

DATE ISSUED: May 21, 2002 REPORT NO. 02-119

ATTENTION: Rules, Finance & Intergovernmental Relations Committee
Agenda of May 22, 2002

SUBJECT: Proposed Fiscal Year 2003 San Diego Convention Center Corporation
Budget

SUMMARY

Issue - Should the Rules Committee approve the Proposed Fiscal Year 2003 San Diego Convention Center Corporation (SDCCC) Budget, in the amount of \$30,943,066, which includes a City of San Diego allocation in the amount of \$4,614,311?

Manager's Recommendation - Approve the Proposed Fiscal Year 2003 San Diego Convention Center Corporation Budget, which reflects a City of San Diego allocation in the amount of \$4,614,311.

Other Recommendations - None.

Fiscal Impact - The City's Fiscal Year 2003 Budget includes funds in the amount of \$4,614,311 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 ensure that budget requests are in conformance with various City policies. The review of the Proposed Fiscal Year 2003 San Diego Convention Center Corporation (SDCCC) Budget was conducted by City staff with regard to proposed changes to Fiscal Year 2002 budgeted levels. This budget represents the anticipated level of funding for SDCCC operation in Fiscal Year 2003 and includes a subsidy of \$4,614,311 to SDCCC.

DISCUSSION

The Proposed Fiscal Year 2003 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 2003 Budget for SDCCC totals \$30,943,066. This reflects a \$500,000 reduction in the City of San Diego's planned subsidy for Fiscal Year 2003. The Fiscal Year 2003 subsidy, originally planned to be \$5,114,311, was subsequently revised to \$4,614,311 which is a decrease of \$396,535 from the Fiscal Year 2002 Budget. The subsidy of \$5,114,311 is consistent with the City of San Diego financial projection analysis for the expanded facility operations. The SDCCC Budget was approved by the Convention Center Corporation Board on May 14, 2002 and is consistent with the City Manager's Proposed Fiscal Year 2003 Budget, as reflected in Volume VI of the Proposed Fiscal Year 2003 Budget. The proposed budget represents a decrease of \$1,192,499, or 3.7% reduction from the Fiscal Year 2002 Budget due primarily to a decrease in utility rates and a reduction in the sales and marketing budget related to the Convention Center expansion promotion and advertising.

San Diego Convention Center Corporation Combined Budget				
Item	Fiscal Year 2002 Budget	Fiscal Year 2003 Proposed	Change from Fiscal Year 2002	% Change from Fiscal Year 2002
Operating Revenue	\$ 27,124,719	\$ 26,328,755	\$ (795,964)	-2.9%
Operating Expenses				
Salaries and Wages	\$ 14,030,592	\$ 14,513,770	\$ 483,178	3.4%
Fringe	3,456,382	3,961,097	504,715	14.6%
Supplies and Services	13,113,100	10,884,107	(2,228,993)	-17.0%
Subtotal Operating Expenses	\$ 30,600,074	\$ 29,358,974	\$ (1,241,100)	-4.1%
Sails Pavilion Loan Expense	\$ 1,000,000	\$ 1,000,000	\$ -	0.0%
Capital Expenses	\$ 535,491	\$ 584,092	\$ 48,601	9.1%
Total Expenses	\$ 32,135,565	\$ 30,943,066	\$ (1,192,499)	-3.7%
Subsidy Requirement	\$ (5,010,846)	\$ (4,614,311)	\$ (396,535)	-7.9%
Positions	442.77	431.47	(11.30)	-2.6%

Revenue

The San Diego Convention Center Corporation's Proposed Fiscal Year 2003 Budget provides for \$26,328,755 in operating revenue, which represents a decrease of \$795,964, or a reduction of 2.9% from the Fiscal Year 2002 Budget of \$27,124,719. This is due to an operational change effective July 1, 2002, in which SDCCC's food and beverage services at the San Diego Concourse/Civic Theatre will be provided by an outside contractor and SDCCC will receive a

monthly commission based on gross food and beverage sales. Excluding this operational change, total revenues would have reflected an increase of \$133,119.

Personnel Expense

The San Diego Convention Center Corporation's Proposed Fiscal Year 2003 Budget for Personnel Expense totals \$18,474,867, which represents an increase of \$987,893, or 5.65% over the Fiscal Year 2002 Budget of \$17,486,974. In Fiscal Year 2003, the Personnel Expense covers the cost of 431.47 positions compared to 442.77 positions in Fiscal Year 2002. Further, Salaries and Wages increased by \$483,178, from \$14,030,592 in Fiscal Year 2002 to \$14,513,770 in Fiscal Year 2003, and Fringe increased by \$504,715, from \$3,456,382 in Fiscal Year 2002 to \$3,961,097 in Fiscal Year 2003.

The increase in Personnel Expense over the Fiscal Year 2002 Budget is due primarily to increased full time staffing to support the newly expanded Convention Center's operations, as well as increased workers' compensation, healthcare costs, and pension expenses.

The total net reduction is 11.30 positions. This includes the addition of 21.83 full-time equivalent positions, the reduction of 4.00 full-time equivalent positions, and the reduction of 29.13 part-time equivalent positions. The reduction in positions is primarily related to the transfer of in-house food and beverage services at the Concourse/Civic Theatre to an outside contractor. The positions added/eliminated for Fiscal Year 2003 are as follows:

Full-Time Equivalent Positions:

* -1.00 Food & Beverage Manager	* 1.00 Electrician
* -1.00 F&B Operating Supervisor	* 0.92 Facility Services Clerk Typist
* -1.00 F&B Department Assistant	* 0.85 Guest Services Representative
* -1.00 Chef	* 0.83 Welder Mechanic
* 6.24 Housekeeper	* 0.50 Event Services Clerk Typist
* 2.16 Service Worker	* 0.50 Special Project Manager
* 2.00 Facility Services Supervisor	* 0.33 Assistant Facility Services Manager
* 1.17 Scheduling Coordinator	* 0.25 Carpenter
* 1.33 Grounds Worker	* 0.25 Painter
* 1.00 Accounting Technician	* 0.25 HVAC Engineer
* 1.00 Plumber	* 0.17 Assistant to VP, General Counsel
* 1.00 Wardrobe Worker	* 0.08 Production Services Coordinator

Part-Time Equivalent Positions:

- * -29.13 Various Positions

Other Expenses

The Supplies and Services Expense of the Proposed Fiscal Year 2003 Budget for the San Diego Convention Center Corporation totals \$10,884,107 while the Sails Pavilion Loan Expense totals \$1,000,000 and Capital Expenses total \$584,092. This represents a decrease of \$2,228,993, or a 17.0 % reduction in the Supplies and Services Expense, no change to the Sails Pavilion Expense, and an increase of \$48,601 or 9.1% in Capital Expenses compared to the Fiscal Year 2002 Budget levels. The decreases are due primarily to decreased utility rates and a reduced sales and marketing budget related to Convention Center expansion promotion and advertising. An increase in property insurance premiums partially offset the savings. 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 heightens year-round use.

Conclusion

For Fiscal Year 2003, the San Diego Convention Center Corporation has presented a budget that calls for an overall decrease of \$1,192,499, or 3.7% reduction from the Fiscal Year 2002 Budget due to a 17.0% reduction in the Supplies and Services Expense. The City of San Diego's Fiscal Year 2003 support to the San Diego Convention Center Corporation's operations has decreased by \$396,535 from the Fiscal Year 2002 budget. This is a \$500,000 reduction compared to the originally planned Fiscal Year 2003 subsidy of \$5,114,311. The budget proposal has been reviewed by the Financial Management Department and is submitted for your approval.

ALTERNATIVE

Do not approve the Proposed Fiscal Year 2003 San Diego Convention Center Corporation Budget.

Respectfully submitted,

Lisa Irvine
Financial Management Director

Approved: Michael T. Uberuaga
City Manager

IRVINE/IXK

Attachment: [San Diego Convention Center Corporation Fiscal Year 2003 Proposed Budget for the City of San Diego Review](#)