2025 EVENT budget proposes that:

- The variance between the net revenue for the 2024 EVENT Budget and 2025 EVENT Budget is: \$753,158 (Positive).
- The variance between the net revenue of the 2024 EVENT Forecast (9+3) and 2025 EVENT Budget is: \$377,175 (Negative)

Other Variances

2025 Overhead/Utilities expenses are 6% higher than the 2024 budget and 2% higher than 2024 forecast. While insurance, maintenance agreements and credit card service costs increase, we continue to keep energy costs in line. Overhead costs such as facility repair are watched closely as the operating budget fluctuates. However, many repairs are critical and unavoidable in a twenty-six-year-old facility

NOI RiverCentre:

- 2024 Budget: (\$629,969) (Negative)
- 2024 Forecast (9+3): (\$500,364) (Positive)
- 2025 Budget: (\$123,189) (Positive)

NOI RiverCentre and VSP:

- 2024 Budget: (\$929,969) (Negative)
- 2024 Forecast (9+4): (\$824,731) (Positive)
- 2025 Budget: (\$176,811) (Negative)

2025 RiverCentre Non-Operating

Capital Expenses/Sales Tax Assumptions

- Capital budget is calculated by balancing estimated sales tax revenue and capital reserves with expected capital needs
- Capital needs that are unfunded are carried over to future years as deferred maintenance
- City Budgeted RiverCentre sales tax and TIF is \$3,839,205
- Estimated debt and other non-operating obligations including facility-VSP-City portion of tunnel debt is \$389,205. This will be paid for by sales tax.
- Amount able to be applied to capital budget \$5,955,000
- \$2,505,000 of reserves will be applied to critical infrastructure in the 2025 capital budget. \$3M will remain in reserves for future capital or operational emergencies
- Capital needs are many; however, the 2025 priorities that fit our funding capacity from sales tax are:
 - F&B Equipment (Kitchen Equipment, Serving, Retail) \$250,000
 - Parking Ramp Repair – Maintenance \$2,000,000
 - Upgrade all elevators and escalators (SPRC) \$1,800,000
 - Atmos Air Phase 2 \$150,000
 - Exterior Door Replacements \$500,000
 - Facility Lighting Upgrades \$325,000
 - Exterior Marquee \$450,000
 - Circulation, Event, and Admin Furniture \$130,000
 - Rice Park Entrance Improvements \$120,000
 - Cushman Carts \$20,000
 - Equipment (Events, Operations, Security) \$180,000
 - Exterior Recycling Bins \$30,000

2025 RiverCentre Facility Challenges, Opportunities and Goals

Challenges

Optimizing revenue with finite space and date availability for new business opportunities

- Turning away business due to lack of space or date availability
- Turning away business that would be more profitable than events already contracted

Rising event organizers' expectations of site locations, venues and perceptions

- Staying competitive with other venues and their amenities
- Managing event organizer expectations of areas outside venue control

Employee attraction and retention

- PT labor pool changes and competition for labor
- FT career norms are changing
- Pressure on wage increases
- Stronger desire for work-life balance
- Rising labor costs

Aging facilities and parking ramp

- Saint Paul RiverCentre - 27 years
- Roy Wilkins Auditorium - 93 years
- RiverCentre Parking Ramp – 55 years

Continued progress on sustainability practices

- Challenging in regards to managing programs in addition to other venue priorities

Opportunities & Goals

Sales & Marketing

- Identify new revenue streams and market during sales process
- Shift marketing emphasis to elevating RiverCentre's brand and relevance to event organizers through digital campaigns and personalized experiences
- Design and facility event-based experiences for selling to prospects. (Client open houses, food tastings, educational events, facility tours, etc.)
- Introducing new sustainability opportunities to enhance events focused on carbon reduction
- Refresh sustainability marketing assets and share in market and with event organizers
- Market aesthetic updates to the facility to position the venue as a relevant event space with modern amenities

Event Management

- Collaboration with the sales department to facilitate personalized selling experiences
- Develop new resources to enhance the client experience to increase spending on items we own in house. Creation of look books, collateral, packages
- Continued training of team to ensure the most efficient use of labor and utilities to ensure repeat business, drive revenue and reduce expenses
- Establish relationships with local non-profits to accept post event donations
- Execute unique client gift programs to drive loyalty, build connections, and elevate brand

Food & Beverage

- Collaboration with venue sales, marketing and event management department to support sales processes, including sales events and client tastings, as well as marketing opportunities
- Update catering, concession and café menus to ensure relevance in trends, as well as competitive market pricing and profitable menu items
- Complete the full integration of food & beverage management software “Craftable” to streamline business operations (recipe management, expenses management, sales mix, real-time inventory, food cost controls)
- Install indoor micro-farm to grow produce onsite and incorporate into Headwaters Café
- Identify food trends to create new menu items that appeal to event organizers

Operations

- Ensure critical infrastructure is repaired and operable to drive repeat business, specific focus on elevator and escalator improvements in 2025
- Upgrade facility lighting to LED models to reduce energy use
- Increase recycling / trash diversion efforts to reduce tax paid on trash (70% tax) through back of house waste sorting
- Finalize installation of Atmos Air to ensure clean air in the facility and reduce energy use on HVAC equipment

Security

- Continued focus on visible security efforts to ensure a safe campus and create a sense of safety amongst our clients, attendees, and employees
- Work closely with the event management team to ensure event safety through labor and / or metal detection
- Explore new approaches with part time labor to reduce overtime labor
- Ongoing commitment to working collaboratively with the Downtown Alliance, SPPD, Department of Homeland Security, etc. to drive information sharing, best practices, etc.
- Regular training of employees on de-escalation, CPR / First Aid, Narcan administration

Parking Ramp

- Effectively launch License Plate Reader technology to drive revenue, decrease expenses, and create a better guest experience
- Increase monthly parking revenue by 10%
- Analyze ramp supplies and explore new purchasing practices to decrease expenses
- Ensure seamless operation of electric vehicle charging stations for guests
- Ensure critical infrastructure is repaired and operable

All Departments – Service & Employees

- Update employee training and tools to bridge knowledge gaps due to turn-over
- Train all employees in Service First Academy
- Devote intentional planning to daily activities that contribute to creating a positive work culture that is inclusive, supportive, fun, and rewarding
- Hiring more bilingual leaders
- Adjust recruiting practices to identify more labor opportunities for harder to fill positions
- Develop incentive programs for part time employees to drive retention and job satisfaction
- Score an average of 4.7 or higher on client satisfaction results