

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

**Director Carlos Cota, Chair
Director Jeff Gattas
Director Xema Jacobson**

**TUESDAY, JANUARY 19, 2021, 10:00 A.M.
111 W. Harbor Drive, Executive Boardroom
San Diego, California 92101**

AGENDA

**(Meeting to be held via teleconference pursuant to
State of California Executive Order N-29-20)**

**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:** Carlos Cota, 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. **Approve minutes of October 19, 2020 Audit Committee Meeting**

4. **Chair's Report**

5. **Action Item:**

(1) **Recommendation to Authorize Placement of Employee Medical and Employer Paid Basic Life, AD&D and LTD Insurance through Marsh & McLennan Agency LLC Company**

(2) **Recommendation to Authorize Contribution to President & CEO's Non-Qualified Defined Contribution Plan**

6. **Staff Updates:**

a. **Management Update** – Rip Rippetoe

b. **SDCCC Fraud/Complaints Update** – Rip Rippetoe

c. **Finance Update** – Mardeen Mattix

(1) Review of Year- to-Date Financial Variances

7. Audit Committee Comment [Govt. Code §54954.2(a)(2)]

Adjournment

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

In compliance with Government Code section 54957.5, non-exempt written material that is distributed to the Board prior to the meeting will be available at the meeting or it may be viewed in advance of the meeting at the corporation's offices at 111 West Harbor Drive, San Diego, CA. Materials distributed to the board after the posting of this agenda also will be available. Please contact Pat Evans at (619)525-5131 or pat.evans @ visitsandiego.com if you would like to pick up a copy of any material related to an item on this agenda.

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

Agenda Item 3

MINUTES

**SAN DIEGO CONVENTION CENTER CORPORATION
AUDIT COMMITTEE
OF THE BOARD OF DIRECTORS**

**MONDAY, OCTOBER 19, 2020, 10:00 A.M.
111 W. Harbor Drive, 2nd Floor, Executive Boardroom
San Diego, California 92101**

**Director Allan Farwell, Chair
Director Xema Jacobson
Director Jeff Gattas**

**BOARD MEMBERS
PRESENT:**

Chair Allan Farwell and Director Xema Jacobson

**BOARD MEMBERS
ABSENT:**

Director Jeff Gattas

STAFF PRESENT:

Rip Rippetoe, Mardeen Mattix, Karen Totaro, Anastasia Rollins
and Pat Evans (Recorder)

ALSO PRESENT:

Peter George and Miyuki Freeman of Macias, Gini & O'Connell,
LLP

1. Call to Order:

Chair Allan Farwell called the meeting to order at 10:00 a.m. in the Executive Conference Room of the San Diego Convention Center Corporation, San Diego, California. All of the Committee members were present except Director Gattas.

Chair Farwell announced that since this meeting is being conducted via teleconference, the first action is to perform a roll-call to determine which Board members are present on this call.

Director Jacobson - Present

Director Gattas – Absent (Director Gattas will join the meeting at a later time.)

Director Farwell - Present

All votes taken at today's meeting will be recorded via roll-call vote.

provided CalTravel with information regarding how other states handling reopening their facilities.

(1) Review Employment of Relative Policy (No. 215) – Ms. Kurtenbach, Director of Human Resources, reported that the “Employment of Relative” report is significantly different this year due to the lay-offs that have occurred over the past few months. SDCCC currently has one niece-nephew pair working and one married couple working. Once we resume hiring in the spring of next year, the number of related employees on the report should increase. At this time, there are no issues of concern regarding these employees. In response to Director Farwell’s inquiry, Ms. Kurtenbach noted that this item is reported annually to the Audit Committee of the Board.

b. Finance Update – Ms. Mattix reported the following:

- In response to Director Jacobson’s inquiry about the monthly financial statements, Ms. Mattix reported that the financial documents had not been forwarded to the Audit Committee because the Budget Committee was required to review them first. Ms. Mattix will forward copies of the financial documents to the Audit Committee after they have been reviewed by the Budget Committee.
- Staff does not generally send out any of the financial statements until the audited financial statements for the prior year have been approved. That is why the completed financial statements for July, August and September have not been distributed.
- Now that the shelter has been granted an extension and staff has changed the schedule as to when events will resume, SDCCC’s current adopted budget is not accurate. Staff will be asking the Budget Committee to adopt a new revised budget based upon changed circumstances.
- Our financial variances will change by a few million dollars.
- We will be over budget in the fringe benefits line item because unemployment is going to be extended quite a bit further than we had anticipated when we proposed our original budget. We are going to project \$1.2 million in unemployment costs where we had originally projected \$300,000.
- Part of the reason for the overage is the government is subsidizing half of the Corporation’s unemployment costs through the Cares Act. Unfortunately those funds will stop in December. Since we are going to be operating as a shelter through December, we will get hit in the latter half of the year with the unemployment costs. Ms. Mattix explained the schedule of staff layoffs and furloughs since March. Those costs will not likely be subsidized through Cares Act. Therefore, SDCCC will have to bear the burden of those additional costs 100%.
- We will also be going over budget in the general expenses line item. That overage is related to Furniture, Furnishings and Fixture items that were not received on time. We expected the trash cans and chairs we ordered to arrive in June. Due to supply chain issues, these items didn’t arrive until

- October. Those adjustments will be reflected in the revised budget we are submitting to the Board for approval.
- Our new assumptions for the Budget Committee will be the shelter extension through December and event resumption in June of 2021. With those revisions, we are still anticipating an approximate loss of \$4 million beyond our reserve opportunities. We will be making a formal request to the City for subsidy support of nearly \$5 million for this year assuming we make our first debt payment on August 1.
 - Our balance sheet cash currently looks low and that is because we haven't received payment from the City for the shelter costs. We anticipate we will receive \$4.5 million within the next week. The delay was caused in part by an e-mail security breach, but we have resolved that issue. SDCCC has dipped into its investment accounts to cover operating cash.
 - Director Jacobson asked if employees are using compensated employee funds (\$1.7 million) to cover furlough costs. Ms. Mattix reported that the current balance of that line item is below \$993,000 as of September and it will continue to decline further. Director Jacobson also asked if the Corporation would benefit from additional stimulus from ongoing negotiations in D.C. Ms. Mattix responded that the Corporation will probably apply if new funds become available; however, we will be unable to move forward until we receive forgiveness for our current loan. The forgiveness paperwork has been submitted. We don't know the amount of additional relief for which Corporation will be eligible.

Director Gattas joined the meeting at 10:35 a.m.

7. **Audit Committee Comment: None**

There being no further business, the meeting adjourned at 10:43 p.m.

CERTIFICATION

I, Allan Farwell, Chair of the Audit Committee of the Board of 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 Audit Committee of the Board of Directors of the San Diego Convention Center Corporation, Inc. at a duly noticed meeting held on October 19, 2020.

Allan Farwell, Chair

Agenda Item 5(1)

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

TO: Audit Committee

FROM: Terry Kurtenbach, Executive Director, Human Resources

DATE: For the Agenda of January 19, 2021

RE: Authorization for Placement of Employee Medical and Dental Insurance through Marsh & McLennan Agency LLC Company

Background

The Corporation provides full-time and variable hour employees and their dependents with health insurance including medical, vision, dental, life and long-term disability insurance coverage. These health insurance programs are renewed each year on March 1. Open enrollment, including communication to employees of available benefits and coverage is conducted during the preceding month. Currently, employees are provided a choice of two HMO providers for medical care: Health Net and SIMNSA (a cross-border HMO program through Mexico). Health Net SmartCare is the primary plan that offers coverage through a robust Sharp only network including Rady Children's Network. Employees are also provided an opportunity to buy up to the ExcelCare program that offers access to Mercy Physicians Medical Group, Rady Children's Network and other networks for those opting for more options. Dental HMO (DHMO) and Dental PPO (DPPO) dental coverage is currently provided through United Concordia. Both medical and dental coverages are up for renewal for the insurance plan year March 1, 2021 – February 28, 2022.

Marsh & McLennan Agency LLC Company (Marsh) was contracted for March 1, 2018 – March 1, 2021 as the Broker of Record with an annual renewal option unless terminated by Corporation. Marsh provides services in regards to the placement of employee benefits coverage for medical, dental, life vision, disability, business travel accident, EAP, voluntary benefits, and telehealth.

Discussion

The Corporation directed Marsh to solicit quotes from the insurance providers. Following is comparative information on current and renewal rates for the Plan Year 2021 beginning March 1.

Medical Insurance

Last year, Corporation contracted with Health Net to provide medical insurance coverage alongside SIMNSA. The contract included a second year rate cap guarantee not to exceed a +8.5% increase barring any significant demographic changes. However, due to the significant reduction in staffing levels, SDCC was no longer eligible for the rate cap and was slated to receive a +13% renewal for the 2021-2022 plan year. After evaluation of our company viability and reputation in the industry, Health Net offered the +8.5% rate cap at the lower enrollment status. Marsh was able to obtain a competitive quote from United Healthcare (UHC), however the UHC quote was a bundled plan meaning medical, dental and vision would all be covered under UHC. During the best and final stage of negotiations, Health Net reduced their bid down to a +5.0% increase inclusive of a one-month premium credit and \$6,000 wellness funds compared to United Healthcare's bid of +9.0% and a Technology Subsidy of approximately \$3,408 annually. SIMNSA's renewal is +5.0%. The overall

ExcelCare HMO – Offered to full-time employees as a “buy-up” option. This plan mirrors the benefits of the SmartCare HMO but with a wider selection of providers. Most notable additional networks are:

Network:

- Mercy Physicians Medical Group
- Rady Children’s Health Network
- Sharp Community Group
- Sharp Rees-Stealy.
- UC San Diego

SIMNSA HMO – Offered to full-time and variable hour employees. This is a cross-border HMO program through Mexico.

SmartCare HMO (VHE) – Offered to part-time employees as a minimum value / essential coverage plan, in accordance with ACA, for variable hour employees.

Dental Insurance

Dental coverage also renews for the 2021-2022 plan year. The United Concordia Dental plan renewal came in with a rate pass (0% increase) for the 2021-2022 plan year.

Vision Insurance

Vision coverage has no changes to the 2021-2022 plan year as it is has a rate guarantee and is not up for renewal.

RECOMMENDATION

Recommend authorization to renew all medical and dental plans as described in the summary above, through the brokerage services of Marsh & McLennan Agency LLC Company. In total, the specific coverage for Plan Year 2021 will result in an approximate net increase of 0.3% (\$3,940).

/s/

Terry Kurtenbach, SPHR, PHR-CA, SHRM-SCP
Executive Director, Human Resources

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

TO: Audit Committee
FROM: Mardeen Mattix, Chief Financial Officer
DATE: For the Agenda of January 19, 2021
RE: Authorization to Fund Retirement Benefits Owed to CEO into a Nonqualified Deferred Compensation Plan per CEO Employment Agreement

BACKGROUND:

The President & CEO employment agreement call for him to receive 10% of his salary for participation in the Corporation's retirement program up to the annual statutory limitations. In the event the contribution is limited by tax or other regulatory restrictions, Corporation will work with the Officer to provide the full allowed contribution in a mutually agreeable mechanism discussed between parties.

DISCUSSION:

The Corporation established a supplemental deferred compensation plan in October 2005 per the IRS section 409A rules for tax-deferred status. A nonqualified deferred compensation plan (NQDC) is a type of retirement plan that lets select, highly compensated employees enjoy tax advantages by deferring taxation until the funds disburse.

Annually since 2017, the President & CEO has exceeded the statutory threshold contribution allowance of the Money Purchase Pension Plan. To date, the Corporation has not made a contribution into a NQDC plan and owes the President & CEO a catch up contribution for years 2017-2019 of \$13,579.77 inclusive of interest estimated to have been earned. For 2020, Corporation is required to deposit an additional \$3,588.53.

RECOMMENDATION

Authorize contribution amount of \$17,168.30 to a nonqualified deferred compensation plan established by the Corporation through custodial services of Charles Schwab. Corporation budgeted for this in the current fiscal year, following the full conversion of the retirement program which concluded in September 2020.

/s/

Mardeen Mattix, Chief Financial Officer