

**SAN DIEGO CONVENTION CENTER CORPORATION
BOARD OF DIRECTORS MEETING**

**WEDNESDAY, OCTOBER 29, 2025, NOON
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:
(727) 731-7732 – No access code is needed.**

The Executive Office elevator is currently out-of-service; however, members of the public who are mobility impaired may observe and/or provide public commentary for this meeting from the Administrative Conference Room located at Hall “E,” Mezzanine Level.

1. Call to Order – Shawn VanDiver, Chair

2. Public Comments

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 are not on the posted agenda. Also, this portion of the agenda provides an opportunity for members of the public to provide public comments on any informational items as listed on this agenda. Pursuant to the Brown Act, no discussion or action shall be taken by the Board on items not posted on the agenda.

3. Board Committee Reports and Board Action Items

Receive Public Comment For Consent Agenda

Consent Agenda:

A. Approval of Proposed Board Meeting Minutes of September 24, 2025

Recommendation: Staff recommends approval of the Consent Agenda as set forth hereinabove.

Action Item(s):

B. Audit Committee (Will Rodriguez-Kennedy)

(1) Authorization to Review and Accept Draft FY 2025 Audited Annual Financial Report

Recommendation: The Audit Committee recommends that the Board of Directors authorize Review/Acceptance of Draft FY 2025 Audited Annual Financial Report.

Receive Public Comment

C. Budget Committee (Alyssa Turowski)

(1) CFO Financial Report

Informational Item- No Discussion or Action-
Brief Comments or Questions from Board Members Only

(2) Authorization to Ratify FY 2026 Restated Budget

Recommendation: The Budget Committee recommends that the Board of Directors ratify the FY 2026 Restated Budget.

Receive Public Comment

D. Sales, Marketing & Events Committee (Gretchen Newsom)

Informational Item- No Discussion or Action-
Brief Comments or Questions from Board Members Only

4. Chair's Report (Shawn VanDiver)

Informational Item- No Discussion or Action-
Brief Comments or Questions from Board Members Only

5. Board Comment [Govt. Code § 54954.2(a)(2)]

Informational Item- No Discussion or Action-
Brief Comments or Questions from Board Members Only

6. Urgent non-agenda items (must meet the requirements of Government Code, Section 54954.2)

Receive Public Comment For Closed Session

7. Closed Session

A. CONFERENCE WITH LEGAL COUNSEL- EXISTING LITIGATION

Government Code section 54956.9 (d)(1) (1 case)

Case No. 25 CU027655C

Adjournment

This information is available in alternative formats upon request. To request an agenda in an alternative format, or to request a sign language, oral interpreter, an Assistive Listening Device ("ALD"), or other reasonable accommodation for the meeting, please call Pat Evans at (619) 525-5131 at least two working days prior to the meeting to ensure availability. **Audio copies of Board of Director meetings are available upon request. Please contact Pat Evans at (619)525-5131 or pat.evans@visitsandiego.com to request a copy.**

In compliance with Government Code section 54957.5, non-exempt written material that is distributed to the Board prior to the meeting will be available at the meeting or it may be viewed in advance of the meeting online at visitsandiego.com. Materials distributed to the board after the posting of this agenda also will be available. Please contact Pat Evans at (619)525-5131 or pat.evans@visitsandiego.com if you would like to receive a copy of any material related to an item on this agenda.

Action items on this agenda may be consolidated for voting purposes into a single vote of the Board, to the extent they are routine or otherwise do not require further deliberation. A Board member may comment on an action item before it is voted upon as part of the consolidated vote; however, if a Board member wishes to discuss an action item, that item will not be included in the consolidated vote. If a member of the public wishes to comment upon an action item, they should so advise the Board chair at or before the public comment portion of the meeting, in which case that item will not be included in any consolidated vote.

Agenda Item 3.A

MINUTES* SAN DIEGO CONVENTION CENTER CORPORATION BOARD OF DIRECTORS

BOARD MEETING SEPTEMBER 24, 2025

BOARD MEMBERS PRESENT: Chair Shawn VanDiver and Directors Alyssa Turowski, Jessica Anderson and Jeff Gattas

BOARD MEMBER(S) ABSENT: Director Sam Nejabat, Director Jessica Anderson, and Director Jeff Gattas

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

ALSO PRESENT: Jennifer Lyon, General Counsel

*Meeting Minutes memorialize votes on “Action Items” and Staff Reports and are not a verbatim transcript of regular Board meetings. Audio copies of Board of Director 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 Shawn VanDiver called the Board Meeting to order at 12:02 p.m. in the Executive Boardroom of the San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, CA 92101.

Chair VanDiver then called roll to determine which Directors were present:

Director VanDiver - Present
Director Rodriguez-Kennedy – Present
Director Turowski – Present
Director Newsom – Present
Director Nejabat – Absent
Director Anderson - Absent
Director Gattas – Absent

All Directors were recorded as present except Director Nejabat, Director Anderson and Director Gattas. Chair VanDiver noted that all votes taken during this meeting would be recorded via roll call vote.

2. **Public Comment** – Chair VanDiver inquired if any member of the public wished to comment on any non-Agenda items. No members of the public responded to the request for comment.

3. Committee Reports and Board Action Items:

Consent Agenda:

A. Approval of Minutes of Board Meeting of August 27, 2025

Chair VanDiver inquired if any Director would like to pull a Consent Agenda item for discussion. Hearing no request to pull a Consent Agenda item, Chair VanDiver then inquired if any member of the public wished to comment on Agenda Item (3.A). No members of the public responded to the request for comment.

After request for public comment and for Director discussion, Directors Newsom and Turowski moved and seconded, respectively, to approve the Consent Agenda as set forth hereinabove.

**Director VanDiver – Aye
Director Rodriguez-Kennedy – Aye
Director Turowski – Aye
Director Newsom – Aye
Director Nejabat – Absent
Director Anderson– Absent
Director Gattas – Absent**

Vote: Unanimous

AYES: 4

NAYS: 0

ABSTENTIONS: 0

Action Item(s):

B. Budget Committee (Alyssa Turowski)

(1) Deputy CEO-CFO Financial Report

Deputy CEO-CFO Mattix reported:

- COO Albright introduced and welcomed Andrea O'Hara, the Corporation's new Director of Procurement and Contracts.
- Ms. Mattix noted that financial statements were not released for September because the Corporation is still in the process of completing the 2025 audit and finance staff is working diligently on the audit. Last night, Ms. Mattix forwarded all required communications from the auditors to the Board for review.
- The Corporation finished off FY 2025 really well.
- The finance staff will provide the Board with a revised budget because the Corporation had a significant number of projects that were started, but were not completed, within FY 2025. Those projects needed to be moved into the FY 2026 budget. There was also one change (a monetary contribution from the City to the Corporation) that occurred during City Council approval of the City's budget. The Corporation needs to have a revised budget that matches the City's contribution to the Corporation, at least from the revenue perspective. Staff is

in the process of wrapping up the revised budget and it will be presented to the Board in October.

- The Corporation ended FY 2025 with reserves of approximately \$34 million. Some of those funds will be depleted in FY 2026 when the Corporation finishes some of the projects that were not completed in FY 2025.
- Reviewing the first two months of FY 2026 thus far, the Corporation has a strong line-up of events, and it expects this year to be strong and stable.
- Coming off of a record-breaking year is hard and the Corporation is facing some softness in the event line-up in the smaller types of events. Staff is monitoring those events very closely.
- September is a very interesting month from an event activity standpoint because the Corporation is hosting seventeen events where it normally hosts between four to six events a month. We have simultaneous events using the building this month for multiple weeks. We are going to study September, and it will be interesting to see how soft the month really turns out to be.
- So far, the Center has been outperforming many of our competitors. We are strong and we are on budget. Actually we are a little ahead of budget in reviewing the draft of August financials, but we are monitoring events closely just to determine if we see any other trends.
- The Corporation is continuing to focus on our strategies. The sales strategy appears to be strong, but we need to review ways to gain more efficiencies and home-in more closely on those strategies to keep the Corporation competitive with the rest of the Corporation's competitive set.

Since this item was an informational item only, no public comment or Board vote was required.

(2) Authorization to Approve Amendment to Fire Inspection Contract

Chair VanDiver called for a staff report regarding this item. After staff submitted its report, Chair VanDiver inquired if any member of the public wished to comment on Agenda Item (3.B.2). No members of the public responded to the request for comment.

After presentations by Staff, requests for public comment and for Director discussion, Directors Rodriguez-Kennedy and Turowski moved and seconded, respectively, that the Board approve an Amendment to the Sygnal Systems Fire Inspection contract to reflect the accurate quantity of 437 smoke dampers, resulting in a cost increase to the contract in the amount of \$99,676.21 over the five-year term.

**Director VanDiver – Aye
Director Rodriguez-Kennedy – Aye
Director Turowski – Aye
Director Newsom – Aye
Director Nejabat – Absent
Director Anderson– Absent
Director Gattas – Absent**

Vote: Unanimous

AYES: 4

NAYS: 0

ABSTENTIONS: 0

ENTIONS: 0

C. Sales, Marketing & Events Committee (Gretchen Newsom)

In Mr. Mikschl's absence, Ms. Mattix reported that the short-term sales team appears to be on track with their booking goals for FY 2026. Ms. Mattix reviewed the performance of FY 2025 events and noted as the city-wide sales strategy was modified, the sales team also incorporated some of those modified elements into the short-term team's sales strategy.

When you historically review the number of short-term events hosted in this facility, there used to be over 140 events per year. We are not booking as many short-term events. Our city-wide bookings remain between 48 and 52 events a year.

The short-term events are not just intended to impact the Corporation's financial bottom line; staff also reviewed how these short-term opportunities impact the region. Based on the report, you will notice that room nights are now somewhat of a focus for the short-term team's strategy. When we have an event that benefits the Corporation financially but really highlights bringing short-term out-of-town business into the City for room nights, we definitely book that event for the greater good of the region.

Performance wise, it is important to note that aside from building rent, there are other revenues that are affiliated with those events. From a FY 2025 perspective, we hosted forty-four short term events for 17,000 room nights and those events generated approximately \$1.1 million of actual building rent. However, the Corporation generated more than \$4 million of overall revenue. Those are the types of events we are looking at homing-in on in the future and we will continue to report on and hopefully add some more elements to that report in the future.

Mr. Schieferdecker reported that the long-term sales team, which books events 18 months and further out, is off to a good start to FY 2026. In the month of August, long term events brought 34,000 people to town which represented approximately 82,000 room nights.

From a cumulative basis, after the first two months of the year, the team is over 64% over goal from last year. It's a smaller number but a great start to the year. The team is excited to see lead volume is also up and that is indicative of having all of SDTA's sales positions filled whereas last year, they didn't have all of the positions filled.

In the month of August, the long-term team closed five new pieces of business, two of them being the American Diabetes Association, which is a large, very prestigious medical event that we wanted to return. This event is in a Thursday to Sunday event pattern which allows more flexibility with other events and is good for the city overall. That event will bring 30,000 room nights to San Diego in both 2025 and 2038.

We have three smaller events that were booked which represent approximately 7,000 room nights for 2027, 2028 and 2029 and this group has the likelihood of booking another seven years which would make it a ten-year running annual event. This event is under a "NDA," and we hope to announce the name of the event by mid-December, and it will be great news for the City of San Diego overall.

Also, it is impactful that all of the business we booked in 2026 are all first-time events in San Diego and keeps the focus on the short-term. The list this month represents the whole strategy overall with this new booking we have and the more prestigious events with the Diabetes Association. These events are a great blend of what our strategy represents moving forward.

We are hearing about more activity from San Francisco. They are getting their act together after a tough year. Their mayor is very involved in making sure the meeting attendees, convention attendees and clients know that they are committed to cleaning up the city. The mayor has been out doing a lot of different things with clients. The new CEO at San Francisco's equivalent to the SDTA is very aggressive as well. They are on the right track, and we knew they'd recover because it's a great city and so many good things happen there. We are making sure our team is aware of their progress, and we are going to have a strategy session in about two weeks to talk a little more about our messaging and making sure we are aware of everything happening there.

4. **Chair's Report (Shawn Van Diver)**

- Chair VanDiver thanked Ms. Mattix and Mr. Albright for holding down the business while Mr. Rippetoe was out of the office and he welcomed Mr. Rippetoe back into the office.
- Chair VanDiver appointed an Ad Hoc Nominating Committee for next year which will be made up of Chair VanDiver, Director Gattas and Director Anderson. This committee will propose a slate of officers for 2026 Board service.
- The next Board meeting is scheduled for October 29, 2025.
- Mr. Rippetoe reported he was grateful for all of the support and kind thoughts he received while he was out on medical leave of absence. He also noted the internal team did a fantastic job in his absence and it was good to be back.
- Chair VanDiver noted he was aware that there were vacancies in leadership roles, and he hoped there was a plan to fill those positions. Ms. Mattix reported that several interviews had taken place, and staff was working on not only filling those positions, but staff was also working on filling newly identified positions.

5. **Board Comment [Govt. Code § 54954.2(a) (2)] – None**

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

Chair VanDiver inquired if any member of the public wished to comment on Agenda Item (7), Closed Session. No members of the public responded to the request for comment.

7. **Closed Session:** The Board entered into closed session at 12:25 p.m. to discuss the items set forth below

A. EMPLOYEE PERFORMANCE EVALUATION
Government Code Section 54957
Title: President & CEO

The Board returned to open session at 12:58 p.m.

Reporting out of closed session, General Counsel Lyon stated that the Board discussed Item “7.A,” and direction was given but no reportable action was taken.

There being no further business, the meeting was adjourned 12:58 p.m.

I, Gretchen Newsom, Secretary of the Board of Directors of the 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 Board of Directors of the San Diego Convention Center Corporation, Inc., at a duly noticed meeting held on September 24, 2025, and that said minutes were approved by the Board of Directors on October 29, 2025.

Gretchen Newsom, Secretary

Agenda Item 3.B.1

SAN DIEGO CONVENTION CENTER CORPORATION M E M O R A N D U M

TO: Board of Directors

FROM: Will Rodriguez-Kennedy, Audit Committee Chair

DATE: For the Agenda of October 29, 2025

RE: Authorize Review/Acceptance of Draft FY 2025 Audited Annual Financial Report

BACKGROUND

The City Charter requires an annual independent audit of all accounts and books of the City of San Diego and its related entities, including the San Diego Convention Center Corporation. By agreement with the City, the Corporation is required to present its audited financial statements annually to its Board of Directors.

The Corporation entered into a two-year agreement (FY2025–FY2026) with Macias Gini & O’Connell, LLP (MGO) to perform audit services. Traditionally, both the City and the Corporation have retained the same audit firm to promote consistency and efficiency, however, staff broke tradition for this engagement by determining that continuing with the incumbent firm would provide needed stability and preserve institutional knowledge.

DISCUSSION

MGO has completed the audit fieldwork of the Corporation’s financial statements for the year ended June 30, 2025. The draft FY2025 Audited Financial Report along with the Auditor’s Required Communication is included with this communication. The audit engagement partner, Linda Hurley, along with her team, will present at the board meeting.

Staff provided more commentary in this year’s Management Discussion and Analysis than in previous years to emphasize the necessity of dedicated funding for ongoing maintenance and capital investments at the Center. The “Highlights to Financial Results” section outlines the continued commitment to developing a comprehensive capital and maintenance plan. Additionally, the “Economic Factors and Next Year’s Budget” section offers greater detail on the funding requirements, and the steps management is taking to enhance capital planning and investments.

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RECOMMENDATION:

The Audit Committee recommends the Board of Directors review/accept the FY2025 Audited Annual Financial Report.

_____/s/_____
Will Rodriguez-Kennedy,
Audit Committee Chair

SAN DIEGO CONVENTION CENTER CORPORATION

Report to the Board of Directors and the Audit Committee

For the Year Ended June 30, 2025

DRAFT



Certified
Public
Accountants

Transmittal Letter

DATE, 2025

To the Board of Directors and
the Audit Committee
San Diego Convention Center Corporation
San Diego, California

We are pleased to present this report related to our audit of the San Diego Convention Center Corporation's (SDCCC) basic financial statements as of and for the year ended June 30, 2025. This report summarizes certain matters required by professional standards to be communicated to you in your oversight responsibility for the SDCCC's financial reporting process.

This report is intended solely for the information and use of the Board of Directors, the Audit Committee, and management of the SDCCC, and is not intended to be, and should not be, used by anyone other than these specified parties. It will be our pleasure to respond to any questions you have about this report. We appreciate the opportunity to continue to be of service to the SDCCC.

[Firm Signature]

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REQUIRED COMMUNICATIONS

The following required communications summarize our responsibilities regarding the financial statement audit as well as observations from our audit that are significant and relevant to your responsibility to oversee the financial and related compliance reporting process.

Our Responsibilities With Regard to the Financial Statement Audit

We describe our responsibilities under auditing standards generally accepted in the United States of America and *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*) to you in our engagement letter dated May 30, 2025. Our audit of the financial statements does not relieve management or you of your responsibilities, which are also described in that letter.

Overview of the Planned Scope and Timing of the Financial Statement Audit

We have previously issued a separate communication dated September 1, 2025, regarding the planned scope and timing of our audit and identified significant risks.

Accounting Policies and Practices

Preferability of Accounting Policies and Practices

Under accounting principles generally accepted in the United States of America (U.S. GAAP), in certain circumstances, management may select among alternative accounting practices. In our view, in such circumstances, management has selected the preferable accounting practice.

Adoption of, or Change in, Accounting Policies

Management has the ultimate responsibility for the appropriateness of the accounting policies used by the SDCCC. A summary of the significant accounting principles adopted by the SDCCC is included in Note 2 to the financial statements. The following is a description of significant accounting policies or their application that were either initially selected or changed during the year:

- The SDCCC implemented Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*, effective for the fiscal year ended June 30, 2025. The objective of this Statement is to better meet the informational needs of financial statement users by updating the recognition and measurement guidance for compensated absences. The implementation required an adjustment to beginning net position in the amount of \$302,268, to reflect an increase in the liability for compensated absences related to prior periods.
- The SDCCC implemented GASB Statement No. 102, *Certain Risk Disclosures*, effective for the fiscal year ended June 30, 2025. The objective of this Statement is to provide users of government financial statements with essential information about risks related to a government's vulnerabilities due to certain concentrations or constraints. The implementation of GASB Statement No. 102 did not have a material impact on the financial statements.

Significant Accounting Policies

We did not identify any significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

Significant Unusual Transactions

We did not identify any significant unusual transactions.

Management's Judgments and Accounting Estimates

Summary information about the process used by management in formulating particularly sensitive accounting estimates and about our conclusions regarding the reasonableness of those estimates are listed below:

- Management's estimate of the depreciation expense for capital assets is computed using the straight-line method based on the estimated useful-life, which is determined by management.
- Management's estimate of the fair value of investments, except the cash equivalent investment contracts, repurchase agreement and bank money market funds, are based on quoted prices, bid evaluation, or matrix pricing techniques. The repurchase agreement is valued an amortized cost and the bank money market funds are measured at the net asset value (NAV) per share (or its equivalent).
- Management's estimate of the allowance of doubtful accounts is based on experience and information about each receivable including evaluating individual customer accounts receivable and considering the customer's financial condition, credit history and current economic conditions.
- Management's estimate of the workers' compensation claim liability is based on the third-party administrators' reports including claim settlements and adjustments consulted with the industry specialists.
- Management's estimate of the compensated employee absences is based on experience and information about employees' paid-time off usage.
- Management's estimate of the net present value (NPV) of right-to-use leased asset and lease liabilities are based on the periodical contract payments and discount rate for calculation of the liabilities and associating right-to-use assets, which is based on the SDCCC's estimated incremental borrowing rate using the prime rate plus one (1) percent.

We evaluated the key factors and assumptions used to develop management's estimates listed above and determined that it is reasonable in relation to the basic financial statements taken as a whole.

Audit Adjustments and Uncorrected Misstatements

There were no audit adjustments made to the original trial balance presented to us to begin our audit.

Uncorrected misstatements are summarized below. Uncorrected misstatements or matters underlying them could potentially cause future-period financial statements to be materially misstated, even if we have concluded that the uncorrected misstatements are immaterial to the financial statements under audit. We identified the following uncorrected misstatement and omission that management has concluded is not, individually or in the aggregate, material to the basic financial statements. We agree with management's conclusion in that regard.

Item 1 Management implemented GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, in fiscal year 2023 and considered the effect immaterial. Management concluded the impact for fiscal year 2025 continues to be immaterial. The subscription arrangements meeting the capitalization threshold at June 20, 2025, equal to a commitment of \$947,976, with payments due through fiscal year 2029. The impact has not been present valued as required by GASB Statement No. 96, and if recorded would result in the Corporation recording a right to use asset off-set by a liability at the present value of the commitment and related disclosures.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Observations About the Audit Process

Disagreements With Management

We encountered no disagreements with management over the application of significant accounting principles, the basis for management's judgments on any significant matters, the scope of the audit or significant disclosures to be included in the basic financial statements.

Consultations With Other Accountants

We are not aware of any consultations management had with other accountants about accounting or auditing matters.

Significant Issues Discussed With Management

No significant issues arising from the audit were discussed or were the subject of correspondence with management.

Significant Difficulties Encountered in Performing the Audit

We did not encounter any significant difficulties in dealing with management during the audit.

Significant Matters That Required Consultation

We did not encounter any difficult or contentious matters that required consultation outside the engagement team that are, in our professional judgment, significant and relevant to your responsibility to oversee the financial reporting process.

Shared Responsibilities for Independence

Independence is a joint responsibility and is managed most effectively when management, audit committees (or their equivalents), and audit firms work together in considering compliance with American Institute of Certified Public Accountants (AICPA) and Government Accountability Office (GAO) independence rules. For Macias Gini & O'Connell LLP (MGO) to fulfill its professional responsibility to maintain and monitor independence, management, the SDCCC's Board of Directors and Audit Committee and MGO each play an important role.

Our Responsibilities

- AICPA and GAO rules require independence both of mind and in appearance when providing audit and other attestation services. MGO is to ensure that the AICPA and GAO's General Requirements for performing non-attest services are adhered to and included in all letters of engagement.

- Maintain a system of quality management over compliance with independence rules and firm policies.

The SDCCC's Responsibilities

- Timely inform MGO, before the effective date of transactions or other business changes, of the following:
 - New affiliates, directors, or officers.
 - Changes in the organizational structure or the reporting entity impacting affiliates such as partnerships, related entities, investments, joint ventures, component units, jointly governed organizations.
- Provide necessary affiliate information such as new or updated structure charts, as well as financial information required to perform materiality calculations needed for making affiliate determinations.
- Understand and conclude on the permissibility, prior to the SDCCC and its affiliates, officers, directors, or persons in a decision-making capacity, engaging in business relationships with MGO.
- Not entering into arrangements of non-audit services resulting in MGO being involved in making management decisions on behalf of the SDCCC.
- Not entering into relationships resulting in close family members of MGO covered persons, temporarily or permanently acting as an officer, director, or person in an accounting, financial reporting or compliance oversight role at the SDCCC.

Internal Control and Compliance Matters

We have separately communicated on internal control and compliance over financial reporting as required by *Government Auditing Standards*.

Significant Written Communications Between Management and Our Firm

We have requested certain written representations from management of the SDCCC, which we received in a letter dated **DATE, 2025**.

DRAFT

EXHIBIT A

Recent Accounting Pronouncements

RECENT ACCOUNTING PRONOUNCEMENTS

The following accounting pronouncements have been issued as of Government Accounting Standard Board (GASB) as of the date of this communication, but are not yet effective and may affect the future financial reporting by the SDCCC. The SDCCC will assess what financial impact, if any.

Pronouncement	Summary	Effective Fiscal Year
GASB Statement No. 103, <i>Financial Reporting Model Improvement</i>	The objective of this Statement is to improve key components of the financial reporting model to enhance its effectiveness in providing information that is essential for decision making and assessing a government's accountability.	FY 2026
GASB Statement No. 104, <i>Disclosure of Certain Capital Assets</i>	The objective of this Statement is to provide users of governmental financial statements with essential information about certain types of capital assets.	FY 2026

**SAN DIEGO CONVENTION CENTER
CORPORATION**

(A Component Unit of the City of San Diego, California)

Independent Auditor's Report and
Basic Financial Statements

As of and for the Year Ended June 30, 2025

DRAFT



Certified
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Accountants

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Independent Auditor's Report and Basic Financial Statements
As of and for the Year Ended June 30, 2025

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Independent Auditor's Report

To the Board of Directors San Diego Convention Center Corporation
City of San Diego, California

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of the San Diego Convention Center Corporation (SDCCC), a component unit of the City of San Diego, California (the City), as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise the SDCCC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the SDCCC as of June 30, 2025, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SDCCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Emphasis of Matter

As discussed in Note 2.I. to the basic financial statements, effective July 1, 2024, SDCCC adopted the provisions of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*. The implementation required an adjustment to beginning net position in the amount of \$302,268, to reflect an increase in the liability for compensated absences related to prior periods. Our opinion is not modified with respect to this matter.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SDCCC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SDCCC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SDCCC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated DATE __, 2025, on our consideration of SDCCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDCCC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDCCC's internal control over financial reporting and compliance.

San Diego, California

DATE __, 2025

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MANAGEMENT'S DISCUSSION AND ANALYSIS

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Management's Discussion and Analysis
For the Year Ended June 30, 2025
(Unaudited)

As management of the San Diego Convention Center Corporation ("SDCCC"), we offer readers of SDCCC's financial statements this narrative overview and analysis of the financial activities of SDCCC for the year ended June 30, 2025. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those statements appearing in this report.

Overview of the Financial Statements

This discussion and analysis is to serve as the introduction to SDCCC's basic financial statements. We report our financial information using accounting methods similar to those used by private sector companies. These statements offer short-term and long-term financial information about SDCCC's activities.

The Statement of Net Position presents information on all SDCCC's assets and liabilities as of June 30, 2025. The difference between assets and liabilities is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of SDCCC is improving or deteriorating.

The Statement of Revenues, Expenses and Changes in Net Position presents information showing changes in SDCCC's net position during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused paid time off).

The Statement of Cash Flows presents cash receipts, cash payments and net changes in cash and equivalents resulting from operating, noncapital and related financing, capital and related financing and investing activities, and provides answers to such questions as where cash originated from, what cash was used for, and what was the change in SDCCC's cash position for the fiscal year presented.

Highlights to Financial Results

Fiscal year 2025 delivered record revenue, driven by a strong mix of trade shows, association conventions, and an exceptional number of medical and corporate events. Trade shows remain the foundation of SDCCC's business, while corporate and medical meetings provide added economic lift through higher attendee spending. The alignment of these event types in one fiscal year made 2025 an extraordinary outcome.

Looking ahead, SDCCC will continue to pursue a balanced event portfolio that sustains both economic impact and financial performance. Trade shows and associations provide stability, while corporate, medical, and technology events enhance regional benefit and tax revenues for the City.

During this record financial year, SDCCC strengthened its maintenance and facility renewal programs and advanced long-term capital planning in coordination with the City. As a responsible steward of public resources, SDCCC remains focused on preserving the San Diego Convention Center (Convention Center) as a world-class, well-maintained facility that delivers economic benefit and protects the City's investment. Major accomplishments during the year included the full renovation of the West Kitchen facilities and significant upgrades to the Convention Center's Wi-Fi infrastructure, enhancements that elevate the

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2025
(Unaudited)

customer experience, meet evolving client needs, and expand revenue opportunities through improved service offerings.

Management Financial Statement Analysis

The following is a summary of SDCCC's assets, liabilities and net position as of June 30, 2025, and 2024.

	June 30, 2025	June 30, 2024	Percentage Increase (Decrease)
Assets			
Cash and cash equivalents	\$ 4,749,989	\$ 7,963,046	-40%
Restricted cash	2,320,790	2,120,790	9%
Investments	33,834,398	25,169,159	34%
Accounts receivable, net	18,418,873	8,525,419	116%
Prepaid expenses	1,523,244	1,320,145	15%
Deposits with others	159,484	143,177	11%
Inventory	46,796	48,891	-4%
Capital assets, net	68,257,304	36,336,607	88%
Total assets	129,310,878	81,627,234	58%
Liabilities			
Accounts payable	2,188,958	1,016,166	115%
Accrued liabilities	1,454,197	1,719,232	-15%
Accrued workers' compensation claims liability	1,089,319	1,250,636	-13%
Accrued I-Bank interest and loan administrative fee	439,203	381,929	15%
Retention payable	316,321	146,860	115%
Unearned income	15,479,933	8,126,715	90%
Compensated employee absences *	2,074,388	1,976,188	5%
Long-term liabilities	49,788,966	22,021,494	126%
Total liabilities	72,831,285	36,639,220	99%
Net position			
Net investment in capital assets	19,966,186	15,812,960	26%
Restricted	2,320,790	2,120,790	9%
Unrestricted *	34,192,617	27,054,264	26%
Total net position	\$ 56,479,593	\$ 44,988,014	26%

* Accrued compensated employee absences and Unrestricted net position at June 30, 2024, have been restated to conform to GASB Statement No. 101. See Note 11 to the basic financial statements for more information.

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2025
(Unaudited)

Assets

Total assets for fiscal year 2025 increased by \$47.7 million, or 58%, reaching \$129.3 million from \$81.6 million in fiscal year 2024, driven mainly by an increase of \$31.9 million, or 88%, in net capital assets largely due to the capitalization of the new truck marshaling yard lease of \$29.3 million. When combined, cash and cash equivalents and investments saw an increase of \$5.5 million, or 16.5%, totaling \$38.6 million. Restricted cash increased \$0.2 million, or 9%, to \$2.3 million due to increase in required collateral for workers' compensation insurance. Accounts receivable, net, increased by \$9.9 million, or 116%, due to both higher event activity of enhanced quality which drove revenue growth in May and June 2025, and the Sodexo Live! contract extension incentive.

Liabilities

Total liabilities for fiscal year 2025 increased by \$36.2 million, or 99%, to \$72.8 million as compared to \$36.6 million for fiscal year 2024 with offsetting category fluctuations. Unearned income increased by \$7.4 million, or 90%, mainly due to the Sodexo Live! contract extension incentive. Long-term debt increased by \$27.8 million, or 126%, due to a new truck marshaling yard lease. Accounts payable increased by \$1.2 million, or 115%, due to several outstanding invoices relating to capital projects and utilities expenses.

Net Position

Total net position for fiscal year 2025 increased by \$11.5 million or 26% to \$56.5 million. Net investment in capital assets increased by \$4.2 million, or 26%. Restricted assets increased \$0.2 million, or 9%, due to increase in required collateral for workers' compensation insurance. Unrestricted net position increased by \$7.1 million, or 26%, from the prior year primarily driven by revenues exceeding expenses, net of capital-related activity.

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2025
(Unaudited)

The following is a summary of SDCCC's changes in net position for the years ended June 30, 2025, and 2024.

	Year ended June 30, 2025	Year ended June 30, 2024	Percentage Increase (Decrease)
Operating revenues			
Rental	\$ 9,406,502	\$ 8,712,894	8%
Food and beverage	23,157,757	14,178,694	63%
Ancillary services	26,574,887	22,710,339	17%
Sponsorship	341,000	312,500	9%
Other revenue	77,045	31,812	142%
Total operating revenues	<u>59,557,191</u>	<u>45,946,239</u>	30%
Operating expenses			
Salaries and wages **	25,504,823	23,252,326	10%
Fringe benefits **	6,684,249	6,647,848	1%
Utilities	6,333,899	6,423,892	-1%
Services and supplies	8,321,437	7,825,113	6%
Depreciation & amortization	4,515,702	3,336,330	35%
Marketing contract	2,811,385	2,729,500	3%
Total operating expenses	<u>54,171,495</u>	<u>50,215,009</u>	8%
Operating income (loss)	<u>5,385,696</u>	<u>(4,268,770)</u>	226%
Non-operating revenues (expenses)			
Contributions - City of San Diego	3,272,690	7,734,650	-58%
Contributions - Other	41,500	-	100%
Interest income	1,847,665	1,346,997	37%
Interest expense	(1,494,574)	(844,625)	77%
Loan administrative fee	(62,302)	(64,914)	-4%
Gain on sale of capital assets	1,309	15,299	-91%
Other income	1,368,590	187,550	630%
Total non-operating revenues, net	<u>4,974,878</u>	<u>8,374,957</u>	-41%
Income before capital contributions	10,360,574	4,106,187	152%
Capital contributions	<u>1,131,005</u>	<u>138,729</u>	715%
Change in net position	11,491,579	4,244,916	171%
Net position - beginning of year	<u>44,988,014</u>	<u>40,743,098</u>	10%
Net position - end of year	<u>\$ 56,479,593</u>	<u>\$ 44,988,014</u>	26%

**Salaries and wages and Fringe benefits for the year ended June 30, 2024, have been restated to conform to GASB Statement No. 101. See Note 11 to the basic financial statements for more information.

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2025
(Unaudited)

Operating Revenue

Total operating revenues generated in fiscal year 2025 amounted to \$59.6 million as compared to \$45.9 million for fiscal year 2024, an increase of \$13.6 million, or 30%. The change was the result of a concentrated sales effort to book more corporate, technology, and medical shows that typically yield better business opportunities for internal partners and the surrounding businesses while maximizing hotel occupancy to generate a greater regional impact and produce tax revenue for the City of San Diego.

Operating Expenses

Total operating expenses incurred during fiscal year 2025 were \$54.2 million, up from \$50.2 million for fiscal year 2024, an increase of \$4.0 million, or 8% in nearly all categories. Salary and fringe benefit expenses increased by \$2.3 million, or 11%, due to annual pay increases and an increase in both full-time and part-time headcount. Additionally, utilities decreased by \$0.1 million, or 1% and service and supplies expenses increased by \$0.5 million or 6%. Depreciation and amortization expenses increased \$1.2 million, or 35%, due to an increase in capital investment and the capitalization of the new marshalling yard lease in 2025. Additionally, the San Diego Tourism Authority ("SDTA") marketing agreement increased by nearly \$0.1 million, or 3%, due to the contractual annual increase.

Non-operating Revenue and Expenses, net

Non-operating revenues, net for fiscal year 2025 were \$5.0 million compared to \$8.4 million in the prior year, a decrease of \$3.4 million, or 41%. The primary driver was a \$4.5 million reduction in City of San Diego contributions for capital and maintenance needs compared to the prior year as well as \$0.6 million additional cost for financed capital leases. Offsetting the decrease, was an increase in interest income of \$0.5 million, up 37%, from higher investment yields, and other income, which rose significantly by nearly \$1.2 million mainly due to the Sodexo contract extension incentive of \$1.0 million.

Capital Assets Analysis

As of June 30, 2025, SDCCC had a net capital asset book value of \$68.3 million, compared to \$36.3 million as of June 30, 2024, an increase of \$31.9 million, or 88%. The increase was driven by the capitalization of the new truck marshaling yard lease of \$29.3 million, combined with capital expenditures of \$4.5 million for completion of the West Kitchen renovation and \$1.1 million for technology upgrades, offset by \$4.5 million in fiscal year 2025 depreciation. Capital assets are spread across a broad range of computer, office and operating equipment, telecommunications, leasehold improvements and right-to-use leased assets.

Debt Analysis

Effective December 6, 2016, SDCCC and the City of San Diego, as co-lessees entered into a financing obligation agreement with the I-Bank to finance capital infrastructure improvement projects valued at \$25.5 million ("Facility Fund"). The agreement calls for the Facility Fund to be amortized over 25 years at a 3.59% interest rate and 0.3% loan administrative fee of the outstanding principal balance. As of June 30, 2025, SDCCC had an outstanding balance of \$20.7 million. A total of \$1.7 million (including principal, interest, and loan administrative fee) was paid in fiscal year 2025.

Effective February 3, 2023, SDCCC entered into a non-cancelable lease agreement with Ward and Burke Tunneling Inc. to lease a truck marshal yard and warehouse space. The lease commenced April 1, 2023, and expired March 31, 2025. The total principal and interest payments were \$1.2 million with an implicit

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Management's Discussion and Analysis (Continued)
For the Year Ended June 30, 2025
(Unaudited)

rate of 9%. As of June 30, 2025, this lease had expired and SDCCC had no outstanding balance. A total of \$0.5 million (principal and interest) was paid in fiscal year 2025.

Effective August 29, 2024, SDCCC entered into a noncancelable lease agreement with Santa Ana Energy Properties, LLC, to lease 10.3 acres in Chula Vista, CA, for a truck marshal yard and warehouse space. The lease commenced September 1, 2024, and expires on December 31, 2034. The lease includes an options to extend the term for two (2) periods of five (5) years each, which SDCCC plans to utilize. The total principal and interest payments are \$40.4 million with an implicit rate of 3%. As of June 30, 2025, SDCCC had an outstanding balance of \$29.1 million. A total of \$1.0 million (principal and interest) was paid in fiscal year 2025.

Economic Factors and Next Year's Budget

Operational contributions from the City for fiscal year 2025 were \$3.3 million as compared to \$7.7 million for fiscal year 2024, a decrease of \$4.5 million. In fiscal year 2026, SDCCC is expecting the City to contribute \$2.9 million for SDTA marketing efforts and \$0.1 million to support operations and debt service obligations. In addition, SDCCC formally requested \$10.3 million in fiscal year 2026 to help offset projected operating losses and support critical capital investment needs; however, due to City-wide budget reductions, no additional funding was approved. As a result, SDCCC adjusted expenditures and capital plans to manage operational losses and fund necessary capital needs from available reserves.

As SDCCC continues to strengthen its maintenance and facility renewal programs and advance long-term capital planning in coordination with the City, it does so as a responsible steward of public resources—focused on preserving the Convention Center as a world-class, well-maintained facility that delivers economic benefit and protects the City's investment. While SDCCC is tasked with managing day-to-day operations and maintaining operational solvency through self-generated revenues, the added responsibility of maintaining and renewing the facility's critical infrastructure requires dedicated and sustainable financial support beyond operating income. This partnership approach with the City ensures that maintenance and capital investments are addressed strategically and sustainably to protect the facility's long-term value.

In October 2025, a panel on California's Fourth District Court of Appeal upheld a lower court's finding that Measure C (2020) was approved by the voters of the City of San Diego. Measure C increased the City of San Diego's transient occupancy tax, also known as "TOT" or "hotel tax," to fund Convention Center improvements, homelessness services and programs, and street repairs. The recent court ruling is good news for the San Diego Convention Center, downtown San Diego, and the wider community we serve. The funding available through Measure C will help us remain an industry leader, maintain and attract new events, and generate meaningful economic benefits for our region. We're encouraged by the decision and optimistic about what it means for the future, while recognizing there are still procedural steps ahead.

Request for Information

This financial report is designed to provide a general overview of SDCCC's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the CFO at the San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, CA 92101.

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BASIC FINANCIAL STATEMENTS

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Statement of Net Position
June 30, 2025

Assets

Current assets:	
Cash and cash equivalents	\$ 4,749,989
Restricted cash	2,320,790
Investments	14,953,797
Accounts receivable, net	11,418,873
Prepaid expenses	1,360,147
Deposits with others	159,484
Inventory	46,796
Total current assets	<u>35,009,876</u>
Noncurrent assets:	
Investments	18,880,601
Accounts receivable	7,000,000
Prepaid expenses	163,097
Capital assets:	
Construction in progress	1,412,484
Furniture, equipment and software	11,602,516
Leasehold improvements	73,632,465
Right-to-Use leased asset	29,325,247
Less: Accumulated depreciation and amortization	<u>(47,715,408)</u>
Total capital assets, net	<u>68,257,304</u>
Total non-current assets	<u>94,301,002</u>
Total assets	<u>129,310,878</u>

Liabilities

Current liabilities:	
Accounts payable	2,188,958
Accrued liabilities	1,454,197
Accrued workers' compensation claims liability	1,089,319
Accrued I-Bank interest and loan administrative fee	439,203
Retention payable	316,321
Unearned income	6,430,572
Compensated employee absences	1,988,800
Current portion of long-term liabilities	<u>1,562,992</u>
Total current liabilities	<u>15,470,362</u>
Noncurrent liabilities:	
Long-term compensated employee absences	85,588
Long-term liabilities	48,225,974
Long-term portion of unearned income	<u>9,049,361</u>
Total noncurrent liabilities	<u>57,360,923</u>
Total liabilities	<u>72,831,285</u>

Net position

Net investment in capital assets	19,966,186
Restricted	2,320,790
Unrestricted	<u>34,192,617</u>
Total net position	<u>\$ 56,479,593</u>

See Accompanying Notes to the Basic Financial Statements.

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Statement of Revenues, Expenses and Changes in Net Position
For the Year Ended June 30, 2025

Operating revenues	
Rental revenue:	
Convention and trade shows	\$ 7,833,596
Corporate/incentive events	555,503
Consumer shows	448,970
Meetings and seminars	193,400
Cancelled events	254,880
Community events	5,100
Local trade shows	115,053
Food and beverage revenue	23,157,757
Ancillary service revenue:	
Utilities	9,993,163
Telecommunications	6,668,002
Event and cleaning services	6,942,088
Audio visual	2,261,807
Digital advertising	709,827
Sponsorship	341,000
Other revenue	77,045
Total operating revenues	<u>59,557,191</u>
Operating expenses	
Salaries and wages	25,504,823
Fringe benefits	6,684,249
Utilities	6,333,899
Repairs and maintenance	3,852,963
General expenses	1,452,420
Depreciation and amortization	4,515,702
Contractual marketing and sales	2,811,385
Contracted services	1,170,169
Supplies	861,576
Insurance	818,791
Sales and marketing	32,484
Travel and transportation	73,437
Telecommunications	59,597
Total operating expenses	<u>54,171,495</u>
Operating income	<u>5,385,696</u>
Non-operating revenues (expenses)	
Contributions - City of San Diego	3,272,690
Contributions - Other	41,500
Investment Income	1,847,665
Interest expense	(1,494,574)
Loan administrative fee	(62,302)
Gain on sale of capital assets	1,309
Other income	1,368,590
Total non-operating revenues, net	<u>4,974,878</u>
Income before capital contribution	10,360,574
Capital contributions	<u>1,131,005</u>
Change in net position	<u>11,491,579</u>
Net position - beginning of year, as previously reported	45,290,282
Cumulative effect of change in accounting principle, GASB Statement No. 101 implementation	(302,268)
Net position - beginning of year, as restated	<u>44,988,014</u>
Net position - end of year	<u><u>\$ 56,479,593</u></u>

See Accompanying Notes to the Basic Financial Statements.

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Statement of Cash Flows
For the Year Ended June 30, 2025

Cash flows from operating activities	
Receipts from customers	\$ 58,335,145
Payments to suppliers for goods and services	(18,058,899)
Payments to employees for services	(32,059,216)
Net cash provided by operating activities	<u>8,217,030</u>
Cash flows from noncapital financing activities	
Contribution from the City of San Diego	<u>3,272,690</u>
Cash flows from capital and related financing activities	
Acquisition and construction of capital assets	(4,629,135)
Repayment of long-term debt	(1,557,775)
Interest and loan administrative fees paid on long-term debt	(1,499,602)
Gain on sale of capital assets	1,309
Net cash used in capital and related financing activities	<u>(7,685,203)</u>
Cash flows from investing activities	
Purchases of investments	(31,326,122)
Sales of investments	22,660,883
Proceed from investments	1,847,665
Net cash used in investing activities	<u>(6,817,574)</u>
Net increase in cash and cash equivalents	(3,013,057)
Cash and cash equivalents - beginning of year	<u>10,083,836</u>
Cash and cash equivalents - end of year	<u><u>\$ 7,070,779</u></u>

(continued)

See Accompanying Notes to the Basic Financial Statements.

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Statement of Cash Flow (Continued)
For the Year Ended June 30, 2025

Reconciliation of operating income to net cash provided by operating activities

Operating income	\$ 5,385,696
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	4,515,702
Other income and contributions	1,410,090
Changes in operating assets and liabilities:	
Increase in receivables	(9,893,454)
Increase in prepaid expenses	(203,099)
Increase in deposits with others	(16,307)
Increase in accounts payable	273,605
Increase in compensated employee absences	98,200
Increase in accrued liabilities - payroll	192,973
Decrease in accrued liabilities - non-payroll	(857,338)
Decrease in workers' compensation claims liability	(161,317)
Increase in retention payable	169,461
Increase in unearned income	7,302,818
Net cash provided by operating activities	<u>\$ 8,217,030</u>

Noncash capital and related financing activities

Acquisition of capital assets included in accounts payable and accrued liabilities	\$ 1,298,517
Capital asset contribution	\$ 1,131,005
Acquisition of capital asset included in unearned income	\$ 50,400
Acquisition of right-to-use leased asset included in long-term debt	\$ 29,325,247

See Accompanying Notes to the Basic Financial Statements

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Notes to the Basic Financial Statements
For the Year Ended June 30, 2025

NOTE 1. REPORTING ENTITY

San Diego Convention Center Corporation (SDCCC) is a not-for-profit public benefit corporation originally organized to market, operate, and maintain the San Diego Convention Center (Convention Center).

SDCCC acts in accordance with its By-Laws, the City of San Diego's (City) Charter, and the City's Municipal Code. The City is the sole member of SDCCC and appoints seven voting members to the Board of Directors of SDCCC. Since the City appoints the voting members of the Board of Directors of SDCCC and is able to impose its will on the SDCCC, the City, as the primary government, is financially accountable for SDCCC. In accordance with accounting principles generally accepted in the United States, SDCCC is a blended component unit of the City.

The Convention Center was constructed by the San Diego Unified Port District (District) on land owned by the District. Construction was completed in the fall of 1989 and the Convention Center opened in November 1989. An expansion of the Convention Center that roughly doubled the size of the facility was constructed by the City and completed in September 2001. The City has an agreement with the District to manage the Convention Center.

SDCCC has a management agreement with the City to provide sales and marketing, operating and maintenance services for the Convention Center. The agreement provides that the City will allocate to SDCCC approved budgetary amounts for marketing, promotion and capital projects for the Convention Center (refer to Note 6).

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

A. *Basis of Accounting and Measurement Focus*

The financial transactions of SDCCC are reported using the economic resources measurement focus and the full accrual basis accounting under which revenues are recognized as earned and expenses are recognized as incurred. SDCCC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing event meeting space, goods and services in connection with SDCCC's principal ongoing operations. SDCCC's principal operating revenues include event meeting space rental revenues, food and beverage commissions, event and cleaning service revenues, and other ancillary service revenues. SDCCC's principal operating expenses include salaries and wages, fringe benefits, utilities, repairs & maintenance, contractual marketing & sales, and depreciation. All revenues and expenses not meeting this definition including contributions from the City that are used to fund marketing, promotion and capital projects are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is SDCCC's policy to use restricted resources first, then unrestricted resources as they are needed.

B. *Cash and Cash Equivalents*

SDCCC's cash and cash equivalents for purposes of the statement of cash flows are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. *Accounts Receivable*

Accounts receivable is reported net of an allowance for estimated uncollectible amounts. Management estimates an uncollectible amount of \$40,725 at June 30, 2025, using its allowance calculation methodology based on collection activity, historical write-off rates and comparable industry standards.

Long-term receivables in the amount of \$7,000,000 represent incentive payments to be received by SDCCC in installments of \$500,000 on July 1, 2026, \$2,000,000 on September 1, 2026, and \$4,500,000 on July 1, 2028, from Service America Corporation dba Sodexo Live! in consideration of the SDCCC's extension of Sodexo's exclusive food and beverage contract through June 30, 2026. This agreement was amended on October 1, 2024, to further extend the remaining incentive payment amortization period to June 30, 2038.

D. *Prepaid Expenses*

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

E. *Leases*

At the commencement of a lease with contractual terms longer than 12 months, SDCCC initially measures the lease payable at the present value of payments expected to be made during the lease term. Subsequently the lease payable is reduced by the principal portion of lease payments paid.

Key estimates and judgements include how SDCCC determines (1) interest rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

- The interest rate is based on the rate stated in the lease agreement, if not stated, then SDCCC estimates in incremental borrowing rate based on the prime rate plus 1%.
- The lease term includes the non-cancellable period of the lease.

F. *Inventory*

Inventory consists of spare parts that will be used and capitalized or expensed (according to capitalization policy thresholds) when the assets are placed into service.

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

G. Capital Assets

Capital assets are reported at cost. Capital assets are defined as assets with an initial cost of more than \$15,000 per item and a useful life of greater than one year. Recurring normal maintenance and repair costs are charged to operation, whereas major repairs, improvements and replacements that extend the asset's useful life or service utility are capitalized. Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Right-to-use leased asset	20
Data processing equipment and software	3-10
Telecommunication equipment	5
Office furniture and operating equipment	7 – 15
Leasehold improvements	10 – 30

H. Unearned Income

Unearned income represents funds received from customers that pertain to enforceable future contractual obligations. Building rent deposits, revenue contract incentive payments and advertising payments are recognized once the event has occurred, or the contractual obligation has been fulfilled. The future events scheduled after June 30, 2026, are reported as noncurrent unearned income.

I. Compensated Employee Absences

Accumulated annual leave (PTO) is compensated time off for eligible employees who are absent from work and is recorded in the Statement of Net Position. The amount recorded is expected to be used in accordance with SDCCC's personnel guidelines for vacation, illness, and personal business, with a maximum accumulation of 480 hours per employee. Until March 31, 2020, full-time employees were allowed up to 120 hours paid compensation in lieu of annual leave provided they maintained a minimum balance of 40 hours and had taken a minimum of 80 hours of paid leave during the prior twelve-month period. This program was subsequently suspended for expense reduction purposes, with occasional time-restricted windows having taken place for payouts for balances meeting certain criteria (typically to reduce risk of accrual cap-outs for employees with higher balances).

Service Employees International Union (SEIU) represented part-time employees are paid their annual leave balance that exceeds 40 hours within 30 days of fiscal year-end. Teamster represented part-time employees are paid their annual leave balance that exceeds 40 hours within 30 days of fiscal year-end.

On July 1, 2024, SDCCC adopted the provisions of Governmental Accounting Standards Board (GASB) Statement No. 101, *Compensated Absences*. This revised the recognition and measurement criteria for compensated absences. GASB Statement No. 101 requires that liabilities for compensated absences be recognized by (1) leave that has not been used and (2) leave that has been used but not yet paid in cash or settled through noncash means. See Notes 5 and 11 for more information.

SAN DIEGO CONVENTION CENTER CORPORATION
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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

J. Components of Net Position

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and amortization and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets, net of any unspent loan proceeds, which as of June 30, 2025, was \$19,966,186.

Restricted – This amount consists of assets that have external restrictions imposed by creditors, grantors, contributors, or laws or regulations of other governments, reduced by liabilities related to those assets. As of June 30, 2025, the \$2,320,790 of restricted net position reported is related to workers' compensation insurance collateral requirements.

Unrestricted – This amount is the portion of net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

K. Income Taxes

SDCCC has received notice from the Internal Revenue Service that it is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. SDCCC is also exempt from state franchise taxes on related income pursuant to California Revenue and Taxation Code Section 23701(d). However, the Corporation is subject to income taxes on any net income that is derived from a trade or business carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the accompanying financial statements.

L. Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Management believes that the estimates made are reasonable.

M. New Accounting Pronouncements

The following GASB Statements have been issued and are effective for the fiscal year ended June 30, 2025.

- GASB Statement No. 101, *Compensated Absences*. The effects of GASB Statement No. 101 are described in Notes 5 and 11.
- GASB Statement No. 102, *Certain Risk Disclosures*. The implementation of GASB Statement No. 102 did not have a material impact on the financial statements.

SAN DIEGO CONVENTION CENTER CORPORATION
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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

M. New Accounting Pronouncements (Continued)

The following GASB Statements have been issued but are not yet effective for the year ended June 30, 2025. SDCCC is assessing what financial statement impact, if any, these Statements will have:

- GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the fiscal year ending June 30, 2026.
- GASB Statement No. 104, *Disclosure of Certain Capital Assets*, effective for the fiscal year ending June 30, 2026.

NOTE 3. CASH AND INVESTMENTS

Cash and investments as reported in the statement of net position are categorized as follows at June 30, 2025:

	Cash and Cash Equivalents	Investments
Cash on hand	\$ 5,543	\$ -
Bank checking and savings deposits	5,888,602	-
Money market mutual funds	51,634	-
Fixed income investments	1,125,000	33,834,398
Total cash and investments book balance	<u>\$ 7,070,779</u>	<u>\$ 33,834,398</u>

At June 30, 2025, the book balance of SDCCC's cash on hand and deposits was \$7,070,779 and the bank balance was \$7,064,596. Of the bank balance, \$250,000 was covered by Federal depository insurance. The remaining uninsured balance is collateralized, with the collateral held by an affiliate of the counterparty's financial institution.

A formal deposit and investment policy was approved in August 2010 and amended in December 2017 by SDCCC's Board of Directors, which addresses custodial credit risk, interest rate risk, credit quality risk and allowable investments. SDCCC is provided a broad spectrum of eligible investments under California Government Code (CGC) 53600 which includes: obligations of the U.S. government, its agencies and instrumentalities; investment grade state and local government securities; certificates of deposit; bankers' acceptances; commercial paper; repurchase agreements; and money market mutual funds whose portfolios consist only of domestic securities.

SAN DIEGO CONVENTION CENTER CORPORATION
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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 3. CASH AND INVESTMENTS (Continued)

SDCCC's Investment Policy is governed by the California Government Code (CGC), 53600 et seq. The following table represents the authorized investments, requirements and restrictions per the CGC and the SDCCC investment policy:

Investment Type	Maximum Maturity		Maximum % of Portfolio		Minimum Rating	
	CGC	SDCCC Policy ¹	CGC	SDCCC Policy ¹	CGC	SDCCC Policy ¹
Local Agency Bonds	5 years	5 years	None	None	None	None
U.S. Treasury Obligations (bills, notes, or bonds)	5 years	5 years	None	None	None	None
State Obligations - CA and Others	5 years	5 years	None	None	None	None
CA Local Agency Obligations	5 years	5 years	None	None	None	None
U.S. Agency Obligations	5 years	5 years	None	None	None	None
Bankers' Acceptances	180 days	180 days	40%	40%	None	None
Commercial Paper - Non-Pooled Funds	270 days	270 days	25%	25%	Highest letter and number rating	Highest letter and number rating
Negotiable Certificates of Deposit	5 years	5 years	30%	30%	None	None
Non-negotiable Certificates of Deposit	5 years	5 years	None	None	None	None
CD Placement Service	5 years	5 years	30%	30%	None	None
Repurchase Agreements	1 year	1 year	None	None	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	20%	None	None
Medium-Term Notes	5 years	5 years	30%	30%	A	A
Money Market Mutual Funds	None	None	20%	20%	AAA	AAA
Collateralized Bank Deposits	5 years	5 years	None	None	None	None
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	AA	AA
Local Agency Investment Fund	None	None	None	\$75 million	None	None
Supranational Obligations	5 years	5 years	30%	30%	AA	AA
Issued Saving & Bank Money Market Accounts	N/A	N/A	N/A	N/A	N/A	N/A

¹ In the absence of a specified maximum, the maximum is 5 years.

Investments and cash equivalents as reported in the statement of net position are categorized as follows at June 30, 2025:

Fair Value Measurements

Accounting principles generally accepted in the United States of America (GAAP) require that investments be categorized within a fair value hierarchy based upon fair value measurements. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: Inputs are quoted prices in an active market that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are either directly or indirectly observable;
- Level 3: Significant unobservable inputs are used when little or no market activity is available.

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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 3. CASH AND INVESTMENTS (Continued)

Fair value is defined as the quoted market value on the last trading day of the period, obtained from various pricing sources by our custodian bank. SDCCC does not value any of its investments using Level 1 and Level 3 inputs. Investments in repurchase agreements are valued at amortized cost and are exempt from the fair value hierarchy. Investments that are measured at fair value using the net asset value (NAV) per share (or its equivalent) are not classified in the fair value hierarchy. SDCCC values investments in government money market mutual funds at NAV and therefore are not subject to the fair value hierarchy.

The table below represents SDCCC's fair value hierarchy for reporting its investments as of June 30, 2025:

	<u>Fair Value</u>	<u>Level 2</u>
Investment at Fair Value		
U.S. Treasury Bills	\$ 18,843,595	\$ 18,843,595
U.S. Agency Bonds	2,302,959	2,302,959
Negotiable Certificates of Deposit	5,432,944	5,432,944
Commercial Paper	1,457,127	1,457,127
Corporate Bonds	5,797,773	5,797,773
	<u>\$33,834,398</u>	<u>\$33,834,398</u>
Investment Measured at Amortized Cost		
Repurchase Agreements	1,125,000	
Investment Measured at the Net Asset Value (NAV)		
Money Market Mutual Funds	51,634	
	<u>\$ 35,011,032</u>	

GAAP requires that risks related to credit risk, concentration of credit risk, and interest rate risk for deposits and investments be disclosed. SDCCC minimizes exposure by limiting investments to short-term, safe securities such as mutual funds or similar investment pools to ensure preservation of capital as well as pre-qualifying brokers and diversification of the investment portfolio. In order to maintain proper cash flow requirements, funds are continuously invested in readily available securities to ensure appropriate liquidity is maintained.

Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SDCCC mitigates this risk by investing a portion of funds in short-term securities of less than a year in order to meet operational cash requirements and structuring the investment portfolio to allow securities to mature to avoid selling on the open market. As of June 30, 2025, SDCCC's investment interest rate risk by maturity is as follows:

	<u>Investment Maturity</u>					
	<u>Under 1 Month</u>	<u>1 - 6 Months</u>	<u>6 - 12 Months</u>	<u>1 - 3 Years</u>	<u>Over 3 Years</u>	<u>Fair Value</u>
U.S. Treasury Bills	\$ 300,081	\$ -	\$ 2,092,209	\$ 5,818,426	\$ 10,632,879	\$ 18,843,595
U.S. Agency Bonds	-	2,302,959	-	-	-	2,302,959
Corporate Bonds	954,234	449,550	1,964,693	1,484,484	944,812	5,797,773
Negotiable Certificates of Deposits	899,982	1,030,027	3,502,935	-	-	5,432,944
Commercial Paper	-	1,457,127	-	-	-	1,457,127
Money Market Mutual Funds	51,634	-	-	-	-	51,634
Repurchase Agreements	1,125,000	-	-	-	-	1,125,000
	<u>\$ 3,330,931</u>	<u>\$ 5,239,663</u>	<u>\$ 7,559,837</u>	<u>\$ 7,302,910</u>	<u>\$ 11,577,691</u>	<u>\$ 35,011,032</u>

SAN DIEGO CONVENTION CENTER CORPORATION
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Notes to the Basic Financial Statements (Continued)
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NOTE 3. CASH AND INVESTMENTS (Continued)

Credit Risk

Credit risk is the risk that an issuer of an investment will not fulfill their obligation to the holder of the investment. This is measured by using an average of the rating assignments from three nationally recognized statistical rating organizations (NRSRO). The three NRSROs used in the average credit rating are S&P Global Rating, Moody's Investor Services & Fitch Ratings. SDCCC mitigates credit risk through its Investment Policy. Section I of the Investment Policy outlines the authorized investments, requirements, and investment restrictions. As of June 30, 2025, SDCCC's investment and corresponding credit ratings are follows:

	<u>Fair Value</u>	<u>Credit Rating</u>
Corporate Bonds	\$ 462,080	AA+
Corporate Bonds	280,607	AA-
Corporate Bonds	842,006	A+
Corporate Bonds	1,538,655	A
Corporate Bonds	2,674,425	A-
Negotiable Certificates of Deposits	5,432,944	A
Commercial Paper	1,457,127	A
Money Market Mutual Funds	51,634	N/A
Repurchase Agreements	850,000	AA+
Repurchase Agreements	275,000	AA-
U.S. Agency Bonds	2,302,959	AA+
U.S. Treasury Bills	18,843,595	AA+
	<u>\$ 35,011,032</u>	

Based on average of S&P, Moody's & Fitch

Concentration of Credit Risk

GAAP also requires disclosure of investments in any one issuer (other than U.S. Treasury securities, money market mutual funds, and external investment pools) that represent 5% or more of total investments. For the fiscal year ended June 30, 2025, no investments made up 5% or more of the total funds invested.

Custodial Credit Risk

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and SDCCC's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure SDCCC deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

SAN DIEGO CONVENTION CENTER CORPORATION
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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 4. CAPITAL ASSETS

A summary of changes in capital assets for the year ended June 30, 2025, is as follows:

	Balance June 30, 2024	Additions	Deletions	Transfers In/Out	Balance June 30, 2025
Non-Depreciable Capital Assets:					
Construction in Progress	\$ 4,642,487	\$ 7,115,693	\$ -	\$ (10,345,696)	\$ 1,412,484
Depreciable and Amortizable Capital Assets					
Furniture, Equipment and Software	8,149,595	-	(62,367)	3,515,288	11,602,516
Leasehold Improvements	66,824,031	-	(21,974)	6,830,408	73,632,465
Right-to-use Leased Asset	1,122,331	29,325,247	(1,122,331)	-	29,325,247
Total Depreciable and Amortizable Capital Assets	76,095,957	29,325,247	(1,206,672)	10,345,696	114,560,228
Less Accumulated Depreciation and Amortization:					
Furniture, Equipment and Software	(5,013,257)	(620,102)	62,367	-	(5,570,992)
Leasehold Improvements	(38,687,123)	(2,272,872)	17,433	-	(40,942,562)
Right-to-use Leased Asset Amortization	(701,457)	(1,622,728)	1,122,331	-	(1,201,854)
Total Accumulated Depreciation and Amortization	(44,401,837)	(4,515,702)	1,202,131	-	(47,715,408)
Total Depreciable and Amortizable Capital Assets, Net	31,694,120	24,809,545	(4,541)	10,345,696	66,844,820
Capital Assets, Net	\$ 36,336,607	\$ 31,925,238	\$ (4,541)	\$ -	\$ 68,257,304

Depreciation and amortization expenses for the year ended June 30, 2025, was \$4,515,702.

NOTE 5. LONG-TERM LIABILITIES

A. Compensated Employee Absences

A summary of changes in accrued compensated employee absences for the year ended June 30, 2025, is as follows:

	Balance June 30, 2024	Net Change	Balance June 30, 2025	Current Portion
Compensated Employee Absences	\$ 1,976,188 *	\$ 98,200	\$ 2,074,388	\$ 1,988,800

* June 30, 2024 balance has been restated to conform to GASB Statement No. 101, *Compensated Absences*. See Note 11 for more information.

B. Notes Payable, Financing Obligation, and Lease Payable

Financing Obligation

On December 6, 2016, SDCCC (borrower) and the City of San Diego, as co-borrowers entered into a financing obligation agreement with the California Infrastructure and Economic Development Bank (I-Bank), as the borrower for a loan amount of \$25,500,000 (the "Facility Funds"). Under the financing obligation agreement, the Facility Funds were used to pay the convention center building (the "Financed Asset") improvement costs.

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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 5. LONG-TERM LIABILITIES (Continued)

B. Notes Payable, Financing Obligation, and Lease Payable (Continued)

Financing Obligation (Continued)

The City of San Diego and SDCCC are jointly and severally liable for all payment obligations under the financing obligation agreement. The Facility Funds are secured by the Financed Asset. In addition, the financing obligation agreement contains certain customary representations and warranties, affirmative covenants, and events of default. If such an event of default were to occur, the borrower under the financing obligation agreement would be entitled to take various actions, including, without termination of the financing obligation agreement, collecting all amounts owing under the financing obligation agreement until maturity.

The Facility Funds bear a 3.59% annual interest rate and a 0.3% loan administrative fee based upon the outstanding principal balance. The financing obligation agreement requires annual principal repayment commencing on August 1, 2019 and ending on August 1, 2041. Per agreement with the City, SDCCC has budgeted for and made payments on the full amount due under the financing obligation agreement beginning on August 1, 2019. In any given year, to the extent that payment obligations, infrastructure capital, and operations and maintenance expenditures exceed SDCCC's available funding, SDCCC will seek further budgetary allocation from the City.

Lease Payable

SDCCC entered into a noncancelable lease effective April 1, 2023, through March 31, 2025, for the truck marshal yard and warehouse space. The total of principal and interest payments are \$1,231,644 with an implicit rate of 9%.

SDCCC entered into a noncancelable lease effective September 1, 2024, through December 31, 2034, and includes an option to extend two additional five-year periods. The lease is for the truck marshal yard and warehouse space. The total principal and interest payments are \$40,445,566 with an implicit rate of 3%.

A summary of changes in notes payable, financing obligation, and lease payable for the year ended June 30, 2025, is as follows:

	Balance			Balance	Current
	June 30, 2024	Additions	Retirements	June 30, 2025	Portion
I-Bank Financing Obligation	\$ 21,567,754	\$ -	\$ (873,140)	\$ 20,694,614	\$ 904,486
Lease payable	453,740	29,325,247	(684,635)	29,094,352	658,506
	<u>\$ 22,021,494</u>	<u>\$ 29,325,247</u>	<u>\$ (1,557,775)</u>	<u>\$ 49,788,966</u>	<u>\$ 1,562,992</u>

SAN DIEGO CONVENTION CENTER CORPORATION
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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 5. LONG-TERM LIABILITIES (Continued)

C. Amortization Requirements

Annual requirements to amortize the financing obligation and lease payable as of June 30, 2025, including interest payments to maturity, are as follows:

Year Ending June 30,	Financing Obligation			Lease Payable	
	Principal	Interest	Annual Fee	Principal	Interest
2026	\$ 904,486	\$ 726,701	\$ 62,084	\$ 658,506	\$ 862,347
2027	936,957	693,647	59,370	724,839	841,524
2028	970,594	659,407	56,560	794,578	818,656
2029	1,005,438	623,937	53,648	867,869	793,639
2030	1,041,533	587,194	50,631	944,862	766,363
2031 - 2035	5,796,113	2,336,960	203,983	6,020,147	3,335,401
2036 - 2040	6,913,946	1,199,062	110,571	8,598,161	2,243,435
2041 - 2045	3,125,547	113,196	14,148	10,485,390	727,113
	<u>\$ 20,694,614</u>	<u>\$ 6,940,104</u>	<u>\$ 610,995</u>	<u>\$ 29,094,352</u>	<u>\$ 10,388,478</u>

NOTE 6. ECONOMIC DEPENDENCY

SDCCC receives contributions from the City as specified in a management agreement between SDCCC and the City. The agreement provides that the City will allocate to SDCCC approved budgetary amounts for marketing, promotion and capital projects for the Convention Center. During the fiscal year ended June 30, 2025, SDCCC received \$3,272,690 from the City as unrestricted funding to support operations.

NOTE 7. DEFINED CONTRIBUTION PLAN

The San Diego Convention Center Corporation's Money Purchase Pension Plan (Plan) is a governmental plan under section 414(d) of the Internal Revenue Code, which was established effective January 1, 1986, by SDCCC's Board of Directors. The Plan is administered by SDCCC through a Defined Contribution Committee, represented by the SDCCC Board and staff, who act by a majority of its members in office to carry out the general administration of the Plan. Any recommended Plan amendments are subject to the approval and adoption by SDCCC's Board of Directors. As part of the Plan, SDCCC through Board action selected Charles Schwab Trust Bank as Trustee, to hold and administer Plan assets subject to the terms of the Plan. The Plan is a qualified defined contribution plan and, as such, benefits depend on amounts contributed to the Plan plus investment earnings less allowable plan expenses. The Plan covers all employees who have completed at least 1,000 hours of service in one year and are not covered through a union retirement plan. Full-time employees are eligible to participate in the plan on the first day of the month after completing 1,000 hours of service and receive contributions on a bi-weekly basis thereafter.

SAN DIEGO CONVENTION CENTER CORPORATION
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Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 7. DEFINED CONTRIBUTION PLAN (Continued)

Part-time employees not covered through a union retirement plan are eligible to participate in the plan after completion of 1,000 hours and receive contributions annually once they meet the 1,000 hours threshold requirement each year. For each Plan year, SDCCC contributes 10% of compensation paid after the employee becomes an eligible participant, which is transferred to the trustee on behalf of each qualifying individual.

A Plan year is defined as a calendar year. The balance in the Plan for each eligible employee is vested gradually over five years of continuing service, with an eligible employee becoming fully vested after five years. Forfeitures and Plan expenses are allocated in accordance with Plan provisions.

For the year ended June 30, 2025, pension expense amounted to \$1,882,743 with no employee contributions made to the Plan. Included in pension expense were forfeitures in the amount of \$8,450. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in qualified gross compensation.

SDCCC offers its employees a deferred compensation plan, created in accordance with Internal Revenue Service Code Section 457, State and Local Government Deferred Compensation Plan. The plan permits eligible employees to defer, pre-tax, a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency. All assets and income of the deferred compensation plan are held in trust for the exclusive benefit of plan participants and their beneficiaries.

In accordance with GASB Statement No. 84, *Fiduciary Activities*, the deferred compensation plans are not considered part of SDCCC's financial reporting entity.

During fiscal year 2025, non-qualified supplemental catch-up contributions were made for \$5,606 to the 457b plan for CEO Clifford Rippetoe and for \$1,630 to the 457b plan for Deputy CEO and CFO Mardeen Mattix. This was to make up pension shortfalls for calendar year 2024. These catch-up contributions of retirement expense were included as a part of the pension expense amount described above.

The Corporation makes monthly contributions to the SEIU National Pension Fund for all hours paid to part-time employees covered by the Agreement Between San Diego Convention Center Corporation and Service Employees International Union (SEIU) United Services Workers West (USWW) Agreement Effective July 1, 2022, through June 30, 2027. For the fiscal year ended June 30, 2025, the SEIU National Pension Fund expense was \$146,769.

NOTE 8. RISK MANAGEMENT

The Corporation is self-insured for workers' compensation and maintains contracts with various insurance companies to manage its risks. The Corporation's self-insured retention amount is \$250,000 per claim for its workers' compensation program. Amounts in excess of \$250,000 are insured up to statutory limits.

Claim expenditures and estimated liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

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Notes to the Basic Financial Statements (Continued)
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NOTE 8. RISK MANAGEMENT (Continued)

A reconciliation of total liability claims for the Corporation's workers' compensation showing current and prior year activity is presented below:

Balance, July 1, 2023	\$ 873,816
Claims and Changes in Estimation	776,149
Claim Payments	<u>(399,329)</u>
Balance, June 30, 2024	1,250,636
Claims and Changes in Estimation	445,014
Claim Payments	<u>(606,331)</u>
Balance, June 30, 2025	<u><u>\$ 1,089,319</u></u>

During fiscal year 2025, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements which were covered by insurance have not exceeded the Corporation's insurance coverage limits.

NOTE 9. COMMITMENTS

SDCCC as Lessor

Effective March 22, 2013, SDCCC entered into a sublease agreement for truck marshal yard space for an initial term of 60 months, from April 1, 2013, through March 31, 2018, and exercised its option to extend for additional five years effective April 1, 2018, through March 31, 2023. The agreement was not renewed and continues on a month-to-month basis.

Rental income related to the sublease was \$172,525 for the fiscal year ended June 30, 2025.

Construction Commitments

As of June 30, 2025, SDCCC has begun work for electrical infrastructure upgrade and repair, west kitchen construction and equipment, and generator infrastructure upgrade. Chula Vista Electric Company has been contracted to conduct the electrical infrastructure upgrade work and started during fiscal year 2023 with a remaining commitment of \$268,120. Shadpour Consulting Engineers, LP has been contracted to conduct a central plant design and started during fiscal year 2024 with a remaining commitment of \$178,888. Precision Electric Group (CA), Inc. has been contracted to conduct transformer replacements and started during fiscal year 2025 with a remaining commitment of \$193,487. Sloan Electric Corporation has been contracted to conduct stormwater repair and rebuild replacement services during fiscal year 2025 with a remaining commitment of \$253,034. ACCO Engineered Systems Inc. has been contracted to conduct cooling tower rebuild services and started during fiscal year 2025 with a remaining commitment of \$86,204. Otis Elevator Company has been contracted to conduct elevator modernization and started during fiscal year 2025 with a remaining commitment of \$77,458.

SAN DIEGO CONVENTION CENTER CORPORATION
(A Component Unit of the City of San Diego, California)
Notes to the Basic Financial Statements (Continued)
For the Year Ended June 30, 2025

NOTE 10. CONTINGENT LIABILITIES

SDCCC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

SDCCC is subject to various lawsuits as well as grievances by labor unions. SDCCC's management believes, based upon consultation with SDCCC attorneys, that any unasserted claims, in the aggregate, will not result in a material adverse financial impact on SDCCC.

SDCCC is covered by various insurance policies, the largest of which include property, liability and workers' compensation, with deductibles that vary from \$1,000 to \$250,000. SDCCC management believes that SDCCC's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize. There have been no insurance claim settlements that exceeded insurance coverage during the past three fiscal years.

NOTE 11. CHANGE IN ACCOUNTING PRINCIPLE

SDCCC adopted GASB Statement No. 101, *Compensated Absences* in fiscal year 2025. This pronouncement requires the restatement of net position at June 30, 2024, as follows:

Total Compensated Employee Absences, June 30, 2024, as Previously Report	\$ 1,673,920
Cumulative Effect of Application of GASB Statement No. 101	<u>302,268</u>
Total Compensated Employee Absences, June 30, 2024, as Restated	<u><u>\$ 1,976,188</u></u>
 Total Salaries and Wages Expense, June 30, 2024, as Previously Report	 \$ 23,241,273
Cumulative Effect of Application of GASB Statement No. 101	<u>11,053</u>
Total Salaries and Wages Expense, June 30, 2024, as Restated	<u><u>\$ 23,252,326</u></u>
 Total Fringe Benefits Expense, June 30, 2024, as Previously Report	 \$ 6,356,633
Cumulative Effect of Application of GASB Statement No. 101	<u>291,215</u>
Total Fringe Benefits Expense, June 30, 2024, as Restated	<u><u>\$ 6,647,848</u></u>
 Net Position, June 30, 2024, as Previously Report	 \$ 45,290,282
Cumulative Effect of Application of GASB Statement No. 101	<u>(302,268)</u>
Net Position, June 30, 2024, as Restated	<u><u>\$ 44,988,014</u></u>

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**Report on Internal Control Over Financial Reporting
and on Compliance and Other Matters Based on an Audit of Financial
Statements Performed in Accordance with *Government Audit Standards***

Independent Auditor's Report

To the Board of Directors
San Diego Convention Center Corporation
City of San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the San Diego Convention Center Corporation (SDCCC), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2025, and the related notes to the financial statements, which collectively comprise SDCCC's basic financial statements, and have issued our report thereon dated **DATE**, 2025. Our report includes emphasis of matter paragraphs for the SDCCC's adoption of Governmental Accounting Standards Board Statement No. 101, *Compensated Absences*.

Report on Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered SDCCC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SDCCC's internal control. Accordingly, we do not express an opinion on the effectiveness of SDCCC's internal control.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

Report on Compliance and Other Matters

As part of obtaining reasonable assurance about whether SDCCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

San Diego, California

DATE __, 2025

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Agenda Item 3.C.2

SAN DIEGO CONVENTION CENTER CORPORATION

MEMORANDUM

TO: Board of Directors

FROM: Alyssa Turowski, Budget Committee Chair

DATE: For the Agenda of October 29, 2025

RE: Authorization to Ratify FY 2026 RESTATED Budget

BACKGROUND

This memorandum presents a restated FY2026 Budget to align with the City of San Diego's approved budget, incorporating an additional \$115,500 in funding for the *Stormwater Capital Project*.

The original FY2026 budget was approved by the Board in March 2025, prior to the City's subsequent approval of the Stormwater Capital Project funding. The City's funding action occurred after the Corporation's adoption of the FY2026 budget and therefore was not reflected in the version previously approved by the Board.

This update serves as a *technical "true-up"* to ensure consistency between the Corporation's adopted budget and the City's approved funding allocation.

Key Budget Adjustments:

- **Non-Operating Revenue increased by \$115,500**, from \$4,810,600 to \$4,926,100, to reflect the City's approved funding.
- **Capital Investments increased by \$115,500** to account for the Stormwater Pump Replacement Project and related change order.
- **Reserves: No change to overall reserve levels.** The adjustment represents a categorical offset—an increase in Net Position matched by a direct increase in capital investment spend, resulting in no net financial impact.

RECOMMENDATION

The Budget Committee recommends the Board of Directors ratify the **restated FY2026 budget** to

incorporate an additional \$115,500 in capital funding for the Stormwater Project, ensuring the Corporation's adopted budget aligns with the City's approved budget.

_____/s/
Alyssa Turowski,
Budget Committee Chair

San Diego Convention Center Corporation
FY2026 Board Approved Budget 03/26/25
(Restated 10/29/2025)
Corporate Summary

	FY2023 ACTUALS	FY2024 ACTUALS	FY2025 BUDGET	FY2025 FORECAST	FY2026 BUDGET	FY2027 PROJECTION	FY2028 PROJECTION
OPERATING REVENUES							
Building Rent - Gross	\$16,153,680	\$16,097,728	\$16,862,380	\$18,889,648	\$18,244,395	\$17,431,475	\$0
Building Rent - Credits	-\$6,217,066	-\$7,384,834	-\$8,013,193	-\$9,494,182	-\$8,574,311	-\$8,055,366	\$0
Building Rent - Net	\$9,936,614	\$8,712,894	\$8,849,187	\$9,395,467	\$9,670,084	\$9,376,109	\$0
Food & Beverage	12,782,573	14,178,694	17,943,514	21,921,840	16,390,196	16,384,182	0
Event Services	4,306,092	5,915,736	5,230,729	5,954,509	5,257,950	5,317,271	0
Utilities	6,510,726	8,602,957	7,410,910	9,004,834	6,813,085	6,984,603	0
Telecommunications	5,816,188	5,991,110	5,785,568	6,126,049	5,747,496	5,893,563	0
Audio & Visual	1,979,377	1,745,664	1,897,830	1,706,774	1,647,933	1,634,160	0
Other Ancillaries	693,552	767,371	706,250	951,891	930,250	1,126,000	0
Other Revenues	4,599	31,812	3,000	65,000	45,000	45,000	0
TOTAL OPERATING REVENUES	\$42,029,720	\$45,946,239	\$47,826,988	\$55,126,363	\$46,501,994	\$46,760,888	\$48,000,000
OPERATING EXPENSES							
Salaries & Wages - Full Time	\$15,575,085	\$18,041,474	\$21,211,564	\$20,897,514	\$20,971,689	\$21,653,920	\$22,411,808
Salaries & Wages - Part Time	4,799,455	5,199,799	5,850,833	5,072,989	5,607,252	5,835,054	6,039,281
Fringe Benefits	4,898,000	6,356,633	7,176,191	6,922,130	6,888,935	7,122,053	7,371,325
TOTAL PERSONNEL EXPENSES	\$25,272,541	\$29,597,905	\$34,238,588	\$32,892,633	\$33,467,876	\$34,611,027	\$35,822,414
General Expenses	\$1,927,977	\$1,682,416	\$2,471,027	\$2,008,143	\$1,705,505	\$2,302,248	\$2,310,883
Repair & Maintenance	3,818,474	3,920,230	5,582,301	5,185,845	4,887,927	5,131,824	5,388,415
Utilities	5,934,973	6,423,892	7,155,000	7,204,883	7,230,000	7,591,500	7,700,000
Contracted Services	781,331	813,234	1,400,760	1,204,518	1,385,739	1,254,227	1,088,200
Travel & Transportation	67,883	68,046	97,925	87,057	63,185	93,569	98,248
Insurance	623,837	691,035	1,011,286	934,000	1,050,150	1,102,658	1,157,793
Telecommunications	46,919	61,979	83,100	83,100	83,100	87,255	91,618
Sales & Marketing	2,697,888	2,754,694	2,876,545	2,861,963	2,954,521	3,055,414	3,208,184
Supplies	640,351	562,980	1,032,605	1,062,537	862,320	905,273	950,537
TOTAL SUPPLIES & SERVICES	\$16,539,632	\$16,978,506	\$21,710,549	\$20,632,046	\$20,222,447	\$21,523,968	\$21,993,878
TOTAL DEPRECIATION & AMORTIZATION	\$2,921,622	\$3,336,330	\$3,573,484	\$4,628,418	\$4,829,573	\$5,156,063	\$5,413,867
TOTAL OPERATING EXPENSES	\$44,733,795	\$49,912,741	\$59,522,621	\$58,153,097	\$58,519,896	\$61,291,058	\$63,230,159
NET OPERATING INCOME / -LOSS	-\$2,704,075	-\$3,966,502	-\$11,695,633	-\$3,026,734	-\$12,017,902	-\$14,530,170	-\$15,230,159
NON-OPERATING							
Non-Operating Revenues	3,507,781	9,423,225	5,410,881	7,450,781	4,926,100	3,775,741	3,757,888
Non-Operating Expenses	898,719	909,539	834,036	1,193,066	1,639,249	1,579,762	1,554,000
NET NON-OPERATING REVENUES/EXPENSES	\$2,609,062	\$8,513,686	\$4,576,845	\$6,257,715	\$3,286,851	\$2,195,979	\$2,203,888
CHANGE IN NET POSITION	-\$95,013	\$4,547,184	-\$7,118,788	\$3,230,981	-\$8,731,051	-\$12,334,191	-\$13,026,271

OPERATING RESERVE ACTIVITY							
Beginning Operating Reserve:	\$29,334,619	\$29,162,991	\$23,397,347	\$27,356,529	\$25,371,338	\$16,489,460	\$5,149,536
+ Financial Result	3,725,328	8,793,053	-2,711,268	9,052,465	-2,262,229	-5,598,366	-6,058,404
- Debt Services Payments	-1,839,742	-2,294,382	-2,301,916	-2,904,318	-3,202,241	-3,241,558	-3,215,796
- Capital Investments	-2,057,214	-6,184,342	-8,777,078	-8,133,338	-3,417,408	-2,500,000	-2,000,000
- Restricted Reserve Adjustment	0	-2,120,790	0	0	0	0	0
Ending Reserve Balance:	29,162,991	27,356,529	9,607,085	25,371,338	16,489,460	5,149,536	-6,124,664
Restricted Reserve Balance:	0	2,120,790	2,120,790	2,120,790	2,120,790	2,120,790	2,120,790
Target Balance (14%)	5,481,216	5,236,895	5,904,911	5,904,911	6,028,887	6,461,370	6,546,177
Minimum Balance (8%)	3,132,124	2,992,512	3,374,235	3,374,235	3,445,078	3,692,212	3,740,672

FY2026 Proposed Budget 5-Year Capital Investments FY26 - FY30 (Draft)

Type	ID	Project	2026	2027	2028	(3-Year outlook) Total
CIP	ROOF	West Roof (Design then construction)		(If funding is allocated)		\$ -
CIP	ROOF	East Roof (major repairs)		\$ 100,000		\$ 100,000
O&M	Mechanical	Central Plant repairs to bridge gap to overhaul	\$ 250,000	\$ 250,000	\$ 250,000	\$ 750,000
CIP	Mechanical	Central Plant Project (Mulit-year) - (QAQC Svcs, AHU, Air, H/C Water loop,VFDs)		(If funding is allocated)		\$ -
CIP	Electrical	Electrical Infrastructure Upgrades	\$ 300,000			\$ 300,000
CIP	Electrical	West Generator & UST Replacement/Relocation		(If funding is allocated)		\$ -
CIP	Electrical	West Building Main Breaker Modernization (Multi-year)		(If funding is allocated)		\$ -
CIP	Electrical	Transformer Replacements (Multi-year project)	\$ 100,000	\$ 100,000	\$ 100,000	\$ 300,000
CIP	Electrical	Digital Signage electrical infrastructure (4 locations of x2)	\$ 70,000			\$ 70,000
CIP	Electrical	Kitchen electrical upgrades (coffee makers, pallet jacks, electric cart chargers)	\$ 110,000			\$ 110,000
CIP	Elevators	Elevator Modernization (B)	\$ 252,908			\$ 252,908
CIP	Elevators	Elevator Replacement (A, C, F)		\$ 3,750,000		\$ 3,750,000
CIP	Building Recon	Lobby C Concession Refurbishment (contractual)		\$ 250,000		\$ 250,000
CIP	Building Recon	West Dock Stair Replacement	\$ 130,000			\$ 130,000
CIP	Building Recon	Office remodels (includes HR Training Room, GS, Facilities)	\$ 165,000	\$ 150,000		\$ 315,000
CIP	Plumbing	Pipe Replacement/Pipe Liner (Phased FY25-FY32, Rms 1-33 @ 4/yr)	\$ 250,000	\$ 250,000	\$ 250,000	\$ 750,000
CIP	Plumbing	Stormwater Pumps (City Funded)	\$ 115,500			\$ 115,500
CIP		Contingency: Emergent, unidentified items	\$ 500,000	\$ 500,000	\$ 500,000	\$ 1,500,000
Total CIP			\$ 2,243,408	\$ 5,350,000	\$ 1,100,000	\$ 8,693,408
Funded from outside funds (City Capital, Ibank, PPA, etc)			\$ (115,500)	\$ (3,750,000)	\$ -	\$ (3,865,500)
Impact on Reserves (CIP)			\$ 2,127,908	\$ 1,600,000	\$ 1,100,000	\$ 4,827,908
O&M	Equipment	Electric carts for Grounds-2 flatbeds & 1 three wheel	\$ 44,000			\$ 44,000
O&M	Equipment	Electric Carts for Painters & Electricians (2 total)	\$ 40,000			\$ 40,000
O&M	Leasehold Mair	Ballroom 20 East Kitchen Corridor Wall Replacement	\$ 140,000			\$ 140,000
O&M	Leasehold Mair	Hall Dock E & H Door/Component Replacement	\$ 350,000			\$ 350,000
O&M	Mechanical	Blast chillers in East Kitchen	\$ 100,000			\$ 100,000
O&M	Mechanical	VFDs	\$ 150,000	\$ 150,000	\$ 150,000	\$ 450,000
O&M	Technology	Security Cameras (now in freight elevator, defer rest of program)	\$ 150,000			\$ 150,000
O&M	Technology	Workforce Management (Dimensions) UKG Pro Timekeeping, UKG Pro Accruals, Advance Scheduling, Leave & Attendance, new timeclocks)		\$ 350,000		\$ 350,000
O&M		Contingency: Emergent, unidentified items	\$ 200,000	\$ 400,000	\$ 750,000	\$ 1,350,000
Total O&M Investments			\$ 1,174,000	\$ 900,000	\$ 900,000	\$ 2,974,000
Total Capital Needs			\$ 3,417,408	\$ 6,250,000	\$ 2,000,000	\$ 11,667,408
Funded from outside funds (City Capital, Ibank, CIP priority, bonds, etc)			\$ (115,500)	\$ (3,750,000)	\$ -	\$ (3,865,500)
Total Impact on Reserves			\$ 3,301,908	\$ 2,500,000	\$ 2,000,000	\$ 7,801,908

Agenda Item 3.D



SAN DIEGO CONVENTION CENTER/ SHORT TERM SALES SEPTEMBER 2025 SALES ACTIVITY REPORT



CONTACT: Andy Mikschl, *Executive Vice President, Sales, San Diego Convention Center*
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619.525.5282

SHORT TERM BOOKING ACTIVITY

Conventions, Corporate Events, Consumer Shows, Community Events, & Local Meetings

DEFINITE		FY26 SEPTEMBER 25	FY25 SEPTEMBER 24	CUMULATIVE FYTD 2026	CUMULATIVE FYTD 2025
	EVENTS	6	3	17	16
	ATTENDANCE	50,000	6,900	89,500	62,415
	ROOM NIGHTS	5,289	2,368	14,339	7,979
	RENTAL REVENUE	\$442,725	\$200,940	\$1,058,105	\$757,620

FY26 PERCENT TO GOAL

Convention Center Rental Revenue

	GOAL	YTD	PERCENT TO GOAL
CONTRACTED RENTAL REVENUE	\$1,500,000	\$1,058,105	70.5%

San Diego Convention Center Short Term Sales September2025 Sales Activity Report

CONTRACTED SHORT TERM EVENTS/ SEPTEMBER 2025

EVENT NAME	EVENT DATES	PROJECTED ATTENDANCE	PEAK ROOMS	ROOM NIGHTS	RENTAL
San Diego Fall Home Show - 2026	08/22/26	5,000	0	0	\$18,800
WWE Survivor Series Superstore	11/28/25	35,000	0	0	\$33,900
Realcomm / IBcon 2026	06/02/26	1,400	350	1,070	\$51,325
Azarian Team Cup Classic	02/14/26	4,000	0	0	\$18,800
Navy Gold Coast 2026	08/17/26	2,000	0	0	\$88,500
Proofpoint Protect 2026	09/01/26	2,600	1,132	4,219	\$231,400
TOTAL		50,000		5,289	\$442,725

San Diego Convention Center Short Term Sales September 2025 Sales Activity Report

CONTRACTED SHORT TERM EVENTS/ FY26 YTD

EVENT NAME	EVENT DATES	PROJECTED ATTENDANCE	PEAK ROOMS	ROOM NIGHTS	RENTAL
Bandai Card Games	11/07/25	1,300	0	0	\$15,680
Developmental Gymnastics Championships	03/20/26	2,500	0	0	\$69,600
CARV Expo	05/11/26	600	250	750	\$31,250
Anime San Diego 2026	09/03/26	14,000	0	0	\$67,800
brightonSEO San Diego & Hero Conference	09/14/26	4,000	475	1,570	\$39,050
Advanced Therapies Week 2027	01/17/27	2,000	800	2,880	\$93,900
Non Violent Direc Action Training	08/19/25	500	0	0	\$12,000
Tap Cancer Out San Diego	02/15/26	1,000	0	0	\$9,400
Grupo Bimbo Global Business Forum 2026	08/31/26	600	600	3,000	\$110,800
Sharp Healthcare All-Staff Assembly 2026	09/30/26	12,000	0	0	\$101,250
BPI West 2027	03/16/27	1,000	250	850	\$64,650
San Diego Fall Home Show - 2026	08/22/26	5,000	0	0	\$18,800
WWE Survivor Series Superstore	11/28/25	35,000	0	0	\$33,900
Realcomm / IBcon 2026	06/02/26	1,400	350	1,070	\$51,325
Azarian Team Cup Classic	02/14/26	4,000	0	0	\$18,800
Navy Gold Coast 2026	08/17/26	2,000	0	0	\$88,500
Proofpoint Protect 2026	09/01/26	2,600	1,132	4,219	\$231,400
TOTAL		89,500		14,339	\$1,058,105

Citywide Sales Activity Report

Bookings & Leads as of September 2025

Agenda Item 3.D



Citywide Primary Market

Conventions, Trade Shows, Corporate & Incentive Events

DEFINITE	September 2025		September 2024		CUMULATIVE FY2026		CUMULATIVE FY2025	
	Conventions	4	3		10		8	
	Attend.	14,450	24,000		51,450		67,570	
	Contract Rooms	33,934	48,448		121,657		105,474	

LEAD	September 2025		September 2024		CUMULATIVE FY2026		CUMULATIVE FY2025	
	Conventions	11	21		38		40	
	Attend.	69,500	182,050		275,650		314,750	
	Requested Rooms	170,731	236,927		528,692		448,806	

Variance Fiscal Year-to-Date

	CUMULATIVE FY2026	CUMULATIVE FY2025	YOY Variance	% YOY Variance
Definite Rooms	121,657	105,474	+16,183	+15.3%
New Lead Status Rooms	528,692	448,806	79,886	17.80%
Total Lead Status Rooms	1,706,359	1,525,264	+181,095	+11.9%

Definite Event Breakdown

Conventions, Trade Shows, Corporate & Incentive Events Booked in September 2025

SDTA Lead ID	SDCCC Lead ID	Account Name	National Sales Director	Event Dates	Contract Rooms	Peak Room Nights	Attend.
1239195	2829-65-65-41474	Confidential	David Matta	Dec 10 - 12, 2025	11,305	3,400	3,450
1225673	2829-65-65-29730	American Heart Association	Joe Clifford	Feb 17 - 20, 2032	9,150	2,600	5,500
1239601	2829-65-65-40578	International Foundation of Employee Benefit Plans	Joe Clifford	Nov 22 - 26, 2031	8,686	1,500	1,500
1237650	2829-65-65-34818	American Academy of Physical Medicine & Rehabilitation	Joe Clifford	Nov 7 - 9, 2029	4,793	1,280	4,000

SUMMARY

September closed out a solid Q1 with four bookings totaling 34,000 room nights and 14,450 attendees. For the quarter, we are 15.3% over LY’s room night production. Bookings continue to follow the strategy implemented at the beginning of Fiscal Year 2023 and approved by the SDCCC Board to focus on quality vs. quantity bookings, need time periods and/or high-value events we’re wanting to secure further out.

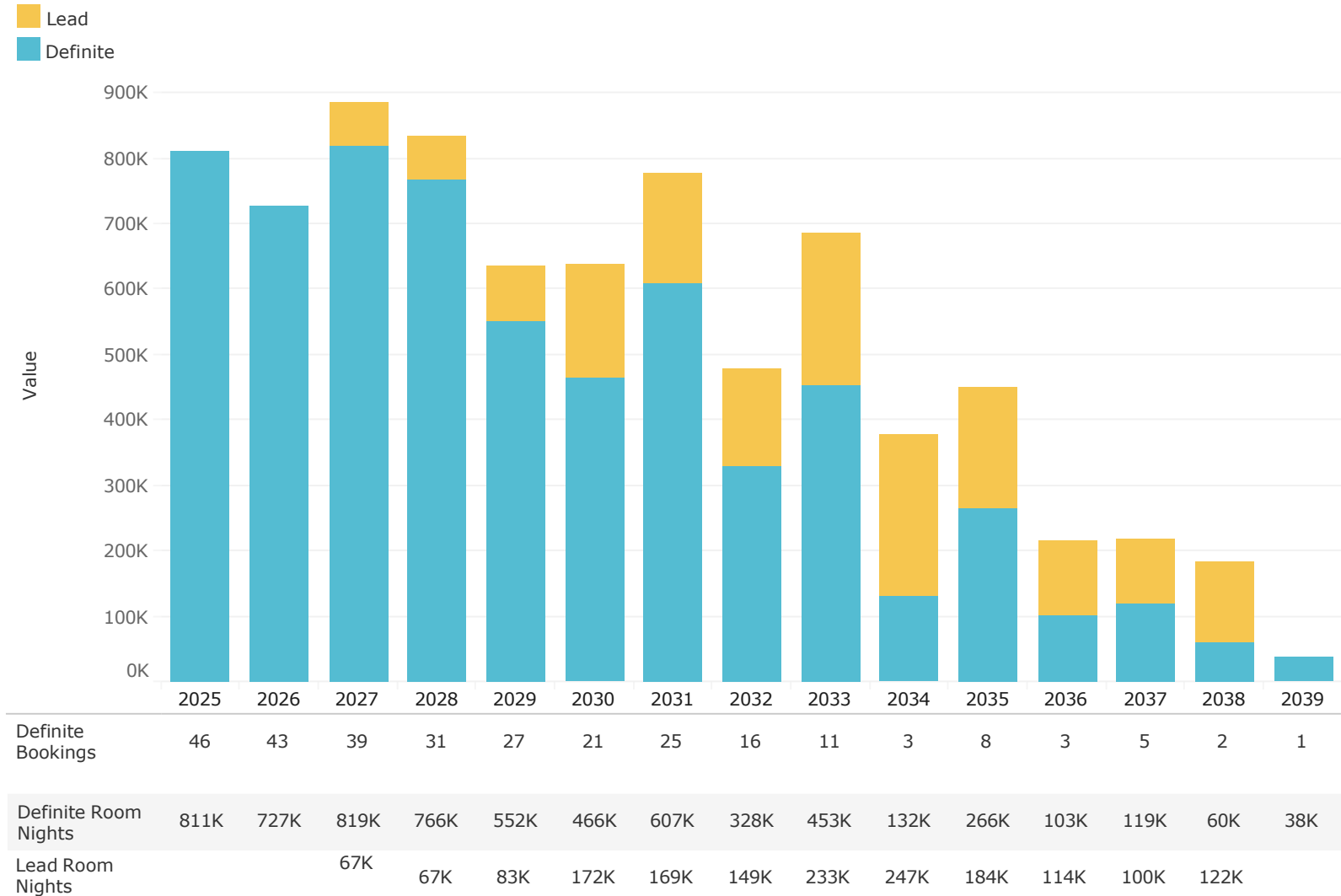
- 100% of definite room nights fall within the next 7 years all within slower demand timeframes including December 2025, weekend pattern in 2029, Thanksgiving week in 2031, and Presidents Day week in 2032.
- 59% of room nights are first time events to San Diego and arrive within the next 6 years. Not included, but noteworthy, is American Heart Assn’s Int’l Stroke Conference which although not a new event to San Diego, has not taken place in San Diego since 2014.
- Confidential Citywide: Incredibly impactful event secured 2 months prior to arrival in December, need time, with 3400 peak rooms for a mandatory attendance event.

Citywide Sales Activity Report

Definite Events On-the-Books as of September 2025

Room Night Summary

Room nights by calendar year of event



NOTE:

- **2025** Definite Total Room Night Changes: +12,379 primarily driven by new definite in December, "Confidential", with remainder from definite group changes.
- **2026** Definite Total Room Night Changes: +10,124 driven by definite increases to contracted room blocks from DTech in February (+5,027) and Confidential in January.
- **2027** Definite Total Room Night Changes: +743 definite increases
- **2028** Definite Total Room Night Changes: +33 definite increases
- **2029** Definite Total Room Night Changes: +4,827 primarily driven by New Definite AAPM&R (+4,793)
- **2030** Definite Total Room Night Changes: No Change
- **2031** Definite Total Room Night Changes: +12,242 primarily driven by new definite IFEBF (+8,686) and definite increases.
- **2032** Definite Total Room Night Changes: +9,150 due to new definite AHA
- **2033 - 2039** Definite Total Room Night Changes: No Change