

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

THURSDAY, MARCH 26, 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 February 27, 2020

Action Item(s):

B. Acceptance of January and February Financial Reports from Chief Financial Officer

C. Budget Committee (Carol Kim)

(1) Authorization to Approve Fiscal Year 2021 Budget

(2) Authorization to Approve 10-Year CIP/Infrastructure and O&M Projections – FY 2021-2030

(3) Authorization to Purchase Security Surveillance Video Servers

D. Sales & Marketing (Allan Farwell)

(1) Authorization to Accept San Diego Tourism Authority “Program of Work”

(2) Authorization to Pay San Diego Tourism Authority Contractually Mandated Fees for Sales & Marketing Services

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

A. CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION

Pursuant to Govt. Code Section 54956.9(d)(1) (3 cases)

Case No. 37-2018-00060167-CU-BC-CTL

Case No. 37-2020-00008163-CU-OE-CTL

Case No. 37-2020-00008111-CU-WT-CTL

B. EMPLOYEE PERFORMANCE EVALUATION

Government Code Section 54957

Title: President & CEO

8. **Additional Board Action Item:**

- A. **RESOLUTION OF THE SAN DIEGO CONVENTION CENTER CORPORATION, INC. FINDING THAT THE COMPENSATION OF THE PRESIDENT AND CEO IS JUST AND REASONABLE AND AUTHORIZING THE CHAIR TO EXECUTE THE SECOND AMENDED AND RESTATED EMPLOYMENT AGREEMENT BETWEEN THE CORPORATION AND RIPPETOE TO AMEND THE TERMS OF EMPLOYMENT AS SPECIFIED HEREIN**

Adjournment

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

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

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

Agenda Item 3.A

MINUTES*
SAN DIEGO CONVENTION CENTER CORPORATION
THE BOARD OF DIRECTORS

BOARD MEETING OF FEBRUARY 27, 2020

BOARD MEMBERS PRESENT:	Chair Jaymie Bradford and Directors, Elvin Lai, Carol Kim, Allan Farwell, Xema Jacobson and Jeff Gattas
BOARD MEMBER(S) ABSENT:	
STAFF PRESENT:	Rip Rippetoe Karen Totaro, Mardeen Mattix, Andy Mikschl, Terry Kurtenbach, Maren Dougherty, Rita de la Fuente, Corey Albright, DeeAnne Snyder, Bobby Ramirez and Pat Evans (Recorder)
ALSO PRESENT:	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 to request a copy.

1. Call to Order

Chair Jaymie Bradford called the Board Meeting to order at 12:04 p.m. in the Executive Boardroom of the San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, CA 92101. All Directors were present.

Chair Bradford thanked Director Jacobson for her leadership as Board Chair in 2019.

2. Non-Agenda Public Comment – None

3. Presentations:

A. Employee(s) of the Month:

Susan Young, Public Safety & Guest Services Administrative Assistant, (December) was presented by Todd Temple, Director of Public Safety & Guest Services.

Robin Wied, Administrative Assistant (February) was presented by Mardeen Mattix, CFO.

4. **Board Committee Reports and Board Action Items:** Chair Bradford noted that in the interest of time, some of the Agenda items would be rearranged.

Consent Agenda:

- A. **Approval of Minutes of Board Meeting of January 28, 2020**
- B. **Acceptance of December 2019 Financial Reports from Chief Financial Officer**
- C. **Authorization to Ratify Contract for Emergency Repair to Ruptured Waterline**
- D. **Authorization to Ratify Contracts for Emergency Repairs to Ballroom 6A Foyer**
- H.2 **Authorization to Award Contract for Attendee Guide Printing**

Directors Lai and Cota moved and seconded, respectively, to approve the Consent Agenda set forth hereinabove. **Vote: Unanimous**

AYES: 6 NAYS: 0 ABSTENTIONS: 0

Director Gattas was absent during this vote.

Closed Session: The Board entered into closed session at 12:11 p.m. to discuss:

- D. **CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION**
 Significant exposure to litigation pursuant to Govt. Code Section 54956.9(d)(2) (1 case)
 Existing facts and circumstances pursuant to Govt. Code Section 54956.9(e)(1)
- E. **CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION**
 Significant exposure to litigation pursuant to Govt. Code Section 54956.9(d)(2) (1 case)
 Existing facts and circumstances pursuant to Govt. Code Section 54956.9(e)(3)
- F. **CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION**
 Pursuant to Govt. Code Section 54956.9(d)(1) (2 cases)
 Case No. 37-2018-00060167-CU-BC-CTL
 Case No. 37-2020-00008163-CU-OE-CTL

The Board returned to open session at 12:32 p.m.

Reporting out of closed session, General Counsel Lyon stated that the Board discussed item “D.” Direction was given but no reportable action was taken. Items “E” and “F” will moved to the end of the Agenda.

Action Item(s):

I. Audit Committee (Allan Farwell)

- (1) Authorization to Consolidate Money Purchase Pension Plan and 403b Plan to a single 403b MPP Plan Instrument and to Replace Current Retirement Funds to Proposed Fund Line-up advised by RBC Wealth Management**

After Directors Cota and Farwell reviewed the information presented in the Board memorandum, the original action item was amended to request that the Board approve the following items:

- i) Approve authorization for consolidation of the Money Purchase Pension Plan into the 403(b) plan,
- ii) Approve authorization of the recommended fund line up options for all retirement plans,
- iii) Approve authorization for record keeper to allocate plan administrative fee based on a flat quarterly fee, per participant, plus a tiered pro-rata cost per basis point spread based on participant's plan asset value, and
- iv) Authorize the President & CEO and Chief Financial Officer, in consultation with the share fiduciary advisor, to execute the plan conversion strategies with regular progress updates to the Board of Directors through the President & CEO.

Directors Kim and Jacobson moved and seconded, respectively, to authorize the Board to approve actions regarding the Money Purchase Pension Plan as set forth hereinabove. Vote: Unanimous

AYES: 7 NAYS: 0 ABSTENTIONS: 0

G. Executive Committee (Jaymie Bradford)

- (1) Authorization to Approve Resolution in Support of Participation in "Live-Well San Diego" Program**

Directors Lai and Cota moved and seconded, respectively, to authorize the Board to approve the Resolution in Support of Participation in the "Live-Well San Diego" Program. Vote: Unanimous

AYES: 7 NAYS: 0 ABSTENTIONS: 0

H. Budget Committee (Carol Kim)

- (1) Authorization to Award Contract for Installation of Fire Pump**

Directors Cota and Lai moved and seconded, respectively, to authorize the Board to approve a contract for installation of a Fire Pump with Bradshaw Engineering Corporation at a total not-to-exceed cost of \$450,000. Vote: Unanimous

AYES: 7 NAYS: 0 ABSTENTIONS: 0

(3) Authorization to Purchase Waste Receptacles

Directors Farwell and Gattas moved and seconded, respectively, to authorize the Board to approve the Purchase of Exhibit Hall Waste Receptacles from CleanRiver Recycling Solution at a cost of \$339,037.53 and Lobby Waste Receptacles from Waxie at a cost of \$262,203.53. Vote: Unanimous

AYES: 7

NAYS: 0

ABSTENTIONS: 0

5. Chair's Report (Chair Jaymie Bradford):

- Chair Bradford welcomed Director Jeffrey Gattas to the Board.
- Chair Bradford also reminded Directors to submit their Form 700s prior to April 1, 2020 and to complete on-line Ethics Training if they have received notice from the Ethics Commission.
- Staff will be providing briefings regarding funding mechanisms used by sixteen competitive set convention centers on March 12, 13, 16 or 17th. If Directors would like to attend an update, please contact staff.

6. General Counsel Report (Jennifer Lyon) - None

7. President's Report (Rip Rippetoe) – Mr. Rippetoe provided a written report and highlighted the following items:

- DeeAnne Snyder, Director of Events Services, provided an update regarding the Corporation's new strategy to increase responses to the Corporation's Client Satisfaction Survey.
- Staff will review the "Program of Work" submitted by the San Diego Tourism Authority for 2021 and forward the document to the Sales & Marketing Committee for review and action.
- The February President's report is more comprehensive than usual, please review the document and provide feedback regarding the format and content.
- Mr. Rippetoe provided an update regarding the COVID-19 virus and the impact on the Corporation from a sales perspective and the Corporation's communication strategy regarding event attendance.
- Mr. Rippetoe provided an update regarding a time-line for the proposed roofing project.
- Mr. Rippetoe provided an update regarding his business and personal travel schedule.

8. Chief Financial Officer's Report (Mardeen Mattix) - None

9. Board Comment [Govt. Code § 54954.2(a)(2)] – Chair Bradford noted that the Sacramento Convention Center expansion is moving forward on schedule.

Closed Session Cont.: The Board entered into closed session at 1:20 p.m. to discuss:

E. CONFERENCE WITH LEGAL COUNSEL—ANTICIPATED LITIGATION

Significant exposure to litigation pursuant to Govt. Code Section 54956.9(d)(2) (1 case)

Existing facts and circumstances pursuant to Govt. Code Section 54956.9(e)(3)

F. CONFERENCE WITH LEGAL COUNSEL—EXISTING LITIGATION

Pursuant to Govt. Code Section 54956.9(d)(1) (2 cases)

Case No. 37-2018-00060167-CU-BC-CTL

Case No. 37-2020-00008163-CU-OE-CTL

The Board returned to open session at 2:20 p.m.

Reporting out of closed session, General Counsel Lyon stated that the Board discussed items “E” and “F.” Direction was given but no reportable action was taken.

There being no further business, the meeting adjourned at 2:21 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 February 27, 2020 and that said minutes were approved by the Board of Directors on March 26, 2020.

Allan Farwell, Secretary

Agenda Item 3.C.1

SAN DIEGO CONVENTION CENTER CORPORATION

MEMORANDUM

TO: Board of Directors

FROM: Carol Kim, Budget Committee Chair

DATE: For the Agenda of March 26, 2020

RE: Review of Fiscal Year 2021 Proposed Budget

BACKGROUND

The San Diego Convention Center Corporation budget is adopted by San Diego Convention Center Board of Directors and approved by the City Council of San Diego. Our budget process consists of three main phases: budget development, budget review and balancing of the reserves to maintain minimum goal levels. We start with developing a three-year outlook, which develops the framework for the budget. Staff input requirements and Finance Department review and benchmark against trends. Concurrently, a 10-yr Capital Improvement Plan (CIP) is developed and scheduled with focus on the immediate three years. Both proposed budget and 10-yr CIP are balanced against the reserves until all three elements are in alignment. The FY2021 strategic focus is to begin the roof replacement project with focus on the original (“West Building”) roof through a debt financing mechanism to maintain safe and quality show presence to our clients to maintain our superior quality service for events.

DISCUSSION

The San Diego Convention Center Corporation’s FY2021 Proposed Budget produces Net Operating Revenues of \$2,714,800 compared to \$2,027,200 in the FY2020 Budget. Including the Debt Service Obligation of \$1,723,900, FY2021 Net Operating Results are \$990,900, an increase of \$687,800, compared to \$303,100 in the FY2020 Budget.

The Corporation forecasts to begin FY2021 with a projected beginning Operating Reserve balance of \$4,209,849 after factoring the effects of COVID-19 fallout through June. Corporation anticipates ancillary revenues may see a \$1,000,000 further reduction than budgeted with the economy facing a slow recovery initially. Corporation will take mitigating cost reduction measures in the early part of FY21 in addition to what is budgeted and will adjust equitably as business resumes. After factoring mitigating cost measures, funding Debt Service Obligations (\$1,723,900) and Capital Outlays (\$2,345,700), Operating Reserves project to be \$3,064,993 by FY21 year-end, which is \$435,000 below the reserve minimum requirement.

Categorical differences between the FY2021 Proposed Budget and FY2020 Budget compared to FY2020 Forecast are detailed below. Forecast FY2020 in all categories are all affected by COVID-19 impacts as projected through May 2020.

BUILDING RENT

FY2021 Budget	\$9,504,900
FY2020 Budget	\$9,358,200
Variance	\$146,700 (2% increase)
FY2020 Forecast	\$7,246,700

Building Rent revenue is budgeted to increase by \$146,700 to \$9,504,900 in FY2021 mainly the result of increased rental revenues in Convention & Trade Shows (\$258,000), Meetings & Seminars (\$102,600), and Community Events (\$33,700). Partially offsetting this favorable variance is decreased rental in Corporate Events (\$248,600).

FY2020 Forecast Building Rent revenue of \$7,246,700 is (\$2,111,600) below budget, due mainly to COVID-19 related canceled events from March 16, 2020 to May 31, 2020.

CO-PROMOTED EVENTS

No Co-Promoted Events are budgeted FY2021. The elimination of this category resulted from a change in focus of Business Development efforts.

FOOD & BEVERAGE

FY2021 Budget	\$12,042,400
FY2020 Budget	\$11,649,900
Variance	\$392,500 (3% increase)
FY2020 Forecast	\$10,619,500

Food & Beverage revenue is budgeted to increase by \$392,500 to \$12,042,400 in FY2021 due to increased catering and concessions commissions in Convention & Trade Shows (\$1,386,500). Commissions from Starbucks, Specialty Contractors, Tides, and Booth Catering, are expected to contribute an additional \$39,600 to the favorable position. Partially offsetting this favorable variance is reduced commissions in Corporate Events (\$736,600) and food & beverage premium (\$218,800).

Since preparing the budget, Corporation is factoring for additional COVID-19 impacts, anticipating the early part of FY21 may result in softer consumer spend and therefore projecting a (\$500,000) reduction in this category.

FY2020 forecasted revenue of \$10,619,500 is \$1,030,300 lower than budget due primarily to COVID-19 related canceled events. Total lost commissions resulting from canceled events were \$1,883,200 in catering and concession commissions through May. Also contributing to this unfavorable result is lost commissions from Starbucks, Specialty Contractors, and Booth Catering totaling \$248,500.

EVENT SERVICES

FY2021 Budget	\$4,593,400
FY2020 Budget	\$4,744,500
Variance	(\$151,100) (3% decrease)
FY2020 Forecast	\$3,957,900

Event Services revenue is budgeted to decrease by \$151,100 to \$4,593,400 in FY2021 due to the elimination of Advertising efforts for FY21 (\$750,000) offset by increased sales in Booth & Cleaning Services (\$376,400) and Trash Pull (\$98,600). Corporation will focus on increasing Digital Advertising efforts and developing a new Advertising campaign program with anticipated sales starting back in early calendar year 2021 for FY22 program reinstatement.

Since preparing the budget, Corporation is factoring for additional COVID-19 impacts, anticipating the early part of FY21 may result in a projected (\$200,000) reduction in this category.

FY2020 Forecast revenue of \$3,957,900 is \$786,600 below the FY2020 Budget due primarily to COVID-19 related canceled events. The majority of the reduction is due to Booth & Cleaning Services (\$518,400).

UTILITIES

FY2021 Budget	\$7,243,900
FY2020 Budget	\$6,039,700
Variance	\$1,204,200 (20% increase)
FY2020 Forecast	\$4,965,400

Utility revenue is budgeted to increase by \$1,204,200 to \$7,243,900 in FY2021 due to increased commissions from Convention & Trade Shows (\$1,304,800).

Since preparing the budget, Corporation is factoring for additional COVID-19 impacts, anticipating the early part of FY21 may result in a projected (\$150,000) reduction in this category.

FY2020 revenue is forecast to come in at \$4,965,400, which is \$1,074,400 lower than budget due principally to COVID-19 related canceled events. Estimated lost commissions from the canceled events is \$1,520,900.

TELECOMMUNICATIONS

FY2021 Budget	\$4,594,200
FY2020 Budget	\$4,742,800
Variance	(\$148,600) (3% decrease)
FY2020 Forecast	\$3,896,700

Telecommunications revenue is budgeted to decrease by \$148,600 to \$4,594,200 in FY2021. Most of this shortfall is due to decreased Cell Site revenues transitioning to the Distributed Antenna System (DAS) technology provided by Smart City.

Corporation anticipates a slow start to FY21, with anticipated (\$75,000) reduced commissions in this category.

FY2020 revenue is forecasted to be \$3,896,700, which is \$846,100 lower than budget due primarily to COVID-19 related canceled events. The canceled events resulted in lost commissions of \$860,100.

AUDIO/VISUAL

FY2021 Budget	\$1,431,400
FY2020 Budget	\$1,352,700
Variance	\$78,700 (6% increase)
FY2020 Forecast	\$1,139,000

Audio/Visual revenue is budgeted to increase by \$78,700 to \$1,431,400 in FY2021 due primarily to increased commissions from Convention & Trade Shows (\$129,600) and Community Events (\$29,300). Lower than expected commissions from Corporate Events (\$45,000) and Meetings and Seminars (\$15,000) partially offset this favorable position.

A nominal reduction in commissions of (\$25,000) is anticipated at this time related to slow growth of events in the early part of the year.

FY2020 Forecast revenue of \$1,139,000 is \$213,700 below budget due mainly to COVID-19 related canceled events. Reduced commissions from the canceled events are projected to be \$366,700.

BUSINESS DEVELOPMENT

FY2021 Budget	\$735,200
FY2020 Budget	\$475,000
Variance	\$260,200 (55% increase)
FY2020 Forecast	\$476,800

Business Development is budgeted to increase by \$260,200 to \$735,200 in FY2021 due primarily to projected increased revenues from Digital Signage (\$278,200).

We anticipate some decrease in related commission of (\$50,000) but with added real estate space to sell, we feel events will shift focus to digital as opposed to static advertising.

FY2020 Forecast revenue of \$476,800 is in-line with budget assuming June events occur.

INTEREST/INVESTMENT INCOME

FY2021 Budget	\$265,000
FY2020 Budget	\$210,000
Variance	\$55,000 (26% increase)
FY2020 Forecast	\$270,000

Interest & Investment Income is budgeted to increase by \$55,000 to \$265,000 in FY2021 due primarily to increased fund balance from managed funds.

FY2020 forecasted revenue of \$270,000 is \$60,000 over budget due mainly to increased fund balance and yield from managed funds.

OTHER REVENUES

FY2021 Budget	\$109,300
FY2020 Budget	\$238,900
Variance	(\$129,600) (54% decrease)
FY2020 Forecast	\$155,600

Other Revenues are forecasted and budgeted to decrease by \$83,300 and \$129,600, respectively, due primarily to a decrease in Recycle Rebates.

CITY OF SAN DIEGO

The City of San Diego funding for FY2021 budget is \$2,186,400, which is \$53,300 or a 2.5% increase from prior year and is entirely passed through to San Diego Tourism Authority for contracted Sales and Marketing efforts.

TOTAL OPERATING REVENUES

Based on variances noted above, total operating revenue is budgeted to increase by \$1,701,200, or 4%, to \$42,706,000 in FY2021 based on increased Convention and Trade shows scheduled during the year.

Corporation is anticipating an overall \$1,000,000 reduction in revenues related to an anticipated slow return in the early part of the year.

The FY2020 Forecast has been reduced significantly due to revenue reductions from COVID-19 related canceled events is projected to be \$7,856,700 or about 19% of FY20 budgeted revenues through May.

PERSONNEL EXPENSES

FY2021 Budget	\$24,520,300
FY2020 Budget	\$23,933,400
Variance	\$586,900 (2.5 % increase)
FY2020 Forecast	\$22,054,300

Total Personnel expense is budgeted to increase by \$586,900 to \$24,520,300 in FY2021 compared to the prior year. This increase was the net result of planned operational work hours, 2.5 FTE added positions, merit increases and renegotiated collective bargaining agreements totaling (\$1,692,000) in increases. Directly offsetting this increase is the reduction of (\$1,200,000), related labor savings resulting from a cost mitigation plan implemented during FY2020 due to COVID-19.

Since the time this budget was drafted, Corporation has extended the cost mitigation plan to continue in the late calendar year 2020, which includes additional measures in personnel reductions, further reducing the proposed budgeted line item by an estimated (\$1,300,000). Therefore, it is anticipated FY2021 overall personnel results will likely **decrease by (\$700,000)** compared to the prior year budget. Corporation is still in the planning phase and will implement these changes by April 1, 2020.

Details related to the cost mitigation plan include:

- Exempt staff designated as essential employees had wages reduced by 20% in April and are anticipated to continue until the fall of FY21 or when business resumes to adequate levels to restore wages.

- Full-time staff (including represented employees and exempts deemed non-essential) that were furloughed or temporarily laid-off will return to work as business resumes.
- Part-time staff were laid off beginning late March until business resumes, with the exception of a few security officers
- A number of positions subject to Reduction in Force will not be refilled.

Further cost saving measures planned to extend into FY2021 not budgeted includes:

- Scheduled merit increases due July 1 will be delayed to later in the calendar year if business resumes to support the reinstatement.
- Anticipated extended furlough or conservative staffing during the initial term of FY2021 until event levels resume
- Step increases for represented staff may be delayed following discussions with Union representatives.
- Vacation sell out is anticipated reduce by at least \$100,000 than prior year.

Savings in health insurance premiums of (\$311,200) offset increased projected unemployment insurance claims of (\$105,000) in FY2021.

GENERAL EXPENSES

FY2021 Budget	\$2,373,300
FY2020 Budget	\$3,484,600
Variance	\$1,111,300 (32% decrease)

General expense is budgeted to decrease by \$1,111,300 to \$2,373,300 in FY2021 due mainly to decreased furniture, fixture & equipment (“FF&E”) purchases (\$1,067,800) compared to prior year, mostly related to the completion of chair and trash receptacle replacement program. The most significant replacement item for FF&E planned in FY21 is for the fleet of table replacements.

FY2020 forecasted expense of \$3,843,300 is \$358,700 higher than budget due mainly to FF&E purchases (\$204,100) for the expedited lobby trash receptacle replacements.

REPAIR & MAINTENANCE

FY2021 Budget	\$3,411,100
FY2020 Budget	\$2,600,200
Variance	\$810,900 (31% increase)
FY2020 Forecast	\$2,959,500

Repair & Maintenance expense is budgeted to increase by \$810,900 to \$3,411,100 in FY2021 due mainly to increased repair & maintenance requirements in Fire System (\$458,000) related to a smoke detector replacement program as well as nominal General Building (\$179,300) and Software & Application Maintenance Services (\$111,200) increases.

FY2020 Forecast expense of \$2,959,500 is \$359,200 over budget due mainly to General Building related maintenance items (\$383,800).

Utilities

FY2021 Budget	\$4,507,700
FY2020 Budget	\$4,429,800
Variance	\$77,900 (2% decrease)
FY2020 Forecast	\$3,550,500

Utilities expense is budgeted to decrease by \$77,900 to \$4,507,700 in FY2021.

FY2020 Forecast expenses of \$3,550,500 is \$879,300 favorable to budget due to \$342,000 under-expensed through February 2020 with an additional \$500,000 related to the building closure through May for canceled events.

CONTRACTED SERVICES

FY2021 Budget	\$1,464,600
FY2020 Budget	\$1,162,000
Variance	\$302,600 (26% increase)
FY2020 Forecast	\$1,193,200

Contracted Services expense is budgeted to increase by \$302,600 to \$1,464,600 in FY2021 due to an increase in Other Professional Services related to a planned building assessment (\$300,000).

FY2020 forecasted expense of \$1,193,200 is \$31,200 higher than budget due mainly to an increase in Contracted Labor.

Part of the cost mitigation plan includes canceling all non-essential work and contracted labor, projected to result in \$400,000 savings.

OTHER NON-PERSONNEL EXPENSES

For FY2021 Budget, total Other Non-Personnel Expense (Travel & Transportation, Insurance, Telecommunications, Sales & Marketing, and Supplies) is \$3,714,200, which is \$346,600 higher than prior year's budget. Increases in Housekeeping Supplies (\$117,200), Property Insurance (\$81,500), Marketing Contract Payment (\$53,300), and Insurance Claim Reserve (\$50,000) accounted for most of the increase.

FY2020 forecasted expense in all five areas came in at \$3,475,800, \$108,200 higher than FY2020 budget, due mainly to insurance claim settlement payments.

TOTAL OPERATING EXPENSE

Based on the budgeted variances noted above, Total Operating Expense is budgeted to increase by \$1,013,600 to \$39,991,200 in FY2021. This variance is primarily due to increased Repair & Maintenance (\$810,900), Personnel expenses (\$586,900), Contracted Services (\$302,600), and Insurance expenses (\$200,600). Partially offsetting this increase is savings in FF&E \$1,067,800. Due to further reductions in the extended cost mitigation plan related to personnel, overall Operating Expenses are anticipated to remain flat compared to the prior budget.

FY2020 Forecast Total Operating Expense of \$37,076,600 is \$1,901,000 less than prior year's budget due mainly to reductions in Personnel expenses and Utilities partially offset by savings in increased expenses in Repair & Maintenance and General Expenses

NET OPERATING REVENUES/ (EXPENSES)

Net Operating Revenues over Operating Expenses are budgeted to increase \$687,600 to \$2,714,800 in FY2021. This favorable position is due to an increase in Operating Revenues (\$1,701,200) partially offset by increases in Operating Expenses (\$1,013,600).

If we assume no June events occur and the economy is slow to respond until later this calendar year, we still project nearly the same outcome by extending the cost mitigation plan already in process into FY2021 until business resumes.

FY2020 forecasted Net Operating Expenses are **(-\$2,215,900)**, which is \$4,243,100 unfavorable to budget due mainly to COVID-19 related canceled events through May.

Assuming no events through June, forecasted FY2020 lost revenue of (\$11,731,680) offset by full scale cost mitigation measures estimated at (\$5.0 million) would yield a **(-\$2,718,480)** net impact.

10 YR- CIP and OPERATING CAPITAL BUDGET

FY2021 total Capital Improvement Plan is budgeted for \$2,435,701, which includes \$1,500,000 for Capital Infrastructure Projects (“CIP”) and Operating Capital (“O&M”) of \$935,701. SDCCC’s focus is to repair leaks in the building by prioritizing the roof replacement of the original (“West”) building and replacing corroded sewer drain lines. The design, engineering and planning phase for the roof replacement will occur during FY2021 with schedule construction anticipated between Sept 2021 – March 2022 of FY2022. Additionally, the Center’s primary capital operating projects consist of converting software platforms for event management and finance and public address loud speakers during the upcoming FY2021.

Capital improvement projects will use Operational Reserves to cover the costs with the exception of the roof replacement anticipated to fund from debt proceeds in FY2022. Estimated costs of \$1,250,000 for design and engineering incurred during FY2021 are planned to be reimbursed from debt proceeds once issued in FY2022.

Due to reduced contributions from the City over the years with more demand to fund capital projects from operating surplus, SDCC will need to procure a debt financing mechanism in order to replace the West Building roof. Staff obtained a lease proposal to support the design and West side roof replacement estimated to cost \$6.8 million. Additionally, the East Building roof would need replacement within the next five years, with the metal portion already exceeding its useful life.

OPERATING RESERVES

FY2021 Reserve Budget	\$3,064,993
FY2020 Reserve Forecast	\$4,209,833
Variance	-\$1,144,840 (27% decrease)

Operating Reserves are budgeted to decrease by (-\$1,144,840) from a forecasted ending balance of \$4,209,833 in FY2020 to \$3,064,993 in FY2021. FY2021 Budgeted Operational Surplus of nearly \$3.0 million reduced by Debt Service payments \$1.7 million further reduced by Capital Outlay costs of \$2.4 million account for the decrease.

STAFF RECOMMENDATION

Approve authorization of FY2021 Proposed Budget and 10-Year Capital Improvement Plan for submission to the City of San Diego for council approval.

/s/ _____
Carol Kim
Budget Committee Chair

Agenda Item 3.C.2

SAN DIEGO CONVENTION CENTER CORPORATION

MEMORANDUM

TO: Board of Directors

FROM: Carol Kim, Budget Committee Chair

DATE: For the Agenda of March 26, 2020

RE: Authorize approval of 10-Year Capital Improvement Plan FY 2021 – FY 2030

DISCUSSION

Capital Infrastructure Projects (“CIP”) and Operating & Major Maintenance Capital (“O&M”) are planned as part of a 10-yr Capital improvement plan incorporated within the budget and operational reserve funds for a total of \$2,435,701. Capital items are prioritized on a 1-4 ranking scale and are considered based on available funds from budgetary operational surplus and reserve limits.

The CIP Projection includes all projects that are infrastructure related and may require further support from the City related to funding and planning. Traditionally, Corporation plans for and identifies project needs in coordination with the City to plan for funding. Over the ten-year period of FY2021 – FY2030, Infrastructure projects estimate to be in excess of \$111 million. Preliminary discussions with City officials advised SDCC to evaluate debt-funding measures to service future capital needs. SDCC and City staff will continue to meet and establish criteria and protocol to address planned capital despite lack of dedicated available funding. Over the past year, Corporation engaged in various feasibility studies as well as roof and central plant assessments to aid in planning for future replacements. During FY2021, Corporation will be conducting a full building assessment to help plan for future needs in order to develop a replacement plan.

The O&M Projections include all “operating capital equipment” and “major repair & maintenance” projects that traditionally funded from budgetary operational surplus or available reserves. Historically, SDCC received City funding to support Sales & Marketing efforts along with some funds to support capital needs. SDCC’s operating agreement with the City loosely defines management’s obligation to maintain “daily operations” which traditionally has included capital equipment. Over the ten-year period, the O&M Projection totals \$7.4 million.

Due to reduced contributions from the City over the years with more demand to fund capital projects from operating surplus, SDCC will need to procure a debt financing mechanism in order to replace the West Building roof. Staff obtained a lease proposal to support the design and West side roof replacement estimated to cost \$6.8 million. Additionally, the East Building roof would need replacement within the next five years, with the metal portion already exceeding its useful life.

Due to the shutdown of building operations resulting from COVID-19, Corporation reserve balances have depleted to minimum levels. CIP and O&M projects are scheduled based on critical status at bare essential needs. FY21 CIP projects only include two planned projects:

CIP: \$1,500,000

- Planning and design for roof replacement (\$1,250,000) with anticipated construction to occur from Sept 2021 through March 2022 of FY22
- Replacement of kitchen sewer drain pipes (\$250,000)

O&M: \$935,701

- Enterprise Resource Planning (ERP) software conversion for event management and finance (\$450,000) which is currently in the planning/evaluation stage for estimated project completion by end of calendar year 2021.
- Exterior Public Address system already in progress with completion during FY21 (\$230,000)
- Variance equipment replacements valued at \$690,000

RECOMMENDATION

Approve authorization of 10-Year Capital Improvement Plan for FY2021 – FY2030 by financing the roof replacement project through available debt financing to be determined at a later date.

_____/s/
Carol Kim
Budget Committee Chair

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

TO: Board of Directors

FROM: Carol Kim, Budget Committee Chair

DATE: For the Agenda of March 26, 2020

RE: Authorization to Purchase Security Surveillance Video Servers

BACKGROUND

Our in-house Video Surveillance Server System, comprised of multiple servers, cameras and connectivity components, has had several hard drive failures over the past twelve months. This effected the continuity of video security coverage of the Center for brief periods. In the last year, 10 out of 24 video storage hard drives required replacement due to mechanical failures. Each time a drive is replaced, there is a chance for data loss and downtime. Fortunately, the Corporation has not experienced data loss nor any significant amount of downtime during shows.

The Surveillance System has an estimated useful life of five years with a phased planned replacement program to restore the largest cluster of servers in FY21 with planned second server replacement in FY22. With a recent spate of failures in February, Security and IT Staff reviewed the nature of the incidents and concluded it would be best to expedite the replacement of both servers in the current fiscal year. Staff believe it is best to replace this system with new server hardware now in order to avoid any critical failures during the Center's busy summer convention season when the need for highly available surveillance video is at peak demand. This is our primary medium to mitigate potential claims or hold people accountable for incidents that require investigation.

DISCUSSION

Staff requested proposals from the current vendor, American Security Group (ASG), based on specifications provided by IT Staff. Staff asked for recommendations on new servers that could meet our future video storage needs. The most optimal solution provided by ASG is to replace the current video storage solution with a more fault tolerant, highly redundant and expandable server cluster.

STAFF RECOMMENDATION

Approve authorization to purchase 4 Lenovo Servers and 12 hours of installation labor from American Security Group for \$86,252.69.

Carol Kim
Budget Committee Chair

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

TO: Board of Directors

FROM: Clifford “Rip” Rippetoe, President & CEO

DATE: For the Agenda of March 26, 2020

RE: Authorization to Accept San Diego Tourism Authority “Program of Work”

BACKGROUND

The San Diego Convention Center Corporation (“Corporation”) entered into a services contract with the San Diego Tourism Authority on July 1, 2017, to provide long-term sales and marketing services for a five-year term, expiring on June 30, 2022. Pursuant to the terms of that agreement, the Tourism Authority is required to provide Corporation with an Annual Program of Work at the beginning of each fiscal year of the contract. The purpose of the Program of Work is to clearly define the Tourism Authority’s annual sales booking goals for each given year, marketing budget and expenses, as well as the tactics and strategies that they will undertake to achieve the required goal. The Tourism Authority is required to submit a draft of the Program of Work to the Corporation no less than ninety (90) days prior to the start of the fiscal year. This ninety (90) day period will then provide both parties an opportunity to discuss and agree upon a final version of the document for approval by the Corporation’s Sales & Marketing Committee and full Board by the start of the fiscal year.

DISCUSSION

The Corporation and the Tourism Authority staff have worked collaboratively on the attached Program of Work for Fiscal Year 2021. Items of note outlined in the document include:

1. Annual booking goal of 900,000 hotel room nights, which is consistent with the goal of the previous fiscal year.
2. Detailed marketing budget and expenditures that the Tourism Authority has earmarked for Citywide Sales for the fiscal year, which total \$2,500,337. It is important to note that the Corporation’s contractual financial obligation to the Tourism Authority for sales and marketing services is \$2,135,025.

3. Key Actions that the Tourism Authority will take to ensure that they achieve the booking goal of 900,000 room nights.

Additionally, the Program of Work also includes an executive summary, the sales staff deployment and defined roles, and a listing of all sales related activities in which the team will participate to generate business opportunities and meet their booking goals.

STAFF RECOMMENDATION

Based on the attached draft meeting the required criteria and establishing the required booking goals for the San Diego Tourism Authority sales team, Staff recommends that the attached San Diego Tourism Authority Program of Work be accepted, and that the Board of Directors authorize its approval for Fiscal Year 2021.

/s/

Clifford "Rip" Rippetoe
President & CEO