

**SAN DIEGO CONVENTION CENTER CORPORATION
BUDGET COMMITTEE MEETING
OF THE BOARD OF DIRECTORS**

**Director Will Rodriguez-Kennedy, Chair
Director Jaymie Bradford
Director Gretchen Newsom**

**WEDNESDAY, MARCH 20, 2024, 11:00 A.M.
111 W. Harbor Drive, 2nd Floor, Executive Boardroom
San Diego, California 92101**

AGENDA

**Telephone number for members of the public
to observe, listen, and address the meeting telephonically:
1(888) 251-2909 – Access code is 6724115#**

1. **Call to Order** -Will Rodriguez-Kennedy, Chair
2. **Non-Agenda Public Comment:**
This portion of the agenda provides an opportunity for members of the public to address the Board on items of interest within the jurisdiction of the Board that have not previously been before the Board. Pursuant to the Brown Act, no discussion or action shall be taken by the Board on items not posted on the agenda.
3. **Approval of Proposed Minutes of January 24, 2024, Committee Meeting**
4. **Chair's Report**
5. **Action Item(s):**
 - A. **Recommendation to Approve FY 2025 Proposed Budget**
6. **Staff Updates:**
 - CFO
 - President & CEO
7. **Urgent non-agenda items** (must meet the requirements of Government Code, Section 54954.2)

8. **Budget Committee Comment** [Govt. Code §54954.2(a)(2)]

Adjournment

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Agenda Item 3

MINUTES

SAN DIEGO CONVENTION CENTER CORPORATION BUDGET COMMITTEE OF THE BOARD OF DIRECTORS COMMITTEE MEETING OF JANUARY 24, 2024

BOARD MEMBERS PRESENT: Chair Will Rodriguez-Kennedy and Grethen Newsom

BOARD MEMBERS ABSENT: Director Jaymie Bradford

STAFF PRESENT: Rip Rippetoe, Mardeen Mattix, Corey Albright, and Victoria Mitchell and Pat Evans (Recorder)

ALSO PRESENT:

*Meeting Minutes memorialize votes on “Action Items” and Staff Reports and are not a verbatim transcript of regular Committee meetings. Audio copies of Committee meetings are available upon request. Please contact Pat Evans at (619)525-5131 or pat.evans@visitsandiego.com to request a copy.

1. **Call to Order:** Chair Rodriguez-Kennedy called the meeting to order at 11:13 a.m. in the Executive Conference Room of the San Diego Convention Center, 111 West Harbor Drive, San Diego, California.

Chair Rodriguez-Kennedy announced that since this meeting is being conducted on site with an open line to the public, the first action is to perform a roll call to determine which Board members are present on this call:

Director Rodriguez-Kennedy – Present
Director Bradford- Absent
Director Newsom– Present

Chair Rodriguez-Kennedy reported that all Directors were present except Director Bradford, and that all votes would be recorded via roll-call vote.

2. **Non-Agenda Public Comment:** Chair Rodriguez-Kennedy requested public comment regarding any non-agenda items.

Ms. Lori Saldaña submitted a speaker’s slip requesting an opportunity to address the Committee regarding Agenda Item (2), and she was granted an opportunity to address her comments to the Committee regarding modifying SDCCC Board/Committee minutes to

include a brief synopsis of the topics addressed by members of the public during public comment portions of the agenda.

3. Approval of Minutes of December 4 , 2023, Budget Committee Meeting:

Chair Rodriguez-Kennedy inquired if any member of the public wished to comment on Agenda Item (3). No members of the public responded to the request for comment.

Directors Newsom and Rodriguez-Kennedy moved and seconded, respectively, to approve the minutes from the December 4, 2023, meeting.

Director Rodriguez-Kennedy – Aye

Director Bradford- Absent

Director Newsom– Aye

Vote: Unanimous

AYES: 2

NAYS: 0

ABSTENTIONS: 0

- 4. Chair’s Report:** Chair Rodriguez-Kennedy stated he looked forward to collaborating with staff and Directors Bradford and Newsom to get work done this year. Chair Rodriguez-Kennedy also welcomed Director Newsom to the Budget Committee.

5. Action Item(s):

A. Recommendation to Ratify Contract for ERP (Momentus Elite) Software Subscription Renewal

Chair Rodriguez-Kennedy called for a staff report regarding Agenda Item (5.A). After staff submitted its report, Chair Rodriguez-Kennedy inquired if any member of the public wished to comment on Agenda Item (5.A).

Ms. Lori Saldaña submitted a speaker’s slip requesting an opportunity to address the Committee regarding Agenda Item (5A), and she was granted an opportunity to address her comments to the Committee regarding a Work Force Report for the proposed contractor.

Director Bradford arrived at the meeting at 11:17 a.m.

After presentations by staff, and public comment, Directors Newsom and Bradford moved and seconded, respectively, to Recommend Ratifying the Contract for ERP (Momentus Elite) Software Subscription Renewal.

Director Rodriguez-Kennedy – Aye

Director Bradford- Aye

Director Newsom– Aye

Vote: Unanimous

AYES: 3

NAYS: 0

ABSTENTIONS: 0

B. Recommendation to Ratify Design Consulting Contract

Chair Rodriguez-Kennedy called for a staff report regarding Agenda Item (5.B). After staff submitted its report, Chair Rodriguez-Kennedy inquired if any member of the public wished to comment on Agenda Item (5.B).

Ms. Lori Saldaña submitted a speaker’s slip requesting an opportunity to address the Committee regarding Agenda Item (5.B), and she was granted an opportunity to address her comments to the Committee regarding a Work Force Report for the proposed contractor.

After presentations by staff, and public comment, Directors Bradford and Newsom moved and seconded, respectively, to Recommend Ratifying the Design Consulting Contract.

Director Rodriguez-Kennedy – Aye

Director Bradford- Aye

Director Newsom– Aye

Vote: Unanimous

AYES: 3

NAYS: 0

ABSTENTIONS: 0

6. Staff Updates:

CFO: Ms. Mattix reported the following:

- Ms. Mattix reported that staff will be distributing the financials through December by the time of the Board meeting.
- Preliminary reports are forecasting well compared to the original budget.
- Revenue is slightly behind, which is attributable to the change in sales philosophy from when the original budget was drafted. Staff originally anticipated having more short-term events booked; however, when the sales philosophy was changed to eliminate some of the short-term events to allow time to work on maintenance projects, that decision had impact on the revenues.
- The expense side of the budget will show some projects are going to be rolling over into next year which is favorable to the budget. Staff has either contracted for the projects or committed to the projects through Board action, but the projects will not be complete in this fiscal year, which, in turn, will show a savings.
- Offsetting both revenues and expenses, the budget will be right on target to where staff budgeted.
- Staff anticipated the Corporation would spend approximately \$9 million in capital expenditures this year. Staff had previously budgeted \$13 million but staff is intentionally deferring a few of the items that were in the budget because of the

pressure on the reserves due to a lack of identification of a dedicated funding source. Staff is having discussions with the City on how to address some of these issues. The airwall project (\$4 million) will be delayed because it will not critically impact events over the next couple of years and staff is hopeful that the issue of identified funding can be secured by then.

- The marshalling yard is a critical item for next year's budget that staff is attempting to resolve during talks with the City. The current contract is expiring next year, and since the Corporation does not have the option to extend the lease with the existing yard, staff are looking for other property opportunities. The property that was previously identified for use at the City is not going to be viable within the next year, so staff is now searching for another property to either lease or a parcel to purchase. The cost of the property is projected to be between \$13 - \$15 million. Staff is working with the City to determine a solution because the matter needs to be resolved within the next year.
- Staff is attempting to complete projects that are critical to business operations.

President & CEO Report: Mr. Rippetoe reported the following:

- Mr. Rippetoe had no report related to the Budget Committee; however, he did thank the entire SDCC team for their response to the unusually strong weather event that impacted the City on Monday.

After submission of the CFO and President & CEO report, Chair Rodriguez-Kennedy inquired if any member of the public wished to comment on Agenda Item 6.

Ms. Lori Saldaña submitted a speaker's slip requesting an opportunity to address the Committee regarding Agenda Item (6), and she was granted an opportunity to address her comments to the Committee regarding the existence of a written financial report. Ms. Saldaña also inquired about an update regarding the issue of excess Convention Center food distribution to City camps/shelter programs.

7. **Urgent non-agenda items** (must meet the requirements of Government Code, Section 54954.2) — **None**

8. **Budget Committee Comment** [Govt. Code §54954.2(a)(2)]: Director Newsom stated she was pleased to join the Board and she thanked staff for on boarding her so quickly. Chair Rodriguez-Kennedy asked staff to agendize the “approval authority” discussion for the Audit Committee. He also asked that staff (1) agendize a policy regarding work force reports for the Audit Committee and (2) confer with General Counsel to determine which entity controls the reports (i.e., Municipal Code, the Port etc.)

There being no further business, the meeting adjourned at 11:41 a.m.

CERTIFICATION

I, Will Rodriguez-Kennedy, Chair of the Budget Committee of the Board of the Directors of San Diego Convention Center Corporation, Inc., do hereby certify that the foregoing is a true and correct copy of the minutes of the business transacted by the Budget Committee of the Board of Directors of the San Diego Convention Center Corporation, Inc. at a duly noticed meeting held on January 24, 2024.

Will Rodriguez-Kennedy, Chair

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SAN DIEGO CONVENTION CENTER CORPORATION

MEMORANDUM

TO: Budget Committee

FROM: Mardeen Mattix, Chief Financial Officer

DATE: For the Agenda of March 20, 2024

RE: Recommendation to Approve FY 2025 Proposed Budget

BACKGROUND

The convention center maintains its position as the premier gathering place in the region, consistently delivering substantial economic benefits to the greater San Diego area through the hosting of international and national conventions and trade shows. FY2024 has witnessed robust attendance, with travel patterns resembling those seen in the pre-pandemic era.

The persistent demand for in-person events is evident in our booking strategy. The Sales and Marketing teams have dedicated significant efforts over the past few years to refine San Diego's business model in welcoming events to the center. Despite limited capacity, the sales team qualifies business opportunities, ensuring the right mix of events that align with all stakeholder needs. The primary focus is on maximizing Transient Occupancy Tax (TOT) to contribute to the City's General Fund while simultaneously supporting local businesses, engaging key stakeholders, and fostering the creation of quality jobs, all contributing to the overall prosperity of San Diego.

FY2024 Forecast Budget

In FY2024, SDCC budgeted to host 107 events with an estimated attendance of 776,150. The list included 48 Citywide events (44 Conventions and 4 Corporate Events) expected to generate an estimated \$1.6 billion in total regional impact. SDCC's short-term sales team was budgeted to host 59 events to contribute \$80M towards the overall regional impact figure.

Through a strategic overhaul of our sales approach, initiated after our budgetary planning, we successfully streamlined our event portfolio while preserving regional impact. In FY2024, we anticipate a slight reduction in the number of scheduled events, with 79 currently in the pipeline. Despite this adjustment, SDCC has maintained consistent bottom-line results and regional impact.

FY2024 commenced with a healthy reserve balance of \$29 million. This exceeded our initial estimate of \$25 million, attributable to robust performance in the final quarter of FY2023 and

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strategic delays in spending. Coupled with the refined sales strategy, aimed at maximizing tax revenues, and optimizing internal partner earnings to bolster our overall financial performance. Not only does this strategy promise a more resilient financial outcome, but it also allows us the flexibility to undertake necessary maintenance projects within our facilities.

FY2024 financial performance is slightly better than projected, with an estimated \$2M loss for the year. The year started with a stronger reserve balance of \$29.2M (or \$4.2M more than budgeted) thanks to an incredible last-quarter performance in the prior fiscal year. Furthermore, projected capital expenditures for FY2024 are expected to be \$3.7M less than initially budgeted which can be attributed to prudent decision-making, with a few projects postponed to future years. Consequently, the estimated reserve balance at the end of FY2024 is poised to be nearly \$20M, a substantial increase from the originally planned \$11.3M. This underscores our effective financial management and positions us with a stronger financial cushion for future endeavors.

FY2025 Budgetary Details:

FY2025 anticipates an exceptional milestone with projected operational revenue reaching an impressive \$49M, augmented by \$4M of total support contributions from the City of San Diego. Of the \$4M contributions, \$2.8M will be a direct pass-thru to the San Diego Tourism Authority for citywide sales and marketing efforts for the convention center. Despite this remarkable revenue performance, FY2025 is marked by an increase in operational expenses amounting to \$55.4M (excluding depreciation & amortization), resulting in a planned operational net loss of \$2.4M (inclusive of SDTA Marketing expense pass-through).

We begin the fiscal year with reserves poised at nearly \$20M. The projected financial landscape accounts for an operating loss, debt service payments, and essential capital purchases funded from the reserve. This comprehensive approach is anticipated to draw down the reserve to \$9.5M by the end of FY2025, nearing the required Target Reserve balance.

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Corporate Summary				
	FY2024 BUDGET	FY2024 FORECAST	FY2025 BUDGET	FY2026 PROJECTION
OPERATING REVENUES	\$43,326,870	\$42,403,239	\$49,034,768	\$45,613,950
OPERATING INFLOWS				
City of San Diego - Funding	\$5,000,000	\$5,000,000	\$1,183,310	\$11,000,000
City of San Diego - Marketing	2,734,650	2,734,650	2,816,690	2,901,191
TOTAL OPERATING INFLOWS	\$7,734,650	\$7,734,650	\$4,000,000	\$13,901,191
TOTAL REVENUES AND INFLOWS	\$51,061,520	\$50,137,889	\$53,034,768	\$59,515,141
PERSONNEL EXPENSES	\$30,333,117	\$30,853,996	\$32,942,588	\$34,260,298
SUPPLIES & SERVICES EXPENSES	\$19,748,130	\$18,816,220	\$22,467,254	\$21,632,974
DEPRECIATION & AMORTIZATION	\$3,194,806	\$3,385,036	\$3,423,484	\$3,594,658
TOTAL OPERATING EXPENSES	\$53,276,052	\$53,055,252	\$58,833,326	\$59,487,930
NET OPERATING INCOME / -LOSS	-\$2,214,532	-\$2,917,364	-\$5,798,557	\$27,211
Non-Operating Revenues	312,100	1,754,100	1,104,100	654,100
Non-Operating Expenses	841,724	909,540	834,036	772,769
NET NON-OPERATING REVENUES/EXPENSES	-\$529,624	\$844,560	\$270,064	-\$118,669
CHANGE IN NET POSITION	-\$2,744,156	-\$2,072,804	-\$5,528,493	-\$91,458
OPERATING RESERVE ACTIVITY				
Beginning Operating Reserve:	\$24,938,976	\$29,162,991	\$19,675,234	\$9,484,225
+ Change in Net Position	-2,744,156	-2,072,804	-5,528,493	-91,458
+ Depreciation & Amortization (No Reserve Impact)	3,194,806	3,385,036	3,423,484	3,594,658
- Principal: iBank Loan & Leases	-842,880	-1,384,843	-1,467,880	-1,354,486
- Capital Purchases	-13,270,978	-9,415,146	-6,618,120	-7,984,960
Ending Reserve Balance:	11,275,768	19,675,234	9,484,225	3,647,979
MRM - Recommended Target Balance (25%)		12,534,470	13,258,690	14,878,790
Target Balance (14%)		7,019,300	7,424,870	8,332,120
Minimum Balance (8%)		2,992,512	3,374,235	3,556,856

FY2025 Proposed Operating Revenues total \$49M, which is \$5.7M better than the prior year budget. The increase in FY2025 operating revenues continues to reflect a focused sales strategy geared at generating economic impact through qualified business contracts that serve the needs of all stakeholders in the community, yielding higher ancillary revenue while optimizing hotel room nights that generate tax revenues even as the total number of events decreases to allow for maintenance and capital improvements.

FY2025 is scheduled to host 78 events with an estimated attendance of 770,125. The list includes 48 Citywide events (41 Conventions and 7 Corporate Events) expected to generate an estimated \$1.7 billion in total regional impact. SDCC's short-term sales team is budgeted to contribute \$80M towards this overall regional impact figure.

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	FY2024 BUDGET	FY2024 FORECAST	FY2025 BUDGET	FY2026 PROJECTION
OPERATING REVENUES				
Rev-1 Building Rent	\$9,624,410	\$8,276,130	\$8,843,087	\$9,615,495
Rev-2 Food & Beverage	14,834,860	14,344,446	19,173,164	15,118,430
Rev-3 Event Services	4,321,960	4,819,295	5,252,539	5,401,821
Rev-4 Utilities	6,599,980	6,955,568	7,303,320	7,234,389
Rev-5 Telecommunications	5,454,420	5,923,801	5,820,081	5,835,327
Rev-6 Audio & Visual	1,440,340	1,448,008	1,926,328	1,690,488
Rev-7 Other Ancillaries	1,043,400	632,241	713,250	715,000
Rev-8 Other Revenues	7,500	3,750	3,000	3,000
TOTAL OPERATING REVENUES	\$43,326,870	\$42,403,239	\$49,034,768	\$45,613,950

Offsetting the increase in revenues are increased expenses. Personnel costs are expected to increase by nearly \$2.6M, or 8.6%, from the FY2024 budget primarily attributed to planned wage adjustments and heightened bargaining rates for represented staff. The budget for non-represented staff is earmarked to receive a competitive 4% increase, a noteworthy shift from the 5% annual increase during the COVID years and a departure from pre-pandemic averages of 3%.

	FY2024 BUDGET	FY2024 FORECAST	FY2025 BUDGET	FY2026 PROJECTION
Wages-1 Salaries & Wages - Full Time	\$18,197,198	\$18,657,533	\$20,711,564	\$21,540,027
Wages-2 Salaries & Wages - Part Time	5,570,308	5,794,000	5,500,833	5,720,866
Wages-3 Fringe Benefits	6,565,611	6,402,463	6,730,191	6,999,405
TOTAL PERSONNEL EXPENSES	\$30,333,117	\$30,853,996	\$32,942,588	\$34,260,298

For the past couple of years, SDCC has been building its maintenance and capital planning department that oversees resource planning, rehabilitation, and replacement projects as well as general maintenance of the aging building. In prior years, staff were responsible for daily maintenance of the facility, largely focused on servicing events only. After further discussions with the City of San Diego and a review of over \$400M in identified future capital investment needs over the next 20 years, internal teams will lead these efforts to ensure proper investments and planning can be accomplished for critical projects. The City and SDCC continue to forge a path forward to define future projects and funding resources.

Supplies & services costs for general building support, repairs & maintenance, and utilities increased from \$19.7M in FY2024 to \$22.5M for FY2025 (\$2.8M higher). This increase is primarily in support of critically required equipment needs, projects, and increased utility costs.

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		FY2024 BUDGET	FY2024 FORECAST	FY2025 BUDGET	FY2026 PROJECTION
Exp-1	General Expenses	\$2,556,983	\$1,498,966	\$3,186,427	\$1,945,753
Exp-2	Repair & Maintenance	6,084,882	4,679,760	6,157,301	5,965,167
Exp-3	Utilities	5,955,000	6,955,000	7,155,000	7,512,750
Exp-4	Contracted Services	718,840	1,174,903	1,165,560	1,222,520
Exp-5	Travel & Transportation	103,535	99,188	119,430	125,403
Exp-6	Insurance	763,000	751,646	991,286	1,040,850
Exp-7	Telecommunications	92,100	74,850	83,100	87,255
Exp-8	Sales & Marketing	2,784,440	2,768,708	2,876,545	2,964,039
Exp-9	Supplies	689,350	813,199	732,605	769,237
TOTAL SUPPLIES & SERVICES		\$19,748,130	\$18,816,220	\$22,467,254	\$21,632,974

IBank debt service expenses for FY2025 are nearly \$1.7M, matching the FY2024 Budget.

Total FY2025 Capital Investments for CIP and Operating Capital, Net of Debt is \$6.6M (a decrease of \$6.7M from the FY2024 Budget) to address only critical items because of the City’s budgetary shortfall and lack of anticipated funding to support capital reinvestments. CIP projects total \$5.9M and will primarily focus on four areas:

- 1) (\$3.1M): Various electrical improvement projects (including replacement of electrical circuit breakers and transformer replacements). These improvements are required to maintain existing infrastructure that is original to the building.
- 2) (\$1.5M): Various building reconditioning projects for marshal yard land development, office reconfigurations and customer-facing lobby concession renovations.
- 3) (\$.7M): Continued central plant design for a planned replacement expected to be well over \$10M+ in FY2026.
- 4) (\$.5M): Continued design and development of West building roof replacement. Originally planned to commence in FY2023 following foundational engineering analysis and conceptual plan designs, further analysis using a design-build contracting firm specializing in Energy Saving Contract financing delayed the project - as the scope was extended to include a solar review. Staff have coordinated with both the City and Port, anticipating construction to commence in the summer of 2025 (with expected completion in FY2026). A heavy event schedule in FY2024 and FY2025 leaves little available down time for construction.

Operating and Maintenance capital needs total \$723K and are due primarily to two focus areas of investment:

- 1) (\$445K): Various operating equipment needs (i.e.: forklifts, large ride-on vacuums, electric carts).
- 2) (\$175K): Technology: ERP enhancements.

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STAFF RECOMMENDATION

Budget Committee accepts the FY2025 Proposed Operating and Capital expense budget to recommend approval to the Board of Directors.

_____/s/_____
Mardeen Mattix
Chief Financial Officer