



THE CITY OF SAN DIEGO

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**OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT**

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**Item:** TBD

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## Review of City Agencies FY 2026 Budgets: San Diego Convention Center Corporation

The IBA has reviewed the San Diego Convention Center Corporation budget, which is scheduled to be heard May 6, 2025. Our review is attached.

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# Convention Center

## San Diego Convention Center Corporation Overview

The San Diego Convention Center Corporation (SDCCC) is a non-profit public benefit corporation created by the City of San Diego to manage, market, and operate the San Diego Convention Center. A seven-member Board of Directors (Board) comprised of business and community leaders establishes policy for the SDCCC.

SDCCC’s mission statement is “to generate significant economic benefits for the greater San Diego region by hosting international and national conventions and trade shows in our world-class facility.”

### Economic Performance Measures

SDCCC provides operating and economic performance measures to track the economic benefits resulting from Convention Center operations. Estimated and projected performance measures for fiscal years 2023 through 2026 are shown in the table below. These projections were updated on March 28, 2025.

SDCCC projects it will host 91 total events in FY 2025, which is an 11 event, or 13.8%, increase above FY 2024 actuals, and a 13 event, or 16.7%, increase above what was assumed in the FY 2025 Adopted Budget. This is primarily due to an increase in smaller, short-term events in FY 2025.

For FY 2026, SDCCC projects it will host 90 events with an estimated 805,000 attendees. The 90 events are estimated to generate \$902.6 million in direct attendee spending, which in turn is projected to result in \$31.3 million dollars for the General Fund through transient occupancy tax (TOT) and sales tax receipts, as well as a \$1.5 billion total economic impact for the region.

### Overview of the Board Approved FY 2026 Budget

On March 26, 2025, the SDCCC Board reviewed and approved its budget for FY 2026. A comparison of this budget to SDCCC’s FY 2025 operating budget is provided in the Summary of Operating Budget Changes table on the following page.

Revenue projections for SDCCC’s FY 2026 budget are anticipated to total \$51.3 million, a decrease of \$1.9 million, or 3.6%, from the FY 2025 Adopted Budget. Significantly, the FY 2026 revenue forecast is \$11.3 million, or 18.0%, below the FY 2025 year-end projections, as FY 2025 was considered a record-breaking year.

The Convention Center’s total operating expenses in FY 2026 are budgeted at \$53.7 million. This is a \$2.3 million, or 4.0%, reduction from the FY 2025 Adopted Budget, but a

Actual and Forecasted Benefits from Operations	FY 2023 Actual Results	FY 2024 Actual Results	FY 2025 Year-End Estimate	FY 2026 Projected
Regional Economic Impact	\$1.4 billion	\$1.5 billion	\$1.6 billion	\$1.5 billion
Direct Attendee Spending	\$804.0 million	\$855.8 million	\$960.0 million	\$902.6 million
Hotel & Sales Tax Revenue	\$29.7 million	\$35.6 million	\$38.0 million	\$31.3 million
Hotel Room Nights (contracted only)	715,056	865,674	920,765	750,980
Number of Conventions and Events	101	80	91	90
Attendance	736,942	663,519	766,918	805,170

Source: SDCCC

# City Agencies: Convention Center

SUMMARY OF CONVENTION CENTER OPERATING BUDGET CHANGES					
	FY 2025 Budget	FY 2025 Projected	FY 2026 Budget	Change (\$)¹	Change (%)¹
<b>REVENUES AND INFLOWS</b>					
Building Rent (net of rent credits)	\$ 8,849,187	\$ 9,395,467	\$ 9,670,084	\$ 820,897	9.3%
Food and Beverage	17,943,514	21,921,840	16,390,196	\$(1,553,318)	-8.7%
Event Services	5,230,729	5,954,509	5,257,950	\$ 27,221	0.5%
Utilities	7,410,910	9,004,834	6,813,085	\$ (597,825)	-8.1%
Telecommunications	5,785,568	6,126,049	5,747,496	\$ (38,072)	-0.7%
Audio & Visual Services	1,897,830	1,706,774	1,647,933	\$ (249,897)	-13.2%
Other Ancillaries	706,250	951,891	930,250	\$ 224,000	31.7%
Other Revenues	3,000	65,000	45,000	\$ 42,000	1400.0%
Non-Operating Revenues	2,138,191	4,178,091	1,909,409	\$ (228,782)	-10.7%
City of San Diego - Marketing	2,816,690	2,816,690	2,901,191	\$ 84,501	3.0%
City of San Diego - Capital Support <sup>2</sup>	456,000	456,000	-	\$ (456,000)	-100.0%
<b>TOTAL REVENUES AND INFLOWS</b>	<b>\$53,237,869</b>	<b>\$62,577,144</b>	<b>\$51,312,594</b>	<b>(\$1,925,275)</b>	<b>-3.6%</b>
<b>OPERATING EXPENSES</b>					
Salaries and Wages - Full Time Staff	\$21,211,564	\$20,897,514	\$20,971,689	(\$239,875)	-1.1%
Salaries and Wages - Part Time Staff	5,850,833	5,072,989	5,607,253	(\$243,581)	-4.2%
Fringe Benefits (Health-Pension-Other)	7,176,191	6,922,130	6,888,935	(\$287,256)	-4.0%
<b>Subtotal Personnel Expenses:</b>	<b>\$34,238,588</b>	<b>\$32,892,633</b>	<b>\$33,467,876</b>	<b>(\$770,712)</b>	<b>-2.3%</b>
General Expenses	\$2,471,027	\$2,008,143	\$1,705,505	(\$765,522)	-31.0%
Repair and Maintenance	5,582,301	5,185,845	4,887,927	(\$694,374)	-12.4%
Utilities	7,155,000	7,204,883	7,230,000	\$75,000	1.0%
Contracted Services	1,400,760	1,204,518	1,385,739	(\$15,021)	-1.1%
Travel & Transportation	97,925	87,057	63,185	(\$34,740)	-35.5%
Insurance	1,011,286	934,000	1,050,150	\$38,864	3.8%
Telecommunications	83,100	83,100	83,100	\$0	0.0%
Sales & Marketing	2,876,545	2,861,963	2,954,521	\$77,976	2.7%
Supplies	1,032,605	1,062,537	862,320	(\$170,285)	-16.5%
<b>Subtotal Non-Personnel Expenses:</b>	<b>\$21,710,549</b>	<b>\$20,632,046</b>	<b>\$20,222,447</b>	<b>(\$1,488,102)</b>	<b>-6.9%</b>
<b>TOTAL OPERATING EXPENSES</b>	<b>\$55,949,137</b>	<b>\$53,524,679</b>	<b>\$53,690,323</b>	<b>(\$2,258,814)</b>	<b>-4.0%</b>
<b>NET INCOME (before Debt and Capital Outlay)</b>	<b>(\$2,711,268)</b>	<b>\$9,052,465</b>	<b>(\$2,377,729)</b>	<b>\$333,539</b>	<b>-12.3%</b>
<b>DEBT SERVICE AND OTHER LEASE OBLIGATIONS</b>					
Interest Expense	\$771,734	\$1,128,363	\$1,577,165	\$805,431	104.4%
Loan Administration Fee	62,302	64,703	62,084	(\$218)	-0.3%
Principal: Other Leases	594,740	838,112	658,506	\$63,766	10.7%
Principal: I-Bank Loan	873,140	873,140	904,486	\$31,346	3.6%
<b>TOTAL OBLIGATIONS</b>	<b>\$2,301,916</b>	<b>\$2,904,318</b>	<b>\$3,202,241</b>	<b>\$900,325</b>	<b>-60.9%</b>

1. Dollar and Percentage Change figures are calculated using budgeted numbers for FY 2025 and FY 2026.

2. Following the approval of SDCCC's FY 2026 Budget, the Mayor's FY 2026 Proposed Budget included \$115,000 in Capital Support.

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slight \$166,000, or 0.3%, increase above projected year-end actuals. SDCCC’s budget assumes the use of approximately \$2.4 million in reserves to account for the budget revenue deficit. Year-over-year adjustments to budgeted expenses and revenues are discussed below.

## Expenses

### Personnel Expenses

Personnel expenses account for \$33.5 million in SDCCC’s FY 2026 budget, a \$771,000, or 2.3%, decrease from the FY 2025 budget. This reduction is primarily due to eliminating 8.00 Full Time Employee (FTE) positions related to engineering, maintenance, and capital project administration associated with scaling back the capital investment program. This would bring SDCCC’s total positions to 341.00 FTEs in FY 2026.

### Non-Personnel Expenses

Non-Personnel Expenses (NPE) make up \$20.2 million in the FY 2026 budget, a \$1.5 million, or 6.9%, decreased from the FY 2025 Adopted Budget.

The most significant NPE reductions come from cutting \$766,000, or 31.0%, of the General Expenses commitment item and \$694,000, or 12.4%, of the Repair and Maintenance commitment item. These budget balancing reductions will result in deferred equipment purchases and deferring an engineering study of capital project needs and phasing. Utility expenses are expected to increase by \$75,000, or 1.0%, in FY 2026 to a total of \$7.2 million, which makes up 35.8% of SDCCC’s NPE budget.

## Revenue

### Food & Beverage

Revenue from the sale of food and beverages is expected to decrease by \$1.6 million, or 8.7%, from the FY 2025 Adopted Budget. This is a \$5.5 million, or 25.2%, decrease from forecasted FY 2025 year-end actuals. This is primarily due to fewer large corporate events being booked for FY 2026 (largely due to event rotation throughout the county) and an overall softening in the corporate event market.

### Net Building Rent

Net building rent, which is gross building rent less credits to stay at a competitive advantage, is budgeted to increase by \$821,000, or 9.3%, in FY 2026.

### Ancillary Services

Revenue from ancillary services like utility fees, audio and visual services, and other services to support event operations, are projected to decrease by \$593,000 in FY 2026 because of a stronger than usual event line-up in FY 2025.

## Annual City Payments Supporting the Convention Center

Total funding in the Mayor’s FY 2026 Proposed Budget to support the Convention Center is \$16.4 million, which is a reduction of \$258,000, or 1.6%, from FY 2025.

This funding is fully supported by TOT revenue and included in the City’s budget for the Convention Center Expansion Administration Fund and New Facility Fund.

PAYMENTS FROM THE CITY OF SAN DIEGO				
	FY 2025 Adopted Budget	FY 2026 Proposed Budget	Change (\$)	Change (%)
SDTA Marketing Agreement	\$ 2,816,690	\$ 2,901,191	\$ 84,501	3.0%
One-time Convention Center Capital Support	456,000	115,500	(340,500)	-74.7%
Annual Debt Payment	12,099,510	12,097,441	(2,069)	0.0%
Annual Dewatering Fees	1,249,395	1,249,395	-	0.0%
<b>TOTAL CITY PAYMENTS</b>	<b>\$ 16,621,595</b>	<b>\$ 16,363,527</b>	<b>\$ (258,068)</b>	<b>-1.6%</b>

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## SDTA Marketing Costs

SDCCC’s FY 2026 budget, as approved on March 26, 2025, assumes \$2.9 million in direct support payment from the City to cover marketing costs that are passed through to the San Diego Tourism Authority (SDTA).

While no capital support funding from the City was assumed in SDCCC FY 2026 budget at the time of approval, the Mayor’s FY 2026 Proposed Budget includes \$115,500 in capital contributions to support stormwater related pump station repairs. \$456,000 was contributed by the City in the FY 2025 Adopted Budget for this purpose and the additional funding is necessary to complete the project.

## Other Convention Center Expenditures in the Mayor’s FY 2026 Proposed Budget

Beyond the \$3.0 million allocated as support payments (marketing and capital) from the City, there is an additional \$13.3 million to cover annual debt service for expansion bonds and dewatering payments in support of the convention center facility.

The City makes annual Debt service payments on the Convention Center Expansion Bonds that were issued in 1998, and subsequently refinanced in 2012. The proceeds of these expansion bonds were used to double the size of the original Convention Center which opened in 1989. The annual debt service payment is approximately \$12.1 million in FY 2026 and will continue at this level until the bonds mature in FY 2028.

Additionally, the city pays annual dewatering costs totaling approximately \$1.2 million to remove unwanted groundwater from the Convention Center facility.

## **SDCCC Reserves**

The Reserve Policy adopted by the SDCCC Board calls for a *minimum* reserve of 8% of operating revenue, and overall reserves target equal to 14% of operating revenue. The Policy further states that “Operating Reserves will be maintained to mitigate building maintenance, financial and service delivery risk due to unexpected revenue shortfalls or unanticipated critical expenditures and to sustain necessary operations in the case of unforeseen emergencies.”

SDCCC projects its FY 2025 Ending Reserve Balance will total \$25.4 million, which is \$22.0 million above the 8% reserve minimum balance and \$19.5 million above the 14% reserve target.

For FY 2026, SDCCC’s Board approved the use of \$3.3 million of the reserve balance for planned capital expenditures. After use of reserve balance, and accounting for \$2.4 million in deficit spending, SDCCC is projected to have a FY 2026 year-end reserve balance of \$16.5 million, which is \$13.0 million above the 8% reserve minimum and \$10.5 million above the 14% reserve target.

OPERATING RESERVE ACTIVITY	FY 2024 ACTUALS	FY 2025 FORECAST	FY 2026 BUDGET
<b>Beginning Operating Reserve</b>	<b>\$29,162,991</b>	<b>\$27,356,529</b>	<b>\$25,371,338</b>
+ Net Income	6,672,263	9,052,465	(2,377,729)
- Debt Service payments	(2,294,382)	(2,904,318)	(3,202,241)
- Capital Outlay (net of debt)	(6,184,342)	(8,133,338)	(3,301,908)
<b>Ending Reserve Balance</b>	<b>\$27,356,529</b>	<b>\$25,371,338</b>	<b>\$16,489,459</b>
Ending Balance Expressed as Reserve Percentage	73%	60%	38%
Minimum Reserve Balance - 8% per policy	\$2,992,512	\$3,374,235	\$3,445,079
<b>Over / (Under) Minimum Reserve Balance</b>	<b>\$24,364,017</b>	<b>\$21,997,103</b>	<b>\$13,044,381</b>



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## Issues for Council Consideration

### FY 2026 Capital Expenditures

SDCCC conducted a comprehensive facility condition assessment in FY 2023 which provided a 20-year estimate (FY 2023 through FY 2042) of SDCCC's CIP needs for replacement and modernization of assets. Expenditure needs in the full 20-Year CIP Needs Assessment total \$404.4 million in 2023 dollars.

Fiscal Year	Projected Cost
FY 2026	\$4,601,908
FY 2027	\$15,850,000
FY 2028	\$2,000,000
FY 2029	\$39,823,275
FY 2030	\$134,868,418
<b>5-Year CIP Total</b>	<b>\$ 197,143,601</b>

The table above presents SDCCC's projected annual CIP and Operating Capital Equipment costs over the next five fiscal years. SDCCC has indicated that entirety of these needs totaling \$197.1 million, represents infrastructure and equipment that is already beyond its useful life and nearing critical failure.

Given current funding limitations, SDCCC's plan is to address needs that can reasonably be accomplished over the next three years. Larger, more complicated projects are deferred into FY 2029, FY 2030 and beyond until more funding certainty is known. These includes the replacement of the central HVAC plant (\$66.0 million), electrical upgrades (\$33.2 million), fire and life safety improvements (\$19.1 million), and escalator and elevator modernization (\$18.2 million), among other needs.

For FY 2026, \$4.6 million in capital expenditures have been identified primarily focused in the following areas:

- \$1.0 million for design and preliminary construction of the west roof. The total project is expected to cost \$7.0 million;

- \$0.3 million for preliminary construction costs associated with replacing and relocating the facility's west power generator. The total project is expected to cost \$3.3 million;
- \$0.3 million for various electrical upgrades;
- \$0.3 million for elevator modernization in Hall B;
- \$1.2 million in additional repairs and maintenance associated with the central plant, transformer replacement, security cameras, signage, kitchens, stairs, office remodels, and pipe replacements; and
- \$1.0 million in Operating Capital Equipment costs for kitchens, wall and door replacements, compactors, carts, electrical systems, and clerical systems.

As noted previously, the SDCCC Board approved the use of \$3.3 million in reserve balance to fund these projects, leaving a \$1.3 million shortfall. SDCCC requested capital support from the City to address this gap, but did not receive this funding in the Mayor's Proposed Budget.

For the following year, FY 2027, \$15.8 million in capital expenditures are anticipated, primarily related to replacement of the west building roof (\$6.0 million), elevator replacement (\$3.8 million), and west generator replacement (\$3.0 million). The Port of San Diego (Port) has agreed to fund the \$3.8 million cost associated with the replacement of three elevators; these elevators provide access to the facility's parking garage from which the Port receives all parking revenues. Remaining funding needs for FY 2027 are assumed to be addressed through a combination of SDCCC operating reserves and requests for additional City funding. SDCCC staff currently expects to request \$9.6 million from the City for FY 2027 need. Given the City's current finances,

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it is unlikely that the City will be able to provide this level of capital support to the convention center. However, as discussed below, Measure C funding is a viable resource to address the facilities capital needs going forward.

## Measure C (2020) Funding Plan

In March 2020, San Diego voters considered Measure C, a citizens' initiative that would increase the City's TOT to fund Convention Center modernization and expansion, homeless services, and street repairs. While aspects of Measure C are still in litigation, in August 2024, a trial court ruled in favor of the City and the validity of the measure as approved by citizens.

On March 20, 2025, the City announced it would begin requiring hotels, motels, short-term rentals, and RV parks and campgrounds to start collecting the increased TOT starting on May 1, 2025. While these receipts will be collected starting May 2025, they will not be remitted to the City until early June 2025.

Based on recent estimates, Measure C would generate approximately \$82.4 million in incremental TOT revenue in FY 2026, of which 59%, or \$48.6 million would be set-aside in a separate fund for Convention Center modernization and expansion (TOT Convention Center Fund).

SDCCC's proposed FY 2026-2030 5-year capital investment plan currently includes \$197.1 million in expenditure needs. In the near term, our Office believes SDCCC has sufficient reserve levels that can support planned capital improvements in FY 2026. However, decreases in funding from the City over the last several years and increasing capital maintenance needs have resulted in increased demand on SDCCC's reserves. While SDCCC's reserves are still above targeted levels, economic uncertainty and the aging of the Convention Center will necessitate the creation of a Measure C expenditure plan that

balances the use of these funds between the deferred maintenance needs of the existing facility and the future expansion.

The Office of the IBA is prepared to support SDCCC, City departments, and other stakeholders in preparing a thoughtful capital expenditure plan so that the convention center can continue to benefit the City in future years.