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

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

WEDNESDAY, JANUARY 24, 2024, 11:00 A.M. 111 W. Harbor Drive, 2nd Floor, Executive Boardroom San Diego, California 92101

AGENDA

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

- 1. <u>Call to Order</u> -Will Rodriguez-Kennedy, Chair
- 2. Non-Agenda Public Comment:

This portion of the agenda provides an opportunity for members of the public to address the Board on items of interest within the jurisdiction of the Board that have not previously been before the Board. Pursuant to the Brown Act, no discussion or action shall be taken by the Board on items not posted on the agenda.

- 3. Approval of Proposed Minutes of December 4, 2023, Committee Meeting
- 4. Chair's Report
- 5. Action Item(s):
 - A. Recommendation to Ratify Contract for ERP (Momentus Elite) Software Subscription Renewal
 - B. Recommendation to Ratify Design Consulting Contract
- 6. **Staff Updates**:
 - CFO
 - President & CEO
- 7. Urgent non-agenda items (must meet the requirements of Government Code, Section 54954.2)

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

Adjournment

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Agenda Item 3

MINUTES

SAN DIEGO CONVENTION CENTER CORPORATION BUDGET COMMITTEE OF THE BOARD OF DIRECTORS COMMITTEE MEETING OF DECEMBER 4, 2023

BOARD MEMBERS

Chair Shawn VanDiver and Director Carol Kim

PRESENT:

BOARD MEMBERS

ABSENT:

Director Carlos Cota

STAFF PRESENT: Rip Rippetoe, Mardeen Mattix, Corey Albright, and Victoria

Mitchell and Pat Evans (Recorder)

ALSO PRESENT: Jennifer Lyon, General Counsel

1. <u>Call to Order</u>: Chair VanDiver called the meeting to order at 11:00 a.m. in the Executive Conference Room of the San Diego Convention Center, 111 West Harbor Drive, San Diego, California.

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

Director VanDiver– Present Director Cota - Absent Director Kim – Present

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

2. <u>Non-Agenda Public Comment</u>: Chair VanDiver requested public comment regarding any non-agenda items.

Ms. Martha Sullivan submitted a speaker's slip requesting an opportunity to address the Committee regarding Agenda Item (2), and she was granted an opportunity to address her comments to the Committee.

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

Ms. Lori Saldana submitted a speaker's slip requesting an opportunity to address the Committee regarding Agenda Item (2), and she was granted an opportunity to address her comments to the Committee.

3. Approval of Minutes of September 18, 2023, Budget Committee Meetings:

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

Ms. Lori Saldaňa submitted a speaker's slip requesting an opportunity to address the Committee regarding Agenda Item (3); however, she indicated she has submitted the speaker's slip in error and had addressed her comments during the "Non-Agenda Public Comment" portion of the Agenda.

Directors Kim and Vandiver moved and seconded, respectively, to approve the minutes from the September 18, 2023, meeting.

Director VanDiver-Aye Director Cota - Absent Director Kim - Aye

Vote: Unanimous

AYES: 2 NAYS: 0 ABSTENTIONS: 0

4. <u>Chair's Report:</u> Chair VanDiver stated that he had no comments other than: "that the Budget is, in fact, a statement of our values and I'm very glad to be working with our finance and our procurement teams here."

5. Action Item(s):

A. Recommendation to Authorize Contract for File Digitization

Chair VanDiver called for a staff report regarding Agenda Item (5.A). After staff submitted its report, Chair VanDiver inquired if any member of the public wished to comment on Agenda Item (5.A). No members of the public responded to the request for comment.

After presentations by staff, Directors Kim and VanDiver moved and seconded, respectively, to Recommend Authorizing a Contract for File Digitization.

Director VanDiver – Aye Director Cota - Absent Director Kim – Aye

Vote: Unanimous

AYES: 2 NAYS: 0 ABSTENTIONS: 0

B. Recommendation to Authorize Contract for Building Automation System

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

Ms. Lori Saldaňa submitted a speaker's slip requesting an opportunity to address the Committee regarding Agenda Item (5.B), and she was granted an opportunity to address her comments to the Committee.

After presentations by staff, and public comment, Directors Kim and VanDiver moved and seconded, respectively, to Recommend Authorizing a Contract for a Building Automation System.

Director VanDiver – Aye Director Cota - Absent Director Kim – Aye

Vote: Unanimous

AYES: 2 NAYS: 0 ABSTENTIONS: 0

C. Recommendation to Authorize Contract for Medium and Low Voltage Testing

Chair VanDiver called for a staff report regarding Agenda Item (5.C). After staff submitted its report, Chair VanDiver inquired if any member of the public wished to comment on Agenda Item (5.C). No members of the public responded to the request for comment.

After presentations by staff, Directors VanDiver and Kim moved and seconded, respectively, to Recommend Authorizing a Contract for Medium and Low Voltage Testing.

Director VanDiver – Aye Director Cota - Absent Director Kim – Aye

Vote: Unanimous

AYES: 2 NAYS: 0 ABSTENTIONS: 0

D. Recommendation to Ratify Fire Pump Change Order

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

Ms. Lori Saldaña submitted a speaker's slip requesting an opportunity to address the Committee regarding Agenda Item (5.D), and she was granted an opportunity to address her comments to the Committee.

After presentations by staff, and public comment, Directors Kim and VanDiver moved and seconded, respectively, to Recommend Ratifying the Fire Pump Change Order.

Director VanDiver – Aye Director Cota - Absent Director Kim – Aye

Vote: Unanimous

AYES: 2 NAYS: 0 ABSTENTIONS: 0

E. Recommendation to Authorize a Contract for Rollup Door Replacement

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

Ms. Lori Saldaňa submitted a speaker's slip requesting an opportunity to address the Committee regarding Agenda Item (5.E), and she was granted an opportunity to address her comments to the Committee.

After presentations by staff, and public comment, Directors VanDiver and Kim moved and seconded, respectively, to Recommend Authorizing a Contract for Rollup Door Replacement.

Director VanDiver – Aye Director Cota - Absent Director Kim – Aye

Vote: Unanimous

AYES: 2 NAYS: 0 ABSTENTIONS: 0

F. Recommendation to Authorize Contract for Generator Electrical Infrastructure

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

Ms. Martha Sullivan did not submit a speaker's slip requesting an opportunity to address the Committee regarding Agenda Item (5.F), however; Chair VanDiver granted her an opportunity to address her comments to the Committee.

After presentations by staff, and public comment, Directors Kim and VanDiver moved and seconded, respectively, to Recommend Authorizing a Contract for Generator Electrical Infrastructure.

Director VanDiver – Aye Director Cota - Absent Director Kim – Aye

Vote: Unanimous

AYES: 2 NAYS: 0 ABSTENTIONS: 0

6. <u>Staff Updates</u>:

<u>CFO</u>: Ms. Mattix reported the following:

- Ms. Mattix provided an overview of where the Corporation stands year-to-date with its financial statements. The full Board will receive documentation regarding the financial statements later this week.
- Staff has concluded the financial statement audit for the year, and we have closed out October.
- o Four months into the year, the Corporation is performing better than expected overall to budget, but with that, Ms. Mattix proceeded to explain different pieces within the financial statements.
- o From a revenue perspective, the Corporation is running slightly below budget. That is partially because at the time that the Corporation's budget was drafted, the Corporation did not have its full strategy in place of what exactly would be changed.
- Although the Corporation is running just slightly below budget, approximately \$233,000 year-to-date, the events that have taken place are actually performing better than expected. What is causing some of that variance is that in the past, traditionally, the Corporation has projected for fill-in, short-term, business that usually fills in in between City-wide events. The Corporation has intentionally decided not to bring in some of the smaller meeting and seminar type shows to fill in. Those types of events also now often want to be in hotels since they have upgraded their ballrooms and facilities.
- A combination of event demand for more hotel space and the Corporation intentionally declining to book certain types of events to allow time for more

- building maintenance, the Corporation over-budgeted slightly on the fill-in events, not realizing at the time that the Corporation would not be booking as many of those events.
- o It is important to note that the events that are booking in San Diego are very strong and we are truly fortunate to have the type of line-up of events (medical shows, corporate events, and technology events).
- o During October, the center hosted four City-wide events and two meetings within the building.
- o From an expense perspective, the Corporation is a little under budget and some of that is attributable to the Corporation intentionally doing some larger repair projects into November and December. At the time the budget was drafted, we spread our budget based primarily on the amount of rent percentage to total. However, that is not reflective of reality, and is part of the reason for the utilities being off in July. The methodology we used to spread the budget in July was not enough for how the utility expense would manifest throughout the year.
- o Ms. Mattix was pleased to report that although the July utility expenses were shocking (a record-breaking expense month for utilities), through October, the Corporation has evened out and is no longer \$900,000 over budget. The Corporation is currently approximately \$388,000 over budget in utilities.
- Ms. Mattix expects that by the end of the year, the Corporation will probably be slightly over budget on utilities; however, the other line items will come to fruition as budgeted or within reason.
- O In response to the Board's inquiry regarding electrical charges, when the Corporation budgeted and what it has been tracking thus far (and is still investigating further), is that consumption is right on par with what the trend has been. The increased costs in electrical charges and fees has only increased by approximately 3%. It is the community power piece that has more than doubled since last year.
- o The rate, even though the consumption is very close to the same, has doubled.
- O Staff will be following up with our power provider, but not anticipating the increase in the community power piece is what staff missed with drafting the budget.
- Overall, the utilities will be over budget but not as overwhelmingly over budget as they were in July.
- From an overall standpoint, staff monitors the Corporation's fiscal health by the amount of the reserves because the operating income only reflects the operations of the building. The Corporation still has debt to pay and also has capital renewal investments.
- o The Corporation has invested over \$1.3 million in the facility this year in capital renewal. That is more aggressive than how the budget is spread, but staff expects the Corporation will come in slightly under what was budgeted for the year only because of the supply chain impact on a couple of projects. Some items will not be received in time to complete these projects by the end of this year. At this point, the reserves remain at \$27 million.

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

- Equine Practitioners is moving out after a very successful event. Business which takes place at that time of the year provides a significant TOT contribution which goes to the City to help fund so many distinct aspects.
- The American Society of Hematology ("ASH") is in the process of moving in. ASH is here this year with 35,000 attendees expected to attend the four-day show.
- ASH will be returning in 2024, 2027 and 2028. San Diego is currently bidding for ASH to return in 2031 and 2033. Economic impact shows this event is the most significant wintertime contribution to TOT for any show and one of the highest spends per attendee.
- San Diego loves having ASH in the city and even though they technically don't fit in the building they have a great relationship with the community as a destination and at the same time ASH knows that the building provides service and gets creative in ways to find space that will allow this event to fit enough to where they want to continue to return to San Diego.
- ASH can make a significant impact to budgets across the community, particularly with the per-person spend.
- The Auto Show will also return this year and they begin move-in on December 20th and open the event on December 29th.
- San Diego has recovered, and today's meeting of the Exhibitors Contractor's Association in Dallas will be addressing how the industry can respond better to the demands of our customers. Almost 2/3 of exhibitor managers are new from prepandemic so there is a huge education gap within the industry.
- San Diego is fortunate that it is ahead of the curve and because of the education and information staff is provided over the years, things are going well for us.
- The recovery in San Diego has been significant and we have done well.
- PCMA (Professional Convention Management Association) will be convening in San Diego in January. The event will have approximately 5,000 attendees, 2,500 of which are meeting planners over a five-day period. The event is a wonderful opportunity for San Diego to continue to do client development.
- Bruce Angel, one of the Center's Senior Event Managers of thirty years, has just retired. Bruce was a significant contributor to our organization and so, if you happen to see him, please thank him for his service.

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

Ms. Lori Saldaňa submitted a speaker's slip requesting an opportunity to address the Committee regarding Agenda Item (6), and she was granted an opportunity to address her comments to the Committee.

Ms. Martha Sullivan submitted a speaker's slip requesting an opportunity to address the Committee regarding Agenda Item (6), and she was granted an opportunity to address her comments to the Committee.

- 7. Urgent non-agenda items (must meet the requirements of Government Code, Section 54954.2) None
- **8. Budget Committee Comment** [Govt. Code §54954.2(a)(2)]: **None**

There being no further business, the meeting adjourned at 11:55 a.m.

CERTIFICATION

I, Shawn VanDiver, Chair of the Budget Committee of the Board of the Directors of San Diego Convention Center Corporation, Inc., do hereby certify that the foregoing is a true and correct copy of the minutes of the business transacted by the Budget Committee of the Board of Directors of the San Diego Convention Center Corporation, Inc. at a duly noticed meeting held on December 4, 2023.

Shawn VanDiver, Chair

Agenda Item 5.A

SAN DIEGO CONVENTION CENTER CORPORATION MEMORANDUM

TO: Budget Committee

FROM: Mardeen Mattix, Chief Financial Officer

DATE: For the Agenda of January 24, 2024

RE: Recommendation to Ratify Contract for ERP (Momentus Elite) Software

Subscription Renewal

BACKGROUND

Over the past three years, the corporation converted two major system platforms within its financial suite software (Microsoft Business Central) while concurrently upgrading its event management platform ("Momentus Elite" formerly Venue Ops). The Momentus Elite platform is a comprehensive set of tools that allow staff to manage the entire event lifecycle through an integrated suite of solutions from initial planning and booking through event execution and post-event analysis through accounting and reporting. The unified platform offers real-time information on venue space utilization and event details all in one place.

The initial implementation, referred to as Phase I, began in late 2019 and concluded in early 2022 after a 2-year process. Annual subscription fees for 200+ users were contracted as part of the implementation and were funded from operating reserves for each respective year. The initial contract expired on December 31, 2023.

DISCUSSION

Staff continues to leverage the Momentus platform for its venue and event management software solutions. They invest time and resources into unifying this platform with the financial accounting and sales systems. Momentus continues to provide upgrades and enhancements, all seamlessly covered by the annual subscription fees.

The annual software services through Momentus covers:

- Access to venue and management software through subscriptions.
- Access to the application via a single sign-on process.
- An API bundle facilitating seamless information exchange with other software.
- DocuSign integration for contract signature and execution.

Taking into consideration the critical role this software plays in our core operations, and to ensure uninterrupted services, it became imperative to address the contract renewal before the expiration date. This ensured staff could continue to leverage the functionalities that are integral to our daily operations. Staff renewed a 5-year contract based on the following costs:

Fees Summary				
		Software	Recurring	
Year	Term Dates	Services	Services	Total
Year 1	1/1/2024 - 12/31/2024	\$104,000.00	\$6,000.00	\$ 110,000.00
Year 2	1/1/2024 - 12/31/2025	\$108,760.00	\$6,240.00	\$ 115,000.00
Year 3	1/1/2024 - 12/31/2026	\$113,510.40	\$6,489.60	\$ 120,000.00
Year 4	1/1/2024 - 12/31/2027	\$118,250.82	\$6,749.18	\$ 125,000.00
Year 5	1/1/2024 - 12/31/2028	\$122,980.85	\$7,019.15	\$ 130,000.00
Total				\$ 600,000.00

STAFF RECOMMENDATION

Recommend ratification of the Momentus software subscription contract with a final cost of \$600,000 over the period January 1, 2024, through December 31, 2028.

____/s/____ Mardeen Mattix Chief Financial Officer

Agenda Item 5.B

SAN DIEGO CONVENTION CENTER CORPORATION MEMORANDUM

TO: Budget Committee

FROM: Corey Albright, Chief Operating Officer

DATE: For the Agenda of January 24, 2024

RE: Recommendation to Ratify Design Consulting Contract

BACKGROUND

In 2021, the convention center management agreement between the San Diego Unified Port District ("Port") and the City of San Diego ("City") was amended to give control of the rooftop tennis courts and pro shop facility from the Port to the City. Prior to this amendment, the Port maintained a leasehold with the San Diego Marriott Hotel and Marina to provide the tennis courts and pro shop space as an amenity for their guests.

The transition of responsibilities for these areas carried forward to San Diego Convention Center Corporation's obligations under our operating agreement with the City. The tennis courts and pro shop had not been utilized for an extended period and the tennis courts are anticipated to be removed as part of an upcoming reroofing project. The pro shop space is vacant and available to be repurposed.

DISCUSSION

In late 2022, Staff contracted with Lahaina Architects for the design and engineering of the west kitchen renovation. As part of the scope of this project, the west kitchen would be modernized, reconfigured, and optimized to be a full-service kitchen maximizing usable space. During this endeavor, Staff sought to remove non-essential offices from the operational kitchen space and to relocate those offices elsewhere in the facility.

Separately, Staff budgeted \$500,000 in the FY24 CIP budget for the design and renovation of the vacant pro shop space that is above the west kitchen and accessible by elevator at the entrance of the kitchen. Staff found it advantageous to pursue the evaluation of the vacant pro shop space concurrently with the kickoff of the west kitchen construction phase, which removed multiple office spaces as planned, displacing several food and beverage staff.

In July 2023, Staff issued a contract directly to Costa Azul Contracting Group for \$99,500 to develop a bid package of plans and specifications for the conversion of the vacant pro shop area into office space for future bidding. While the award of the base contract was within Staff's authority, Staff subsequently authorized additional funds for environmental and egress assessments to finish a comprehensive feasibility review of office space options to prioritize the relocation of the displaced food and beverage staff. This additional work added \$16,704 to the

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contract, totaling \$116,204. As a result, Staff is seeking ratification of the design consulting contract with Costa Azul Contracting Group totaling \$116,204.

STAFF RECOMMENDATION

Recommendation to Ratify Design Consulting Contract with Costa Azul Contracting Group for \$116,204.

Corey Albright,

Chief Operating Officer