

April 18, 1988

REPORT TO THE COMMITTEE ON RULES, LEGISLATION,
AND INTERGOVERNMENTAL RELATIONS
CITY'S RELATIONSHIP WITH CONVENTION CENTER CORPORATION

The Committee recently requested that we examine the relationship between The City of San Diego (City) and the Convention Center Corporation (Corporation) and report accordingly.

I. In General

The relationship between the City and Corporation is not unlike the relationship between a closely held, for-profit corporation and its shareholders in terms of control and liability. The Corporation is a non-profit organization, whose sole purpose is to operate and manage the San Diego Convention Center. The City's control over the Corporation is lodged in its "membership" of the Corporation and its contractual relationship with the Corporation.

II. Control of the Corporation As Member

The City is the sole "member" of the Corporation. As sole member, the City acts very much like a sole shareholder in a for-profit corporation. The City, similar to a sole shareholder, has indirect control over the Corporation. It controls the Corporation indirectly in that the City elects the Corporation's seven person Board of Directors (Board).

The City Council represents the City in business with the Corporation and acts much like a small group of shareholders. The Council must meet once a year at an annual meeting in May, with the time and place to be determined by the Board, in order to elect Board members. (Election of members is staggered and each member on the Board serves for three years.)

The City Council may make recommendations at Board meetings. The City Council may remove directors with a two-thirds majority vote and it has thirty (30) days to fill vacant Board seats if a

directors resigns, etc. If the City Council fails to elect a new director, the Board may do it.

The Board selects its corporate officers, including its executive director. The Board may remove officers with or without cause. The directors may also hire and fire other employees, agents, experts and consultants and set compensation. The directors are also responsible for the conduct, control and management of the business.

III. Control of the Corporation

Under The Operating Agreement

The Corporation, through its directors, officers and employees, is to provide for the general management and staff services necessary to support the operation and maintenance of the Convention Center in accordance with and limited by its current approved budget.

The Corporation may not contract with third parties for services without prior Council approval when those services will cost more than \$10,000. However, the Corporation may enter, without prior approval, into other contracts consistent with its approved budget.

The Corporation is also authorized to acquire and dispose of property. However, in the event the Corporation ceases to exist, all its property will revert to the City. All the property of the Corporation is dedicated to charitable purposes. The City may enter and inspect the facilities at any reasonable time.

The Corporation must prepare and submit proposed budgets to the City for approval. The Corporation must hold public meetings regarding its budget proposals. Either the City or the Corporation may propose revised budgets.

The Corporation must maintain financial records according to generally accepted accounting principals and file the financial statements with the City. Funds not used by the Corporation are to be returned to the City. The City has access to all personnel, operational and financial records.

IV. Termination

The City is free to terminate the relationship upon ninety (90) days written notice.

IV. Summary

The City has created a non-profit Corporation to manage and operate the Convention Center. The City is the sole "member", a role very similar to that of sole shareholder in a closely held corporation.

As the sole member, the City exercises indirect control over the Corporation. Although, the Corporation has seven (7) independent directors, the City, through Council, elects and may remove (by a 6 vote majority) Board members. The City must hold an annual meeting which is similar to an annual shareholder's meeting. At the annual meeting, held in May, the City elects Board members to replace those with expired terms. The City, through Council, may call special meetings.

The City also controls the Corporation in that it approves the Corporation's budget. Council members are also authorized to attend Board meetings and debate, but may not vote. The Board

however, hires officers, employees, agents and consultants.

The City may terminate its agreement with the Corporation with ninety (90) days notice.

Respectfully submitted,

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