

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

**TUESDAY, OCTOBER 27, 2020, 12:00 P.M.**

**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 – Jaymie Bradford, 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 September 22, 2020**
- B. Acceptance of June, July, August and September Financial Reports from Chief Financial Officer**
- C. Authorization to Support Downtown San Diego Partnership Digital Kiosk Project**

**Action Item(s):**

- D. Budget Committee (Carol Kim)**
  - (1) Authorize Approval of Revised FY 21 Budget**
- E. Audit Committee (Allan Farwell)**
  - (1) Authorize Acceptance of Audited Annual Financial Report for the Fiscal Year Ended June 30, 2020**
- F. Sales & Marketing Committee (Elvin Lai)**

4. **Chair's Report** (Chair Jaymie Bradford)
5. **President's Report** (Rip Rippetoe)
6. **Board Comment** [Govt. Code § 54954.2(a)(2)]

### **Adjournment**

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

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

### Agenda Item 3.A

## MINUTES\* SAN DIEGO CONVENTION CENTER CORPORATION THE BOARD OF DIRECTORS

### BOARD MEETING OF SEPTEMBER 22, 2020 Via Teleconference

<b>BOARD MEMBERS PRESENT:</b>	Chair Jaymie Bradford and Directors, Elvin Lai, Carol Kim, Carlos Cota, Allan Farwell and Xema Jacobson
<b>BOARD MEMBER(S) ABSENT:</b>	Director Jeff Gattas
<b>STAFF PRESENT:</b>	Rip Rippetoe, Mardeen Mattix and Pat Evans (Recorder)
<b>ALSO PRESENT:</b>	Jennifer Lyon, General Counsel

\*Audio copies of Board of Director meetings are available upon request. Please contact Pat Evans at (619)525-5131 or [pat.evans@visitsandiego.com](mailto:pat.evans@visitsandiego.com) to request a copy.

#### 1. Call to Order

Chair Jaymie Bradford called the Board Meeting to order at 12:05p.m. in the Executive Boardroom of the San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, CA 92101. Chair Bradford then called roll to determine which Directors were present on the teleconference:

Chair Bradford – Present  
Director Lai – Present  
Director Kim – Present  
Director Farwell – Present  
Director Cota – Present  
Director Gattas – Absent  
Director Jacobson - Present

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

#### 2. Non-Agenda Public Comment – None

3. **Board Committee Reports and Board Action Items:**

**Consent Agenda:**

A. **Approval of Minutes of Board Meeting of August 4, 2020**

The minutes were revised to reflect that General Counsel Lyon was absent from the meeting.

**Directors Lai and Kim moved and seconded, respectively, to approve the Consent Agenda with the revision set forth hereinabove.**

**Chair Bradford – Aye  
Director Lai – Aye  
Director Kim – Aye  
Director Farwell – Aye  
Director Cota – Aye  
Director Gattas – Absent  
Director Jacobson – Aye**

**Vote: Unanimous**

**AYES: 6**

**NAYS: 0**

**ABSTENTIONS: 0**

**Action Item(s):**

B. **Budget Committee (Carol Kim)**

**(1) Authorization to Approve Third Revised Fiscal Year 2021 Budget**

Mr. Rippetoe recommended tabling this action due to pending discussions with the City related to continuing shelter operations at the Convention Center. The outcome of the discussions will likely revise the figures in the budget presented for consideration today. After discussion, the Board elected to table this item pending receipt of further information from the City regarding the status of continuing shelter operations.

**(2) Authorization to Approve Revised FY 21 CIP**

**Directors Kim and Farwell moved and seconded, respectively, to approve the Revised FY 21 CIP.**

**Chair Bradford – Aye  
Director Lai – Aye  
Director Kim – Aye  
Director Farwell – Aye  
Director Cota – Aye  
Director Gattas – Absent**

**Director Jacobson - Aye**

**Vote: Unanimous**

**AYES: 6**

**NAYS: 0**

**ABSTENTIONS: 0**

**(3) Authorization to Approve ERP Conversion Project**

**Directors Kim and Lai moved and seconded, respectively, to approve the ERP Conversion Project.**

**Chair Bradford – Aye**

**Director Lai – Aye**

**Director Kim – Aye**

**Director Farwell – Aye**

**Director Cota – Aye**

**Director Gattas – Absent**

**Director Jacobson - Aye**

**Vote: Unanimous**

**AYES: 6**

**NAYS: 0**

**ABSTENTIONS: 0**

**(4) Authorization to Amend Centerplate Contract and Adopt Attendant Resolution #2020-06**

Director Lai requested recusal from participating in the discussion and voting on this item due to a conflict of interest with Centerplate. Director Lai further did not participate in deliberations on this topic during the Budget Committee meeting.

**Directors Kim and Cota moved and seconded, respectively, to approve Amending the Centerplate Contract and Adopting Attendant Resolution #2020-06.**

**Chair Bradford – Aye**

**Director Lai – Recused from vote**

**Director Kim – Aye**

**Director Farwell – Aye**

**Director Cota – Aye**

**Director Gattas – Absent**

**Director Jacobson - Aye**

**Vote: Unanimous**

**AYES: 5**

**NAYS: 0**

**ABSTENTIONS: 0**

**(5) Authorization to Retain Strategic Planning Consultant for Board Retreat**

**Directors Kim and Cota moved and seconded, respectively, to approve Retaining a Strategic Planning Consultant for Board Retreat**

**Chair Bradford – Nay  
Director Lai – Aye  
Director Kim – Aye  
Director Farwell – Aye  
Director Cota – Aye  
Director Gattas – Absent  
Director Jacobson – Aye**

**Vote: Unanimous**

**AYES: 5**

**NAYS: 1**

**ABSTENTIONS: 0**

**(6) Authorization to Adopt Resolution #2020-05, Adopting New Retirement Plan Documents**

**Directors Cota and Lai moved and seconded, respectively, to approve Adopting Resolution #2020-05, Adopting New Retirement Plan Documents.**

**Chair Bradford – Aye  
Director Lai – Aye  
Director Kim – Aye  
Director Farwell – Aye  
Director Cota – Aye  
Director Gattas – Absent  
Director Jacobson – Aye**

**Vote: Unanimous**

**AYES: 6**

**NAYS: 0**

**ABSTENTIONS: 0**

**C. Sales & Marketing Committee (Elvin Lai) – Director Lai reported:**

- The industry is still dealing with the impact of COVID; however, Staff is working on retaining, moving and servicing current clients.
- The SDCCC Convention Services function is being transferred to San Diego Tourism Authority (“SDTA”) and will be operating as a part of that entity going forward. This move will streamline operations and save on costs.
- Staff is keeping Q-1 and Q-2 clients updated regarding reopening progress and process. Staff is hopeful that these clients will delay final decisions regarding moving forward or cancelling their events until further information is available. Clarity is needed from the State and County regarding reopening guidelines as soon as possible in order to prevent further erosion of business in the first two quarters.

- SDTA is going to retain consultant, Christine Shimosaki, to work on a strategic plan for the sale of citywide events.

**4. Chair's Report (Chair Jaymie Bradford):**

- Chair Bradford appointed an Ad Hoc Nominating Committee to determine the 2021 slate of officers. The Committee will consist of Chair Bradford and Directors Jacobson and Gattas.
- Chair Bradford thanked the staff for the contributions to the success of the Shelter-to-Home operations.
- Chair Bradford noted the Convention Center received the San Diego Military Advisory Council annual achievement award for Operation Shelter-to-Home.
- Chair Bradford thanked Director Lai for serving two terms as the President of the San Diego Lodging Association.
- The next scheduled Board meeting is October 27, 2020.

**5. President's Report (Rip Rippetoe) – Mr. Rippetoe reported on the following items:**

- The SDCCC business development function has been reallocated between Mr. Rippetoe, Ms. Mattix, Mr. Mikschl and Ms. Totaro.
- Staff has met with "Clear," a group that is most airports and some stadiums (re: TSA checkpoints) to discuss how potential biometric advances could work with staff and customers and to see if it possible to monetize this technology.
- Virtual meetings will continue once the pandemic passes so Staff is meeting with Smart City and OnSite to work on ways to offer studio/webcasting/virtual classroom ability so we can address that need in the market.
- A summary of SDCCC's reinstatement policy was forwarded to the Board this morning. SDCCC's rule for reinstatement of non-represented personnel is that the most qualified senior person is the first in line for reinstatement.
- In the future, conference attendance will be down as consumer confidence continues to build. That will cause a reduction in ancillary services fees and will ultimately impact our budget negatively.
- Mr. Rippetoe thanked all of the Center's partners for their contributions to the Shelter-to-Home operations.

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

There being no further business, the meeting adjourned at 1:19 p.m.

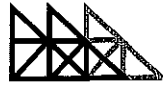
### **CERTIFICATION**

I, Allan Farwell, Secretary of the Board of Directors of the San Diego Convention Center Corporation, Inc., do hereby certify that the foregoing is a true and correct copy of the minutes of the business transacted by the Board of Directors of the San Diego Convention Center Corporation, Inc., at a duly noticed meeting held on September 22, 2020 and that said minutes were approved by the Board of Directors on October 27, 2020.

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Allan Farwell, Secretary

DRAFT



October 27, 2020

Honorable Chris Cate  
Chair  
Economic Development & Intergovernmental Relations Committee  
202 C Street, 10<sup>th</sup> Floor  
San Diego, CA 92101

*RE: Support for the Downtown San Diego Partnership Digital Kiosk Project*

Dear Chair Cate,

I am writing to you in my capacity as the President and CEO of the San Diego Convention Center (SDCC) in support of the Downtown San Diego Partnership (Downtown Partnership) and their commitment to transforming and enhancing the greater downtown community.

The placement of digital kiosks on downtown streets will improve the visitor experience for convention attendees and the broader downtown community. Visitors to our Convention Center love our proximity to pedestrian-friendly neighborhoods, but they often arrive with limited knowledge about everything there is to see, eat, and explore. The kiosks will encourage greater exploration of the downtown area and help our audiences to easily navigate from one location to another. This project supports our goal of offering an excellent convention experience that encourages people to return to San Diego over and over again, thereby bolstering our economic impact to the region.

The Downtown Partnership has been a great partner to the SDCC. Their track record of providing enhanced services, and their commitment to the San Diego community exemplifies this partnership. For the reasons outlined herein, we support the Downtown Partnership's efforts to make downtown a better place.

Sincerely,

Clifford "Rip" Rippetoe  
President & CEO  
San Diego Convention Center

### Agenda Item 3.D.1

## SAN DIEGO CONVENTION CENTER CORPORATION

### MEMORANDUM

**TO:** Board of Directors

**FROM:** Carol Kim, Budget Committee Chair

**DATE:** For the Agenda of October 27, 2020

**RE:** Final (third revision) of Fiscal Year 2021 Proposed Budget (since BOD approval 3-24-2020, 4-20-2020 and 6-23-2020)

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#### **BACKGROUND**

The San Diego Convention Center Corporation's budget is adopted by San Diego Convention Center Board of Directors and submitted for approval to the City Council of San Diego annually. Our FY2021 budget was approved March 26, 2020, then revised April 20, 2020 and again June 23, 2020, due to the COVID-19 pandemic based on continued loss of events. **State mandated shelter in place executive orders continue to limit social gathering and have designated venues for consideration in the last phase of their current re-opening plan.**

The City of San Diego has been using the convention center as a temporary homeless shelter from April 2020 with anticipated full demobilization to occur by December 15, 2020. City of San Diego adopted a revised budget on Tuesday, June 9, 2020, which called for \$2.3M monthly financial assistance related to shelter efforts supported through CARES Act funding to continue through October 31, 2020. On October 13, 2020, the City approved extending shelter efforts through the end of the calendar year.

The final FY2021 proposed budget assumes shelter demobilization efforts will conclude by December 31, 2020 with events resuming in early summer, June 2021.

#### **DISCUSSION**

The FY2021 Budget approved on June 23, 2020, produced Net Operating Loss of (\$1,382,170) based on no event activity through November. Since then, many events have cancelled or deferred business to future years. Based on recent economic reports and overall tourism sentiment, events are anticipated to resume by June 2021 with significant reduction in attendance through Q3 2021 while consumer confidence builds. The Corporation anticipates attendance to resume to 70% levels beginning FY2022 with business models estimating pre-COVID full event recovery may not occur until Q1 2024.

SDCCC is working closely with state and local governments to establish approved guidelines for a safe re-opening anticipated in the summer of 2021. The majority of event business comes from out of town guests and exhibitors that takes years to coordinate towards building a successful event. An organizer typically needs a minimum of 4-6 months lead-time to ensure attendees can register and book travel plans, ship exhibitor booth materials and confirm registration requirements. SDCCC risks losing more events into the second quarter of 2021 if approved state reopening guidelines are delayed beyond November 2020.

Assuming Shelter-to-Home operations continue through December 2020 and events resume by June 2021, the Corporation faces a Net Operating Loss of (\$9,189,970). To augment the lost revenue, the Corporation implemented the following cost mitigation strategies:

**Personnel cost reductions:**

- Layoffs and reduction of (74) total FT positions between March - October
  - \*\*65% (pre-COVID 215 FT & 220 PT, post-COVID 110 FTE)
  - (74) FT permanent corporate positions laid off/eliminated/unfilled
  - (13) Future FT positions in facilities will occur at the end of shelter operations
  - (14) FT positions reclassified to part-time on call
- Extended furlough through end of June 30 (originally intended through December)
  - \*\*furlough assigned between 10% - 50% of regular hours)
- Significant majority of part-time positions loss of hours (approx. 170 staff affected)
- Elimination of Sales Incentive program for FY20 and FY21
- Elimination of non-represented employee merits for FY21
- Elimination of CEO FY 20 retention bonus and contracted salary increase amount for FY21
- Planned reduction in employer subsidized healthcare benefits for dependents beginning March 1

**Non-personnel cost reductions:**

- Suspension of preventative maintenance, general expense, travel and non-critical spending until first half of calendar year 2021.
- Reduction in utility costs due to less event activity
- Reduction in Capital Improvement and Operating Capital purchases

Corporation anticipates an unrestricted reserve shortfall of (\$4,142,780) by year-end inclusive of accrued Debt Service Obligations of (\$1,719,450) to fund the IBank Infrastructure loan payment in August 2021. Corporation anticipates depleting unrestricted equity reserves by end of March.

**10 YR- CIP and OPERATING CAPITAL BUDGET**

No changes are recommended as the FY2021 Capital Improvement Plan was reduced and approved at the September 22, 2020 Board meeting to include Capital Infrastructure Projects

("CIP") of \$325,000 and Operating Capital ("O&M") \$757,788. SDCCC's CIP priority focus is on roof design for original "West" building roof replacement as well as to replace corroded sewer drain lines. Discussions with the Port and City are underway regarding solar feasibility, removal of the tennis courts, and design details with the anticipation of soliciting for services in Q1 2021. Roof replacement and design costs are estimated to be \$8 million and will be financed through a collaborative effort of Corporation and City staff through IBank.

**STAFF RECOMMENDATION**

Approve authorization of the FY2021 Third (and Final) Revised Operating Budget and to request minimum financial support from the City of San Diego of nearly \$5 million for FY2021 operational needs.

/s/ \_\_\_\_\_  
Carol Kim  
Budget Committee Chair

**SAN DIEGO CONVENTION CENTER CORPORATION**

**FY2021 BOARD PROPOSED OPERATING BUDGET - (Revised Based on June 2021 Re-Opening)**

**DRAFT 10.19.2020**

	<b>FY2020 ACTUALS PRE-AUDIT</b>	<b>DEC OPEN FY2021 BOARD APPROVED 6/23/2020</b>	<b>Shelter thru Dec20 Events resume June FY2021 BOARD PROPOSED 10/19/2020</b>
<b>OPERATING REVENUES</b>			
Building Rent	\$6,816,665	\$5,416,390	\$588,310
Co-Promoted Events	0	0	0
Food & Beverage	9,735,975	4,719,030	763,510
Event Services	3,174,272	2,535,970	469,150
Utilities	3,836,062	3,259,980	347,190
Telecommunications	3,702,251	2,582,850	578,090
Audio & Visual	809,296	584,660	57,550
Business Development	249,979	383,300	181,450
Interest/Investment Income	228,199	265,000	19,230
Other Revenues	160,681	88,300	34,410
City of San Diego	0	0	0
<b>TOTAL OPERATING REVENUES</b>	<b>\$28,713,381</b>	<b>\$19,835,480</b>	<b>\$3,038,890</b>
<b>OPERATING INFLOWS</b>			
City of San Diego - Marketing	\$2,133,025	\$0	\$0
City of San Diego - Shelter Operations	508,212	9,337,500	13,798,200
Grants	0	0	0
<b>TOTAL OPERATING INFLOWS</b>	<b>\$2,641,237</b>	<b>\$9,337,500</b>	<b>\$13,798,200</b>
<b>TOTAL REVENUES AND INFLOWS</b>	<b>\$31,354,618</b>	<b>\$29,172,980</b>	<b>\$16,837,090</b>
<b>OPERATING EXPENSES</b>			
Salaries & Wages - Full Time	\$13,773,200	\$12,065,650	\$9,022,880
Salaries & Wages - Part Time	3,920,980	1,987,030	599,370
Fringe Benefits	4,772,451	4,370,080	5,760,110
<b>TOTAL PERSONNEL EXPENSES</b>	<b>\$22,466,631</b>	<b>\$18,422,760</b>	<b>\$15,382,360</b>
General Expenses	\$2,631,890	\$1,443,850	\$1,654,600
Repair & Maintenance	2,833,535	3,260,820	2,411,110
Utilities	3,808,531	3,907,670	2,995,490
Contracted Services	661,557	1,087,620	1,001,270
Travel & Transportation	107,860	90,700	12,940
Insurance	495,615	583,410	621,890
Telecommunications	55,696	51,820	51,420
Sales & Marketing	2,224,205	1,155,520	1,515,230
Supplies	562,819	550,980	380,750
<b>TOTAL SUPPLIES &amp; SERVICES</b>	<b>\$13,381,708</b>	<b>\$12,132,390</b>	<b>\$10,644,700</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$35,848,338</b>	<b>\$30,555,150</b>	<b>\$26,027,060</b>
<b>NET OPERATING REVENUES / EXPENSES</b>	<b>-\$4,493,720</b>	<b>-\$1,382,170</b>	<b>-\$9,189,970</b>

<b>EXTRAORDINARY GAIN ON DEBT FORGIVENESS</b>	\$0	\$1,387,000	\$4,387,000
<b>DEBT SERVICE EXPENSES</b>			
Interest Expense	\$891,362	\$1,000,220	\$864,220
Loan Admin Fee	74,487	72,200	72,220
Principal: Warehouse Lease	2,197	2,200	2,200
Principal: IBank Loan	731,973	783,200	783,200
<b>TOTAL DEBT SERVICE EXPENSES</b>	<b>\$1,700,019</b>	<b>\$1,857,820</b>	<b>\$1,721,840</b>
<b>NET OPERATING RESERVE IMPACT</b>	<b>-\$6,193,739</b>	<b>-\$1,852,990</b>	<b>-\$6,524,810</b>

<b>OPERATING RESERVE ACTIVITY</b>	<b>FY2020 ACTUALS PRE-AUDIT</b>	<b>FY2021 BOARD APPROVED 6/23/2020</b>	<b>FY2021 BOARD PROPOSED 10/19/2020</b>
<b>Beginning Operating Reserve</b>	\$13,674,080	\$3,575,847	\$3,464,818
- Net Operating Loss	-4,493,720	-1,382,170	-9,189,970
+ PPP Loan Forgiveness	0	1,387,000	4,387,000
- Debt Service Obligation	-1,700,019	-1,857,820	-1,721,840
+ Debt Issued for Capital Projects	0	1,250,000	0
<b>- Capital Outlay:</b>			
Capital Infrastructure Project Expenses	-2,396,835	-1,500,000	-325,000
Operating Capital Expenses	-1,618,688	-935,700	-757,788
<b>Ending Reserve Balance</b>	<b>\$3,464,818</b>	<b>\$537,157</b>	<b>-\$4,142,780</b>
Reserve Minimum Balance (8%)	\$3,003,000	\$3,500,000	\$3,003,000
Over / (Under) Reserve Minimum Balance	\$461,818	-\$2,962,843	-\$7,145,780

10-Yr. CIP (Capital Infrastructure Projects)

Revised - Board Approved 9.22.2020

PRIORITY	PROJECT DESCRIPTION	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	10-yr CIP FY21-FY30	Project Totals
<b>Roof Planning and Design</b>													
1	Roof Engineering/Design Consultant - 11% of both roofs (Permitting, studies, solar analysis)												
2	Solar Feasibility and Planning	250,000	3,000,000									1,250,000	1,250,000
<b>Roof (West) Replacement (Based on Assessment)</b>													
1	West Building Roof (Upper)		2,118,784									2,118,784	2,118,784
2	West Building Roof (Solar prep - elevated rack)		2,076,310									2,076,310	2,076,310
1	West Building Roof (20% Contingency)		974,406									974,406	974,406
1	West Building Roof (Lower)		430,500									430,500	430,500
<b>Roof (East) Replacement (Based on Assessment)</b>													
1	East Building - Metal Roof			2,523,500								2,523,500	2,523,500
2	East Building Roof (Upper, Lower & Mechanical Walls)			4,580,700								4,580,700	4,580,700
2	East Building Roof (20% Contingency)			1,436,800								1,436,800	1,436,800
<b>Central Plant Replacement (Based on Assessment)</b>													
2	Central Plant AHU's replacement/refurb				12,109,000	13,982,000	2,360,000		24,513,000			52,964,000	52,964,000
2	Central Plant Boiler replacement					1,292,000						1,292,000	1,292,000
2	Central Plant control upgrades					2,335,000						2,335,000	2,335,000
2	Central Plant Pump replacement				312,000	55,000	600,000	267,000				1,234,000	1,234,000
2	Chiller replacement 1 & 2 and then 3-5					2,400,000				3,600,000		6,000,000	6,000,000
2	Chillers 3, 4 & 5: Complete rebuild - central plant				1,140,000							1,140,000	1,140,000
2	Chillers 3-5: Replace three large VFD's (\$300K each x 3)				970,840							970,840	970,840
3	Air Delivery System: Upgrade - Ballroom 20				223,700							223,700	223,700
3	Boilers: Replace two - central plant					295,450						295,450	295,450
3	Variable Frequency Drive (VFD): For Air Handlers (Meeting rooms in West Building)					350,250	350,000	350,250				1,050,500	1,050,500
<b>Building Reconditioning Projects</b>													
1	Replace kitchen sewer drain pipes (West) - Work to be performed mostly in-house	75,000										75,000	75,000
2	ADA Interior Door Openings: Replace 31 sets - Salls, Kitchen, 20 foyer, lobbies etc.			240,250								240,250	240,250
2	Control Networks for Operations / need consultant to plan for replacement/maintenance			250,000								250,000	250,000
2	Control Networks for Operations / need consultant to plan for replacement/maintenance		200,000	484,450								684,450	684,450
2	Control Panels: Replace 27 - Facility Lighting				1,250,000							1,250,000	1,250,000
2	Exhibit Halls A-H floor boxes (rept. breakers etc.)												
2	Master Modernization (Carpets) - Meeting Rooms (Install/Carpets/Proj Mgmt)		750,000									750,000	750,000
2	Master Modernization (Paint) - Meeting Rooms		250,000									250,000	250,000
2	Resurface East Kitchen floors			250,000								250,000	250,000
2	West Kitchen Equipment: Remodel Infrastructure				550,992	750,000						1,300,992	1,300,992
2	West Kitchen: Remodel (Equipment Replacement)				1,200,000							1,200,000	1,200,000
3	12KV Switchgear: Replace/upgrade 7 - East Building (MAY BE PART OF EXPANSION)								2,210,000			2,210,000	2,210,000
3	18 Restrooms: Upgrade Cycled/Upper level - East Building (3 per year)				765,000	765,000	805,000	825,000	850,000	875,000		4,905,000	4,905,000
3	250 HP Pumps: Replace two with six 50 HP pumps in HVAC system (VFD's & loop mods included)		362,250									362,250	362,250
3	Access points of entry upgrade					2,000,000						2,000,000	2,000,000
3	Concession stands: Retrofit A-C (\$100,000 each, 2 total) Others will be demoed in expansion					200,000						200,000	200,000
3	Electrical Switchgear: Upgrade - Sall				121,800							121,800	121,800
3	Elevators Recondition (5 front facing) + cameras											350,000	350,000
3	Front Drive East: Replace concrete		350,000									350,000	350,000
3	Inclined Elevator: Replace - East Kitchen				1,369,500							1,369,500	1,369,500
3	Lockdown Bolters: Replace - East Kitchen				257,373							257,373	257,373
3	Move coffee service area to 203 corridor				50,000							50,000	50,000
3	Replace 1989 emergency generator & transfer system				796,040							796,040	796,040
3	Replace ceiling (Stewarding area)				80,000							80,000	80,000
3	Replace concrete at West Mezzanine Terrace					1,090,000						1,090,000	1,090,000
3	Replace underground fuel tanks (2)					91,600						91,600	91,600
3	Salls Pavilion Floor boxes (100 panels - rept. breakers etc.)					134,784						134,784	134,784
3	Signage: Way finding & Design				1,500,000							1,500,000	1,500,000
3	Terrace/Mezz Rehab: Planters reconditioning (Design, demo and planter replacement)				125,000							125,000	125,000
4	Freight Elevators: Recondition 3, 4, & 5 - East Building							1,300,600				1,300,600	1,300,600
4	Passenger Elevators: Modernization - B.C. 1, 2, 6, and 7						1,191,960					1,191,960	1,191,960
<b>Total Capital Infrastructure Projects</b>													
		\$ 325,000	\$ 8,462,250	\$ 9,845,700	\$ 23,071,245	\$ 29,471,329	\$ 6,306,960	\$ 2,742,650	\$ 27,573,000	\$ 4,475,000	\$ -	\$ 111,273,534	\$ 111,273,534

- 1-Emergency, Health/Safety/Mandates
- 2-Frequent Problems/Expired useful life/Impacts revenue generation or increases costs
- 3-Public Demand/Benefit, Client/Adm and synergy with other projects/Purchasing Power
- 4-Planned replacement with: wall funding

# 10-Yr. (Operating Capital Equipment)

Revised - Board Approved 9.22.2020

PRIORITY	PROJECT DESCRIPTION	FY 2021	FY 2022	FY 2023	FY 2024	FY 2025	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	10 Yr FY21-FY30
1	Defer FY22	-	30,000	-	-	-	-	-	-	-	-	30,000
1	Defer FY22	-	45,000	-	-	-	-	-	-	-	-	45,000
1	Committed	35,000	-	-	-	-	-	-	-	-	-	35,000
2	Radio console (Base upgrade) - all call, tech update	-	-	-	-	-	-	-	-	-	-	81,250
2	Ansul (fire hood) - West Kitchen	-	81,250	-	-	-	-	-	-	-	-	81,250
2	Barometric Damper controls (Albreco)	-	58,000	-	-	-	-	-	-	-	-	58,000
2	Bobcat SkidSteer S590 with bucket, grapple bucket, excavator, stump grinder attachment	-	95,000	-	-	-	-	-	-	-	-	95,000
2	Digital Conventions phase III wiring	-	75,000	-	-	-	-	-	-	-	-	75,000
2	ERP Conversion (Event MGT. / Finance software system replacement)	350,000	-	-	-	-	-	-	-	-	-	350,000
2	Defer FY22	-	-	-	-	-	-	-	-	-	-	-
2	Defer FY22	322,788	-	-	-	-	-	-	-	-	-	322,788
2	Defer FY22	-	150,000	-	-	-	-	-	-	-	-	150,000
2	Injector Pumps, Controls & Alarms: Replace - P2 South	-	-	120,000	-	-	-	-	-	-	-	120,000
2	New Walk-in Fridge (plate storage room)	-	-	-	1,049,369	-	-	-	-	-	-	1,049,369
2	Public Safety System - (Speakers, AMP, controls)	-	-	-	250,000	-	-	-	-	-	-	250,000
2	Redundant Cooler for Rack System in server room - wait for vote	-	-	30,000	-	-	-	-	-	-	-	30,000
2	Vehicle - Minivan (Security) to replace 2006 highlander	-	-	-	100,000	-	-	-	-	-	-	100,000
2	Walk thru metal detectors (need to do ROI on lease/purchase)	-	-	-	-	-	-	-	-	-	-	18,000
3	19' Scissor Lifts: Replace	-	18,000	-	-	-	-	-	-	-	-	18,000
3	32' Boom Lift: Replace	-	-	38,000	-	-	-	-	-	-	-	38,000
3	Air Wall Trolleys: Replace - East Mig Rms - Reevaluate w/ "Expansion"	-	-	-	340,000	-	-	-	-	-	-	340,000
3	Air Wall Trolleys: Replace - Exhibit Halls D-H - Reevaluate w/ "Expansion"	-	-	-	475,000	-	-	-	-	-	-	475,000
3	Air Wall Trolleys: Replace - West Mig Rms 1-19	-	-	-	397,500	-	-	-	-	-	-	397,500
3	Carpet Vacuum (to replace sweeper) - City 2	50,000	-	-	-	-	-	-	-	-	-	50,000
3	East Dock Entrance & Exit Roll-up Doors: Replace	-	-	-	-	-	118,450	-	-	-	-	118,450
3	Electric Tow Tractor (Mule)	-	-	16,500	-	-	16,000	-	-	-	-	34,500
3	File server replacements	-	38,000	-	-	-	-	-	-	-	-	38,000
3	Kitchen Stacker system with shelving equip warehouse	-	40,000	-	-	-	-	-	-	-	-	40,000
3	Sewer: Injector Pumps, Controls & Alarms: Replace - P2 North	-	-	-	-	89,000	-	-	-	-	-	89,000
3	Telescopic Sealing Riser System 5,000	-	-	-	1,300,000	-	-	-	-	-	-	1,300,000
3	Trash Can cleaning machine	-	90,000	-	-	-	-	-	-	-	-	90,000
3	West Dock Roll-up Door Entrance	-	-	-	-	-	-	56,750	-	-	-	56,750
3	Yale Electric Forklift with Charger	-	-	35,000	-	-	-	-	-	-	-	35,000
4	40' Boom Lift: Replace	-	-	-	41,000	-	-	-	-	-	-	41,000
4	Air-blades Hand Dryers: Plans, permitting, install tile/drywall refinishing	-	198,000	-	-	-	-	-	-	-	-	198,000
4	Carpet Extractor	-	16,000	-	-	-	-	-	-	-	-	16,000
4	Concierge Booth Upgrades (Design)	-	100,000	-	-	-	-	-	-	-	-	100,000
4	Flooring: Rubberized replacement	-	-	-	855,001	-	-	-	-	-	-	855,001
4	Robotic Vacuum 1 - Manufacturer/model TBD	-	50,000	-	-	-	-	-	-	-	-	50,000
4	Sewer: Injector Pumps, Controls & Alarms: Replace - P1 North	-	-	-	-	-	-	89,000	-	-	-	89,000
4	Sweeper, Large ride on, Tennant S30	-	39,000	-	-	-	-	-	-	-	-	39,000
4	Triplex Lawnmower	-	-	-	42,000	-	-	-	-	-	-	42,000
4	Yale Electric Forklift with Charger	-	-	-	44,000	-	-	-	-	-	-	44,000
4	Yale Electric Forklift with Charger	-	-	-	-	-	46,000	-	-	-	-	46,000
Total Operating Capital Projects		\$ 757,768	\$ 1,123,250	\$ 239,500	\$ 4,896,870	\$ 89,000	\$ 64,000	\$ 264,200	\$ -	\$ -	\$ -	\$ 7,434,808

- 1=Emergency, Health/Safety/Mandates
- 2=Frequent problems/expired useful life/Impacts revenue generation or increases costs
- 3=Public Demand/Benefit, Client facing and synergy with other projects/Purchasing Power
- 4=Planned replacement with avail funding

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

We have audited the financial statements of San Diego Convention Center Corporation (the Corporation), a component unit of the City of San Diego, California (the City) as of and for the year ended June 30, 2020, and have issued our report thereon dated October 27, 2020. Professional standards require that we advise you of the following matters relating to our audit.

#### **Our Responsibility in Relation to the Financial Statement Audit**

As communicated in our auditor and management responsibility letter dated July 30, 2020, our responsibility, as described by professional standards, is to form and express an opinion about whether the financial statements that have been prepared by management with your oversight are presented fairly, in all material respects, in accordance with accounting principles generally accepted in the United States of America. Our audit of the financial statements does not relieve you or management of your respective responsibilities.

Our responsibility, as prescribed by professional standards, is to plan and perform our audit to obtain reasonable, rather than absolute, assurance about whether the financial statements are free of material misstatement. An audit of financial statements includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control over financial reporting. Accordingly, as part of our audit, we considered the internal control of the Corporation solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

We are also responsible for communicating significant matters related to the audit that are, in our professional judgment, relevant to your responsibilities in overseeing the financial reporting process. However, we are not required to design procedures for the purpose of identifying other matters to communicate to you.

#### **Planned Scope and Timing of the Audit**

We conducted our audit consistent with the planned scope and timing we previously communicated to you in our auditor and management responsibility letter dated July 30, 2020 and our planning communication letter dated September 4, 2020.

#### **Compliance with All Ethics Requirements Regarding Independence**

The engagement team, others in our firm, as appropriate, our firm, and our network firms have complied with all relevant ethical requirements regarding independence.

## **Qualitative Aspects of the Entity's Significant Accounting Practices**

### *Significant Accounting Policies*

Management has the responsibility to select and use appropriate accounting policies. A summary of the significant accounting policies adopted by the Corporation is included in Note 2 to the financial statements. There have been no initial selection of accounting policies and no changes in significant accounting policies or their application during the fiscal year ended June 30, 2020. No matters have come to our attention that would require us, under professional standards, to inform you about (1) the methods used to account for significant unusual transactions and (2) the effect of significant accounting policies in controversial or emerging areas for which there is a lack of authoritative guidance or consensus.

### *Significant Accounting Estimates*

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's current judgments. Those judgments are normally based on knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ markedly from management's current judgments.

The most sensitive accounting estimates affecting the financial statements are:

- Management's estimate of the depreciation expense for capital assets is computed using the straight-line method based on the estimated useful-life, which is determined by management. We evaluated the key factors and assumptions used to develop depreciation expense in determining that it is reasonable in relation to the basic financial statements taken as a whole.
- Management's estimates of the fair value of investments, except the repurchase agreement and governmental money market mutual funds, are based on quoted prices, bid evaluation, or matrix pricing techniques. The repurchase agreement is valued at amortized cost and the government money market mutual funds are measured at the net asset value (NAV) per share (or its equivalent). We evaluated the key factors assumptions used to develop fair value of investments and determined that they are reasonable in relation to the financial statements taken as a whole.

### *Financial Statement Disclosures*

Certain financial statement disclosures involve significant judgment and are particularly sensitive because of their significance to financial statement users. The most sensitive disclosures affecting the Corporation's financial statements relate to: fair value measurement (Note 3), long-term liabilities (Note 6), economic dependency (Note 7), and going concern (Note 11).

## **Difficulties Encountered during the Audit**

We encountered no difficulties in dealing with management relating to the performance of the audit.

### **Uncorrected and Corrected Misstatements**

For purposes of this communication, professional standards require us to accumulate all known and likely misstatements identified during the audit, other than those that we believe are trivial, and communicate them to the appropriate level of management. Further, professional standards require us to also communicate the effect of uncorrected misstatements related to prior periods on the relevant classes of transactions, account balances or disclosures, and the financial statements as a whole and each applicable opinion unit. There were no uncorrected misstatements noted as a result of the audit procedures.

### **Disagreements with Management**

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, which could be significant to the Corporation's financial statements or the auditor's report. No such disagreements arose during the course of the audit.

### **Representations Requested from Management**

We have requested certain written representations from management, which are included in the attached letter dated October 27, 2020 (Attachment A).

### **Management's Consultations with Other Accountants**

In some cases, management may decide to consult with other accountants about auditing and accounting matters. Management informed us that, and to our knowledge, there were no consultations with other accountants regarding auditing and accounting matters.

### **Other Significant Matters, Findings, or Issues**

In the normal course of our professional association with the Corporation, we generally discuss a variety of matters, including the application of accounting principles and auditing standards, operating and regulatory conditions affecting the entity, and operational plans and strategies that may affect the risks of material misstatement. None of the matters discussed resulted in a condition to our retention as the Corporation's auditors.

### **Substantial Doubt on the Entity's Ability to Continue as a Going Concern**

We believe that the effects of the COVID-19 pandemic and resulting government actions including State of California mandated shelter in place executive orders limiting social gatherings as fully described in Note 11 to the basic financial statements raise substantial doubt about the Corporation's ability to continue as a going concern for a reasonable period of time. Our opinion on the Corporation's basic financial statements is not modified with respect to this matter.

This report is intended solely for the information and use of the Board of Directors, the Audit Committee and management of the Corporation and is not intended to be and should not be used by anyone other than these specified parties.

San Diego, California  
October 27, 2020

**SAN DIEGO CONVENTION CENTER  
CORPORATION**

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

2020 Annual Financial Report

As of and for the Year Ended June 30, 2020

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
2020 Annual Financial Report  
As of and for the Year Ended June 30, 2020

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## **Independent Auditor's Report**

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

### **Report on the Financial Statements**

We have audited the accompanying financial statements of the San Diego Convention Center Corporation (SDCCC), a component unit of the City of San Diego, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise the SDCC's basic financial statements as listed in the table of contents.

#### ***Management's Responsibility for the Financial Statements***

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

#### ***Auditor's Responsibility***

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Opinion***

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the San Diego Convention Center Corporation as of June 30, 2020, and the changes in its financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

### ***Emphasis of Matter***

As discussed in Note 11 to the financial statements, SDCCC has suffered operating losses due to the COVID-19 pandemic and resulting government actions including State of California mandated shelter in place executive orders limiting social gatherings. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 11. Our opinion is not modified with respect to this matter.

### ***Other Matters***

#### ***Required Supplementary Information***

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

#### ***Other Reporting Required by Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2020 on our consideration of SDCCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDCCC's internal control over financial reporting and compliance.

San Diego, California  
October 27, 2020

## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**San Diego Convention Center Corporation**  
(A Component Unit of the City of San Diego, California)  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020  
(Unaudited)

As management of the San Diego Convention Center Corporation ("SDCCC"), we offer readers of SDCCC's financial statements this narrative overview and analysis of the financial activities of SDCCC for the year ended June 30, 2020. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those statements appearing in this report.

**Overview of the Financial Statements**

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

The Statement of Net Position presents information on all SDCCC's assets, deferred outflows of resources, liabilities, and deferred inflows of resources as of June 30, 2020. The difference between (a) assets and deferred outflows of resources and (b) liabilities and deferred inflows of resources is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of SDCCC is improving or deteriorating. SDCCC did not have any deferred outflows or deferred inflows of resources as of June 30, 2020.

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

The Statement of Cash Flows presents information showing cash receipts and cash payments during the fiscal year, a reconciliation of operating income to net cash provided by operating activities, investing activities, and financing activities.

**Highlights to Financial Results**

In March 2020, the World Health Organization declared coronavirus COVID-19 (COVID-19) a global pandemic. The outbreak of COVID-19 resulted in government actions including the State of California issuing mandated shelter in place executive orders limiting social gatherings have had an unprecedented and significantly negative impact on SDCCC's financial position for the fiscal year ended June 30, 2020 and into fiscal year 2020-2021 including a decrease of operating revenue of \$13.4 million for the year ended June 30, 2020 as compared to the year ended June 30, 2019. On April 1, 2020, the City of San Diego (the City) exercised its authority to use SDCCC as a temporary homeless shelter as a collective effort to alleviate the threat of illness caused by the outbreak. In addition to revenue generation being negatively impacted, certain expenses were reduced during closure, including payroll reductions through furloughs, layoffs and salary reductions and draw down of paid time off balances. However, where feasible, agreements were made with vendors to suspend contracts and services during the period of closure. In addition, to preserve cash during the closure period, SDCCC reduced capital project spending and slowed the payment of accounts payable and accrued expenses.

**San Diego Convention Center Corporation**  
(A Component Unit of the City of San Diego, California)  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020  
(Unaudited)

**Management Financial Statement Analysis**

The following is a summary of SDCCC's assets, liabilities and net position as of June 30, 2020 and 2019.

	June 30, 2020	June 30, 2019	Percentage Increase (Decrease)
<b>Assets</b>			
Cash and cash equivalents	\$ 12,234,853	\$ 13,431,435	-9%
Investments	4,839,943	5,192,973	-7%
Accounts receivable, net	3,909,084	9,842,653	-61%
Prepaid expenses	999,913	809,375	24%
Deposits with others	181,393	182,688	-1%
Inventory	57,271	38,416	49%
Note receivable	374,556	574,556	0%
Capital assets, net	38,442,410	37,447,780	3%
Total assets	<u>\$ 61,039,423</u>	<u>\$ 67,519,876</u>	-10%
<b>Liabilities</b>			
Accounts payable	\$ 2,110,082	\$ 1,637,584	29%
Accrued liabilities and compensated absences	3,154,401	3,287,468	-4%
Accrued I-Bank interest and loan administrative fee	438,600	451,563	-3%
Loan payable: PPP	4,387,000	-	--
Retention payable	260,777	455,549	-43%
Unearned income	4,188,487	5,071,266	-17%
Current portion of long-term debt	760,448	734,170	4%
Long-term portion of unearned income	3,094,968	3,996,719	-23%
Long-term debt	24,013,621	24,774,070	-3%
Total liabilities	<u>42,408,384</u>	<u>40,408,389</u>	5%
<b>Net position</b>			
Net investment in capital assets	15,166,171	13,437,410	13%
Unrestricted	3,464,868	13,674,077	-75%
Total net position	<u>18,631,039</u>	<u>27,111,487</u>	-31%
<b>Total liabilities and net position</b>	<u>\$ 61,039,423</u>	<u>\$ 67,519,876</u>	

**San Diego Convention Center Corporation**  
(A Component Unit of the City of San Diego, California)  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020  
(Unaudited)

Assets

Total assets for fiscal year 2020 decreased by \$6.5 million, or 10%, to \$61 million as compared to \$67.5 million for fiscal year 2019. The decreases were primarily due to a decrease in accounts receivable, net of \$6.1 million, or 61%, along with a decrease in cash and cash equivalents of \$1.2 million or 9%. The net decrease in receivables was related to reduced billing as a result of suspension of core operations in mid-March due to the COVID-19 pandemic.

Liabilities

Total liabilities for fiscal year 2020 increased by \$2 million, or 5%, to \$42.4 million as compared to \$40.4 million for fiscal year 2019. The primary reason for the increase in liabilities was the receipt of a \$4.4 million loan as part of the Paycheck Protection Program (PPP) to fund eligible expenses (see note 5). The change was offset by decreases in unearned income (total of \$1.8 million or 25%) and long term debt (\$0.8 million or 3%). The decrease in unearned income relates to decreased receipts for future dated events due to the temporary closure of the site for hosting events. The long-term debt decrease reflects the principal payment made in August of 2019.

Net Position

Total net position for fiscal year 2020 decreased by \$8.5 million, or 31%, to \$18.6 million as compared to \$27.1 million for fiscal year 2019. This decrease in total net position is primarily due to a decrease in unrestricted net position of \$10.2 million as compared to the prior year due to the impacts of COVID-19 commencing in mid March 2020 resulting in no conventions or trade shows revenues coupled expenses responding to the pandemic.

**San Diego Convention Center Corporation**  
(A Component Unit of the City of San Diego, California)  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020  
(Unaudited)

The following table summarizes SDCCC's changes in net position for the years ended June 30, 2020 and 2019.

	Year ended 6/30/2020	Year ended 6/30/2019	Percentage Increase (Decrease)
<b>Operating revenues</b>			
Rental	\$ 6,816,666	\$ 9,598,718	-29%
Food and beverage	9,110,975	12,582,126	-28%
Ancillary services	11,530,600	19,064,720	-40%
Contributions from the City of San Diego	2,641,237	2,133,025	24%
Business development and sponsorship	249,979	394,650	-37%
Other revenue	20,638	21,695	-5%
Total operating revenues	<u>30,370,095</u>	<u>43,794,934</u>	-31%
<b>Operating expenses</b>			
Salaries and wages	17,694,181	18,247,837	-3%
Fringe benefits	4,772,451	5,731,579	-17%
Utilities	3,808,531	4,419,035	-14%
Services and supplies	7,440,153	7,433,082	0%
Depreciation	3,020,892	2,668,843	13%
Marketing contract	2,133,025	2,081,000	3%
Total operating expenses	<u>38,869,233</u>	<u>40,581,376</u>	-4%
<b>Operating income (loss)</b>	<u>(8,499,138)</u>	<u>3,213,558</u>	-364%
<b>Non-operating revenues (expenses)</b>			
Interest income	228,199	279,158	-18%
Interest expense	(891,362)	(900,623)	-1%
Loan administrative fee	(74,487)	(70,125)	6%
Loss on sales of disposal of capital assets	-	(344,977)	-100%
Other income	756,340	742,539	2%
Total non-operating revenue (expenses), net	<u>18,690</u>	<u>(294,028)</u>	-106%
Income (loss) before capital contributions	<u>(8,480,448)</u>	<u>2,919,530</u>	-390%
<b>Capital contributions</b>	-	700,000	-100%
Change in net position	(8,480,448)	3,619,530	-334%
Net position - beginning of year	27,111,487	23,491,957	15%
Net position - end of year	<u>\$ 18,631,039</u>	<u>\$ 27,111,487</u>	-31%

**San Diego Convention Center Corporation**  
(A Component Unit of the City of San Diego, California)  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020  
(Unaudited)

**Operating Revenue**

Total operating revenues generated in fiscal year 2020 amounted to \$30.4 million as compared to \$43.8 million for fiscal year 2019, a decrease of \$13.4 million, or 31%. The change was primarily the result of reduced event activity due to business suspension in mid-March as a result of COVID-19 precautions.

**Operating Expenses**

Total operating expenses incurred during fiscal year 2020 amounted to \$38.9 million, as compared to \$40.6 million for fiscal year 2019, a decrease of \$1.7 million, or 4%. The change was primarily the result of salary and wages decreases of \$0.6 million, or 3%, due to reductions in staff to mitigate losses from the suspension of core business in mid-March. Additionally, related fringe benefits decreased by \$1 million, or 17%. Depreciation expense increased by \$0.4 million, or 13%, compared to prior year - due to additional capitalized projects placed in service in the prior year. Additionally, utility costs decreased by \$0.6 million, or 14% due to reduced usage with suspended event activity.

**Non-operating Revenue and Expenses, net**

Non-operating revenues, net for fiscal year 2020 were \$19 thousand as compared to non-operating expenses, net of \$0.3 million for fiscal year 2019, an increase of \$0.3 million. The change was due the lack of losses incurred from disposal of assets (write-offs resulting from a policy change) as compared to the prior year.

**Capital Assets Analysis**

As of June 30, 2020, SDCCC had a net capital asset book value of \$38.4 million, as compared to \$37.4 million as of June 30, 2019, an increase of \$1 million, or 3%. Capital assets are spread across a broad range of computer, office and operating equipment, telecommunications and leasehold improvements. The gross value of capital purchases in fiscal year 2020 of approximately \$4 million was similar to fiscal year 2019 additions.

Major capital asset additions during fiscal year 2020 included:

- \$1.8 million for lobby and public area carpet modernization
- \$0.5 million for rooftop air handlers
- \$0.4 million for public space painting
- \$0.3 million for proximity lock replacement

**Debt Analysis**

Effective December 6, 2016, SDCCC and the City of San Diego, as co-lessees entered into a financing lease agreement with the I-Bank to finance capital infrastructure improvement projects valued at \$25.5 million ("Facility Fund"). The agreement calls for the Facility Fund to be amortized over 25 years at a 3.59% interest rate and 0.3% loan administrative fee of the outstanding principal balance. As of June 30, 2020, SDCCC had outstanding balance of \$24.5 million, of which a total of \$1.3 million (including principal, interest, and loan administrative fee) was repaid in July 2020.

Effective April 15, 2013, SDCCC entered into a commercial lease agreement with CG 7600, LLC to finance a warehouse capital improvement for SDCCC valued at \$21,972 with an option to extend. The agreement calls for the loan to be amortized over 10 years at zero percent interest. SDCCC exercised its option to

**San Diego Convention Center Corporation**  
(A Component Unit of the City of San Diego, California)  
Management's Discussion and Analysis  
For the Year Ended June 30, 2020  
(Unaudited)

extend for an additional five years effective April 1, 2018. For the year ended June 30, 2020, SDCCC paid \$2,197 in principal payments on the warehouse loan.

In April 2020, SDCCC was approved for a \$4.4 million loan through the PPP to assist with expenses resulting from the COVID-19 pandemic. As long as the proceeds are used for eligible expenses including payroll, benefits, rents and utilities, the loan principal and accrued interest may be forgiven. SDCCC has applied for and anticipates this forgiveness to occur in fiscal year 2020-2021.

**Economic Factors and Next Year's Budget**

Operational contributions from the City for fiscal year 2020 were \$2.6 million as compared to \$2.1 million for fiscal year 2019, an increase of \$0.5 million. As described in Note 7, contributions from the City funded marketing and promotion projects for the convention center. The additional \$0.5 million funded the portion of the shelter operation not covered by the loan obtained from the Pacheck Protection Program.

Effective July 1, 2012, the San Diego City Council approved for the long-term sales, marketing and promotional activities of the convention center to be transferred to a third party contractor, the San Diego Tourist Authority ("SDTA"). Effective July 1, 2017, SDCCC entered into a marketing and sales contract with SDTA. The marketing and sales contract was renegotiated and approved by City Council detailing the terms set forth by the City. For the year ended June 30, 2020, SDCCC paid \$2.1 million to SDTA under the marketing and sales contract.

Management is anticipating a sizable decrease in financial performance for fiscal year 2021 as compared to fiscal year 2020 as a result of the government actions taken due to the COVID-19 pandemic, with the expectation of re-opening for events not occurring until spring of 2021. Budget revisions continue to occur as new information emerges, with the most recent budget revision scheduled for approval in October 2020. SDCCC anticipates support from the City of approximately \$2.3 million per month for as long as the shelter operation continues (end date is yet to be determined). See note 11 for further discussion.

**Request for Information**

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

## **BASIC FINANCIAL STATEMENTS**

**San Diego Convention Center Corporation**  
**(A Component Unit of the City of San Diego, California)**  
**Statement of Net Position**  
**June 30, 2020**

**Assets**

Current assets:

Cash and cash equivalents	\$ 12,234,853
Investments	4,839,943
Accounts receivable, net	2,909,084
Prepaid expenses	999,913
Deposits with others	181,393
Inventory	57,271
Total current assets	<u>21,222,457</u>

Noncurrent assets:

Accounts receivable	1,000,000
Note receivable	374,556
Capital assets:	
Construction in progress	149,845
Furniture, equipment and software	6,010,689
Leasehold improvements	64,751,970
Less: Accumulated depreciation	(32,470,094)
Total capital assets, net	<u>38,442,410</u>
Total non-current assets	<u>39,816,966</u>

**Total assets**

61,039,423

**Liabilities**

Current liabilities:

Accounts payable	2,110,082
Accrued liabilities	1,976,595
Accrued I-Bank interest and loan administrative fee	438,600
Loan payable: Paycheck protection program	4,387,000
Retention payable	260,777
Unearned income	4,188,487
Compensated employee absences	1,177,806
Current portion of long-term debt	760,448
Total current liabilities	<u>15,299,795</u>

Noncurrent liabilities:

Long-term debt	24,013,621
Long-term portion of unearned income	3,094,968
Total noncurrent liabilities	<u>27,108,589</u>
Total liabilities	<u>42,408,384</u>

**Net position**

Net investment in capital assets	15,166,171
Unrestricted	3,464,868
Total net position	<u>\$ 18,631,039</u>

*See accompanying notes to the Basic Financial Statements.*

**San Diego Convention Center Corporation**  
**(A Component Unit of the City of San Diego, California)**  
**Statement of Revenues, Expenses, and Change in Net Position**  
**For the Period Ended 06/30/2020**

<b>Operating revenues</b>	
Rental revenue:	
Convention and trade shows	\$ 4,848,124
Corporate/incentive events	433,279
Consumer shows	641,055
Meetings and seminars	237,591
Cancelled events	374,810
Community events	182,835
Local trade shows	98,972
Food and beverage revenue	9,110,975
Ancillary service revenue:	
Utilities	3,836,062
Telecommunications	3,702,250
Event and cleaning services	3,182,992
Audio visual	809,296
Contributions:	
City of San Diego	2,641,237
Business development and sponsorship	249,979
Other revenue	20,638
Total operating revenues	<u>30,370,095</u>
<b>Operating expenses</b>	
Salaries and wages	17,694,181
Fringe benefits	4,772,451
Utilities	3,808,531
Repairs and maintenance	2,631,840
General expenses	2,833,586
Depreciation	3,020,892
Contractual marketing and sales	2,133,025
Contracted services	661,557
Supplies	562,819
Insurance	495,616
Sales and marketing	107,859
Travel and transportation	91,180
Telecommunications	55,696
Total operating expenses	<u>38,869,233</u>
<b>Operating loss</b>	<u>(8,499,138)</u>
<b>Non-operating revenues (expenses)</b>	
Interest income	228,199
Interest expense	(891,362)
Loan administrative fee	(74,487)
Other income	756,340
Total non-operating revenues, net	<u>18,690</u>
Change in net position	(8,480,448)
Net position - beginning of year	27,111,487
<b>Net position - end of year</b>	<u><u>\$ 18,631,039</u></u>

*See accompanying notes to the Basic Financial Statements.*

**San Diego Convention Center Corporation**  
**(A Component Unit of the City of San Diego, California)**  
**Statement of Cash Flows**  
**For the Period Ended June 30, 2020**

**Cash flows from operating activities**

Receipts from customers	\$ 32,834,237
Payments to suppliers for goods and services	(13,341,301)
Payments to employees for services	(22,564,587)
Contributions received from the City of San Diego	2,641,237
Net cash used in operating activities	<u>(430,414)</u>

**Cash flows from capital and related financing activities**

Acquisition and construction of capital assets	(4,034,377)
PPP Loan funds obtained	4,387,000
Repayment of long-term debt	(734,171)
Interest and loan administrative fee paid on long-term debt	(965,849)
Net cash used in capital and related financing activities	<u>(1,347,397)</u>

**Cash flows from investing activities**

Investment activity, net	353,030
Interest received	228,199
Net cash provided by investing activities	<u>581,229</u>

Change in cash and cash equivalents	(1,196,582)
Cash and cash equivalents - beginning of year	13,431,435
<b>Cash and cash equivalents - end of year</b>	<u><u>\$ 12,234,853</u></u>

*See accompanying notes to the Basic Financial Statements.*

**San Diego Convention Center Corporation**  
**(A Component Unit of the City of San Diego, California)**  
**Statement of Cash Flows (Continued)**  
**For the Period Ended June 30, 2020**

**Reconciliation of operating loss to net cash used in operating activities**

Operating loss	\$ (8,499,138)
Adjustments to reconcile operating loss to net cash used in operating activities:	
Depreciation	3,020,892
Other income	756,340
Changes in operating assets and liabilities:	
Increase in receivables	6,133,569
Increase in prepaid expenses	(190,538)
Increase in deposits with others	1,295
Decrease in accounts payable	472,498
Increase in compensated employee absences	(179,466)
Increase in accrued liabilities	46,399
Decrease in unearned income	(1,784,530)
Changes in long-term assets and liabilities	(207,735)
Net cash used in operating activities	<u><u>\$ (430,414)</u></u>

**Noncash capital and financing activities**

Acquisition of capital assets included in accounts payable and accrued liabilities	\$ 86,253
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*See accompanying notes to the Basic Financial Statements.*

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2020

**NOTE 1. REPORTING ENTITY**

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

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

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

SDCCC has a management agreement with the City to provide sales and marketing, operating and maintenance services for the Convention Center. The agreement provides that the City will allocate to SDCCC approved budgetary amounts for marketing, promotion and capital projects for the Convention Center (refer to Note 7).

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Basis of Accounting and Measurement Focus***

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

**B. *Cash and Cash Equivalents***

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

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. *Accounts Receivable and Subsequent Event***

Accounts receivable is reported net of an allowance for estimated uncollectible amounts. Management estimates the uncollectible amounts to be approximately \$5,000 at June 30, 2020, using its allowance calculation methodology based on historical write-off rates and comparable industry standards.

Long-term receivables in the amount of \$1,000,000 represent incentive payments to be received by SDCCC in equal installments of \$500,000 on July 1, 2022 and July 1, 2024 from Centerplate in consideration of the SDCCC's extension of Centerplate's exclusive food and beverage contract through June 30, 2026. This agreement was amended on October 2, 2020 to further extend the remaining incentive payment amortization period to June 30, 2028.

**D. *Note Receivable***

In January 2018, SDCCC entered into a non-interest bearing agreement with Centerplate for SDCCC to fund the purchase of food service equipment in the principal amount of \$574,556. The remaining principal balance of \$374,556 as of June 30, 2020 is due and payable in full by Centerplate no later than June 30, 2023, unless the contract is terminated prior to the due date. Centerplate has the right to fully pay the principal amount owed to SDCCC prior to the due date with no prepayment penalty. If the contract is terminated prior to the due date, the remaining principal amount owed to SDCCC becomes due and payable within 30 days from the date of termination.

**E. *Prepaid Expenses***

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

**F. *Inventory***

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

**G. *Capital Assets***

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

	<u>Years</u>
Data processing equipment and software	3
Telecommunication equipment	5
Office furniture and operating equipment	7 - 15
Leasehold improvements	10 - 30

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**H. *Unearned Income***

Unearned income represents funds received from customers that pertain to enforceable future contractual obligations. Building rent deposits, revenue contract incentive payments and advertising payments are recognized once the event has occurred or the contractual obligation has been fulfilled.

**I. *Compensated Employee Absences***

Accumulated annual leave (PTO) is compensated time off for eligible employees who are absent from work and is recorded in the Statement of Net Position. The amount recorded is expected to be used in accordance with SDCCC's personnel guidelines for vacation, illness, and personal business, with a maximum accumulation of 480 hours per employee. Until March 31, 2020, full-time employees were allowed up to 120 hours paid compensation in lieu of annual leave provided they maintained a minimum balance of 40 hours and had taken a minimum of 80 hours of paid leave during the prior twelve month period. This program was subsequently suspended for expense reduction purposes (due to significant event cancellations as a result of COVID-19 (See Note 11)), with a window for unrestricted payouts for balances in excess of 40 hours during the month of June. Represented part-time employees are paid their annual leave balance within 30 days of fiscal year-end.

**J. *Components of Net Position***

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets, net of any unspent loan proceeds, which as of June 30, 2020 was \$15,166,171.

Restricted – This amount consists of restricted assets which are reduced by liabilities related to those assets. As of June 30, 2020, there were no restricted amounts.

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

**K. *Income Taxes***

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

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**L. *Use of Estimates***

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

**M. *New accounting pronouncements***

The following pronouncements were issued by the Governmental Accounting Standards Board (GASB), but were early implemented through the adoption of GASB Statement No. 95, Postponement of the Effective Dates of Certain Authoritative Guidance, which postponed various GASB pronouncements by at least one year, and determined to not have an impact on SDCCC's financial statements:

- GASB Statement No. 84, *Fiduciary Activities*.
- GASB Statement No. 90, *Majority Equity Interests- an amendment of GASB Statements No. 14 and No. 61*.

The following GASB Statements have been issued but are not yet effective for the year ended June 30, 2020. The SDCCC is assessing what financial statement impact, if any, these Statements will have:

- GASB Statement No. 87, *Leases*, effective for the fiscal year ending June 30, 2022.
- GASB Statement No. 92, *Omnibus 2020*, effective upon issuance for the requirements related to the effective date of GASB Statement No. 87 and Implementation Guide 2019-3, reinsurance recoveries, and terminology used to refer to derivative instruments. The requirements will be effective for the fiscal year ending June 30, 2022.
- GASB Statement No. 94, *Public-Private and Public-Public Partnerships and Availability Payment Arrangements*, effective for the fiscal year ending June 30, 2023.
- GASB Statement No. 96, *Subscription-Based Information Technology Arrangements*, effective for the fiscal year ending June 30, 2023.
- GASB Statement No. 97, *Certain Component Unit Criteria, and Accounting and Financial Reporting for Internal Revenue Code Section 457 Deferred Compensation Plans—an amendment of GASB Statements No. 14 and No. 84, and a supersession of GASB Statement No. 32*, effective for the fiscal year ending June 30, 2022.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 3. CASH AND INVESTMENTS**

Cash and investments as reported in the statement of net position are categorized as follows at June 30, 2020:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash on hand	\$ 5,937	\$ -
Bank checking and savings deposits	4,608,605	-
Bank money market account deposits	-	20,291
Fixed income investments	7,620,311	4,819,652
	<hr/>	<hr/>
Total	\$ 12,234,853	\$ 4,839,943
	<hr/>	<hr/>

At June 30, 2020, the book balance of SDCCC's cash on hand and deposits was \$4,614,542 and the bank balance was \$4,455,350. Of the bank balance, \$250,000 was covered by Federal depository insurance. The remaining uninsured balance is collateralized, with the collateral held by an affiliate of the counterparty's financial institution.

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

The SDCCC's Investment Policy is governed by the California Government Code (CGC), 56000 et seq. The following table represents the authorized investments, requirements and restrictions per the CGC and the SDCCC investment policy:

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

<sup>1</sup> In the absence of a specified maximum, the maximum is 5 years.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 3. CASH AND INVESTMENTS (Continued)**

Investments as reported in the statement of net position are categorized as follows at June 30, 2020:

*Fair Value Measurements*

GASB Statement No. 72 requires that investments be categorized within a fair value hierarchy based upon fair value measurements. Fair value measurements are classified and disclosed in one of the following three categories:

Level 1: Inputs are quoted prices in an active market that are accessible at the measurement date for identical assets or liabilities;

Level 2: Inputs other than quoted prices that are either directly or indirectly observable;

Level 3: Significant unobservable inputs are used when little or not market activity is available.

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

The table below represents SDCCC's fair value hierarchy for reporting its investments as of June 30, 2020:

	<u>Fair Value</u>	<u>Level 2</u>
<b>Investments at fair value level</b>		
Corporate Bonds	\$ 606,792	\$ 606,792
Commercial Paper	1,099,555	1,099,555
Negotiable Certificates of Deposit	<u>3,633,616</u>	<u>3,633,616</u>
<b>Total investments at fair value</b>	<u>5,339,963</u>	<u>5,339,963</u>
 <b>Investments measured at amortized cost</b>		
Repurchase Agreements	<u>7,100,000</u>	
 <b>Investments measured at the net asset value (NAV)</b>		
Bank money market funds	<u>20,291</u>	
 <b>Total investments</b>	<u><u>\$ 12,460,254</u></u>	<u><u>\$ 5,339,963</u></u>

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 3. CASH AND INVESTMENTS (Continued)**

GASB Statement No. 40 requires that risks for deposits and investments with fair values as it relates to credit risk, concentration of credit risk, and interest rate risk be disclosed. SDCCC minimizes exposure by limiting investments to short-term, safe securities such as mutual funds or similar investment pools to ensure preservation of capital as well as pre-qualifying brokers and diversification of the investment portfolio. In order to maintain proper cash flow requirements, funds are continuously invested in readily available securities to ensure appropriate liquidity is maintained.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SDCCC mitigates this risk by investing in short-term securities of less than a year in order to meet operational cash requirements, and structuring the investment portfolio to allow securities to mature to avoid selling on the open market. As of June 30, 2020, SDCCC's investment interest rate risk by maturity is as follows:

	Investment Maturity in Months			Fair Value
	Under 1	1 - 6	6 - 12	
Commercial Paper	\$ 599,970	\$ 499,585	\$ -	\$ 1,099,555
Corporate Bonds	-	606,792	-	606,792
Negotiable Certificates of Deposit	600,576	2,532,985	500,055	3,633,616
Bank Money Market Funds	20,291	-	-	20,291
Repurchase Agreements	7,100,000	-	-	7,100,000
	<u>\$ 8,320,837</u>	<u>\$ 3,639,362</u>	<u>\$ 500,055</u>	<u>\$ 12,460,254</u>

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill their obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization (NRSRO). The SDCCC mitigates credit risk through its Investment Policy. Section I of the Investment Policy outlines the authorized investments, requirements, and investment restrictions. As of June 30, 2020, SDCCC's investment and corresponding credit ratings are follows:

	Fair Value	Credit Rating
Commercial Paper	\$ 599,970	A-1
Commercial Paper	499,585	A-2
Corporate Bonds	606,792	A-
Bank Money Market Funds	20,290	N/A
Negotiable Certificates of Deposit	499,900	A-1+
Negotiable Certificates of Deposit	2,105,118	A-1
Negotiable Certificates of Deposit	428,022	AA-
Negotiable Certificates of Deposit	600,576	N/A
Repurchase Agreements	7,100,000	N/A

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 3. CASH AND INVESTMENTS (Continued)**

Concentration of Credit Risk

GASB Statement No. 40 also requires disclosure of investments in any one issuer (other than U.S. Treasury securities, mutual funds, and external investment pools) that represent 5% or more of total investments. A summary of disclosures related to concentration of credit risk as of June 30, 2020 is as follows:

Issuer	Investment Type	Fair Value
Daiwa Bank U.S. Treasury Tri-party	Repurchase Agreement	\$ 4,500,000
INTL FCStone Government Sponsored Enterprise	Repurchase Agreement	2,600,000

Custodial Credit Risk

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

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 4. CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2020, is as follows:

	Beginning Balance June 30, 2019	Additions	Deletions	Transfers In/(Out)	Ending Balance June 30, 2020
Non-Depreciable Capital Assets:					
Construction in progress	1,466,467	1,221,261	-	(2,537,883)	149,845
Depreciable Capital Assets:					
Furniture, equipment and software	4,012,253	415,356	-	1,583,080	6,010,689
Leasehold Improvements	61,418,262	2,378,905	-	954,803	64,751,970
Total Depreciable Capital Assets:	65,430,515	2,794,261	-	2,537,883	70,762,659
Less Accumulated Depreciation:					
Furniture, equipment and software	(2,859,424)	(374,289)	-	-	(3,233,713)
Leasehold Improvements	(26,589,778)	(2,646,603)	-	-	(29,236,381)
Total Accumulated Depreciation	(29,449,202)	(3,020,892)	-	-	(32,470,094)
Total Depreciable Capital Assets, Net	35,981,313	(226,631)	-	2,537,883	38,292,565
Capital Assets, Net	37,447,780	994,630	-	-	38,442,410

Depreciation expense for the year ended June 30, 2020 was \$3,020,892. No interest incurred during the year ended June 30, 2020 was capitalized.

**NOTE 5. LOAN PAYABLE**

SDCCC applied for a United States Small Business Administration Loan and was approved for the Paycheck Protection program (PPP) in April 2020 to pursue funding for payroll costs. SDCCC received loan proceeds in the amount of \$4,387,000 in May 2020. The PPP, established as part of the Coronavirus Aid, Relief and Economic Security Act (CARES Act), provides for loans to qualifying businesses for amounts up to 2.5 times of the average monthly payroll expenses of qualifying business. The loans and accrued interest are forgivable after eight weeks as long as the borrower uses the loan proceeds for eligible purposes, including payroll, benefits, rent and utilities, and maintains its payroll levels. The amount of loan forgiveness will be reduced if the borrower terminates employees or reduces salaries during the eight-week period.

The unforgiven portion of the PPP loan is payable over two years at an interest rate of 1%, with a deferral of payments for the first six months. SDCCC used the proceeds for purposes consistent with the PPP and expects the loan to be forgiven in full as the PPP criteria have been met. Loan forgiveness is anticipated to be confirmed in fiscal 2021, before the end of calendar 2020.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 6. LONG-TERM LIABILITIES**

**A. *Compensated Employee Absences***

A summary of changes in accrued compensated employee absences for the year ended June 30, 2020 is as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>
Compensated Employee Absences	\$ 1,357,272	\$ 1,514,161	\$ (1,698,284)	\$ 1,177,806	\$ 1,177,806

**B. *Notes Payable and Financing Lease***

***Notes Payable***

On April 15, 2013, SDCCC entered into a commercial lease agreement with CG 7600, LP (lessor) in which the lessor financed a warehouse capital improvement for SDCCC valued at \$21,972. The agreement calls for the loan to be amortized as part of SDCCC's monthly rent over 10 years at a zero percent per annum rate.

***Financing Lease***

On December 6, 2016, SDCCC (lessee) and the City, as co-lessees entered into a Financing Lease agreement with the California Infrastructure and Economic Development Bank (I-Bank), as the lessor for a loan amount of \$25,500,000 (the "Facility Funds"). Under the Financing Lease agreement, the Facility Funds were used to pay the convention center building (the "Leased Asset") improvement costs. The City and SDCCC are jointly and severally liable for all rental payment obligations under the Financing Lease agreement. The Facility Funds are secured by the Leased Asset. In addition, the Financing Lease agreement contains certain customary representations and warranties, affirmative covenants, and events of default. If such an event of default were to occur, the lessor under the Financing Lease agreement would be entitled to take various actions, including without termination of the Financing Lease, collect all amounts owing under the Financing Lease until maturity.

The Facility Funds bear a 3.59% annual interest rate and a .3% loan administrative fee based upon the outstanding principal balance. The Financing Lease requires annual principal repayment commencing on August 1, 2019 and ending on August 1, 2041. Per agreement with the City, SDCCC has budgeted for and made payments on the full amount due under the Financing Lease beginning on August 1, 2019. In any given year, to the extent that rental payment obligations, infrastructure capital, and operations and maintenance expenditures exceed SDCCC's available funding, SDCCC will seek further budgetary allocation from the City.

A summary of changes in notes payable and the financing lease for the year ended June 30, 2020, is as follows:

	<u>Balance</u> <u>June 30, 2019</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2020</u>	<u>Current</u> <u>Portion</u>	<u>Long-term</u> <u>Portion</u>
CG 7600 LP	\$ 8,240	\$ -	\$ (2,197)	\$ 6,043	\$ 2,197	\$ 3,846
iBank Financing Lease	25,500,000	-	(731,973)	24,768,027	758,251	24,009,776
	<u>\$ 25,508,240</u>	<u>\$ -</u>	<u>\$ (734,170)</u>	<u>\$ 24,774,070</u>	<u>\$ 760,448</u>	<u>\$24,013,622</u>

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 6. LONG-TERM LIABILITIES (Continued)**

Annual requirements to amortize the notes payable as of June 30, 2020, including interest payments to maturity, are as follows:

<u>Year Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Annual Fee</u>	<u>Total</u>
2021	\$ 760,448	\$ 875,562	\$ 74,304	\$ 1,710,314
2022	787,669	847,852	72,029	1,707,550
2023	815,319	819,147	69,673	1,704,139
2024	842,881	789,412	67,232	1,699,525
2025	873,140	758,610	64,703	1,696,453
2026 - 2030	4,859,009	3,290,886	282,293	8,432,188
2031 - 2035	5,796,113	2,336,960	203,983	8,337,056
2036 - 2040	6,913,946	1,199,062	110,571	8,223,579
2041 - 2042	3,125,545	113,196	14,148	3,252,889
	<u>\$24,774,070</u>	<u>\$11,030,687</u>	<u>\$ 958,936</u>	<u>\$36,763,693</u>

**NOTE 7. ECONOMIC DEPENDENCY**

SDCCC receives contributions from the City as specified in a management agreement between SDCCC and the City. The agreement provides that the City will allocate to SDCCC approved budgetary amounts for marketing, promotion and capital projects for the Convention Center. During the year ended June 30, 2020, SDCCC received \$2,641,237 from the City, of which \$2,133,025 was used to fund marketing contract expenses paid to the San Diego Tourism Authority related to certain sales, marketing and promotional aspects of long-term events at the Convention Center.

The remaining \$508,212 was used to fund the shelter operation. Subsequent to events being suspended in March, SDCCC has been hosting the City's "Operation Shelter to Home" at a monthly cost of approximately \$2.3M. The majority of the costs to run the shelter program (for April to June) were staff related and covered by the PPP loan for April to June, 2020.

**NOTE 8. DEFINED CONTRIBUTION PLAN**

The San Diego Convention Center Corporation's Money Purchase Pension Plan (Plan) is a governmental plan under section 414(d) of the Internal Revenue Code, which was established effective January 1, 1986, by SDCCC's Board of Directors. The Plan is administered by SDCCC through a Defined Contribution Committee, represented by the SDCCC Board and staff, who act by a majority of its members in office to carry out the general administration of the Plan. Any recommended Plan amendments are subject to the approval and adoption by SDCCC's Board of Directors. As part of the Plan, SDCCC through Board action selected Wells Fargo & Company as Trustee, to hold and administer Plan assets subject to the terms of the Plan. The Plan is a qualified defined contribution plan and, as such, benefits depend on amounts contributed

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 8. DEFINED CONTRIBUTION PLAN (Continued)**

to the Plan plus investment earnings less allowable plan expenses. The Plan covers all employees who have completed at least 1,000 hours of service in one year and are not covered through a union retirement plan. Full time employees are eligible to participate in the plan on the first day of the month after completing 1,000 hours of service and receive contributions on a bi-weekly basis thereafter. Part-time employees are eligible to participate in the plan after completion of 1,000 hours and receive contributions annually once they meet the 1,000 hours threshold requirement each year. For each Plan year, SDCCC contributes 10% of compensation paid after the employee becomes an eligible participant, which is transferred to the trustee on behalf of each qualifying individual.

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

For the year ended June 30, 2020, pension expense amounted to \$1,371,480 with no employee contributions made to the Plan. Included in pension expense were forfeitures in the amount of \$56,320. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in qualified gross compensation.

**NOTE 9. COMMITMENTS**

**SDCCC as Lessor**

Effective March 22, 2013, SDCCC entered into a sublease agreement for truck marshal yard space for an initial term of 60 months, from April 1, 2013 through March 31, 2018 and exercised its option to extend for an additional five years effective April 1, 2018 – March 31, 2023. Future minimum annual rental lease revenues are as follows:

Year Ending June 30,	Amount
2021	\$ 150,063
2022	153,994
2023	118,423
Total	<u>\$ 422,480</u>

Rental income related to the sublease was \$153,047 for the year ended June 30, 2020.

**SDCCC as Lessee**

SDCCC has noncancelable operating leases with terms greater than one year for photocopiers as well as truck marshal yard and warehouse space. The lease commitments are as follows:

Year Ending June 30,	Amount
2021	\$ 251,183
2022	228,890
2023	175,374
Total	<u>\$ 655,447</u>

Lease expense for the year ended June 30, 2020 was \$255,962.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 9. COMMITMENTS (Continued)**

**Construction Commitments**

SDCCC has a material commitment under construction contracts as of June 30, 2020 as follows:

<u>Construction Projects</u>	<u>Remaining Construction Value</u>	<u>Expected Completion Year</u>
Fire Pump Replacement	\$ 322,388	FY 2021

**NOTE 10. CONTINGENT LIABILITIES**

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

SDCCC is subject to various lawsuits as well as grievances by labor unions. SDCCC's management believes, based upon consultation with SDCCC attorneys, that any unasserted claims, in the aggregate, will not result in a material adverse financial impact on SDCCC beyond the funds held in retention for anticipated amounts due as a result of pending legal decisions.

SDCCC is covered by various insurance policies, the largest of which include property, liability and workers' compensation, with deductibles that vary from \$5,000 to \$250,000. SDCCC management believes that SDCCC's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize. There have been no insurance claim settlements that exceeded insurance coverage during the past three fiscal years.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2020

**NOTE 11. GOING CONCERN**

The financial statements of SDCCC are prepared on a going concern basis of accounting which contemplates the realization of assets and the satisfaction of liabilities and obligations in the normal course of business.

In March 2020, the World Health Organization declared coronavirus COVID-19 (COVID-19) a global pandemic. The outbreak of COVID-19 continues to grow both in the U.S. and globally and resulting government actions including State of California mandated shelter in place executive orders limiting social gatherings have had an unprecedented and significantly negative impact on SDCCC's financial position for the fiscal year ended June 30, 2020 and into fiscal year 2020-2021. Due to suspension of business from mid-March 2020 forward, total operating revenues for the year ended June 30, 2020 experienced a decline of approximately \$13.4 million (31%) as compared to the year ended June 30, 2019. It is uncertain at this time when SDCCC will be able to resume hosting events. SDCCC is working closely with state and local governments to establish approved guidelines for a safe re-opening anticipated in the summer of 2021. The majority of event business come from out of town guests and exhibitors that takes years to coordinate towards building a successful event. An Event organizer typically needs 4-6 months lead time to ensure attendees can register and book travel plans, ship exhibitor booth materials and confirm registration requirements. SDCCC risks losing more events into the second quarter of 2021 if State approved reopening guidelines are delayed beyond November 2020.

SDCCC's unrestricted net position is approximately \$3.46 million as of June 30, 2020. SDCCC's Board of Directors approved a 4th revision to the fiscal year 2020-2021 operating budget on October 27, 2020. This revised budget assumes a net operating loss of approximately \$9.2 million if events commence in June 2021 and a negative reserve balance of approximately \$4.2 million. Management has taken the following actions in order to mitigate the resulting expected decreases in reserves:

- Obtained funding of \$4.4 million from the Paycheck Protection Program in May 2020. It is expected that this loan will be entirely forgiven in FY 2020-2021 and be recognized as an inflow of resources.
- Partnered with the City of San Diego for Operation Shelter to Home – providing temporary safe housing for local unsheltered residents. The City is reimbursing related costs of approximately \$2.3 million per month (beginning in July 2020) while the temporarily shelter continues. This is expected to continue through December 2020.
- Implemented significant reductions in employee headcount of nearly 50% of full time staff and a significant portion of part time staff (with reduced hours for remaining staff). Additional cost saving measures are being explored to include reduced retirement contribution benefits, employer subsidized healthcare for dependent coverage, as well as other benefit reductions.
- Reduced Capital improvement projects and non-critical maintenance projects (these were deferred to future years).
- Pursued additional support from the City to cover necessary ongoing costs.

SDCCC has not missed any payment obligations to date and will continue to prioritize debt payment obligations as part of the budget process. SDCCC is working with the City finance and debt management departments to coordinate efforts to ensure payments will be paid timely despite the ongoing pandemic.

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## OTHER REPORT

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

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

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the San Diego Convention Center Corporation (SDCCC), a component unit of the City of San Diego, California (the City), as of and for the year ended June 30, 2020, and the related notes to the financial statements, which collectively comprise SDCCC's basic financial statements, and have issued our report thereon dated October 27, 2020.

**Internal Control Over Financial Reporting**

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

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

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

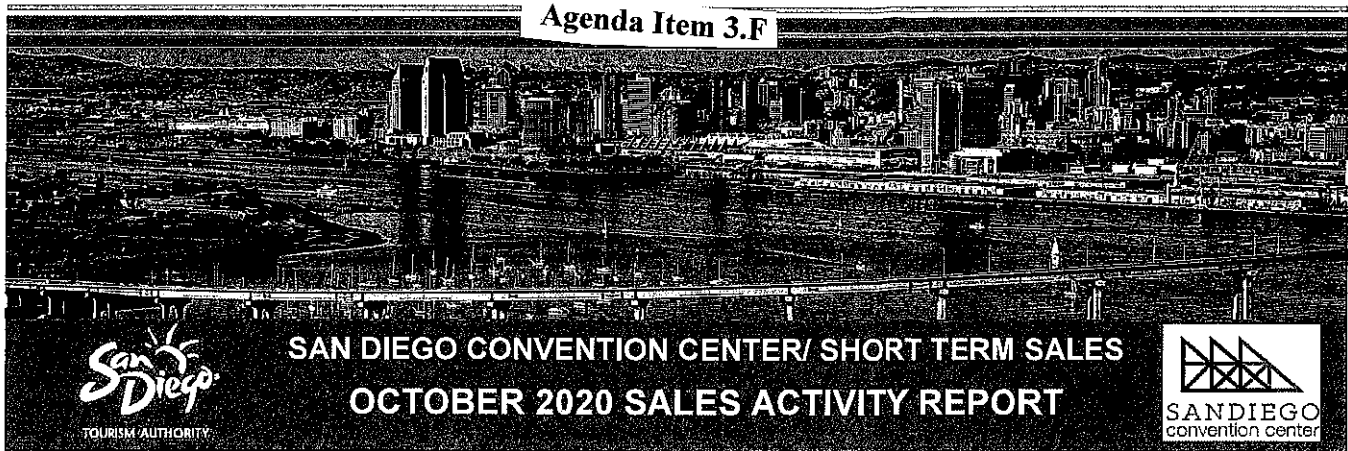
**Compliance and Other Matters**

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

### **Purpose of this Report**

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

San Diego, California  
October 27, 2020



## SAN DIEGO CONVENTION CENTER/ SHORT TERM SALES OCTOBER 2020 SALES ACTIVITY REPORT



**CONTACT:** Andy Mikschl, *Chief Sales & Revenue Officer, San Diego Convention Center*  
 Andy.mikschl@visitsandiego.com | 111 West Harbor Dr., San Diego, CA 92101  
 619.525.5282

### SHORT TERM BOOKING ACTIVITY

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

		FY21 SEPTEMBER 2020	FY20 SEPTEMBER 2019	CUMULATIVE FYTD 2021	CUMULATIVE FYTD 2020
EARNED	EVENTS	3	7	5	25
	ATTENDANCE	2,750	12,480	7,750	40,982
	ROOM NIGHTS	509	770	509	5,330
	RENTAL REVENUE	\$55,304	\$129,725	\$85,304	\$486,162

### FY21 PERCENT TO GOAL

*Convention Center Rental Revenue*

	GOAL	YTD	PERCENT TO GOAL
CONTRACTED RENTAL REVENUE	2,600,000	\$85,304	3.2%

**CONTRACTED SHORT TERM EVENTS SEPT 2020**

EVENT NAME	EVENT DATES	PROJECTED ATTENDANCE	PEAK ROOMS	ROOM NIGHTS	RENTAL
24 Seven Dance Convention/Break The Floor	03/11/21	650	65	169	\$25,795
Shamrock Expo 2021	05/08/21	1,600	300	340	\$21,800
South County Economic Development Summit 2021	10/05/21	500	0	0	\$7,709
<b>TOTAL</b>		<b>2,750</b>	<b>365</b>	<b>509</b>	<b>\$55,304</b>

**CONTRACTED SHORT TERM EVENTS/ FY21 YTD**

EVENT NAME	EVENT DATES	PROJECTED ATTENDANCE	PEAK ROOMS	ROOM NIGHTS	RENTAL
Epic Series Obstacle Challenge	11/21/21	1,500	0	0	\$21,800
Southern CA Rental Housing Conference	04/30/21	3,500	0	0	\$8,200
24 Seven Dance Convention/Break The Floor	03/11/21	650	65	169	\$25,795
Shamrock Expo 2021	05/08/21	1,600	300	340	\$21,800
South County Economic Development Summit 2021	10/05/21	500	0	0	\$7,709
<b>TOTAL</b>		<b>7,750</b>		<b>509</b>	<b>\$85,304</b>



## SAN DIEGO CITYWIDE SALES SEPTEMBER 2020 SALES ACTIVITY REPORT

### PRIMARY MARKET

Conventions, Trade Shows, Corporate & Incentive Events

DEFINITE	FUTURE YR BOOKINGS	FY2021 SEPTEMBER 2020	FY2020 SEPTEMBER 2019	CUMULATIVE FY2021	CUMULATIVE FY2020
	CONVENTIONS	0	1	4	4
	ATTENDANCE	0	3,500	36,700	14,400
	ROOM NIGHTS	0	8,650	72,348	32,380

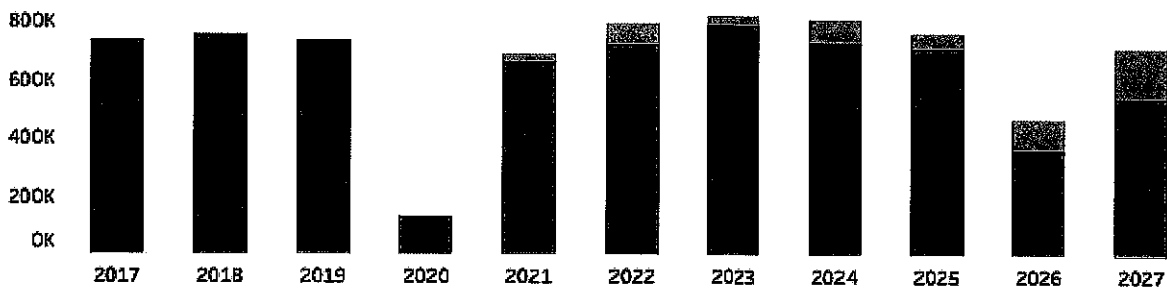
TENTATIVE	FUTURE YR BOOKINGS	FY2021 SEPTEMBER 2020	FY2020 SEPTEMBER 2019	CUMULATIVE FY2021	CUMULATIVE FY2020
	CONVENTIONS	9	9	11	26
	ATTENDANCE	40,300	37,400	53,000	142,250
	ROOM NIGHTS	90,754	72,106	113,964	321,877

### FY21 TOTAL ROOM NIGHTS FOR FUTURE BUSINESS

CUMULATIVE FY2021			
FY21 TOTAL ROOM NIGHTS		72,348	

### ROOM NIGHT SUMMARY

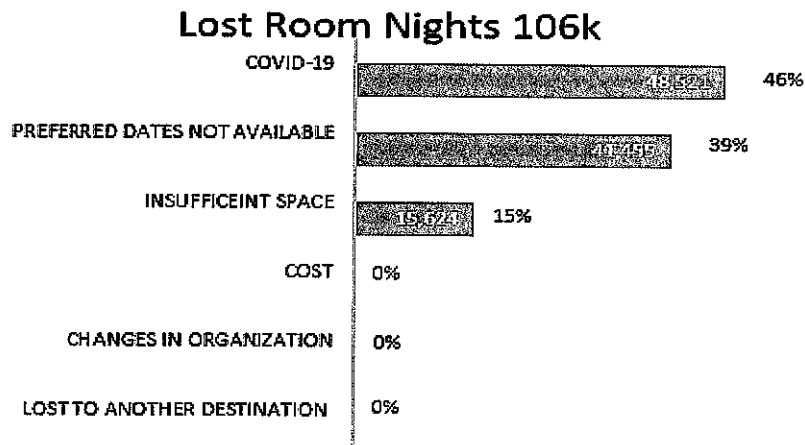
Figures based on calendar year.



Tentative Room Nights					24K	67K	27K	75K	50K	99K	165K
Definite Room Nights	728K	746K	732K	128K	662K	723K	784K	725K	708K	364K	538K
Definite Conventions	43	43	57	15	47	51	44	36	27	20	22

## BREAKDOWN OF LOST BUSINESS

Conventions, Trade Shows, Corporate & Incentive Events, SEPTEMBER 2020



## SITE INSPECTIONS—VIRTUAL

- SERVPRO INDUSTRIES INC.

## CLIENT APPOINTMENTS

- AFCEA INTERNATIONAL
- AMERICAN ACADEMY OF DERMATOLOGY
- AMERICAN ACADEMY OF ORTHOPAEDIC SURGEONS
- AMERICAN ASSOCIATION CANCER RESEARCH
- AMERICAN ASSOCIATION OF CRITICAL-CARE NURSES
- AMERICAN ASSOCIATION OF MEDICAL COLLEGES
- AMERICAN COUNCIL ON THE TEACHING OF FOREIGN LANGUAGES
- AMERICAN DIABETES ASSOCIATION
- AMERICAN FARM BUREAU FEDERATION
- AMERICAN INSTITUTE OF ARCHITECTS
- AMERICAN OCCUPATIONAL THERAPY ASSOCIATION, INC.
- AMERICAN PSYCHOLOGICAL ASSOCIATION
- AMERICAN SOCIETY FOR CELL BIOLOGY
- AMERICAN SOCIETY FOR METABOLIC AND BARIATRIC SURGERY
- AMERICAN SOCIETY OF ANESTHESIOLOGISTS
- AMERICAN SOCIETY OF COLON & RECTAL SURGEONS

## CLIENT APPOINTMENTS

- AMERICAN THORACIC SOCIETY
- AMERICAN TRAFFIC SAFETY SERVICES ASSOCIATION
- AMERICAN WATER WORKS ASSOCIATION
- ASSOCIATION FOR SCHOOL SUPERINTENDENTS
- ASSOCIATION FORUM
- AVID LEARNING INSTITUTE
- BREWERS ASSOCIATION
- CABI
- CONSORTIUM OF MULTIPLE SCLEROSIS CENTERS
- ENDOCRINE SOCIETY
- ENTERPRISE EVENTS GROUP
- ENVIRONMENTAL RESEARCH SYSTEMS INSTITUTE
- GEORGE P. JOHNSON
- HEART RHYTHM SOCIETY
- INTERNATIONAL FRANCHISE ASSOCIATION
- INTERNATIONAL INSTITUTE OF AMMONIA REFRIGERATION/ SMITHBUCKLIN
- IPC-ASSOCIATION CONNECTING ELECTRONICS INDUSTRIES
- IRRIGATION ASSOCIATION
- JACK HENRY
- MORTGAGE BANKERS ASSOCIATION
- NATIONAL ASSOCIATION OF COMMUNITY HEALTH CENTERS/ CONFERENCEDIRECT

**CLIENT APPOINTMENTS**

- NATIONAL ASSOCIATION OF REALTORS
- NATIONAL INDIAN GAMING ASSOCIATION
- NATURAL RURAL ELECTRIC CORPORATION ASSOCIATION
- PCMA
- SMITHBUCKLIN
- SOCIETY FOR LABORATORY AUTOMATION & SCREENING
- SOCIETY FOR VASCULAR SURGERY
- SOCIETY OF NEUROSCIENCE
- SOCIETY OF THORACIC SURGEONS
- SOCIETY OF VASCULAR SURGEONS
- SPARGO, INC
- THE UNITED ASSOCIATION OF JOURNEYMEN AND APPRENTICES OF  
THE PLUMBING AND PIPE FITTING INDUSTRY OF THE UNITED  
STATES & CANADA/CONVENTION SERVICES UNLIMITED (UA)

**INDUSTRY APPOINTMENTS**

- 2020 VIRTUAL LUNCH & LEARN: SOCIAL SELLING TACTICS IN THE NOW  
NORMAL
- CALTRAVEL BOARD MEETING
- CVBREPS 4TH QUARTER OFFICIAL MEETING
- DESTINATION REPS CONFERENCE CALL
- DESTINATION REPS MARKETING COMMITTEE
- EVENT STRATEGISTS HAPPY HOUR
- IAEE VIRTUAL LUNCH & LEARN
- INTERNATIONAL ASSOCIATION OF VENUE MANAGERS TOWN HALL
- NATIONAL BLACKS IN TRAVEL AND TOURISM COLLABORATIVE  
DOLLARS AND SENSE WEBINAR SERIES
- NATIONAL SPEAKERS ASSOCIATION'S WEBINAR
- NATIONAL BLACKS IN TRAVEL & TOURISM WEBINAR
- PCMA BLM TASK FORCE MTG
- PCMA BOARD MEETING PREP
- PCMA CHAIR ELECT MEETING
- PCMA EXEC FINANCE COMMITTEE
- PCMA FOUNDATION EXECUTIVE COMMITTEE STRATEGY MEETING
- PCMA GMC WEBINAR
- PCMA RECOVERY LAUNCH
- PCMA WEBINAR
- PCMA: COMMUNICATIONS COMMITTEE MEETING
- US TRAVEL-INDIANAPOLIS CASE STUDY

## Agenda Item 5

### SAN DIEGO CONVENTION CENTER CORPORATION MEMORANDUM

**TO:** Board of Directors  
**FROM:** Rip Rippetoe, President & CEO  
**DATE:** October 27, 2020  
**RE:** September 2020 President & Staff Report

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**Core Value:** Service – If we are not serving our customer, serve someone who is.

Thanks to the Executive Team, Maren Dougherty and Rita De la Fuente for helping to construct the content of this report.

#### **Executive:**

- 100+ events cancelled from March through December 2020.

#### **Human Resources:**

The HR department team continues to stay busy. The employee hotline is no longer very active but we do continue to check, however as before, employees are calling us directly (laid off, active and leave of absence).

##### ***• Achievements for the past 4 weeks:***

- We have remained involved with the community. One of the HRBPs participated in a SDSU student interview. These interviews generally applies to students within the Hospitality Tourism Management Program.
- H.R. produced and distributed an UltiPro Training Video and Domestic Violence Awareness Videos ((1) supervisor (1) employee)
- Updated domestic abuse handouts. These handouts are now available in both English and Spanish.
- Have signed an agreement with Zeamo to make their services available to all employees, current and laid off. Zeamo offers employees access to free on-demand workouts, live-stream classes, free activity tracking, fitness rewards, discounts on fitness equipment and tech, and unlimited access to gyms and studios with the purchase of a monthly subscription. Employees will be able to enroll using their SDCCC or personal email address. This program is no cost to the employer. Zeamo is relaunching

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its website on November 2, 2020, and we should be able to roll out the program to employees by November 16, 2020.

- Able to have eQuest and UKG (Ultimate Kronos Group) provide relief in agreements. The UKG has been sent to the CFO for consideration to perhaps have the ED, Procurement & Strategic Relations reach out to possibly negotiate a better relief offering.
  - Successfully completed and submitted discovery items and review, updated and signed interrogatories for PAGA Claim and Sexual Harassment/Medical Discrimination claims.
  - HR team continues to have at least two members in the office 8am – 5pm, M-F.
- ***The focus for the next 4 weeks:***
    - Continuance of transition of separated HR staff responsibilities to the remaining HR staff
    - Training backups on HR process in order to have best coverage when responsible HR team member is out of office or furloughed.

### **Finance:**

- Money Purchase Pension plan is facing a partial plan termination status change for 2020 due to more than 20% reduction in participant terminations. This allows anyone who was less than 100% vested during 2020 to become fully vested in this plan year. Anyone who took a distribution during 2020 will be made “whole” if they were less than 100% vested. This will have a major impact on the value of forfeitures the plan will recognize in 2021 but should not have any future financial impact to SDCCC as all funds contributed at 100% value.
- Annual FY2020 Financial Statement audit completed with highest opinion determined.
- Accounting to begin developing new disclosure requirements for leases (all future license agreement obligations and future building rental revenue will be required in next year’s reporting schedule as a new note disclosure)
- ERP project contracted and kick off meetings are underway for early November. Anticipated conversion timeline will begin in December and is anticipated to take 12-18 months for full conversion/testing.
- Final revised budget complete and awaiting October BOD approval. A formal funding request is being coordinated with the City to subsidize a \$4.2M shortfall for FY2021.
- IT enabled enhanced security features for leadership staff and those who exchange high volumes of sensitive data. Multi factor authentication will be enabled with new ERP platform and all integrated devices.
- Issued RFP for Property Condition Assessment with response deadline of November 6, 2020.
- Sales and event metrics as well as trend analysis under development for collaborative approach with SDTA to focus on booking strategy and incentive programs to build a stronger sales program for destination growth.
- Contract renegotiations continue related to maintenance, insurance, software and benefit costs reductions.

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### **Business Development:**

The following are project opportunities are currently under development:

- ***Lobby Advertising:***
  - Planning and permitting continues for the installation of Phase 2. Electrical for these new pieces of equipment is substantially complete.
- ***New Opportunities***
  - We continue our discussions with CLEAR, to explore partnership which would potentially provide health screening technology services to SDCC staff and to our clients, while creating potential new revenues source for SDCC through referral agreement.
- ***Hybrid Meetings***
  - We continue to explore viability and feasibility of creating broadcast studio at the facility, to allow for more virtual/hybrid meeting options for our clients.

### **Sales:**

#### ***Short term sales***

- Event booking activity is slowly returning, as clients start to plan for future events in the latter part of '21 and into '22. Due to reduced staffing levels of short term sales team, we will focus primarily on those booking opportunities that provide highest ROI in terms of generating revenue for SDCC, as well as maximizing room nights for the destination.

#### ***Citywide Sales***

- Partnering with SDTA sales staff to continually engage with CY21 clients, specifically those booked in Q1 & Q2. Presently, we have cancelled all event activity through January of '21. Several large events are still scheduled to take place in February and March, but we will be working with SDTA and our hotel partners in the coming weeks to determine how best to manage those events, based on pending feedback and guidance we are awaiting from the Governor's Office. Whenever possible, we are looking to reschedule Q1 events to a future year, based on the size of the event and our availability
- Working with Julie Coker to review SDTA Citywide sales parameters, strategies, and booking guidelines to ensure we are positioned appropriately moving forward. Julie has engaged with Ms. Christine "Shimo" Shimasaki, Managing Director with 2Synergize, which provides sales and marketing consulting services to DMOs throughout the Country.
- Working with SDTA staff on two upcoming client outreach events, to include: 1) client roundtable discussion on November 4, to garner feedback from a select group of clients regarding what they are seeing with re-openings at other facilities, and 2) Town Hall Meeting, to continue to provide update on California re-opening timelines to clients.

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### ***Convention Services***

- We have successfully transitioned the convention services department from SDCC to SDTA. Presently SDTA has retained only one staff member for that department.

### **Venue Operations:**

#### ***Re-opening efforts:***

- Met with the County Health team who were pleased with our draft Client Re-Opening Guide and the Staff Re-Opening Guide. They have forwarded the draft guides to the Public Health officials at the state level.
- Our team has created a checks and balance sheet for clients to ensure we are meeting our GBAC obligations. It is a check for clients to know what to look for as they walk the venue.
- We have just completed outlining a process with our team and the general service contractors regarding process for checking in labor calls. We will utilize one lane of the back of house garage exit way to line up labor and check-in with color coding sticker for badges, wristbands and temp checks etc.
- We will be utilized as a “Super Polling Place” 10/31 through election day 11/3.

#### ***Venue Operations:***

- Ready for the final installation of electric for the new digital displays, waiting until the shelter ends as we will need to shut down power to finalize.
- We now have a tool to alert all leadership team members via an emergency alert on their cell phones for quicker and accurate dissemination of urgent information
- Finalizing the permit process for the kitchens new dish machine.
- All final FF& E deliveries have been made on the remaining 5000 stackable chairs and 320 waste stream containers we had ordered. Delayed arrival due to CoVid related transportation issues.
- New 4 stream containers are in the process of being placed throughout the upper level public spaces as a first step in distribution with the rest waiting until the shelter demobilizes.

### **Shelter to Home Operations:**

- The “Shelter to Home” program will continue through December 2020.
- Current residents = 1034.
- We had one guest pass away in Father Joe’s. The death was not CoVid19 related, waiting for confirmation but all indications appear to be natural causes.
- Testing for Coid19 continues on an on-going basis. As of April 2020 through today we have only had 23 positive cases with over 8,000 tests conducted.
- Under Todd Temple, Director of Public Safety & Guest Services we are taking a larger role in overseeing and directing the contracted security staff for the shelter agencies.

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### **Centerplate:**

- Centerplate at SDCC has received **Rise SAFE** hygiene verification label for F&B services. We demonstrated 100% compliance across 36 checkpoints within four core areas including process, training, facilities, and hygiene/cleaning. This label furthers our goal of creating increased consumer confidence for our clients and for the future of meeting and events industry in San Diego.
- We have introduced new tools in our kitchens to combat Covid-19:
  - Installed UV-C air purifiers in centralized locations in the East and West Kitchens. These purifiers use UV-C light to actively disinfect the air in our kitchens during business hours and provide increased safety for our staff.
  - Implemented a new Food Safe chemical from Eco Lab that acts as both a disinfectant and sanitization treatment of surfaces within our kitchen. It is designed to be safer around food, and will reduce cost due to its multi-purpose use.
- With the news of “Operation Shelter to Home” extension through December, we incorporated a new Flex schedule for the upcoming months. This schedule allowed us to distribute weekend and Holidays between the multiple teams, and has been well received by the staff.
- We have continued to strengthen our relationships with local vendors to bring in cost efficient items they have surplus of which is a win/win for both parties.

### **On Site Audio Visual:**

On Site has continued to support “Operation Shelter to Home.” Over the next several weeks they are finalizing instructions for their staff so upon return procedures will be in place that meet local and federal guidelines. In addition they have incorporated more virtual meeting technology into their efforts to support our customer’s needs.

### **Smart City Technical Services:**

Smart City is providing ongoing support for the “Shelter to Home” program. They have also developed a business continuity plan that includes a reduction of operating costs. The Smart City team have developed re-entry guidelines and trained their teams. A good deal of time is spent brainstorming ideas to support virtual meetings with their services. The majority of time moving forward is being spent in contact with our customers for service requirements with a focus on the events in late fall/early winter.

### **Marketing & Communications**

- Communicated Centerplate’s success as the first North American venue to earn the Rise SAFE hygiene verification label from Sodexo and Bureau Veritas; our designation as an *Exhibitor Magazine* Center of Excellence; and Rip Rippetoe’s recognition in the VenuesNow 2020 All-Star list.

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- Coordinated public relations efforts with the County for the voting center that will take place in our exhibit hall for the 2020 election and continued collaborating with the Mayor's office for shelter communications.
- Promoted hybrid events through online communications, press outreach, and a front-page article in the San Diego Business Journal.
- Lit the sails in support of World Homeless Day and various other community/nonprofit efforts.
- Entered the final phase of development for our newly designed website.

### **Government Affairs and Community Outreach:**

We continue to have a presence in the community and to present to local organizations such as

- Downtown Real Estate Group Presentation 10/15/20
- Sails Pavilion has been lit for causes recently such as World Homeless Day, Alzheimer's Awareness, Dysautonomia Awareness
- Ongoing updates to industry partners

Awards and recognition:

- Venues of Excellence Top 30, Exhibitor's Magazine
- Rip Rippetoe named on 2020 All-Stars list, VenuesNow Magazine