



Office of the Independent Budget Analyst

**Proposed Response to County
Grand Jury Report**

“SAN DIEGO CONVENTION CENTER CORPORATION”

**Presentation to the
Economic Development & Intergovernmental Relations
Committee
July 23, 2015
Item #6**



Overview

- Grand Jury report filed on May 19, 2015.
- Report discusses financial and contractual issues related to the San Diego Convention Center's operations.
- Report included 6 findings and 7 recommendations that were directed to the Mayor and City Council.
- Three other recommendations were directed to SDCCC's Board of Directors and Chief Executive Officer/President.



Overview

- Original response due date was August 17, 2015; however, an extension was requested and granted.
- Mayor & City Council required to provide response to Presiding Judge by October 16, 2015.
- Office of the IBA prepared a proposed joint response from the Mayor and City Council.



Overview

Prescribed Grand Jury responses include:

- For each Finding:
 - Agree
 - Disagree wholly or partially
- For each Recommendation:
 - Has been implemented
 - Has not yet been implemented, but will be
 - Requires further analysis
 - Will not be implemented because it is not warranted or is not reasonable



Summary of Proposed Responses

- 6 Findings:
 - 3 – Agree
 - 1 – Disagree
 - 2 – Partially Disagree
- 7 Recommendations:
 - 1 – Has been implemented
 - 2 – Has not been implemented, but will be
 - 4 – Will not be implemented because it is not warranted



Highlights of Findings

1. The Management Agreement between the City and the San Diego Convention Center Corporation is not sufficiently clear in defining responsibilities with respect to financial expenditures.

– Disagree

The City provides significant direction for the corporation through its Bylaws, which were recently amended and restated to incorporate a number of policies including some related to financial documents and public disclosure.



Highlights of Findings

2. The reserve threshold of 14% of operating budget may be appropriate for the City but is not necessarily appropriate for the San Diego Convention Center Corporation.
 - Agree



Highlights of Findings

3. Integrating the Convention Center's bondable capital improvement projects into the City's Capital Improvement Program would be beneficial to the San Diego Convention Center Corporation.
 - Partially Disagree

Given that responsibility for the Center is shared among SDCCC, the City, and the Port Authority, it would not be reasonable for the City to assume full responsibility for the Center's identified capital improvements.



Highlights of Findings

4. An independent analysis is needed to determine whether the dual booking system is effective.

- **Partially disagree**

An independent analysis of the effectiveness of the current dual booking system could provide the City with additional information, but the ED&IR Committee has received room night results semi-annually as required since the inception of the marketing contract.

In lieu of an independent analysis, the City could compare marketing results before & after the dual booking system was initiated and before the contract expires in 2016.



Highlights of Findings

5. The budget and other publications of the San Diego Convention Center Corporation would be more transparent if they included all of the City's financial contributions on behalf of the Center.
 - Agree
6. The credibility of the Corporation's economic forecasts would be enhanced by reporting the mathematical formulas used to compute the economic indicators.
 - Agree



Highlights of Recommendations

- 15-14 Amend the Management Agreement with the San Diego Convention Center Corporation to include the same City Council oversight for financial and budgetary matters, such as review and approval of the annual budget, as it gives to City Departments.
- **Will not be implemented because it is not warranted.**
 - Provisions for financial and budgetary oversight are currently included in SDCCC's Bylaws and the Management Agreement.
 - Additionally, periodic budget-related updates are provided to the B&GE Committee. The Council also reviews SDCCC's annual operating budget during the City's budget hearings.
 - SDCCC is a separate corporate entity and as such, Council typically asks questions/provides feedback on SDCCC's budget, but does not take action to approve it.



Highlights of Recommendations

- 15-15 Amend the Management Agreement with the San Diego Convention Center Corporation to include specific language which clearly delineates between expenditures for which the City is responsible and expenditures for which the Corporation is responsible, especially expenditures related to a potential Phase III Expansion.
- Will not be implemented because it is not warranted.
 - The City believes there is sufficient expenditure responsibility detail in the SDCCC Bylaws and the Management Agreement.



Highlights of Recommendations

- 15-16 Amend the Management Agreement with the San Diego Convention Center Corporation to include a requirement that the Convention Center Corporation report at least semi-annually to an appropriate Council Committee.
- Will not be implemented because it is not warranted.
 - The City Council and three of its Council Committees have been proactive in requesting & reviewing SDCCC reports/updates related to budgeting, marketing, and capital needs.



Highlights of Recommendations

- 15-17 Direct the City of San Diego's Chief Financial Officer to meet with the San Diego Convention Center Corporation Chief Financial Officer to establish a mutually negotiated reserve threshold.
- The recommendation has been implemented.
 - The City's CFO has met with SDCCC's CFO and discussed the current reserve.
 - Going forward, the City's CFO and the IBA will meet with SDCCC's CFO in order to establish a more reasonable reserve goal.



Highlights of Recommendations

- 15-18 In the interest of transparency, mandate that the San Diego Convention Center's Annual Budget include all payments made by the City, including payments for dewatering and for the Phase II Expansion bond debt service as income and expenditures, where applicable. Or alternatively: Make that information conspicuously available in its publications and its website.
- The recommendation has not yet been implemented, but will be implemented in the future.
 - Per discussion with SDCCC's staff, there will be a link to the City's applicable budget pages.
 - The City's expenses are appropriately not included in SDCCC's operating budget.



Highlights of Recommendations

- 15-19 Integrate major bondable capital improvement projects of the Convention Center into the City's capital improvement program.
- Will not be implemented because it is not warranted.
 - As stated in the response to Finding 03, given that responsibility for the Center is shared among SDCCC, the City, and the Port Authority, it would not be reasonable for the City to assume full responsibility for the Center's identified capital improvements.



Highlights of Recommendations

- 15-20 Commission a study by the Department of Performance Analytics and the Independent Budget Analyst to explore other methods of governance for the management of the San Diego Convention Center, such as outsourcing to a private management company, and evaluating the effectiveness of the dual booking system.
- The recommendation has not yet been implemented, but will be implemented in the future.



Recommended Action

- We request that the ED&IR Committee provide feedback/direction, and move this item forward to the full Council for consideration.



Questions?