



THE CITY OF SAN DIEGO

OFFICE OF THE INDEPENDENT BUDGET ANALYST REPORT

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Budget Review Committee Date: May 7, 2026

Item: Subitem-L

Review of City Agencies FY 2027 Budgets: San Diego Convention Center Corporation

The IBA has reviewed the San Diego Convention Center Corporation FY 2027 budget, which is scheduled to be heard May 7, 2026. Our review is attached.

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Noah Fleishman
Fiscal and Policy Analyst

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APPROVED: Charles Modica
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City Agencies: Convention Center

Convention Center

San Diego Convention Center Corporation Overview

The San Diego Convention Center Corporation (SDCCC) is a non-profit public benefit corporation of the City of San Diego, formed to manage, market, and operate the Convention Center. A seven-member Board of Directors 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 2025 through 2027 are shown in the table below.

SDCCC projects it will host 90 events in FY 2027, which is a five event, or 5.3%, decrease below FY 2026 estimates. This is primarily due to the cyclical nature of events as they rotate to different cities around the country.

Of the 90 events in FY 2027, 42 are planned to be Citywide events and 48 are planned to be short-term events.

For FY 2027, SDCCC projects total attendance of 717,000, a decrease of 26,000 or 3.5%

from FY 2026 projections. Event attendees are estimated to reserve 752,000 hotel room nights in the region, a decrease of 11,000 or 1.4% from FY 2026 projections. SDCCC estimates that the hotel room nights and visitor spending will generate approximately \$31.2 million in hotel and sales tax revenue for the City, a \$500,000, or 1.6%, decrease from FY 2026 projections.

Overview of the Board Approved FY 2027 Budget

On March 25, 2026, the SDCCC Board reviewed and approved the SDCCC budget for FY 2027.

Revenue projections for SDCCC's FY 2027 budget are anticipated to total \$50.0 million, a decrease of \$1.4 million, or 2.7%, from the FY 2026 Adopted Budget. However, the FY 2027 revenue forecast is an \$8.2 million, or 14.2%, decrease from the FY 2026 year-end projection.

The Convention Center's total operating expenses in FY 2027 are budgeted at \$58.7 million, which is a \$5.0 million, or 9.3%, increase from the FY 2026 Adopted Budget. FY 2027 budgeted expenses are \$3.3 million, or 5.9%, more than the FY 2026 year-end projection. SDCCC's FY 2027 budget assumes the use of approximately \$16.1 million in reserves to account for the budget deficit. An analysis of FY 2027 revenue, expenses, reserve levels, and considerations are below.

Benefits from Operations	FY 2025 Actual Results	FY 2026 Year-End Estimate	FY 2027 Projection	Change	%
Conventions and Events	92	95	90	-5	-5.3%
Attendance	730,165	743,389	717,150	-26,239	-3.5%
Hotel Room Nights (contracted only)	934,474	763,145	752,162	-10,983	-1.4%
Hotel & Sales Tax Revenue	\$38.50 million	\$31.70 million	\$31.20 million	-\$0.50 million	-1.6%
Direct Attendee Spending	\$921.50 million	\$848.90 million	\$805.50 million	-\$43.40 million	-5.1%
Regional Economic Impact	\$1.57 billion	\$1.44 billion	\$1.37 billion	-\$70.00 million	-4.9%

Source: San Diego Convention Center Corporation

City Agencies: Convention Center

SUMMARY OF CONVENTION CENTER OPERATING BUDGET CHANGES							
(\$ IN THOUSANDS)							
	FY 2026 Adopted Budget	FY 2026 Projection	FY 2027 Proposed	Adopted to Proposed		Projection to Proposed	
				Change (\$)	Change (%)	Change (\$)	Change (%)
REVENUES							
<i>Operating Revenue</i>							
Building Rent (net credits)	9,670.1	9,656.0	9,080.7	(589.4)	-6.1%	(575.3)	-6.0%
Food and Beverage	16,390.2	20,263.9	15,823.4	(566.8)	-3.5%	(4,440.5)	-21.9%
Event Services	5,258.0	5,642.2	5,702.8	444.9	8.5%	60.6	1.1%
Utilities	6,813.1	6,798.1	6,552.7	(260.4)	-3.8%	(245.4)	-3.6%
Telecommunications	5,747.5	6,709.2	5,600.6	(146.9)	-2.6%	(1,108.6)	-16.5%
Audio & Visual Services	1,647.9	2,348.6	1,840.8	192.9	11.7%	(507.8)	-21.6%
Other Ancillaries	930.3	1,023.3	1,118.4	188.1	20.2%	95.1	9.3%
Subtotal	\$46,457.0	\$52,441.2	\$45,719.3	(\$737.7)	-1.6%	(\$6,721.9)	-12.8%
<i>Non-Operating and Other Revenue</i>							
Non-Operating Revenues	1,909.4	2,778.0	1,279.0	(630.4)	-33.0%	(1,499.0)	-54.0%
Other Revenues	45.0	45.0	45.0	-	0.0%	-	0.0%
Subtotal	\$1,954.4	\$2,823.0	\$1,324.0	(\$630.4)	-32.3%	(\$1,499.0)	-53.1%
<i>City of San Diego Support</i>							
City of San Diego - Marketing	2,901.2	2,901.2	2,988.2	87.0	3.0%	87.0	3.0%
City of San Diego - Capital Support	115.5	115.5	-	(115.5)	-100.0%	(115.5)	-100.0%
Subtotal	\$3,016.7	\$3,016.7	\$2,988.2	(\$28.5)	-0.9%	(\$28.5)	-0.9%
TOTAL REVENUE	\$51,428.1	\$58,280.9	\$50,031.5	(\$1,396.6)	-2.7%	(\$8,249.4)	-14.2%
OPERATING EXPENSES							
<i>Personnel Expenses</i>							
Salaries and Wages	26,578.9	27,549.6	29,434.7	2,855.7	10.7%	1,885.1	6.8%
Fringe Benefits	6,888.9	7,338.7	7,595.1	706.2	10.3%	256.4	3.5%
Subtotal	\$33,467.9	\$34,888.3	\$37,029.8	\$3,561.9	10.6%	\$2,141.5	6.1%
<i>Non-Personnel Expenses</i>							
General Expenses	1,705.5	1,883.9	2,879.8	1,174.3	68.9%	995.9	52.9%
Repair and Maintenance	4,887.9	5,548.2	5,459.7	571.7	11.7%	(88.5)	-1.6%
Utilities	7,230.0	6,830.0	6,935.0	(295.0)	-4.1%	105.0	1.5%
Contracted Services	1,385.7	1,424.8	1,332.5	(53.2)	-3.8%	(92.3)	-6.5%
Travel & Transportation	63.2	57.3	69.8	6.6	10.4%	12.5	21.8%
Insurance	1,050.2	958.0	1,044.6	(5.6)	-0.5%	86.6	9.0%
Telecommunications	83.1	64.1	64.1	(19.0)	-22.9%	-	0.0%
Sales & Marketing	2,954.5	2,967.6	3,063.0	108.4	3.7%	95.3	3.2%
Supplies	862.3	791.7	820.5	(41.8)	-4.8%	28.8	3.6%
Subtotal	\$20,222.4	\$20,525.6	\$21,669.0	\$1,446.5	7.2%	\$1,143.3	5.6%
TOTAL OPERATING EXPENSES	\$53,690.3	\$55,413.9	\$58,698.8	\$5,008.4	9.3%	\$3,284.9	5.9%
NET OPERATING INCOME (NOI)	(\$2,262.2)	\$2,867.0	(\$8,667.2)	(\$6,405.0)	283.1%	(\$11,534.2)	-402.3%
DEBT SERVICE AND OTHER OBLIGATIONS							
Interest Expense	1,577.2	1,577.2	1,521.1	(56.0)	-3.6%	(56.0)	-3.6%
Loan Administration Fee	62.1	59.6	56.8	(5.3)	-8.5%	(2.8)	-4.7%
Principal: Other Leases	658.5	658.5	724.8	66.3	10.1%	66.3	10.1%
Principal: I-Bank Loan	904.5	904.5	937.2	32.7	3.6%	32.7	3.6%
TOTAL OBLIGATIONS	\$3,202.2	\$3,199.8	\$3,240.0	\$37.7	1.2%	\$40.2	1.3%
NOI LESS DEBT	(\$5,464.5)	(\$332.8)	(\$11,907.2)	(\$6,442.7)	117.9%	(\$11,574.4)	3478.3%

City Agencies: Convention Center

Expenses

\$3.6 million – Personnel Expenses

Personnel expenses (PE) account for \$37.0 million in SDCCC's FY 2027 budget, a \$3.6 million, or 10.6%, increase from the FY 2026 budget. The FY 2027 budget adds 9.00 FTEs, bringing the total budgeted FTEs to 350.00. The increase in personnel expenses is from a 3.0% wage increase for salaried employees and an 8.8% blended wage increase for full-time and part-time hourly employees. SDCCC has paused hiring unfilled, non-critical positions.

\$1.4 million – Non-Personnel Expenses

Non-Personnel Expenses (NPE) make up \$21.7 million in the FY 2027 budget, a \$1.4 million, or 7.2%, increase from the FY 2026 Adopted Budget.

The most significant NPE increases are a \$1.2 million, or 68.9%, increase in general expenses, a \$572,000, or 11.7%, increase in repairs and maintenance, and a \$108,000, or 3.7%, increase in sales and marketing. These expense increases are partially offset by decreases of \$295,000, or 4.1%, for utilities and a \$120,000, or 3.7%, decrease in operating expenses for contracts, telecommunication, supplies, and insurance.

Revenue

(\$567,000) – Food & Beverage

FY 2027 revenue from the sale of food and beverages is expected to decrease by \$567,000, or 3.5%, from the FY 2026 Adopted Budget. Notably, however, this is a \$4.4 million, or 21.9%, decrease from FY 2026 year-end projections. This is primarily due to fewer large corporate events being booked for FY 2027 (largely due to event rotation throughout the country).

FY 2025 actuals and FY 2026 year-end projects for food and beverage revenue were a significant increase over all previous fiscal years. While it may be reasonable to project a

\$4.4 million, or 21.9%, decrease in food and beverage revenue in FY 2027 below FY 2026 projections, our Office recommends quarterly monitoring of SDCCC's operating budget. This is particularly important due to how FY 2027 actuals will impact reserve levels, which is discussed further below.

(\$589,000) – Building Rent (net rental credits)

The FY 2027 budget projects \$9.1 million in net building rent revenue. Gross building revenue is significantly higher, however, the Convention Center provides building rent credits to stay competitive and attract conventions and events to the region which in turn drives hotel and sales tax to the City.

\$419,000 – Ancillary Services

Revenue from ancillary event support services like event services, utility fees, telecommunication, audio and visual services, and other services to support event operations, are projected to increase by \$419,000, or 2.1%, in FY 2027 from the FY 2026 Adopted Budget. However, revenue from ancillary support services in FY 2027 is a \$1.7 million, or 7.6%, decrease from the FY 2026 year-end projection.

Annual City Payments Supporting the Convention Center

Total funding in the Mayor's FY 2027 Proposed Budget to support the Convention Center is \$16.3 million, a \$66,000 reduction from FY 2026, which does not include capital expenditures from the Measure C Convention Center Fund. However, FY 2027 is the first year that operating support for SDTA marketing and dewatering expenses will be paid from the Measure C Fund, not the TOT Fund. This will be discussed further below in the Measure C section.

City Agencies: Convention Center

OPERATING SUPPORT FROM THE CITY OF SAN DIEGO (\$ IN THOUSANDS)				
	FY 2026 Adopted Budget	FY 2027 Proposed Budget	Change (\$)	Change (%)
TOT Fund				
Annual Debt Payment (1998 Bonds)	12,097.4	12,097.1	(0.3)	0.0%
SDTA Marketing Agreement	2,901.2	-	(2,901.2)	-100.0%
Annual Dewatering Fees	1,249.4	-	(1,249.4)	-100.0%
One-time Convention Center Capital Support	115.5	-	(115.5)	-100.0%
Subtotal	\$16,363.5	\$12,097.1	(\$4,266.4)	-26.1%
Measure C - Convention Center Fund				
SDTA Marketing Agreement	-	3,000.0	3,000.0	-
Annual Dewatering Fees	-	1,200.0	1,200.0	-
Operating Support Subtotal	-	\$4,200.0	\$4,200.0	-
Capital Projects Subtotal	\$21,402.8	\$18,290.0	(\$3,112.8)	-14.5%
TOTAL CITY PAYMENTS	\$37,766.3	\$34,587.1	(\$3,179.2)	-8.4%

Annual Debt Payments (1998)

The City pays annual debt service on the 1998 lease revenue bonds, and subsequent 2012 re-financing, for the initial expansion of the Convention Center. The FY 2027 debt service payment will be about \$12.1 million, a minor change from FY 2026. The bonds will mature after 30 years in FY 2028. This will unencumber about \$12.1 million in FY 2029 from the Special Promotion Programs budget of the TOT Fund that can be recycled back into operating support for SDCCC or redirected into other eligible expenses.

SDTA Marketing Costs

SDCCC's FY 2027 budget, includes \$3.0 million in direct support payment from the City to cover marketing costs that are passed through to the San Diego Tourism Authority (SDTA). The \$3.0 million SDTA marketing costs are being covered by funds in the Measure C Convention Center Fund, not the Special Promotion Programs budget of the TOT Fund. This change frees up funding in the Special Promotion Programs budget to increase reimbursements for General Fund eligible expenditures, most notably Homelessness Services, but it also reduces the Measure C Convention Center Fund balance, which is discussed further below.

Dewatering Costs

The FY 2027 budget includes \$1.2 million in payments to support the pumping and removal of underground water from the facility.

SDCCC Reserves

The Reserve Policy adopted by the SDCCC Board calls for a *minimum* reserve amount of 8.0% of the average audited operating revenue of the previous three fiscal years, and overall reserves *target* equal to 14.0%. 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.”

As of current projections, SDCCC is expecting to end FY 2026 at \$2.9 million in net operating income, but that is before \$3.2 million less in debt payments and \$3.4 million less in capital outlays. This would result in SDCCC's year-end net financial position being *negative* \$3.7 million, meaning the organization will need to tap into reserves. After tapping into reserves, SDCCC projects its FY 2026 Ending Reserve Balance will total \$30.4 million, which is \$27.0 million above the 8.0% reserve *minimum* balance and \$24.4 million above the 14.0% reserve *target*.

For FY 2027, the agency's expenses again outpace its income, so they expect to end the year at an \$8.7 million net operating *loss*. This operating loss is before \$3.2 million less in debt payments and \$4.2 million less in capital

City Agencies: Convention Center

MINIMUM AND TARGET RESERVE POLICY			
<i>(\$ IN THOUSANDS)</i>			
OPERATING RESERVE ACTIVITY	FY 2025 ACTUALS	FY 2026 FORECAST	FY 2027 BUDGET
Beginning Reserve Balance	27,054.3	34,192.6	30,328.2
+ Net Income	17,108.2	2,867.0	(8,667.2)
- Debt Service payments	(3,114.7)	(3,199.8)	(3,240.0)
- Capital Outlay (net of debt)	(6,855.2)	(3,416.2)	(4,235.3)
Ending Reserve Balance	\$34,192.6	\$30,443.7	\$14,185.7
8% Minimum Reserve Policy			
Minimum Reserve Amount ¹	3,374.2	3,445.1	4,005.0
Over / (Under) Minimum Amount	30,818.4	26,998.6	10,180.7
14% Target Reserve Policy			
Target Reserve Amount	5,904.9	6,028.9	7,008.8
Over / (Under) Target Amount	28,287.7	24,414.8	7,176.9

1. SDCCC's minimum reserve policy is 8.0% of the three-year average of audited operating revenue.

outlays. Together, this means that SDCCC's FY 2027 year-end financial position is projected to be *negative* \$16.1 million, meaning the organization will need to significantly tap into reserves. Therefore, the FY 2027 Proposed Budget anticipates the Ending Reserve Balance after tapping into reserves will total \$14.2 million, which is \$10.2 million above the 8.0% reserve *minimum* balance and \$7.2 million above the 14.0% reserve *target*.

SDCCC's FY 2028 budget forecast projects net operating losses after debt and capital outlays, to total \$18.7 million, fully depleting reserves. This is discussed below in Issues for Consideration.

Issues for Consideration

The FY 2027 Proposed Budget for the Convention Center highlights multiple issues related to a structural imbalance in the organization's operating budget, lack of clear ongoing funding for deferred maintenance, and the expenditure strategy for Measure C capital projects. All three issues are closely interconnected, and the Council and Mayor may wish to consider how to weigh these issues against the City's General Fund operating needs, particularly before FY 2028.

FY 2027 Operating Budget Deficit

While FY 2024 and FY 2025 were strong years for the Convention Center, FY 2026 is projected to be a net negative operating income year for the organization due to year-over-year operating expenses rising while revenues decline. This same trend continues into the FY 2027 budget. SDCCC's forecast model shows revenue slightly improving in FY 2028 and FY 2029 but still operating at a net loss.

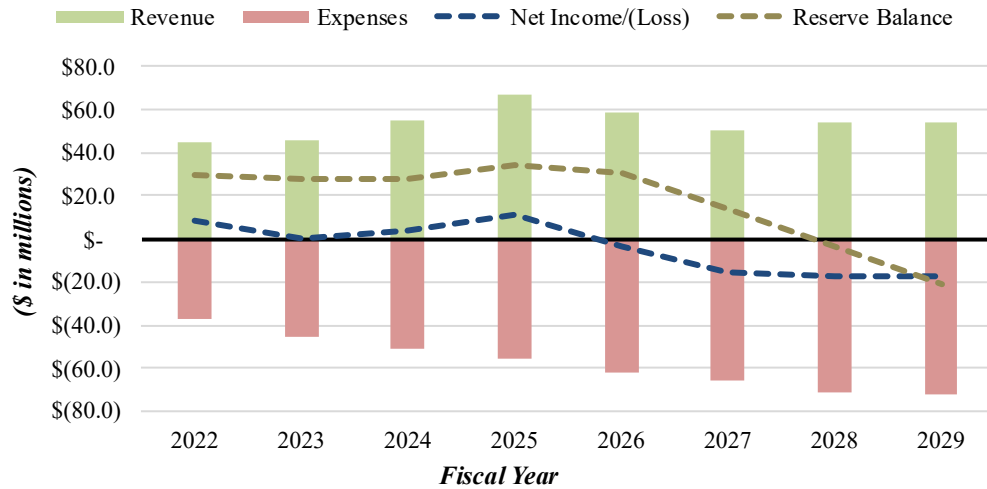
From FY 2024 to the FY 2027 budget, SDCCC's expenses have grown on average by about 9.5% annually, while revenues have fluctuated, growing on average 21.5% in FY 2024 and FY 2025 but later declining on average 13.7% in FY 2026 and FY 2027.

Our Office will monitor SDCCC's FY 2027 operations, but the organization's ability to increase revenue is restricted by the events market and its mission to drive hotel and sales tax.

Alternatively, SDCCC could reduce its discretionary expenses, but the two largest discretionary expenses are personnel and repairs & maintenance. Reductions in either may have operating impacts that could further prevent the organization from staying competitive and booking conventions and events.

City Agencies: Convention Center

Convention Center Incomes & Reserves



The Council may wish to weigh the impacts of the City and/or Port of San Diego providing additional operating support revenue from each government agency’s discretionary budgets or from the Measure C Convention Center Fund, which is discussed below.

Deferred Repairs & Maintenance

The FY 2027 Proposed Budget for SDCCC includes \$22.5 million in capital needs for significant repairs and maintenance that have been deferred to control expenses. Of the \$22.5 million, \$18.3 million is proposed to be funded by Measure C, while the remaining \$4.2 million will be funded by the organization. This represents an \$819,000, or 24.0%, increase from FY 2026.

The table on the next page shows the highest priority capital needs at the Convention Center in order to maintain safety and continuous operations over the next five years.

Capital expenses being incurred by the Convention Center’s income and reserves *could* instead be paid for with Measure C funds which would bolster the organization’s net income and reserves.

However, Measure C funds were intended to first be used for expansion and modernization

of the facility when approved by voters in 2020, but subsequent litigation prevented the revenue from being collected until May 2025 and currently prohibits the City from taking certain actions related to an expansion project until January 1, 2027. Therefore, Measure C revenue is being collected but not fully expended or bonded against.

Measure C (2020) Funding Plan

Measure C prioritizes expenditures in descending order of importance from

1. Expansion and Modernization
2. Operating Costs (debt & reserves)
3. Support Costs (City support)
4. Business Development Costs (credits)

The City’s FY 2027 Measure C Convention Center Fund budget includes \$4.2 million for support costs, previously discussed in the City support section, and \$18.3 million for capital needs, broken down in the table below.

In FY 2027, the City expects the Convention Center portion of Measure C to generate \$45.0 million, a \$2.7 million, or 5.6%, reduction from the FY 2026 year-end projection. Based on current projections, the Measure C Convention Center Fund is expected to end FY 2027 with a \$53.9 million fund balance.

City Agencies: Convention Center

CAPITAL NEEDS OUTLOOK						
<i>(\$ IN THOUSANDS)</i>						
Project	FY 2026	FY 2027	FY 2028	FY 2029	FY 2030	FY 2031
Measure C Funded						
West Roof	7,500.0	-	-	-	-	-
Central Plant	10,103.9	12,000.0	37,020.0	11,004.5	-	-
Electrical Infrastructure	2,523.9	3,065.0	10,415.3	10,300.0	10,300.0	-
West Generator	1,275.0	3,225.0	-	-	-	-
Subtotal - Measure C	\$21,402.8	\$18,290.0	\$47,435.3	\$21,304.5	\$10,300.0	-
Organization Funded						
East Roof	-	-	-	-	6,000.0	-
Fire/Life/Safety	125.0	60.0	400.0	750.0	8,500.0	-
Elevator/Escalator	226.3	1,000.0	-	5,800.0	-	-
Plumbing/Pipe Replacement	483.2	-	-	750.0	-	-
Electrical Infrastructure - Other	506.9	945.0	2,980.0	3,700.0	5,339.8	1,650.0
Building Reconditioning/Other	2,074.8	2,230.3	1,818.0	4,357.1	10,920.3	-
Subtotal - Organization	\$3,416.2	\$4,235.3	\$5,198.0	\$15,357.1	\$30,760.0	\$1,650.0
TOTAL	\$24,819.0	\$22,525.3	\$52,633.3	\$36,661.6	\$41,060.0	\$1,650.0

While the fund balance can be used now, the use of the fund balance should be weighed against the future expansion costs, future ongoing maintenance costs for existing and future assets, and the cost to keep the Convention Center operations competitive.

As previously noted, the City cannot take certain actions related to an expansion project until January 1, 2027. Our Office recommends that SDCCC, the City, the Port of San Diego, and stakeholders work towards a short- and long-term funding strategy that will:

- A. Provide predictability and financial security in the immediate future; and
- B. Deliver reasonable expectations of the scope of a future expansion and modernization plan.

Additionally, our Office would like to note there is a sunset clause in Measure C. If long-term expansion bonds are not issued within ten years after the date of the tax's *imposition*, which would be April 30, 2035, then the additional Measure C tax revenue would cease. While that may seem like a far-off date in the future, bond issuance will likely be a later step of any potential future expansion after preliminary design, discretionary approvals, and construction bidding which could take years.

Sunsetting of Measure C would severely harm the City's ability to fund the Convention Center, homelessness services, and street repairs.

The Convention Center's strong reserves mean that the organization will likely be able to weather FY 2027 without significant operational impact. However, the FY 2027 budget is a forewarning that future fiscal challenges for the Convention Center exist that should be addressed decisively and promptly.