

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

**WEDNESDAY, APRIL 24, 2024, 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:
1(888) 251-2909 – Access code is 6724115#**

1. Call to Order – Jeff Gattas, Chair

2. Non-Agenda 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. 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

Consent Agenda:

A. Approval of Minutes of Board Meeting of March 27, 2024

Action Item(s):

B. Budget Committee (Will Rodriguez-Kennedy)

(1) Chief Financial Officer Update

**(2) Authorization to Approve Placement of Property and Casualty Insurance
through the Brokerage Services of Marsh & McLennan Agency**

C. Sales & Marketing Committee (Shawn VanDiver)

4. President's Report (Rip Rippetoe)

5. Chair's Report (Jeff Gattas)

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

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

Adjournment

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Agenda Item 3.A

MINUTES* SAN DIEGO CONVENTION CENTER CORPORATION THE BOARD OF DIRECTORS

BOARD MEETING OF MARCH 27, 2024

BOARD MEMBERS PRESENT: Chair Jeff Gattas and Directors Will Rodriguez-Kennedy, Shawn VanDiver, Sam Nejabat, and Gretchen Newsom

BOARD MEMBER(S) ABSENT: Directors Jaymie Bradford and Alyssa Turowski

STAFF PRESENT: Rip Rippetoe, Mardeen Mattix, Corey Albright, Andy Mikschl, Maren Dougherty, Michael Milligan, Victoria Mitchell, 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 Jeff Gattas 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 Gattas then called roll to determine which Directors were present:

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

All Directors were recorded as present except Director Jaymie Bradford and Director Alyssa Turowski. Chair Gattas noted that all votes taken during this meeting would be recorded via roll call vote.

2. **Non-Agenda Public Comment** – Chair Gattas 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. **Board Committee Reports and Board Action Items:**

Consent Agenda:

A. Approval of Minutes of Board Meeting of February 28, 2024.

Chair Gattas inquired if any Director would like to pull a Consent Agenda item for discussion. Hearing no request to pull a Consent Agenda item, Chair Gattas 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 VanDiver moved and seconded, respectively, to approve the Consent Agenda as set forth hereinabove.

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

Vote: Unanimous

AYES: 5

NAYS: 0

ABSTENTIONS: 0

Action Item(s):

B. Budget Committee (Will Rodriguez-Kennedy)

(1) Authorization to Approve Proposed FY 2025 Budget

Director Rodriguez-Kennedy reported that Directors had previously received a presentation regarding the proposed FY 2025 Budget; however, prior to the Budget Committee meeting last week, Director Rodriguez-Kennedy requested that staff come together to review the budget and to suggest amendments to revenues and expenditures. As a result, staff was able to compile a stronger FY 2025 budget. Director Rodriguez-Kennedy then called upon CFO Mattix to provide a staff report regarding the amended budget. After staff submitted its report, Chair Gattas inquired if any member of the public wished to comment on Agenda Item (3.B.1). No members of the public responded to the request for comment.

After presentations by Staff, Directors Rodriguez-Kennedy and VanDiver moved and seconded, respectively, to Authorize Approval of the Proposed Amended FY 2025 Budget.

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

Vote: Unanimous

AYES: 5

NAYS: 0

ABSTENTIONS: 0

C. Executive Committee (Jeff Gattas)

(1) Strategic Plan Update: Chair Gattas reported that staff would provide an update on the status of initiatives in the Strategic Plan previously approved by the Board in December of 2022. No vote is required on this matter as this is an informational update.

Mr. Rippetoe stated that the report provided to Directors today includes a schedule for future reporting. This is the March progress report. There will also be a June progress report which will include milestones that are refined for FY 2025. An additional report will be provided in August and the final report will be provided in or around the Board Retreat scheduled for November. Staff will review and update the imperatives, the focus areas, objectives and then determine a time frame for completion of imperatives on the next part of the Strategic Plan and as well as the KPIs associated therewith. Mr. Rippetoe invited the initiative “owners” to present their reports.

- **Grow and Nurture Culture – Michael Milligan**

Michael Milligan, Executive Director of Human Resources, reported:

- One of the H.R. Department’s overall goals was to become a top workplace and staff is working hard to make that happen.
- The first milestone was to complete a Talent Acquisition Program. This milestone tackled how staff went about securing talent and hiring great team members. This milestone has been completed.
- When reviewing the “time-to-fill” metric, which is basically how fast staff fills positions, Staff is pleased to report that currently, staff is hovering at about 40 days to fill positions, in total. Last year, staff was at 51 days on average and the benchmark is actually 62 days. The Corporation is doing quite well on that front.

- Reviewing the milestones for this section includes creating or revising a process and really utilizing the Human Resources information systems to become more effective and efficient. The process will culminate with leadership training, so all employees walk away with that new process and are able to implement it well.
- The second milestone is “onboarding” which is the process of integrating new employees into our organization. Mr. Milligan stated that initially he was probably a little over-zealous when he originally established a goal date. Because the Talent Acquisition Program took a little longer than anticipated, the corresponding corrections have been made to get back on track, but the “onboarding” milestone will be completed towards the end of this fiscal year.
- Union agreements negotiations is next, and the Corporation has four CBAs that expire in June. Staff has already met with these unions, had healthy discussions, and we are on track to meet that June deadline. Staff proactively engaged with the Corporation’s fifth union (the painters) a year early to ensure that our CBAs align with all the Corporation’s trades.
- The Safety Orientation Program is on track as well. This milestone is to provide safety content that not only meets the regulatory requirements, but also ensures that the Corporation’s new hires walk away with the necessary information to perform their jobs safely.
- The Employee Relations program is on track as well.
- The Performance Management Program milestone was pushed back as our Leave of Absence Program, which was slated to be completed in June of 2025, needed to be completed earlier due to business needs.
- Lastly, a new milestone has been added to this imperative – a Labor Management System. Labor is naturally the Corporation’s number one expense and so we really need to understand how we are utilizing our labor throughout the organization so we can become more effective and efficient. In order for that to happen, we need to modernize our system because it is currently quite limited and is reaching its end-of-life use. The first step in that journey is to bring the appropriate stakeholders together and to examine what the process looks like. That process should occur in June.

- **Develop a Facility Maintenance and Improvement Program** – Corey Albright

Corey Albright, Chief Operating Officer, reported:

- This imperative is focused on the Corporation’s engineering projects and expanding our maintenance functions and capabilities within our building.

- Mr. Albright commended Vitoria Mitchell, Director of Engineering and Capital Projects and her team, with support from Human Resources, for either completing or keeping all the initiatives for this section on track.
 - Several key positions have been hired and staff recently rolled out the new and more modern service request and work-order platform. This platform will have a positive effect on maintenance capabilities and asset tracking.
 - Staff is now focused on refining procedures and will then focus on presenting new initiatives for FY 2025.
- **Refine Business Model to Ensure Financial Viability** – Mardeen Mattix and Andy Mikschl

Andy Mikschl, Executive VP Sales, reported:

- Mr. Mikschl reported that all of the Sales Team initiatives in this section are either completed or on track.
- The Corporation is working closely with SDTA to finalize the transfer of economic impact reporting responsibilities to SDTA, which will ensure the Corporation is reporting the appropriate numbers regarding economic impact and visitor spending.
- Negotiations related to future business and food and beverage minimums are intended to revise the Corporation’s policy regarding the client’s food and beverage “spend” with us, which is a significant revenue generator for the Corporation.
- Staff has also updated the Corporation’s liquidated damages language in license agreements for future events to ensure more protection for the Corporation in the event those upcoming events are cancelled.
- The Corporation has definitely seen our partners’ gross revenues rebounding to pre-pandemic numbers.
- Staff has also revised some of the rental strategies to increase rental revenue for future events.
- Staff has completed a rental study of competing buildings. One takeaway from the study is there is an opportunity for the Corporation to reevaluate its current rental rates so staff will review/introduce revised rental rates structures in FY 2025 that are more appropriate for this facility.
- Ms. Mattix reported that the Corporation’s lease with its current marshalling yard will expire in a year. Staff has been working with the City to identify potential properties that may be available. Mr. Rippetoe has also facilitated contact with a few other entities that have land for lease that may be viable for truck marshaling. The ability to obtain a truck marshaling site looks promising. The Corporation should know within the next two months if the City has land that is able to accommodate the Corporation’s truck marshaling needs.
- If the City is unable to assist with this matter, Staff will either continue talks with another entity or will engage a broker to

pursue a land lease option. The Corporation is unable to purchase land as originally intended due to financial constraints.

- Staff is continuing to collaborate on and dissect labor analytics to potentially develop a new method of scheduling labor hours as previously addressed by Mr. Milligan.

Chair Gattas noted that upon revisiting these topics, since projects are moving along, he would hope to see completed items (new systems, new revenues, etc.) outlined in a matrix that would provide current status of the projects along with any additional required “tweaks.”

- **Engage the Community** – Maren Dougherty and Juan Reyes

Maren Dougherty, Executive Director of Marketing and Communications, reported:

- Ms. Dougherty reported that her team’s goals of strengthening the Corporation’s community relations is focused on the three preceding initiatives while also maintaining this thread of public messaging and community engagement.
- Her team depends on and values the San Diego Tourism Authority’s role in managing paid media placements and much of the Corporation’s targeted marketing to meeting planners, but they also communicate the stories of our facility, our events, our team, and our economic and social impact here.
- The Corporation’s social media strategy has evolved over the last year to include more of a focus on compelling video content, more of an emphasis on LinkedIn, given our target demographics, and the ways that we can earn organic or unpaid exposure to those target audiences.
- Staff also works very closely with all of our clients to support their media outreach and connecting them with local journalists and helping them to share the economic impact of their events as well as providing them with the photos and videos that we take while their events are happening on site.
- During this past quarter, the bulk of the Corporation’s main-stream media coverage resulted from the successful PCMA Convening Leaders event in January. That event was incredibly successful in terms of the Corporation’s exposure through industry publications, local media, and a joint press conference with Visit California and SDTA. This exposure gave the Corporation an opportunity to talk about the recovery of the convention industry and to provide a preview of the year ahead.
- Staff did a number of tours and behind-the-scenes looks for those reporters who were on site during that week.
- With Juan Reyes’ leadership, staff has continued its strong community outreach through presentations, volunteer efforts, and the lighting of the Sails Pavilion in support of many community causes and awareness days. The Sails Pavilion was

most recently lit in recognition of the Celebration of Life event for Padres owner, Peter Siedler, that occurred last week. That event received a lot of positive feedback.

- Participation on panels have included periodic updates to downtown groups about convention activities and the team even shared a story about staff participation in an event in Sacramento.
- Staff has performed tours for a wide range of stakeholders, including local high school students who were interested in careers in hospitality and tourism as well as those for key stakeholders like Port Commissioner Danielle Moore. Staff continues to show local constituents what happens on site since they know a lot of local people are not a part of the convention show industry that usually visits our facility.
- Staff has continued other community focus efforts such as participating in the regional task force on homelessness point-in-time count, donating items in connection with the January floods here in San Diego, blanket drives, and things of that nature.
- In the future, staff will continue to be involved in community events like the Pride Parade (Board members are always welcome to be part of the SDCCC contingent) which is one of the most popular staff events. Staff really likes to see the Corporation's continued visibility with emphasis on diversity and inclusion.
- In terms of looking ahead, this year is the Convention Center's 35th Anniversary and staff will have a concentrated focus on that anniversary from the time of Comic-Con through November. The actual anniversary is November 21st and you will start to see more about those related events. We are requesting that staff share previously unseen historic photos, and we are working with SDTA and other partners to really have a thread that celebrates all the events, all of the people who have worked in the building and the building's history. There is a lot to be proud of and a lot to recognize.

After completion of the Strategic Plan Update, Chair Gattas inquired if any member of the public wished to comment on Agenda Item 3.C.1. No members of the public responded to the request for comment.

(2) Approval of a Resolution of the San Diego Convention Center Corporation, Inc. Authorizing a One-Time Payment of a Retention Incentive Stipend to the President and CEO of the Corporation

Chair Gattas requested that President & CEO Rippetoe excuse himself from the meeting during this portion of the Agenda. Chair Gattas called for a staff report from General Counsel Lyon regarding this item. After staff submitted its report, Chair Gattas inquired if any member of the public wished to comment on Agenda Item (3.C.2). No members of the public responded to the request for comment.

After presentations by Staff, Directors Newsom and VanDiver moved and seconded, respectively, to Approve a Resolution of the San Diego Convention Center Corporation, Inc. Authorizing a One-Time Payment of a Retention Incentive Stipend to the President and CEO of the Corporation in the amount of 7.5% of President & CEO’s base salary as of June 30, 2023, or \$25,815.66, pursuant to the provisions of the Amended and Restated Employment Agreement and its Amendments.

Chair Gattas noted that the Retention Incentive Stipend awarded to President & CEO Rippetoe is in consideration of fiscal year 2022 and the Board is in the process of establishing guidelines for a fiscal year 2023 review.

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

Vote: Unanimous

AYES: 5

NAYS: 0

ABSTENTIONS: 0

D. Audit Committee (Alyssa Turowski)

In Director Turowski’s absence, CFO Mattix reported the following:

- There were no “action items” presented for Committee review.
- The focus of the meeting was to bring the Committee members together to review initiatives for the coming months.
- Staff has committed to beginning the MPPP Audit. Fieldwork is now starting and will be presented at the June Audit Committee meeting.
- The Corporation’s contract with its financial statement auditors has expired but staff is waiting for the City to conclude its auditor search since Corporation would prefer to have the same auditors as the City. If the City retains the current incumbent, staff is prepared with a quote from the existing firm. If the City chooses a different auditor, staff will engage with the incumbent for a one-year transition period and then will move over to the auditor selected by the City.
- Staff is also beginning the insurance renewal process. The Audit and Budget Committees will review findings next month and the final findings will be presented at the April Board meeting.
- Staff expects property insurance costs to increase significantly due to (1) insurance lines are generally increasing and (2) the value of the Center has been undervalued in the past and a new assessment values the facility at more than \$1 billion.
- Workers’ Compensation claims have also increased so those insurance premiums will increase as well.
- The Committee will also review three policies by the end of the fiscal year.

E. Sales & Marketing Committee (Shawn VanDiver)

Director VanDiver reported the Sales & Marketing Committee met this month and they reviewed the long- and short-term sales updates and discussed the status of the SDTA Program of Work. Things are going well between the entities.

Andy Mikschl, Executive VP-Sales, provided the following short-term sales update:

- Short-term sales focus on events within eighteen months, those are small convention-trade events, corporate events, community events, meeting-seminars, consumer shows, etc.
- The short-term team booked two events this past month, which is in line with the new sales strategy of being more selective in terms of short-term bookings because of limited availability and the need to leave dates open to perform capital maintenance projects in the building.
- The team is still focused on booking to maximize revenues and room nights for the destination. Although the team has booked four fewer events year-to-date, those bookings represent more revenue and more room nights for the destination.
- The team is also still booking events that will allow the local community access to the facility. Examples include: (1) The Progressive Labor Summit (a first-time client), (2) GSP Innovation Festival, which focuses on “AI” educational technology. Staff is also hoping to book this event for future years.
- A Festival of Biologics will also take place in April which focuses on drug development and will include many local drug developers.

Julie Coker, SDTA President & CEO, reported the following:

- It has been a slow month in terms of converting funnel business into “definite” business. However, from a year-to-date standpoint, the team is approximately 20,000 room nights over last year’s total.
- Ms. Coker is very encouraged about the number of leads in the funnel that can be eventually converted to definite business - 1.9 million compared to 740,000 last year.
- SDTA is placing a greater emphasis on Convention Services. The Convention Services team are more thoroughly engaging clients to find out more about their events prior to their arrival in San Diego which should help increase room nights or, alternatively, allow the release of unneeded space that can then be booked for other events. The team is also working to improve the food and beverage spend, and to ensure overall that the sales team is making the right booking decisions for the hotel community as well as the building.
- Several sales team members will be attending the annual Cub’s client event in Chicago. There will be approximately 100 customers in attendance. Although this is an excellent networking event, most of the customer invitees have the potential to sign-off on contracts for their events before June 30th and the local team will be focusing on closing those deals.

- U.S. Travel had a “Destination Capital Hill” event last week. Kari Kapich attended and reported the focus of the event was visa wait times and the staffing at CDP which is understaffed by 1,400 people. This impacts San Diego because there is a large contingency of international visitors (convention attendees and exhibitors) who come to the city for conventions and extend their stays for leisure travel.
- Ms. Coker also reported on a PCMA “playbook” that was organized by SDCCC and SDTA marketing staff. The playbook compiled facts about how the event was organized. Ms. Coker also discussed leads and opportunities that could potentially be leveraged from the event being held in San Diego.
- 40% of the PCMA attendees are new to the industry and this was an excellent opportunity for San Diego to educate them about the benefits of hosting events in our city.

After staff submitted its reports, Chair Gattas inquired if any member of the public wished to comment on Agenda Item (3.E). No members of the public responded to the request for comment. No vote was required on this item as it is a Sales & Marketing Committee update.

4. **Chief Operating Officer’s Report (Corey Albright)**

- Mr. Albright shared his appreciation for the robust budget review. He acknowledged that while the conversations were not easy, he appreciated the active role the participants took to strengthen the Corporation’s financial position.

After staff submitted its report, Chair Gattas inquired if any member of the public wished to comment on Agenda Item (4). No members of the public responded to the request for comment.

5. **President’s Report (Rip Rippetoe)**

- Mr. Rippetoe thanked the entire San Diego team, the business partners, and our labor partners for all the work they are doing. As we look to the future, this collaboration will become even more important.
- Staff is working with the City, to relay important information about the impact of the Harbor Drive sewer project.
- There are still ongoing meetings, which began during the pandemic, between the Center, hotel partners and the symphony regarding safety and security in this area and the impact to visitors in this area.
- Staff continues to demonstrate that the new booking strategy is successful.
- Show numbers are continuing to rival pre-pandemic numbers. The OFC (fiberoptics event) may set a record for attendance that exceeds their previous visit to San Diego. That was also the case with the American Heart Health and the Society of Gynecological Oncology events.
- Mr. Rippetoe invited Ms. Coker to provide information about SDTA’s “Accelerator Program.” Ms. Coker spoke to how the selected businesses benefit from the program.
- Mr. Rippetoe also discussed the percentage of new managers in the convention industry and the amount of time spent educating them about the industry.

6. **Chair's Report (Jeff Gattas)**

- Chair Gattas noted that based on our looming budget issues, the team is going to have to be very strategic on how we are deploying funds, advocating for funds, and making our case about funding. Both Board and Staff will have to continue to make the case about the importance of the Convention Center to San Diego and the Center's role as a revenue producing entity.
- Directors, please complete your Form 700 Statement of Economic Interests Disclosure forms on or before April 1, 2024. Any late filings are subject to \$10.00 a day fine until the form is submitted.
- The next Board meeting is tentatively scheduled for June 26, 2024, at Noon.

After Chair Gattas submitted his report, he inquired if any member of the public wished to comment on Agenda Item (6). No members of the public responded to the request for comment.

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

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

There being no further business, the meeting adjourned at 1:05 p.m.

I, Alyssa Turowski, 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 March 27, 2024, and that said minutes were approved by the Board of Directors on April 24, 2024.

Alyssa Turowski, Secretary

Agenda Item 3.B.2

CFO Report to Board of Directors For the month ending March 31, 2024 *(As of April 18, 2024)*

Financial Performance:

Revenue: Through March 2024, revenues surpassed budgetary expectations, maintaining due to a few extraordinary medical shows surpassing expectations, yielding a \$1.5M surplus YTD. During March, we hosted five Citywide events with favorable variances primarily attributed to higher than anticipated ancillary revenues, mainly in event services and utility commissions. March alone exceeded budgetary expectations by \$973K, despite having a cancellation of a significant technology event.

Expenses: Most expense categories are trailing budget, except for personnel expenses and utilities. It is expected that all categories will remain within their budgetary limits otherwise through year-end.

Some specific areas within expenses to note:

1. Personnel expenses remain slightly above budget YTD.
2. General expenses continue to trail budget by \$927K below the budget projections. Certain equipment purchases initially planned for acquisition by December were deliberately deferred due to City funding cuts in the upcoming year. Additionally, the anticipated arrival of some equipment slated for 2024 is delayed due to continuing supply chain issues.
3. Repairs and Maintenance continue to trail budget by \$2.1M. Half of the variance is due to a few significant projects that require further planning and have been deferred due to City funding cuts. The other half is due to general building repairs taking longer than expected due to busy event activity and scheduling delays.
4. Electrical utilities overage continued to improve but remained \$269K over budget. It is anticipated they will be on par with the budget by year-end.
5. Non-operating revenue, specifically interest and investment income, has exceeded the budget by \$1.025M. This favorable variance can be attributed to heightened returns resulting from increased interest rates, compounded by a cash reserve that surpassed initial projections at the time of budgeting.

Operating results: The budgeted year-to-date (YTD) operational loss was projected to be \$3.3M, however, the actual YTD performance produces 932K, for a \$4.26M favorable swing. Operating income represents all business activities including depreciation of equipment before interest and taxes (SDCC is exempt from tax).

SDCC uses a comprehensive strategy to oversee its business operations, monitoring debt and lease payments, with a focus on capital renewal investments through reserve activity tracking. As of the current year, SDCC has successfully met all required debt service payments and has spent \$4.1 million YTD for capital assets from its reserve fund. A portion of approved capital assets for FY2024, totaling nearly \$1.5 million, will not be completed, or received as initially planned within the current fiscal year. This delay is attributed to extended equipment lead times. Consequently, these expenses will be carried over to FY25.

Agenda Item 3.B.2

As of March, the unrestricted reserve balance remains stable at approximately \$27.8 million.

San Diego Convention Center Corporation
Statement of Net Position
 March 31, 2024

	March 31, 2024	June 30, 2023	Variance	% Change
ASSETS				
Cash and cash equivalents	7,018,047	12,226,115	(5,208,068)	-43%
Investments	26,012,506	22,745,894	3,266,612	14%
Accounts receivable, net	10,993,412	6,316,905	4,676,507	74%
Prepaid expenses	343,454	1,147,357	(803,903)	-70%
Deposits with others	134,004	135,504	(1,500)	-1%
Inventory	48,891	53,081	(4,190)	-8%
Note receivable	274,556	374,556	(100,000)	-27%
Capital assets, net	35,101,289	33,488,593	1,612,695	5%
Total Assets	79,926,158	76,488,005	3,438,153	4%
LIABILITIES				
Accounts payable	559,769	1,184,431	(624,661)	-53%
Accrued liabilities and compensated absences	5,618,382	3,400,643	2,217,739	65%
Accrued I-Bank interest and loan administrative fee	172,183	396,855	(224,672)	-57%
Retention payable	116,258	22,473	93,785	417%
Unearned income	5,894,658	4,240,986	1,653,672	39%
Current portion of long-term debt	1,471,472	1,384,843	86,629	6%
Long-term portion of unearned income	3,156,464	3,093,182	63,282	2%
Long-term debt	20,694,614	22,021,494	(1,326,881)	-6%
Total Liabilities	37,683,800	35,744,907	1,938,892	5%
NET POSITION				
Net investment in capital assets	14,433,973	11,581,027	2,852,946	25%
Unrestricted	27,808,386	29,162,071	(1,353,686)	-5%
Total net position	42,242,359	40,743,098	1,499,261	4%
Total Liabilities and Net Position	79,926,158	76,488,005	3,438,153	4%

**San Diego Convention Center Corporation - Detailed Statement of Revenues & Expenses
March 31, 2024**

	Monthly Amounts			YTD Amounts			Annual	Projected
	Budget	Actual	Act vs Bud Fav/(Unfav)	Budget	Actual	Act vs Bud Fav/(Unfav)	Budget	Annual Results
REVENUES								
Building Rent - Net	1,143,820	1,287,523	143,703	7,088,850	6,292,499	(796,351)	9,624,410	8,276,130
Food & Beverage	864,880	788,254	(76,626)	9,848,310	9,738,536	(109,774)	14,834,860	14,344,446
Event Services	455,607	745,444	289,837	3,192,323	4,278,779	1,086,457	4,321,960	5,319,296
Utilities	854,234	1,458,953	604,719	4,967,718	6,085,049	1,117,331	6,599,980	6,955,568
Telecommunications	656,394	631,033	(25,361)	4,032,018	4,346,396	314,378	5,454,420	5,923,801
Audio Visual	101,220	135,572	34,352	1,057,240	1,231,014	173,774	1,440,340	1,448,008
Other Ancillaries	99,833	103,075	3,242	713,700	498,149	(215,551)	1,043,400	632,242
Other Revenues	625	200	(425)	5,625	7,800	2,175	7,500	3,750
TOTAL OPERATING REVENUE	\$ 4,176,614	\$ 5,150,054	\$ 973,440	\$ 30,905,783	\$ 32,478,221	\$ 1,572,438	\$ 43,326,870	\$ 42,903,241
OPERATING INFLOWS								
City of San Diego Contributions - Marketing	227,888	227,888	0	2,050,988	2,050,988	0	2,734,650	2,734,650
City of San Diego Contributions - Operating Fund	416,667	416,667	0	3,750,000	3,750,003	3	5,000,000	5,000,000
TOTAL OPERATING INFLOWS	\$ 644,554	\$ 644,555	\$ 0	\$ 5,800,988	\$ 5,800,991	\$ 3	\$ 7,734,650	\$ 7,734,650
TOTAL REVENUES & INFLOWS	\$ 4,821,168	\$ 5,794,608	\$ 973,440	\$ 36,706,770	\$ 38,279,212	\$ 1,572,441	\$ 51,061,520	\$ 50,637,891
EXPENSES								
PERSONNEL EXPENSES								
Salaries & Wages - Full Time	1,545,088	1,479,692	65,396	13,321,142	13,408,183	(87,041)	18,197,198	18,657,533
Salaries & Wages - Part Time	324,456	433,328	(108,872)	3,685,104	3,806,028	(120,924)	5,570,308	5,794,000
Fringe Benefits	526,889	563,086	(36,197)	4,796,006	4,800,335	(4,329)	6,565,614	6,402,463
Total: Personnel Expenses	\$ 2,396,433	\$ 2,476,106	\$ (79,673)	\$ 21,802,252	\$ 22,014,545	\$ (212,293)	\$ 30,333,120	\$ 30,853,996
SUPPLIES & SERVICES EXPENSES								
General Expenses	126,739	175,130	(48,391)	2,216,600	1,288,801	927,799	2,556,983	1,498,966
Repairs & Maintenance	384,436	194,718	189,718	4,966,733	2,829,597	2,137,136	6,084,882	4,679,760
Utilities	433,410	375,403	58,007	4,828,324	5,097,789	(269,465)	5,955,000	6,455,000
Contracted Services	20,644	27,482	(6,838)	603,850	594,705	9,145	718,840	950,903
Travel & Transportation	970	4,649	(3,679)	71,455	56,672	14,783	103,535	99,188
Insurance	60,896	54,079	6,817	565,954	495,308	70,646	763,000	751,646
Telecom Services	7,456	309	7,147	67,881	42,796	25,085	92,100	74,850
Sales & Marketing	233,438	230,609	2,829	2,086,642	2,064,309	22,333	2,784,440	2,768,708
Supplies	42,497	26,048	16,449	552,641	367,126	185,515	689,350	813,199
Total: Supplies & Services Expenses	\$ 1,310,485	\$ 1,088,427	\$ 222,058	\$ 15,960,079	\$ 12,837,102	\$ 3,122,978	\$ 19,748,130	\$ 18,092,220
DEPRECIATION								
Depreciation	275,791	231,001	44,790	2,276,991	2,074,607	202,384	3,194,806	2,823,870
Amortization	0	46,764	(46,764)	0	420,874	(420,874)	0	561,166
Total: Depreciation & Amortization	\$ 275,791	\$ 277,764	\$ (1,973)	\$ 2,276,991	\$ 2,495,481	\$ (218,490)	\$ 3,194,806	\$ 3,385,036
TOTAL OPERATING EXPENSES	\$ 3,982,709	\$ 3,842,298	\$ 140,412	\$ 40,039,322	\$ 37,347,128	\$ 2,692,194	\$ 53,276,056	\$ 52,331,252
NET OPERATING INCOME/(LOSS)	\$ 838,458	\$ 1,952,311	\$ 1,113,852	\$ (3,332,552)	\$ 932,083	\$ 4,264,636	\$ (2,214,536)	\$ (1,693,361)
NON-OPERATING								
NON-OPERATING REVENUE								
Interest Income	8,333	110,220	101,886	75,000	1,100,035	1,025,035	100,000	1,550,000
Other Income	17,675	22,640	4,965	159,291	154,552	(4,739)	212,100	204,100
Total: NON-OPERATING REVENUE	\$ 26,008	\$ 132,860	\$ 106,852	\$ 234,291	\$ 1,254,586	\$ 1,020,295	\$ 312,100	\$ 1,754,100
NON-OPERATING EXPENSE								
Non-Operating Expense	69,916	74,744	(4,828)	631,976	687,409	(55,433)	841,724	909,540
Total: NON-OPERATING EXPENSE	\$ 69,916	\$ 74,744	\$ (4,828)	\$ 631,976	\$ 687,409	\$ (55,433)	\$ 841,724	\$ 909,540
TOTAL NON-OPERATING REVENUE (EXPENSE)	\$ (43,908)	\$ 58,116	\$ 102,024	\$ (397,685)	\$ 567,177	\$ 964,862	\$ (529,624)	\$ 844,560
CHANGE IN NET POSITION (YTD Income/Loss)	\$ 794,551	\$ 2,010,426	\$ 1,215,876	\$ (3,730,237)	\$ 1,499,261	\$ 5,229,498	\$ (2,744,160)	\$ (848,801)
+ Depreciation (does not impact reserves)	275,791	277,764	1,973	2,276,991	2,495,481	218,490	3,194,806	3,385,036
- Principal: iBank Loan & Lease Payable	0	(45,483)	(45,483)	(842,880)	(1,240,251)	(397,371)	(842,880)	(1,384,843)
- Capital Purchases	(4,624,000)	(987,650)	3,636,350	(10,320,978)	(4,108,176)	6,212,802	(13,270,978)	(9,160,146)
TOTAL NET IMPACT ON RESERVES	\$ (3,553,658)	\$ 1,255,057	\$ 4,808,716	\$ (12,617,104)	\$ (1,353,685)	\$ 11,263,419	\$ (13,663,212)	\$ (8,008,754)
Beginning Operating Reserve:				29,162,991			24,938,976	29,162,991
+ Change in Net Position				1,499,261			(2,744,160)	(848,801)
+ Depreciation & Amortization (No Reserve Impact)				2,495,481			3,194,806	3,385,036
- Principal Payments: iBank Loan & Leases				(1,240,251)			(842,880)	(1,384,843)
- Capital Investments				(4,108,176)			(13,270,978)	(9,160,146)
Ending Reserve Balance:				27,809,306			11,275,764	21,154,237

Agenda Item 3.B.2

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

TO: Board of Directors

FROM: Will Rodriguez-Kennedy, Budget Chair

DATE: For the Agenda of April 24, 2024

RE: Authorization to Place Property and Casualty Insurance through the Brokerage Services of Marsh & McLennan Agency

BACKGROUND

The San Diego Convention Center Corporation (SDCC) carries the following lines of coverage: Assailant, Commercial Automobile, Cyber, Directors and Officers, General & Excess Liability, Property, Underground Storage Tank, and Workers' Compensation. These lines of coverage are renewed each year on May 1. Each line of coverage was evaluated based on the following factors (a) adherence to the specifications set forth by the City of San Diego and the San Diego Unified Port District, (b) the safety and well-being of our employees, partners, contractors, and the public at large, (c) the health and age of our building, (d) risk (e) benchmarks, as available, and (f) budgetary objectives.

Staff comprised of the CFO, Controller, and the Executive Director of Human Resources who reviewed the submitted quotes.

DISCUSSION

SDCC engaged Marsh to undertake several tasks: (a) gather quotes for all coverage lines for the upcoming plan year to gauge market conditions, (b) utilize these quotes alongside incumbents' renewal rates, (c) present property coverage options, prompted by a 34% increase in the building's appraised value by our current carrier, Affiliated FM, (d) investigate adding a new coverage line for Pollution, considering potential environmental incidents in the region and their impact on SDCC, and (e) raise the average liability limit for Directors and Officers insurance from \$3,000,000 to \$5,000,000.

Overview of Property & Casualty Premiums

PREMIUM SUMMARY

COVERAGE	EXPIRING		RENEWAL		CHANGE
	05/01/23	05/01/24	05/01/24	05/01/25	
POLICY TERM					
PROPERTY	\$	428,830	\$	619,428	44.45%
GENERAL LIABILITY	\$	24,112	\$	28,728	19.14%
COMMERCIAL AUTOMOBILE	\$	7,266	\$	5,046	-30.55%
EXCESS - 1st Layer \$10 xs of Primary	\$	26,880	\$	29,757	10.70%
EXCESS - \$10M	\$	32,801	\$	36,113	10.10%
EXCESS \$4M	\$	17,640	\$	20,780	0.00%
UNDERGROUND STORAGE TANK	\$	2,349	\$	2,832	20.56%
WORKERS COMPENSATION & EMPLOYER'S LIABILITY	\$	296,774	\$	336,087	13.25%
CYBER	\$	19,359	\$	19,346	-0.07%
ACTIVE ASSAILANT	\$	36,138	\$	40,586	12.31%
EXECUTIVE LIABILITY	\$	66,933	\$	42,067	-13.53%
BROKER FEE*	\$	81,250	\$	81,250	

Does not include Pollution Liability Quote

TOTAL PROGRAM COST \$ 1,040,332 \$ 1,262,021 21.31%

Below is an overview of our current program coverage, deductible limits, and incumbent carriers:

SDCC Proposed Coverage for 5/1/2024 renewal

Excess Liability (\$25M Total)										
Carrier: Allianz Limit: \$10,000,000 Premium: \$31,341										
Carrier: HDI Global Limit: \$10,000,000 Premium: \$31,341										
Carrier: Texas Insurance Company Limit: \$5,000,000 Premium: \$16,783										
Carrier: Allianz Limit: \$5,000,000 Premium: \$17,824										
Carrier: HDI Global Limit: \$10,000,000 Premium: \$36,113										
Umbrella Liability Carrier: Markel / K&K Limit: \$10,000,000 Premium \$29,757										
General Liability	Automobile Liability	Employer's Liability	Employee Benefits Liability	Property	Cyber Liability	Worker's Compensation	Underground Storage Tank	Crime	D & O, EPL & Fiduciary	Active Assailant
Carrier: Scottsdale (K&K) Limit: GL - \$1,000,000/\$2,000,000	Carrier: Scottsdale (K&K) Limit: \$1,000,000	Carrier: Travelers Limit: \$1,000,000	Carrier: Scottsdale (K&K) Limit: \$1,000,000/\$2,000,000	Carrier: Affiliated FM Insured Value: \$1 Billion	Carrier: Beazley Limit: \$3,000,000 various policy sublimits	Carrier: Travelers Statutory Coverage	Carrier: UCPM Environmental Limit: \$1,000,000	Carrier: Zurich Limit: \$250,000	Carrier: Zurich Limit \$5,000,000 (D&O + EPL) \$2,000,000 (Fiduciary)	Carrier: Hiscox Lead Limit \$2,500,000
SIR: \$100,000	Deductible \$1,000 Comp. \$1,000 Coll.	Deductible \$250,000	Deductible \$1,000	Deductible \$25,000, Water Damage \$50,000, Flood \$100,000	Retention \$25,000	Deductible \$250,000	Deductible Tank 1- \$100,000 Tank 2- \$25,000	Deductible \$15,000 Fiduciary \$10,000	Retention D&O \$100,000 EPL - \$250,000	No Deductible
Premium \$28,728	\$5,046	Incl in WorkComp	Inc in GL	\$619,428	\$19,346	\$336,087	\$2,832	Inc in D&O	\$54,446	\$40,586

Property

In August 2023, Affiliated FM, our incumbent insurer, conducted a thorough inspection of the building to determine its replacement cost, defined as the estimated amount needed to replicate the entire property. This appraisal led to a 34% increase in the building's value, surpassing \$1 billion (\$1,175,799,981). Additionally, our internal inventory review resulted in a more than 700% increase in the contents limit. It's important to highlight that insurance carriers offering property limits exceeding \$1 billion are rare. While Affiliated FM can provide coverage up to \$1 billion, they are presently unable to offer amounts surpassing this threshold.

Marsh received a quote from the incumbent, Affiliated FM as well as CNA. CNA quoted \$800,000 with a layering limit of \$50,000,000. Nine carriers declined to quote due to uncompetitive pricing, loss control concerns, and an inability to offer a limit of \$1 Billion.

PROPERTY	EXPIRING	RENEWAL	CHANGE
	Affiliated FM	Affiliated FM	
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
Personal Property	\$ 5,125,000		
Electronic Data Property	\$ 1,500,000		
Building	\$ 810,992,495		
Business Income	\$ 7,000,000		
Leasehold Rental Payments	\$ 30,000,000		
Total Policy Limit	\$ 854,617,495	\$ 1,000,000,000	17.01%
DEDUCTIBLE			
All other Perils not specifically listed	\$ 25,000	\$ 25,000	
Earthquake Sprinkler Leakage	\$ 25,000	\$ 25,000	
Flood per location *	\$ 100,000	\$ 100,000	* see note
Business Interruption	2 day equivalent	2 day equivalent	
Water Damage per location	\$ 50,000	\$ 50,000	
Boiler & Machinery	\$ 25,000	\$ 50,000	
Premium	\$ 475,897	\$ 554,679	16.55%
Terrorism	\$ 47,067	\$ 64,749	37.57%
Premium	\$ 428,830	\$ 619,428	44.45%
Commission	0%	0%	
RATING BASIS			
Total Insurable Values	\$ 854,617,495	\$ 1,175,799,981	37.58%
Rate for Comparison - per \$100 of Values	0.0502	0.0527	4.99%
Premium	\$ 428,830	\$ 619,428	44.45%
Additional Quote for \$200,000,000 -indication from Chubb Bermuda for Premium of \$135,000 - \$150,000			

* Flood Deductible for Chula Vista location (Marshall Yard) is \$500,000 as mapping shows that the location is in a 100-year flood zone.

Staff recommends authorizing Marsh to renew the property policy at the total policy limit of \$1,000,000,000 with the incumbent, Affiliated FM, for a total premium of \$619,428 (before allocations to the City of San Diego and the Port of San Diego) which is \$190,598, or 44.45% higher than the expiring policy. The Corporation's share of the net premium (after deducting for amounts to be billed back to the City and the Port) is \$516,216.

General Liability

General Liability insurance provides coverage for claims of bodily injury or property damage caused by business operations, products, or services. It typically covers legal defense costs and settlements if a business is found liable. The General Liability premium is based on Rental revenue and Admissions.

In addition to the incumbent, K&K-Markel, Marsh requested five quotes for this line of insurance (general liability and first excess layer). All declined due to their inability to compete with the current pricing, or they were unable to submit their quote in time for this meeting.

GENERAL LIABILITY	EXPIRING	RENEWAL	CHANGE
	K & K-Scottsdale	K & K-Markel Insurance Company	
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
General Aggregate	\$ 5,000,000	\$ 5,000,000	
Products Completed Operations Aggregate Limit	\$ 2,000,000	\$ 2,000,000	
Personal and Advertising Injury	\$ 1,000,000	\$ 1,000,000	
Each Occurrence Limit	\$ 1,000,000	\$ 1,000,000	
Damage to Premises Rented to You Limit	\$ 300,000	\$ 300,000	
Medical Expense	Excluded	Excluded	
Self Insured Retention (SIR)	\$ 100,000	\$ 100,000	
EMPLOYEE BENEFITS LIABILITY - CLAIMS MADE	\$1,000,000/\$2,000,000	\$1,000,000/\$2,000,000	
Retro Date: 5/1/2006 \$1,000 deductible			
RATING BASIS			
Admissions	750,000	776,000	3.47%
Gross Revenue	\$ 40,000,000	\$ 48,000,000	20.00%
TPA Fee	\$ 1,500	\$ 1,500	
Premium	\$ 22,807	\$ 28,167	23.50%
Total Premium - Includes Terrorism Charge	\$ 24,112	\$ 28,728	19.14%

K&K – Markel (incumbent) includes \$1,000,000 base general liability coverage with a single occurrence deductible of \$100,000, for an annual premium cost of \$28,728 – 19% above last year’s expense.

Commercial Automobile

Commercial automobile insurance provides coverage for vehicles used for business purposes. It protects against liability for bodily injury or property damage caused by our business-owned vehicles, as well as physical damage to the vehicles themselves.

K&K-Markel submitted a bundled quote which included auto insurance. Fortunately, we were the recipient of a decrease in our renewal by \$2,220 or 30.55%.

COMMERCIAL AUTOMOBILE	EXPIRING	RENEWAL	CHANGE
	Scottsdale Indemnity	Markel Insurance Company	
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
Liability – Any One Accident or Loss	Symbol #1 \$ 1,000,000	\$ 1,000,000	
Uninsured/Underinsured Motorists	Symbol #2 \$ 1,000,000	\$ 1,000,000	
Medical Payments	Symbol #2 \$ 5,000	\$ 5,000	
Comprehensive Deductible	Symbol #7 \$ 1,000	\$ 1,000	
Collision Deductible	Symbol #7 \$ 1,000	\$ 1,000	
Hired Auto Liability- Excess	Symbol #8 \$ 1,000,000	\$ 1,000,000	
Hired Auto Physical Damage	Symbol #8 \$ 50,000	\$ 50,000	
Non-Owned Liability	Symbol #9 \$ 1,000,000	\$ 1,000,000	
RATING BASIS			
# Autos	\$ 3	\$ 3	
Average Rate per Vehicle	\$ 2,422.00	\$ 1,682.00	-30.55%
Premium	\$ 7,266	\$ 5,046	-30.55%

Staff recommends authorizing Marsh to move the auto insurance policy to K&K-Markel for a premium cost of \$5,046.

Excess Liability

The **Excess Liability** coverage market is still limited in the capacity to insure as rates are increasingly driven by nuclear verdicts and the severity of automobile liability losses.

SDCC has maintained a general liability insurance limit amount of \$50,000,000 as specified in the 1998 Management Agreement throughout the years. However, for the last three years, both the City of San Diego and the San Diego Unified Port District agreed to reduce that coverage to \$25,000,000 due to capacity limitations within the insurance market and the low-risk assessment from low claim history of the Center. In the current year, both entities requested to reinstate the contractual limits, knowing the pressures in the market to secure excess coverage are scarce. By reinstating the additional excess coverage to \$50 million from the current \$24 million increased the total cost by \$85,839 – more than double the premium cost from last year.

General Liability Coverage		
Primary	\$	1,000,000 K&K - Markel
1st layer	\$	10,000,000 Markel American
2nd layer	\$	10,000,000 HDI Global Specialty
3rd layer	\$	5,000,000 Allianz Global
4th layer	\$	5,000,000 Texas Insurance Group
5th layer	\$	10,000,000 HDI Global Specialty
6th layer	\$	10,000,000 Allianz Global
Total GL coverage	\$	<u>51,000,000</u>

	EXPIRING	RENEWAL	CHANGE
EXCESS - 1st Layer \$10M	National Casualty	Market American	
Each Occurrence	\$ 10,000,000	\$ 10,000,000	
General Aggregate	\$ 10,000,000	\$ 10,000,000	
Premium	\$ 26,880	\$ 29,757	10.70%
EXCESS - 2nd Layer \$10M	HDI Global Specialty SE	HDI Global Specialty SE	
Each Occurrence	\$ 10,000,000	\$ 10,000,000	
General Aggregate	\$ 10,000,000	\$ 10,000,000	
RATING BASIS			
Premium with commission	\$ 30,500	\$ 34,725	
Commission	0%	0%	
Policy Fee	\$ 275	\$ 275	
Surplus Lines Fee	\$ 923	\$ 1,113	
TRIA	\$ 1,103	INC	
Total Estimated Annual Premium	\$ 32,801	\$ 36,113	10.10%
EXCESS - 3rd Layer \$5M	Capital Specialty	Allianz Global	
Each Occurrence	\$ 4,000,000	\$ 5,000,000	
General Aggregate	\$ 4,000,000	\$ 5,000,000	
RATING BASIS			
Premium with commission	\$ 17,000	\$ 17,000	
Commission	0%	0%	
Policy Fee	\$	\$ 275	
Surplus Lines Fee	\$ 541	\$ 549	
TRIA	\$ 99	INC	
Total Estimated Annual Premium	\$ 17,640	\$ 17,824	1.05%
EXCESS - 4th Layer \$5M		Texas Ins Comp	
Each Occurrence		\$ 5,000,000	
General Aggregate		\$ 5,000,000	
RATING BASIS			
Premium with commission		\$ 16,000	
Commission		0%	
Policy Fee		\$ 275	
Surplus Lines Fee		\$ 509	
TRIA		INC	
Total Estimated Annual Premium		\$ 16,784	New
EXCESS - 5th Layer \$10M		HDI Global Specialty SE	
Each Occurrence		\$ 10,000,000	
General Aggregate		\$ 10,000,000	
RATING BASIS			
Premium with commission		\$ 30,000	
Commission		0%	
Policy Fee		\$ 375	
Surplus Lines Fee		\$ 966	
TRIA		INC	
Total Estimated Annual Premium		\$ 31,341	New
EXCESS - 6th Layer \$10M		Allianz Global	
Each Occurrence		\$ 10,000,000	
General Aggregate		\$ 10,000,000	
RATING BASIS			
Premium with commission		\$ 30,000	
Commission		0%	
Policy Fee		\$ 375	
Surplus Lines Fee		\$ 966	
TRIA		INC	
Total Estimated Annual Premium		\$ 31,341	New
Total Excess Liability	\$ 77,321	\$ 163,160	111%

Staff recommends authorizing Marsh to renew general liability excess coverage policies totaling \$163,160 – 111% above last year’s expense.

Pollution

Pollution insurance provides coverage for claims arising from pollution or environmental damage resulting from business operations. This coverage encompasses expenses related to cleanup, legal proceedings, and damages stemming from pollution incidents. Environmental incidents may include, but

are not limited to, water damage, sewer ruptures, and chemical spills. Certain exclusions apply, such as asbestos, known incidents, and lead-based paint. Based on recent storm events, staff feel it is a prudent business decision to add this line of coverage during the new policy year.

NEW

POLLUTION LIABILITY	Chubb - Illinois Union Insurance Company	
Coverage Term	05/01/24 - 05/01/25	
Per Pollution Condition or Indoor Environmental Condition	\$	1,000,000
Aggregate All Pollution Conditions or Indoor Environmental Condition	\$	1,000,000
Self Insured Retention	\$	25,000
RATING BASIS		
Total Estimated Annual Premium	\$	18,655
Surplus Lines	\$	594
Total Estimated Annual Premium	\$	19,249

Staff recommends authorizing Marsh to add a pollution policy with Chubb for a total premium of \$19,249.

Underground Storage Tank

Underground storage tank insurance provides coverage for claims related to leaks, spills, or other damage caused by underground storage tanks on the property. It covers cleanup costs, liability for third-party injuries or property damage, and legal expenses.

Given the advancing age of our two storage tanks (35 and 24 years), they are progressively becoming riskier. Deductibles are expected to rise, compounded by the absence of alternative markets. Consequently, Liberty Surplus, our incumbent provider, proposed a policy renewal with a \$233 or 9% increase compared to the previous year.

UNDERGROUND STORAGE TANK	EXPIRING	RENEWAL
	Liberty Surplus Ins. Corp	Liberty Surplus Ins. Corp
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25
Storage Tank Incident Limit of Liability	\$ 1,000,000	\$ 1,000,000
Aggregate Limit of Limit of Liability for all Storage Tank Incidents	\$ 1,000,000	\$ 1,000,000
Aggregate Limit of Liability for all Legal Defense Expenses	\$ 1,000,000	\$ 1,000,000
Total Policy Aggregate Limit of Liability for all Storage Tank Incidents	\$ 1,000,000	\$ 1,000,000
Deductible per Storage Tank Incident - Tank 1*	\$ 100,000	\$ 100,000
During Removal or Investigation	\$ 1,000,000	\$ 1,000,000
Deductible per Storage Tank Incident - Tank 2	\$ 25,000	\$ 25,000
Retro Date Tank 1	8/1/2005	8/1/2005
Retro Date Tank 2	5/1/2005	5/1/2005
Premium	\$ 2,349	\$ 2,575
Program Fee	\$ 175	\$ 175
Surplus Lines	\$ 75	\$ 82
Total Premium	\$ 2,599	\$ 2,832

Staff recommends authorizing Marsh to renew the underground storage tank policy with Liberty Surplus

for a premium cost of \$2,832.

Workers' Compensation

Workers' compensation insurance provides coverage for medical expenses, lost wages, and rehabilitation costs for employees who are injured or become ill on the job. It is mandatory coverage in California and helps protect both employees and employers. Premiums are based on claims history (severity and frequency of claims) as well as expected annual payroll.

SDCC currently operates a self-funded workers' compensation program with a high deductible of \$250,000 per claim, necessitating a fixed base of non-refundable premiums, assessments, and fees. Travelers proposed an alternative program offering the same high deductible but with reduced premium costs offset by increased collateral requirements. Furthermore, the claim fee structure of this option is based on a percentage of the paid claim value rather than flat rates for submitted claims.

Considering recent claims trends and exposure rates, staff recommends maintaining the current program. Although the premium is \$336,087, an increase of 13.25%, than the alternative, it minimizes the risk of claim fee escalations and requires less collateral in comparison. The current fiscal year claim cost budget was \$350,000 but to date, claims total nearly \$700,000. To renew based on the current program, the Travelers package requires an additional \$350,000 Letter of Credit contribution due to increased claims activity, for a total Collateral Requirement of \$2,000,000. Including a budgeted claim costs reserve of \$350,000, the overall program costs are expected to be \$686,087 for the renewal period.

WORKERS COMPENSATION & EMPLOYER'S LIABILITY	EXPIRING	RENEWAL	
	TRAVELERS	TRAVELERS	TRAVELERS
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25	05/01/24 - 05/01/25
WORKERS COMPENSATION	Statutory - CA	Statutory - CA	Statutory - CA
EMPLOYER'S LIABILITY			
Bodily Injury by Accident -Each Accident	\$1,000,000	\$1,000,000	\$1,000,000
Bodily Injury by Disease - Each Employee	\$1,000,000	\$1,000,000	\$1,000,000
Bodily Injury by Disease Policy Limit	\$1,000,000	\$1,000,000	\$1,000,000
Deductible Plan Amount	\$250,000	\$250,000	\$250,000
Class Code Classification			
9015 Building Operations	\$ 14,000,000	\$ 14,817,870	\$ 14,817,870
8742 Outside Sales	\$ 612,150	\$ 916,857	\$ 916,857
8810 Clerical	\$ 2,000,000	\$ 3,197,072	\$ 3,197,072
RATING BASIS			
Estimated Annual Payroll	\$ 16,612,150	\$ 18,931,799	\$ 18,931,799
Rate for Comparison - per \$100 of Payroll	\$ 1.4850	\$ 1.5440	\$ 1.4060
Estimated Annual Premium	\$ 246,690	\$ 292,307	\$ 266,181
Surcharges	\$ 50,084	\$ 43,780	\$ 43,780
Loss Control	Not included	Not included	Not included
Commission Rebate	0%	0%	0%
Total Premium	\$ 296,774	\$ 336,087	\$ 309,961
Loss Fund	\$ 65,000	\$ 74,173	\$ 75,486
Collateral Requirement	\$ 1,650,000	\$ 2,000,000	\$ 2,025,000
Loss Fund Due		\$ 9,173	\$ 10,486
Collateral Due		\$ 350,000	\$ 375,000
Claim Charge		Med - \$175 and Ind-\$1,500	LCF of 1.085

Staff recommends authorizing Marsh to renew the existing workers' compensation policy with the incumbent, Travelers, for a premium cost of \$336,087.

Cyber Liability

Cyber liability insurance provides coverage for losses or damages resulting from cyber-attacks, data breaches, or other cyber-related incidents. It covers costs such as legal fees, notification expenses, credit monitoring, and liability for third-party claims.

In addition to the incumbent, Beazley, Marsh received three quotes for this line of insurance. Chubb declined to quote as it no longer writes this coverage for public entities. Travelers could not compete with the pricing and coverage of Beazley. Corvus’ quote was more than twice the premium cost of Beazley.

According to Marsh data, rate increases averaged 3% in Q3 2023. Fortunately, SDCC received a slight rate decrease (.07%) from Beazley for the upcoming policy year.

CYBER LIABILITY	EXPIRING	RENEWAL	
	BEAZLEY	BEAZLEY	
COVERAGE TERM	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
POLICY AGGREGATE LIMIT OF LIABILITY	\$ 3,000,000	\$ 3,000,000	
FIRST PARTY COVERAGE			
Breach Response	Outside and separate	Outside and separate	
Cyber Incident Response Team	\$ 1,000,000	\$ 1,000,000	
Notified Individuals	100,000 notified individuals	100,000 notified individuals	
Business Interruption Loss and Extra Expenses	\$ 3,000,000	\$ 3,000,000	
Contingent Business Interruption Loss and Extra Expenses	\$ 1,000,000	\$ 1,000,000	
Cyber Extortion Loss	\$ 3,000,000	\$ 3,000,000	
Data Recovery Costs	\$ 3,000,000	\$ 3,000,000	
THIRD PARTY COVERAGE			
Data and Network Liability	\$ 3,000,000	\$ 3,000,000	
Regulatory Defense & Penalties	\$ 3,000,000	\$ 3,000,000	
Payments Cards Liabilities & Costs	\$ 3,000,000	\$ 3,000,000	
Media Liability	\$ 3,000,000	\$ 3,000,000	
Claim Prep	\$ 50,000	\$ 50,000	
Post Breach Remediation Costs	100 hours	100 hours	
eCrime			
Fraudulent Instruction	\$ 250,000	\$ 250,000	
Funds Transfer Fraud	\$ 250,000	\$ 250,000	
Telephone Fraud	\$ 250,000	\$ 250,000	
RETENTIONS			
Each Incident, Claim or Loss	\$ 25,000	\$ 25,000	
Waiting Period	10 Hours	10 Hours	
Estimated Annual Premium	\$ 18,750	\$ 18,750	
Surplus Lines Fees	\$ 609	\$ 596	
Policy Fee			
Total Premium	\$ 19,359	\$ 19,346	-0.07%

Staff recommends authorizing Marsh to renew the Cyber policy with Beazley for a premium cost of \$19,346.

Active Assailant

Active assailant insurance, also known as active shooter insurance, provides coverage for losses or damages resulting from acts of violence or terrorism on our premises. This line of insurance can cover medical expenses, property damage, business interruption, and liability for third-party claims. Hiscox, the incumbent, submitted a proposal that was \$4,448 or 12.31% higher than the previous policy year. The increase can be attributed to the rise in incidents across the country.

ACTIVE ASSAILANT	EXPIRING	RENEWAL	
	Hiscox Lead	Hiscox Lead	
Coverage Term	05/01/23 - 05/01/24	05/01/24 - 05/01/25	
Liability Combined Single Limit and Aggregate	\$ 2,500,000	\$ 2,500,000	
Physical Damage	Excluded	Excluded	
Business Interruption	\$ 2,500,000	\$ 2,500,000	
Loss of Attraction	\$ 500,000	\$ 500,000	
Extra Expense	\$ 2,500,000	\$ 2,500,000	
Crisis Response Company Fees	\$ 250,000	\$ 250,000	
Deductible	No deductible	No deductible	
Total Estimated Annual Premium	\$ 35,000	\$ 39,335	
Surplus Lines Tax & Stamping Fee	\$ 1,138	\$ 1,251	
Grand Total	\$ 36,138	\$ 40,586	12.31%

Staff recommends authorizing Marsh to renew the Active Assailant policy with Hiscox for a premium cost of \$40,586.

Directors & Officers (Including Employment Practice, Fiduciary Liability, and Crime)

Directors and officers (D&O) insurance provides coverage for claims against directors and officers for alleged wrongful acts in their roles. It can cover legal defense costs, settlements, or judgments. Employment practices liability insurance (EPLI) provides coverage for claims related to employment-related issues, such as wrongful termination, discrimination, harassment, or retaliation. It can cover legal defense costs, settlements, or judgments, and can help protect a business from financial losses. Crime insurance provides coverage for losses resulting from criminal acts, such as theft, fraud, forgery, or employee dishonesty. It can cover financial losses, legal expenses, and can help protect your business's assets and reputation.

In addition to the incumbent, Zurich, Marsh received six quotes for this line of insurance. Five companies declined to provide a quote due either to claims activity, our type of business, and/or could not complete with Zurich based on their coverage and cost.

Renewing our current coverage reflects a decrease of \$24,866, a reduction of 37.15%. Despite no imminent claims, staff recommend raising the liability limit by \$2,000,000, particularly given California's litigious environment. This increase in coverage still yields a premium decrease of \$12,487, or 18.6%.

	EXPIRING	RENEWAL	CHANGE
EXECUTIVE LIABILITY	ZURICH	ZURICH	
COVERAGE TERM	05/01/2023 - 05/01/2024	05/01/2024 - 05/01/2025	
Directors & Officers Liability Limit - Each Claim and Aggregate	\$ 3,000,000	\$ 3,000,000	
Employment Practices Liability Limit - Each Claim and Aggregate	\$ 3,000,000	\$ 3,000,000	
Fiduciary Liability - Each Claim and Aggregate	\$ 2,000,000	\$ 2,000,000	
Additional Limit for Defense Costs	\$ 1,000,000	\$ 1,000,000	
Policy Aggregate Limit	\$ 4,000,000	\$ 4,000,000	
Retentions (Per Loss)			
D&O Non-Indemnified Claims	\$ -	\$ -	
D&O Corporate Reimbursement for Indemnified Claims	\$ 100,000	\$ 100,000	
D&O Corporate Reimbursement for Entity-Related Claims	\$ 100,000	\$ 100,000	
Employment Practices Liability Claims	\$ 250,000	\$ 250,000	
Employment Practices Liability - 3rd Party Claims	\$ 250,000	\$ 250,000	
Fiduciary Liability Claims	\$ 10,000	\$ 10,000	
DIRECTORS & OFFICERS LIABILITY			
Additional Side A Limit	\$ 1,000,000	\$ 1,000,000	
FIDUCIARY LIABILITY			
HIPAA Penalties Sublimit	\$ 100,000	\$ 100,000	
Total Estimated Annual Premium (Includes Crime)	\$ 66,933	\$ 42,067	-37.15%
MARKETING / ADDITIONAL COVERAGE OPTIONS	CARRIER	LIMIT/RETENTION	PREMIUM
\$5M Limit Option	Zurich	\$5M D&O Limit / \$100K Retention \$5M EPL Limit / \$250K Retention	\$ 54,446

Staff recommends authorizing Marsh to renew the Directors & Officers policy with the incumbent, Zurich for a total of \$5,000,000 coverage limit with a premium cost of \$54,446.

STAFF RECOMMENDATION

The Board authorize placement of Assailant, Auto, Cyber, Directors and Officers, General & Excess Liability, Pollution, Property, Underground Storage Tank and Workers’ Compensation Insurance through the brokerage services of Marsh & McLennan Agency as detailed in the discussion above. The costs outlined above total \$1,616,946, inclusive of an estimated claims cost of \$350,000 as well as \$81,250 in brokerage fees. FY2025 total budgeted value of all costs was approved for \$1,766,286.

_____/s/_____
 Will Rodriguez-Kennedy
 Budget Committee Chair



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

	FY24 MARCH 24	FY23 MARCH 23	CUMULATIVE FYTD 2024	CUMULATIVE FYTD 2023
DEFINITE	EVENTS	6	32	34
	ATTENDANCE	9,450	177,937	84,819
	ROOM NIGHTS	3,630	18,507	10,178
	RENTAL REVENUE	\$221,250	\$190,690	\$1,286,460

FY24 PERCENT TO GOAL

Convention Center Rental Revenue

	GOAL	YTD	PERCENT TO GOAL
CONTRACTED RENTAL REVENUE	\$1,500,000	\$1,286,460	85.7%

San Diego Convention Center Short Term Sales March 2024 Sales Activity Report

CONTRACTED SHORT TERM EVENTS/ MARCH 2024

EVENT NAME	EVENT DATES	PROJECTED ATTENDANCE	PEAK ROOMS	ROOM NIGHTS	RENTAL
Battle Hardened: San Diego	08/24/24	150	0	0	\$5,100
West Coast Cheer & Dance Competition	10/05/24	3,000	0	0	\$20,900
Live Well Advance Conference & School Summit	11/21/24	2,000	0	0	\$24,100
Titans of Dance Intensive	01/19/25	300	0	0	\$7,650
Festival of Biologics	04/23/25	2,000	250	750	\$68,400
Advanced Therapies Week	02/11/26	2,000	800	2,880	\$95,100
TOTAL		9,450		3,630	\$221,250

San Diego Convention Center Short Term Sales March 2024 Sales Activity Report

CONTRACTED SHORT TERM EVENTS/ FY24 YTD

EVENT NAME	EVENT DATES	PROJECTED ATTENDANCE	PEAK ROOMS	ROOM NIGHTS	RENTAL
IEEE PES Grid Edge 2025	01/19/25	2,500	850	3,125	\$103,500
IWRP Industry Day 2024	06/24/24	300	0	0	\$9,300
The ASU + GSV Air Show 2024	04/12/24	5,000	0	0	\$65,700
X-STEM Workshops San Diego 2024	09/12/24	900	0	0	\$6,000
Brick Fest Live San Diego 2024	08/22/24	8,000	0	0	\$36,200
National Provider Enrollment Conference 2024	08/27/24	975	35	175	\$15,000
Social Media Marketing World 2025	03/29/25	2,500	400	1,200	\$55,800
Navy Gold Coast Small Business Opportunity Conference	08/18/24	2,000	0	0	\$77,800
San Diego International Auto Show 2023	12/29/23	100,000	200	800	\$194,400
West Coast Conference Cheer & Dance 2023	10/29/23	2,500	0	0	\$10,400
AGWest Board Meeting & LAC Orientation	02/07/24	100	350	800	\$6,600
LSX RNA Leaders USA Congress 2024	09/04/24	600	150	300	\$20,790
Sharp Healthcare All-Staff Assembly	11/19/24	12,000	0	0	\$76,250
JOGS San Diego Gem & Jewelry Show	10/28/24	2,000	80	312	\$66,640
The IR Show Winter 2025	01/22/25	750	250	750	\$49,800
San Diego Home Fall Show 2024	08/24/24	5,000	0	0	\$15,400
Proofpoint Sales Kickoff 2024	01/15/24	1,400	1,400	5,545	\$47,250
General Mills, Inc. icw/ UNFI	02/07/24	12	0	0	\$1,200
LSX Induced Proximity Leaders Conference 2024	06/23/24	250	0	0	\$12,600
Bridal Bazaar Fall 2024	09/14/24	2,000	0	0	\$13,400

San Diego Convention Center Short Term Sales March 2024 Sales Activity Report

CONTRACTED SHORT TERM EVENTS/ FY24 YTD (cont.)

EVENT NAME	EVENT DATES	PROJECTED ATTENDANCE	PEAK ROOMS	ROOM NIGHTS	RENTAL
Art San Diego 2024	10/29/24	5,000	0	0	\$26,950
Tonights Conservation: Live & UNCUT	04/11/24	2,500	20	20	\$8,250
San Diego Home Show - Spring 2025	01/10/25	5,000	0	0	\$17,280
UNFI Spring & Summer Show 2025	01/19/25	2,500	750	1,800	\$100,400
United States University Commencement 2024	09/12/24	4,000	25	50	\$11,300
Revolution Talent Competition 2025	02/21/25	700	0	0	\$17,000
Battle Hardened: San Diego	08/24/24	150	0	0	\$5,100
West Coast Cheer & Dance Competition	10/05/24	3,000	0	0	\$20,900
Live Well Advance Conference & School Summit	11/21/24	2,000	0	0	\$24,100
Titans of Dance Intensive	01/19/25	300	0	0	\$7,650
Festival of Biologics	04/23/25	2,000	250	750	\$68,400
Advanced Therapies Week	02/11/26	2,000	800	2,880	\$95,100
TOTAL		177,937		18,507	\$1,286,460

San Diego Convention Center Short Term Sales March 2024 Sales Activity Report



CITYWIDE PRIMARY MARKET

Conventions, Trade Shows, Corporate & Incentive Events

DEFINITE	FUTURE YR BOOKINGS	MARCH 2024	MARCH 2023	MARCH 2019	CUMULATIVE FY2024	CUMULATIVE FY2023	CUMULATIVE FY2019
	CONVENTIONS	3	0	2	26	30	25
	ATTENDANCE	89,100	0	27,800	287,568	232,900	288,175
	ROOM NIGHTS	334,150	0	32,806	676,938	334,991	252,200

LEADS*	FUTURE YR BOOKINGS	MARCH 2024	MARCH 2023	MARCH 2019	CUMULATIVE FY2024	CUMULATIVE FY2023	CUMULATIVE FY2019
	BOOKINGS	8	13	10	139	84	74
	ATTENDANCE	63,400	102,700	68,750	1,084,738	545,580	1,074,725
	ROOM NIGHTS	115,910	192,794	122,173	2,083,406	914,076	1,491,667

*Citywide opportunities that entered "Lead" status in respective FY's.

FY19 COMPARISON		CUMULATIVE FY2024	CUMULATIVE FY2023	CUMULATIVE FY2019
	TOTAL DEFINITE ROOM NIGHTS	676,938	334,991	252,200
	VARIANCE COMPARED TO FY2019	+424,738 +168.4%	+82,791 +32.8%	
	TOTAL LEAD ROOM NIGHTS	2,083,406	914,076	1,491,667
	VARIANCE COMPARED TO FY2019	+591,739 +39.6%	-577,591 -38.7%	

DEFINITE EVENTS BREAKDOWN

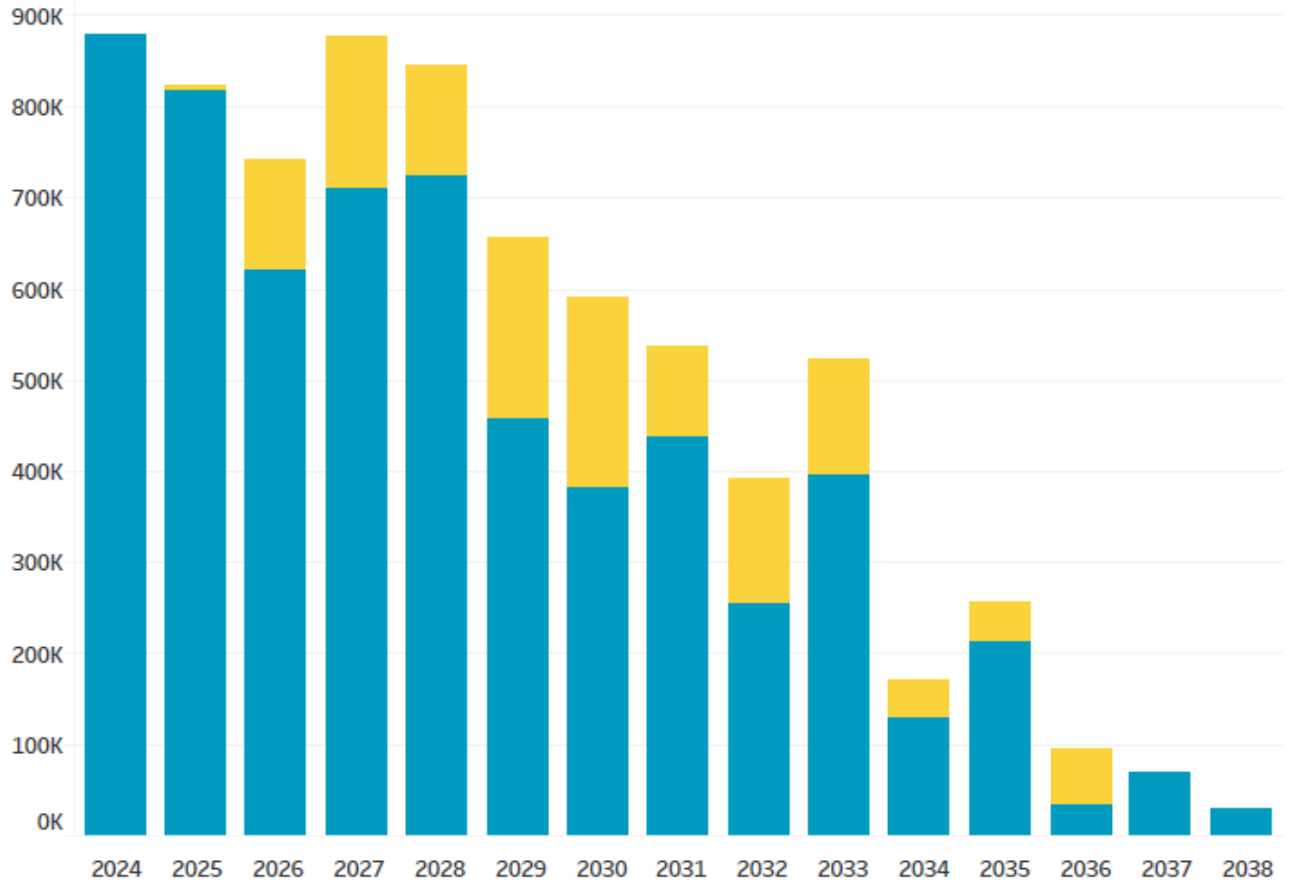
Conventions, Trade Shows, Corporate & Incentive Events booked in March 2024

Account Name	National Sales Director	Event Begin Date	Event End Date	Peak Rooms	Total Room Nights	Estimated Attendance	SDCCC ID #	SDTA ID #
Confidential	Angie Ranalli	11/30/2031	12/10/2031	24,000	122,400	26,000	3112004	1223681
Confidential	Angie Ranalli	11/27/2033	12/7/2033	30,000	153,000	30,000	3311003	1223807
American Academy of Orthopaedic Surgeons	Angie Ranalli	3/8/2028	3/20/2028	12,500	58,750	33,100	2829-65-65-15906	1233444
Total				22,166 AVG	334,150	89,100		

ROOM NIGHT SUMMARY

Figures based on calendar year of event begin date

Lead
Definite



	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034	2035	2036	2037	2038
Definite Bookings	49	44	39	32	27	22	13	15	10	9	3	6	1	3	1
Definite Rooms Nights	879K	819K	623K	711K	727K	459K	383K	439K	256K	397K	132K	215K	36K	71K	30K
Tentative Rooms Otb		3K	120K	167K	117K	196K	207K	99K	134K	125K	40K	40K	59K		

NOTE:

- 2024 Definite Total Room Night Changes: -6,579 due to definite adjustments.
- 2025 Definite Total Room Night Changes: -14,794 due to Infectious Disease (IDSA) cancellation.
- 2026 Definite Total Room Night Changes: +1,983 due to definite adjustments.
- 2027 Definite Total Room Night Changes: No change
- 2028 Definite Total Room Night Changes: +36,797 = +58,750 new definite (AAOS), - 21,299 (GCSAA – Golf Course cancellation), difference definite group adjusted shoulders.
- 2029 Definite Total Room Night Changes: -654 definite group adjusted shoulders.
- 2030 Definite Total Room Night Changes: No change
- 2031 Definite Total Room Night Changes: +122,400 new definite
- 2032 Definite Total Room Night Changes: No change
- 2033 Definite Total Room Night Changes: +153,000 new definite