

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

**Director Allan Farwell, Chair
Director Carol Kim
Director Elvin Lai**

**MONDAY, JUNE 14, 2021, 11:00 A.M.
111 W. Harbor Drive, 2nd Floor, Executive Boardroom
San Diego, California 92101**

AGENDA

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

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

1. **Call to Order** - Allan Farwell, Chair
2. **Non-Agenda Public Comment:**
This portion of the agenda provides an opportunity for members of the public to address the Board on items of interest within the jurisdiction of the Board that have not previously been before the Board. Pursuant to the Brown Act, no discussion or action shall be taken by the Board on items not posted on the agenda.
3. **Approval of Proposed Minutes of April 26, 2021 Budget Committee Meeting**
4. **Chair's Report**
5. **Action Item(s):**

A. Recommendation to Authorize Approval of Second Revised Budget for Fiscal Year 2022
6. **Staff Updates:**
 - CFO
 - President & CEO
7. **Urgent non-agenda items** (must meet the requirements of Government Code, Section 54954.2)
8. **Budget Committee Comment** [Govt. Code §54954.2(a)(2)]

Adjournment

This information is available in alternative formats upon request. To request an agenda in an alternative format, or to request a sign language or oral interpreter, or an Assistive Listening Device ("ALD") for the meeting, please call Pat Evans at (619) 525-5131 at least five working days prior to the meeting to ensure availability.

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

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

Agenda Item 3

MINUTES

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

COMMITTEE MEETING OF APRIL 26, 2021

BOARD MEMBERS PRESENT: Chair Allan Farwell, and Directors Carol Kim and Elvin Lai

BOARD MEMBERS ABSENT:

STAFF PRESENT: Rip Rippetoe, Mardeen Mattix, Kelly Revell, Corey Albright and Pat Evans (Recorder)

ALSO PRESENT: Julie Coker, SDTA President & CEO, and Marsh & McLennan Agency representatives Kristen Olsen and Lisa Cassila

1. **Call to Order:** Chair Allan Farwell called the meeting to order at 11:03 a.m. at 111 West Harbor Drive, San Diego, California.

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

Director Farwell - Present
Director Kim – Present
Director Lai – Present

Chair Farwell further noted that all votes will be recorded via roll-call vote.

2. **Non-Agenda Public Comment:** None

3. **Approval of Minutes of March 22, 2021 Budget Committee Meeting:**

Directors Lai and Farwell moved and seconded, respectively, to approve the minutes from the March 22, 2021 meeting.

Director Farwell - Aye
Director Kim – Aye

Director Lai – Aye

Vote: Unanimous

AYES: 3

NAYS: 0

ABSTENTIONS: 0

4. **Chair's Report:** None

5. **Action Item(s):** Chair Farwell requested public comment regarding any of the agendized action items. Hearing none, presentations regarding the items commenced.

A. Recommendation to Authorize Placement of Property, General and Umbrella Liability, Workers' Compensation and Directors and Officers Insurance through the Brokerage Services of Marsh & McLennan Agency.

CFO Mattix introduced Kelly Revell, SDCCC Finance Director, and Marsh & McLennan representatives who provided an in depth analysis of current insurance coverage and premium costs.

Director Lai requested the following revision to Board Memorandum (5.A), page three, paragraph three:

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

. . . Due to the Artemis Operation, deductibles for Employment Practice 1st and 3rd party claims increased, respectively, from \$125,000 to \$250,000 *due to industry standards* and \$500,000, *due to Operation Artemis*. Total premiums came in at \$65,500, an increase of \$8,500, or 15%, compared to the expiring policy.

Director Lai also requested that in the Board Memorandum, staff more clearly delineate the costs of insurance premiums associated with Operation Artemis versus the costs of insurance premiums related to regular convention center operations.

Directors Lai and Kim moved and seconded, respectively, to recommend Authorizing Placement of Property, General and Umbrella Liability, Workers' Compensation and Directors and Officers Insurance through the Brokerage Services of Marsh & McLennan Agency, including the revisions requested to the Board Memorandum of clarifications regarding costs incurred by Operation Artemis and regular convention center business.

Director Farwell - Aye

Director Kim – Aye

Director Lai – Aye

Vote: Unanimous

AYES: 3

NAYS: 0

ABSTENTIONS: 0

B. Recommendation to Authorize Amendment to Contract for Uniform Provider

Directors Kim and Farwell moved and seconded, respectively, to recommend authorizing a two-year contract extension with Specialty Apparel through July 31, 2023.

Director Farwell - Aye

Director Kim – Aye

Director Lai – Aye

Vote: Unanimous

AYES: 3

NAYS: 0

ABSTENTIONS: 0

6. Staff Updates:

- **CFO:** Ms. Mattix reported the following:
 - The March financials are based on the Board approved budget forecast from last month. Staff is in the process of revising the forecast and will likely need to present the Board with an updated revised fiscal year 2022 budget due to the Operation Shelter-to-Home demobilization and the start of Operation Artemis.
 - Operation Artemis will have a significant impact on the Corporation's reserves for this year as well as the Corporation's resumption of staffing activities. The variances between revenues and expenses will be in the millions of dollars for both forecast of fiscal year 2021 as well as fiscal year 2022. The issue will be addressed further at the May Special Board meeting.
 - The March budget is on track as expected. There are some reconciliation issues related to the shelter operations which will be completed this week except for repair/damage issues which will be forthcoming in May or June.
 - The first Operation Artemis billing will take place in April.
 - Staff is preparing for a presentation to the City Council regarding budget review on May 10, 2021.
 - Corey Albright, Executive Director of Procurement and Strategic Relations, provided an update regarding the status of the roof replacement project.
- **President & CEO:** Mr. Rippetoe reported the following:
 - Staff is expecting a letter from the Department of Health and Human Services confirming that demobilization of Operation Artemis will take place in mid-July.

7. **Urgent non-agenda items** (must meet the requirements of Government Code, Section 54954.2) — **None**
8. **Budget Committee Comment** [Govt. Code §54954.2(a)(2)]: Directors Lai and Kim acknowledged Finance Director, Kelly Revell's impending retirement and thanked Mr. Revell for his service to the Corporation.

There being no further business, the meeting adjourned at 12:01 p.m.

CERTIFICATION

I, Allan Farwell, Chair of the Budget Committee of the Board of the Directors of San Diego Convention Center Corporation, Inc., do hereby certify that the foregoing is a true and correct copy of the minutes of the business transacted by the Budget Committee of the Board of Directors of the San Diego Convention Center Corporation, Inc. at a duly noticed meeting held on April 26, 2021.

Allan Farwell, Chair

Agenda Item 5.A

SAN DIEGO CONVENTION CENTER CORPORATION

MEMORANDUM

TO: Budget Committee

FROM: Mardeen Mattix, Chief Financial Officer

DATE: For the Agenda of June 14, 2021

RE: FY2022 Revised Proposed Budget (since BOD approval 3-23-2021)

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. The FY2022 budget was approved March 23, 2021. SDCC entered into a **Federal emergency intake site (EIS) agreement to shelter unaccompanied minor children seeking asylum in the United States** just as the budget was being presented in March. The agreement duration is March 26, 2021 – July 15, 2021 and provides rent, reimbursement of utilities and various services provided to support this operation. The estimated bottom line impact to the Corporation is budgeted to yield \$13M. Corporation has not been able to successfully submit an invoice for payment of services for the first half of the contract period and therefore expects cash flow pressure well into the fall of 2021.

DISCUSSION

The FY2022 Budget approved on March 23, 2020, produced a zero ending reserve balance after receiving an operational subsidy from the City of San Diego of \$10.2M. Overall Net Operating Loss was budgeted at (\$13,558,320) assuming reopening in October 2021. Since that meeting, state guidance allowed for a reopening plan due to vaccination rates increases combined with reduction in positive COVID case rates, allowing the Convention Center to open earlier in August 2021. With the EIS demobilizing on July 15, 2021 and many events still holding on for hopes to salvage their event, Corporation will welcome back their first event in nearly eighteen months, SPIE Optical + Photonics. SDCC anticipates a slow ramp up for events to resume over the first half of the year with greater consumer confidence in the second half for the seventy contracted events scheduled during the fiscal year. Attendance is anticipated to rebound to an estimated 85% pre-pandemic level by the end of FY2022. Corporation will still face a Net Operating Loss of (\$11,427,010) before receiving subsidy support from the City.

Operating Revenues in the original adopted FY2022 budget were \$16.4M assuming an October reopening. The updated budget increases operating revenues to \$21.0M due to an added two months of event activity along with an additional \$2.4M produced for rent and services from the EIS operation before considering City subsidy support. City operational subsidy support at this time remains at \$10.2M with the caveat for a Quarter 1 review in the latter part of the calendar for re-evaluation by City Council. FY2022 total operational inflow increased to \$33.7M compared to

\$26.7M in the prior submitted budget.

Offsetting the increase in revenue are increased costs in expenses. Personnel costs increased by \$3.2M mainly due to recalling staff to support the EIS operation earlier than previously budgeted. The EIS operation allowed SDCCC to retain our core operations team to service the operation while allowing us to better prepare for the return of events. The FT staff recalled will remain employed in order to maintain the level of service our clients expect, with furloughs continuing when necessary as events demand dictates. As event activity stabilizes, FT staff will receive hours as a priority and then will augment with PT's as needed. Overall personnel costs in the original budget were \$17.8M and has been increased to \$21.0M in this budget submission.

Non-personnel costs for general building support, repairs & maintenance, insurance, travel and ancillary support costs increased from \$12.1M to \$13.9M, mostly due to additional equipment needs, repair costs, anticipated special event expense requests and increased utilities as we reopen the Center earlier than previously planned.

PPP Loan forgiveness expected of \$4.387M in FY2021 will delay into FY2022. The initial submission of the forgiveness application required an additional level of support backup will be submitted late July. The other \$2M PPP loan is still expected to be forgiven in FY2022, totaling \$6.4M to be forgiven by the end of FY2022.

Debt service remained the same.

CIP and Operating Capital increased by \$1.1M due to a few additional emergent items occurring over the last few months not previously identified. The fire pump replacement will significantly increase due to permit change requirements imposed by the City of San Diego making our existing pump replacement plan change course from installing a diesel pump to an electric one. Additionally, two dewatering pumps in the parking garage have failed and will need replacement. Corporation staff will be working with City engineering staff and Port to discuss a plan to resolve the aged dewatering system in the near future.

STAFF RECOMMENDATION

Approve authorization of FY2022 Revised Budget with the expectation it will be reviewed during Quarter 1 City Council budget review in late fall 2021.



Mardeen Mattix
Chief Financial Officer

SAN DIEGO CONVENTION CENTER CORPORATION
FY2022 BUDGET - (AUGUST OPENING)

Jun 10, 2021
11:01 AM

	FY17 - FY19 Average	FY2021 BUDGET	REVISED FY2021 FORECAST	FY2022 Board Approved 3.26.2021	FY2022 REVISED BUDGET	FY2023 PROJECTION	FAVORABLE / (UNFAVORABLE) FY2022 Revised Budget vs. FY2022 Approved	FY2022 Recovery to Pre-Pandemic Levels	FY2023 Recovery to Pre-Pandemic Levels
OPERATING REVENUES									
Building Rent	\$9,200,000	\$588,310	\$403,530	\$6,220,630	\$6,859,910	\$9,496,950	\$639,280	74.6%	103.2%
Food & Beverage	11,400,000	763,510	1,279,870	3,914,420	5,193,910	10,320,530	1,279,490	45.6%	90.5%
Event Services	4,220,000	469,150	311,510	1,420,250	2,021,060	4,307,200	600,810	47.9%	102.1%
Utilities	6,000,000	347,190	40,370	1,983,740	3,249,140	4,993,860	1,265,400	54.2%	83.2%
Telecommunications	4,750,000	578,090	629,900	1,977,670	2,575,680	3,676,210	598,010	54.2%	77.4%
Audio & Visual	1,430,000	57,550	72,170	410,810	577,570	988,440	166,760	40.4%	69.1%
Business Development	175,000	181,450	168,750	433,490	504,500	817,600	71,010	288.3%	467.2%
Interest/Investment Income	175,000	19,230	3,000	9,600	9,600	14,000	-	5.5%	8.0%
Other Revenues	145,000	34,410	51,700	22,260	27,060	84,550	4,800	18.7%	58.3%
TOTAL OPERATING REVENUES	\$37,495,000	\$3,038,890	\$2,960,800	\$16,392,870	\$21,018,430	\$34,699,340	\$4,625,560	56.1%	92.5%
OPERATING INFLOWS									
City of San Diego - Marketing	\$2,900,000	\$0	\$0	\$0	\$0	\$0	\$0		
City of San Diego - Funding	0	0	0	10,196,440	10,196,440	0	-		
City of San Diego - Shelter Operations	0	13,798,200	20,335,020	0	0	0	-		
SD Tourism Marketing District (TMD)	0	0	0	90,000	90,000	0	-		
Emergency Intake Site	0	0	16,640,000	0	2,400,000	0	2,400,000		
TOTAL OPERATING INFLOWS	\$2,900,000	\$13,798,200	\$36,975,020	\$10,286,440	\$12,686,440	\$0	\$2,400,000		
TOTAL REVENUES AND INFLOWS	\$40,395,000	\$16,837,090	\$39,935,820	\$26,679,310	\$33,704,870	\$34,699,340	\$7,025,560	83.4%	85.9%
OPERATING EXPENSES									
Salaries & Wages - Full Time	13,065,000	\$9,022,880	\$9,495,500	\$10,888,620	\$12,842,240	\$13,535,270	-\$1,953,620	98.3%	103.6%
Salaries & Wages - Part Time	4,300,000	599,370	1,619,390	2,202,960	3,008,430	4,220,100	-805,470	70.0%	98.1%
Fringe Benefits	5,275,000	5,760,110	4,683,170	4,745,760	5,177,410	5,081,510	-431,650	98.1%	96.3%
TOTAL PERSONNEL EXPENSES	\$22,640,000	\$15,382,360	\$15,798,060	\$17,837,340	\$21,028,080	\$22,836,880	-\$3,190,740	92.9%	100.9%
General Expenses	2,550,000	\$1,654,600	\$1,294,200	\$1,402,390	\$1,951,300	\$2,123,130	-\$548,910	76.5%	83.3%
Repair & Maintenance	2,741,000	2,411,110	1,676,850	3,232,870	3,851,190	3,188,190	-618,320	140.5%	116.3%
Utilities	4,100,000	2,995,490	3,344,400	3,425,250	3,917,350	4,015,000	-492,100	95.5%	97.9%
Contracted Services	930,000	1,001,270	423,880	691,580	691,580	913,650	0	74.4%	98.2%
Travel & Transportation	115,000	12,940	8,380	58,240	83,240	64,770	-25,000	72.4%	56.3%
Insurance	363,000	621,890	527,570	717,790	717,790	906,730	0	197.7%	249.8%
Telecommunications	47,000	51,420	39,320	52,300	52,300	52,310	0	111.3%	111.3%
Sales & Marketing	2,145,000	1,515,230	1,502,100	1,966,500	2,030,520	2,359,480	-64,020	94.7%	110.0%
Supplies	650,000	380,750	562,480	566,930	612,090	609,340	-45,160	94.2%	93.7%
TOTAL SUPPLIES & SERVICES	\$13,641,000	\$10,644,700	\$9,379,180	\$12,113,850	\$13,907,360	\$14,232,600	-\$1,793,510	102.0%	104.3%
TOTAL OPERATING EXPENSES	\$36,281,000	\$26,027,060	\$25,177,240	\$29,951,190	\$34,935,440	\$37,069,480	-\$4,984,250	96.3%	102.2%
NET OPERATING REVENUES / EXPENSES	\$4,114,000	-\$9,189,970	\$14,758,580	-\$3,271,880	-\$1,230,570	-\$2,370,140	\$2,041,310		
EXTRAORDINARY GAIN ON DEBT FORGIVENESS	\$0	\$4,387,000	\$0	\$2,000,000	\$6,387,000	\$0	\$4,387,000		
DEBT SERVICE EXPENSES									
Interest Expense	\$0	\$864,220	\$864,220	\$836,100	\$836,100	\$806,980	\$0		
Loan Admin Fee	0	72,220	74,300	72,030	72,030	69,670	0		
Principal: Warehouse Lease	2,197	2,200	2,200	2,200	2,200	1,650	0		
Principal: iBank Loan	0	783,200	758,250	783,200	783,200	811,320	0		
TOTAL DEBT SERVICE EXPENSES	\$2,197	\$1,721,840	\$1,698,970	\$1,693,530	\$1,693,530	\$1,689,620	\$0		
NET OPERATING RESERVE IMPACT	\$4,111,803	-\$6,524,810	\$13,059,610	-\$2,965,410	\$3,462,900	-\$4,059,760	\$6,428,310		
OPERATING RESERVE ACTIVITY									
	FY2021 BUDGET	REVISED FY2021 FORECAST	FY2022 Board Approved 3.26.2021	FY2022 APPROVED BUDGET	FY2023 PROJECTION	FAVOR / (UNFAV) FY2022 Revised vs. FY2022 Approved			
Beginning Operating Reserve	\$3,464,820	\$3,464,820	\$4,179,660	\$16,227,650	\$17,376,300	\$12,047,990			
+ Net Operating Revenues / (Expenses)	-9,189,970	14,758,580	-3,271,880	-1,230,570	-2,370,140	2,041,310			
+ PPP Loan Forgiveness	4,387,000	0	2,000,000	6,387,000	0	4,387,000			
- Debt Service Obligation	-1,721,840	-1,698,970	-1,693,530	-1,693,530	-1,689,620	0			
- Capital Outlay:									
Capital Infrastructure Projects	-325,000	-100,000	-3,500,000	-4,500,000	-4,125,000	-1,000,000			
Operating Capital	-757,790	-196,780	-464,250	-564,250	-469,500	-100,000			
+ Debt Finance Capital	0	0	2,750,000	2,750,000	4,050,000	0			
Ending Reserve Balance	\$13,674,080	-\$4,142,780	\$16,227,650	\$0	\$17,376,300	\$17,376,300			
Reserve Minimum Balance (8%)	\$3,246,580	\$3,246,580	\$3,003,000	\$2,989,110	\$2,577,730	\$13,890			
Over / (Under) Reserve Minimum Balance	-\$7,389,360	\$12,981,070	-\$3,003,000	\$14,387,190	\$10,194,310	\$17,390,190			

FY2022 and FY2023 CIP/O&M: Critical Capital Infrastructure and Equipment replacement plan

CIP (Capital Infrastructure Projects)

Capital Type	Year	PRIORITY	PROJECT DESCRIPTION	Account Type	(Carryover)	FY 2022	FY 2023
CIP	FY21	1	Cast iron drain pipe replacement (mtg rooms/east kitchen)	Capital - Leasehold Improvements (30)	75,000	100,000	-
CIP (NEW)	FY22	1	P2 Dewatering Pumps/Fencing replacement (need to discuss with City)	Capital - Leasehold Improvements (15)		200,000	
CIP (NEW)	FY22	1	Fire Pump Replacement (new permits required, changing to electric)	Capital - Leasehold Improvements (15)		700,000	
CIP	FY22-FY23	1	West Building Roof	Capital - Leasehold Improvements (30)		2,750,000	4,050,000
CIP	FY22	2	Modernization (Carpet) - Meeting Rooms	Capital - Leasehold Improvements (10)		750,000	
CIP	FY23	2	Digital Conventions phase III wiring	Capital - Telecomm (5)			75,000
Total						4,500,000	4,125,000
Covered by I Bank Debt						(2,750,000)	(4,050,000)
Funded from Reserves						1,750,000	75,000

O&M (Capital Operating & Major Maintenance)

Capital Type	Year	PRIORITY	PROJECT DESCRIPTION	Account Type	(Carryover)	FY 2022	FY 2023
Cap O&M	FY22	1	Glassware Dish Machine	Capital - Operating Equipment (15)		45,000	
Cap O&M	FY22	1	Broiler - Kitchen Equipment	Capital - Operating Equipment (15)		30,000	
Cap O&M	FY21-FY22	2	ERP Conversion (Event MGT. / Finance software system)	Capital - Information Systems (10)	150,000	200,000	
Cap O&M	FY22	2	Injector Pumps, Controls & Alarms: Replace - P2 South	Capital - Operating Equipment (15)		150,000	
Cap O&M	FY22	2	Barometric Damper controls (Albireo)	Capital - Operating Equipment (15)		58,000	
Cap O&M	FY22	2	Ansul (fire hood) - West Kitchen	Capital - Operating Equipment (15)		81,250	
Cap O&M	FY23	3	Bobcat SkidSteer S590 with grapple bucket, excavator, stump grinder	Capital - Operating Equipment (15)			95,000
Cap O&M	FY23	3	Trash Can cleaning machine	Capital - Operating Equipment (15)			90,000
Cap O&M	FY23	3	File server replacements (Security video)	Capital - Information Systems (10)			38,000
Cap O&M	FY23	3	19' Scissor Lifts: Replace	Capital - Operating Equipment (7)			18,000
Cap O&M	FY23	3	Carpet Vacuum (to replace sweeper) x 2	Capital - Operating Equipment (7)			50,000
Cap O&M	FY23	3	Robotic Vacuum 1 - Manufacturer/model TBD	Capital - Operating Equipment (7)			50,000
Cap O&M	FY23	3	Sweeper, Large ride on, Tennant S30	Capital - Operating Equipment (7)			39,000
Cap O&M	FY23	3	32' Boom Lift: Replace	Capital - Operating Equipment (7)			38,000
Cap O&M	FY23	3	Electric Tow Tractor (Mule) - 2	Capital - Operating Equipment (7)			16,500
Cap O&M	FY23	3	Yale Electric Forklift with Charger	Capital - Operating Equipment (7)			35,000
Funded from Reserves						564,250	469,500
Total Capital Spend						5,064,250	4,594,500
Total Financed through Debt						(2,750,000)	(4,050,000)
Total funded from SDCC Reserves						2,314,250	544,500

Priority Ranking (definitions):

Considerations for ranking includes:

- | | | |
|-------|---|---|
| Score | 1 | HEALTH; PUBLIC SAFETY; MANDATES |
| 2 | 2 | Frequent Problems, aging infrastructure/equipment (w/ a direct impact to P&L) |
| 3 | 3 | Public Demand; Benefits to the Community; Synergy w/ other projects |
| 4 | 4 | Dependent on available funding and planned replacements |