

DATE ISSUED: September 6, 2001 REPORT NO. 01-187

ATTENTION: Rules, Finance & Intergovernmental Relations Committee
Agenda of September 12, 2001

SUBJECT: Proposed Fiscal Year 2002 San Diego Convention Center Corporation
Budget

SUMMARY

Issue - Should the City Council approve the Proposed Fiscal Year 2002 San Diego Convention Center Corporation (SDCCC) Budget, in the amount of \$32,135,565?

Manager's Recommendation - Approve the Proposed Fiscal Year 2002 San Diego Convention Center Corporation Budget.

Other Recommendations - None.

Fiscal Impact - The City's Fiscal Year 2002 Budget includes funds in the amount of \$5,010,846 in the New Convention Facility Fund (Fund 10225) for purposes of providing the subsidy to the San Diego Convention Center Corporation.

BACKGROUND

During the development of the City agency budgets, Financial Management staff works with City agencies in an effort to insure that budget requests are in conformance with various City policies. The review of the Proposed Fiscal Year 2002 San Diego Convention Center Corporation (SDCCC) Budget was conducted by City staff with regard to proposed changes to Fiscal Year 2001 budgeted levels. This budget represent the anticipated level of funding for SDCCC operation in Fiscal Year 2002 and includes the subsidy to SDCCC as provided for in the Appropriation Ordinance adopted by the Mayor and City Council on July 24, 2001.

DISCUSSION

The Proposed Fiscal Year 2002 Budget for the San Diego Convention Center Corporation (SDCCC) reflects the combined revenue and expense activity for the San Diego Concourse and the San Diego Convention Center. The Concourse includes the Civic Theatre, Golden Hall, Plaza Hall, other meeting rooms, and parking facilities.

The Proposed Fiscal Year 2002 Budget for the San Diego Convention Center Corporation totals \$32,135,565 and was approved by the Convention Center Corporation Board on September 5, 2001. The proposed budget represents an increase of \$7,912,866, or 32.7%, over the Fiscal Year 2001 Budget due primarily to an increase in operating costs related to the Convention Center expansion which has increased the facility's size from 931,919 to 1,763,876 square feet. The City of San Diego's support to the San Diego Convention Center Corporation's operations has increased \$249,106 over Fiscal Year 2001 Budget levels to a total of \$5,010,846.

San Diego Convention Center Corporation Combined Budget				
Item	Fiscal Year 2001 Budget	Fiscal Year 2002 Proposed	Change from Fiscal Year 2001	% Change from Fiscal Year 2001
Operating Revenue	\$ 19,460,959	\$ 27,124,719	\$ 7,663,760	39.4%
Operating Expenses				
Salaries and Wages	\$ 11,649,060	\$ 14,030,592	\$ 2,381,532	20.4%
Fringe	2,861,217	3,456,382	595,165	20.8%
Non-Personnel	7,928,654	13,113,100	5,184,446	65.4%
Subtotal Operating Expenses	\$ 22,438,931	\$ 30,600,074	\$ 8,161,143	36.4%
Sails Pavilion Loan Expense	\$ 500,000	\$ 1,000,000	\$ 500,000	100.0%
Capital Expenses	\$ 1,283,768	\$ 535,491	\$ (748,277)	-58.3%
Total Expenses	\$ 24,222,699	\$ 32,135,565	\$ 7,912,866	32.7%
Subsidy Requirement	\$ (4,761,740)	\$ (5,010,846)	\$ (249,106)	5.2%
Positions	370.03	442.77	72.74	19.7%

Revenue

The San Diego Convention Center Corporation's Proposed Fiscal Year 2002 Budget provides for \$27,124,719 in operating revenue, which represents an increase of \$7,663,760, or 39.4% over the Fiscal Year 2001 Budget of \$19,460,959. This favorable outlook is due primarily to the expanded Convention Center, which is scheduled to open in September 2001. In total, 230 events are to be held at the Convention Center, an increase of 58 events over the previous fiscal year. The majority of this increase is due to Convention/Trade-related events. The greatest revenue growth is in the building rental and food and beverage commissions categories, projected to grow by 40.1% and 50.1%, respectively.

Personnel Expense

The San Diego Convention Center Corporation's Proposed Fiscal Year 2002 Budget for Personnel Expense totals \$17,486,974, which represents an increase of \$2,976,697, or 20.5%, over the Fiscal Year 2001 Budget of \$14,510,277. In Fiscal Year 2002, the Personnel Expense covers the cost of 442.77 positions compared to 370.03 positions in Fiscal Year 2001. Further, Salaries and Wages increased by \$2,381,532, from \$11,649,060 in Fiscal Year 2001 to \$14,030,592 in Fiscal Year 2002, and Fringe increased by \$595,165, from \$2,861,217 in Fiscal Year 2001 to \$3,456,382 in Fiscal Year 2002.

The increase in Personnel Expense over the Fiscal Year 2001 Budget is due primarily to a net increase in staffing of 72.74 positions to support the newly expanded Convention Center's operations, as well as increased workers' compensation and healthcare costs.

The net increase in positions reflects the addition of 24.18 full-time equivalent positions and 49.56 part-time equivalent positions, and the reduction of 1.00 full-time equivalent positions. The positions added/eliminated for Fiscal Year 2002 are as follows:

* 49.56 Part-time Equivalent Positions	* 0.92 Production Services Coordinator
* 4.15 Guest Services Representative	* 0.83 Assistant to VP, General Counsel
* 2.76 Housekeeper	* 0.83 Scheduling Coordinator
* 2.68 Grounds Worker	* 0.75 Carpenter
* 1.84 Service Worker	* 0.75 HVAC Engineer
* 1.00 Computer Systems Analyst	* 0.75 Painter
* 1.00 Convention Center Assistant Director	* 0.59 Welder Mechanic
* 1.00 Director of Sales	* 0.50 Special Project Manager
* 1.00 Sales Assistant	* 0.50 Storekeeper
* 1.00 Senior Event Manager	* 0.33 HR Training Specialist
* 1.00 Vice President, General Counsel	* -1.00 Director of Operations

Other Expenses

The Non-Personnel Expense portion of the Proposed Fiscal Year 2002 Budget for the San Diego Convention Center Corporation totals \$13,113,100 while the Sails Pavilion Loan Expense totals \$1,000,000 and Capital Expenses total \$535,491. This represents an increase of \$5,184,446, or 65.4%, in Non-Personnel Expense, doubling of the Sails Pavilion expenses for the second year of inclusion in the SDCCC budget, and a \$748,277 or 58.3% reduction in Capital Expenses over Fiscal Year 2001 Budget levels. The increases are due mainly to increased utility rates and usage for the expanded Convention Center, increased property insurance premiums, and the second of eleven loan payments to the Port of San Diego for the Sails Pavilion Enclosure Project.

The Sails Pavilion Enclosure Project converted an open area of the existing Convention Center to provide 90,000 square feet of exhibit space that is glass enclosed with a new industry standard trade show floor and a state-of-the-art cooling and heating system that will heighten year-round use. Partially offsetting these increases is significant savings in capital equipment expenditures.

Conclusion

For Fiscal Year 2002, the San Diego Convention Center Corporation has presented a budget that calls for an overall increase of \$7,912,866, or 32.7%, over the Fiscal Year 2001 Budget due to a 20.4% increase in Salaries and Wages, a 20.8% increase in Fringe, and an overall 50.8% increase in Non-Personnel, Sails Pavilion Loan, and Capital Expenses. The City of San Diego's support to the San Diego Convention Center Corporation's operations has increased by \$249,106. The budget proposal has been reviewed by Financial Management and is submitted for your approval.

ALTERNATIVE

Do not approve the Proposed Fiscal Year 2002 San Diego Convention Center Corporation Budget.

Respectfully submitted,

Lisa Irvine
Financial Management Director

Approved: Michael T. Uberuaga
City Manager

IRVINE/TAS

Note: The attachment is not available in electronic format. A copy is available for review in the Office of the City Clerk.

Attachment: San Diego Convention Center Corporation Fiscal Year 2002
Proposed Budget For City of San Diego Review