



THE CITY OF SAN DIEGO

MEMORANDUM

DATE: May 21, 2013

TO: Honorable Council President Todd Gloria, Budget Review Committee Chair
and Budget Review Committee Members

FROM: Jeff Sturak, Financial Management Director

SUBJECT: Fiscal Year 2014 Budget Review Committee Referral Response

This memorandum is in response to questions asked at the Review Committee Meeting held on May 9, 2013. The responses are listed by department in the order that they were reviewed by the Committee.

SDCERS

COUNCIL DISTRICT 2

QUESTION:

How was the \$35.0 million amount derived for the Supplemental Cost of Living Adjustment (COLA) reserve? Was there any discussion of another funding source besides the reserve? Was there actuary information provided?

RESPONSE:

SDCERS has no record of an actuarial analysis done at the time the benefit was enacted, nor knows of any information on how the \$35.0 million reserve was arrived at. The Financial Management Department will be compiling the background information on how the reserve amount was determined.

COUNCIL DISTRICT 3

QUESTION:

What is the breakdown of the \$1.6 million in legal fees, including the Purchase of Service Credits (PSC) case? Provide a list of litigation costs by lawsuit?

RESPONSE:

Attachment 1 includes a breakdown of the SDCERS legal budget, which is built upon projections developed by the outside law firms for all matters they are handling.

QUESTION:

What would be the length of the obligation for the Supplemental Cost of Living Adjustment (COLA) if it is funded on an on-going basis?

RESPONSE:

Attachment 2 reflects the historical expenses, as well as the projected pay-go expenses through Fiscal Year 2031.

COUNCIL DISTRICT 8

QUESTION:

In regards to the Substantially Equal case, please provide a cost breakdown. What is the potential cost going forward? What are the impacts if the case is successful?

RESPONSE:

The costs incurred to date are \$3.4 million and are the subject of a records request from the City Attorney's Office that is in the process of being addressed. A provision for prospective costs has been included in the SDCERS Fiscal Year 2014 legal budget. Beyond that, it is impossible to predict future costs of this case; future costs would be zero if the City Council voted to drop the matter.

SUCCESSOR AGENCY/ CIVIC SAN DIEGO

COUNCIL DISTRICT 6

QUESTION:

What is the total cost to build the Bayside Fire Station? How much in excess bond proceeds are available to fund projects?

RESPONSE:

The total cost for the Bayside Fire Station is approximately \$17 million. Since this project was taken off the Recognized Obligation Payment Schedule (ROPS) by the State Department of Finance, Civic San Diego is in the process of determining how much of excess bond proceeds is available to fund this project.

CONVENTION CENTER

COUNCIL DISTRICT 1

QUESTION:

Provide a copy of the recently performed Convention Center Audit.

RESPONSE:

The San Diego Convention Center Corporation will be contacting the City Council Offices to provide a copy of this audit.

COUNCIL DISTRICT 9

QUESTION:

Could the long-term marketing contract be modified?

RESPONSE:

According to the Convention Center Corporation, the Sales & Marketing Services contract with the San Diego Tourism Authority can be modified due to lack of performance. The specific details covering default of contract are addressed in Section 8 of the contract (**Attachment 3**).

DEBT MANAGEMENT

COUNCIL DISTRICT 5

QUESTION:

When will the bond proceeds for the Convention Center Phase III Expansion be available?

RESPONSE:

Pursuant to the Plan of Finance approved by City Council in October of 2012 (Resolution R-307706), implementation of the proposed financing plan is dependent upon two milestones:

- 1) Receipt of a final validation judgment determining that the formation of the Convention Center Facilities District (CCFD) and the special taxes to be levied therein were lawfully authorized and are valid; and
- 2) Final approval of the Convention Center Expansion project by the Coastal Commission of the State of California.

It is possible these milestones will be met by late calendar year 2013. If they are met at such time, implementation of the financing plan, beginning with the issuance of Bond and Revenue Anticipation Notes, could occur in late 2013/early 2014.

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Honorable Council President Todd Gloria, Budget Review Committee Chair and
Budget Review Committee Members
May 21, 2013

Jeff Sturak

JS/mc

Attachments:

1. FY 2014 SDCERS Budget
2. Supplemental COLA Reserve Status at June 30, 2012
3. Sales & Marketing Services Contract – San Diego Convention Center Corporation and San Diego Convention and Visitor's Bureau

cc: Honorable Mayor Bob Filner
Honorable Council Members
Vince Hall, Chief of Staff
Scott Chadwick, Interim Chief Operating Officer
Nelson Hernandez, Assistant Chief Operating Officer
Greg Bych, Interim Chief Financial Officer
Andrea Tevlin, Independent Budget Analyst
Francisco Estrada, Director of Council Affairs
Mark Hovey, San Diego City Employees Retirement System CEO
Mary Lewis, San Diego City Employees Retirement System CFO
Jeff Graham, Civic San Diego President
Andrew Phillips, Civic San Diego Vice President and CFO
Carol Wallace, San Diego Convention Center Corporation President and CEO
Mark Emch, San Diego Convention Center Corporation CFO
Lakshmi Kommi, Debt Management Director
Financial Management Staff



**SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM
STAFF REPORT
FINANCE AND BENEFITS ADMINISTRATION DIVISION**

DATE: March 29, 2013

TO: BUSINESS AND GOVERNANCE COMMITTEE

FROM: Mary Lewis, Chief Financial Officer

SUBJECT: FY 2014 SDCERS Budget

Summary

The SDCERS' FY 2014 proposed budget reflects an important transition year in which SDCERS implements a new pension system and restructures staff to support operations, with continued emphasis on containing costs.

- Administrative expenses in FY 2014 are budgeted at \$15.4 million
 - Up \$0.7 million (4.7%) from the FY 2013 budget
 - Up \$0.8 million (5.4%) from the FY 2013 projection
- Investment Management expenses in FY 2014 are budgeted at \$27.1 million
 - Up \$2.5 million (10.0%) from the FY 2013 budget
 - Up \$1.6 million (6.3%) from the FY 2013 projection
- Total proposed FY 2014 spending is \$42.5 million
 - Up \$3.2 million (8.0%) from the FY 2013 budget
 - Up \$2.4 million (6.0%) from the FY 2013 projection

The \$0.7 million Administrative expense increase over the FY 2013 budget is primarily due to increases in fringe costs, Information Technology pension system support costs, and depreciation expense. These increases are partially offset by a reduction in outside legal fees. The \$0.8 million Administrative expense increase over the FY 2013 projection is due to increases in fringe costs, salary costs, Information Technology pension system support and technical labor, and depreciation, partially offset by reductions in legal fees and actuarial services fees.

FY 2014 Investment Management expenses are projected to increase over the FY 2013 budget and FY 2013 projection primarily due to the increase in equity and fixed income assets under management and two new real estate investments. The FY 2014 basis points for the portfolio are 42 bps compared to the FY 2013 projection of 44 bps. The FY 2014

decrease in basis points incorporates additional allocations to real estate at a higher fee structure, more than offset by a reduction in the fees for private equity.

Below is a summary comparison of the FY 2014 Proposed Budget compared to the FY 2013 Budget and FY 2013 Projection, and a discussion of each category:

(In millions)

Category	FY 2013 Budget	FY 2013 Projection	FY 2014 Budget	Increase/ (Decrease) to FY 2013 Budget	Increase/ (Decrease) to FY 2013 Projection
Administrative Expenses	\$14.7	\$14.6	\$15.4	\$0.7	\$0.8
				4.7%	5.4%
Investment Management Expenses	\$24.6	\$25.5	\$27.1	\$2.5	\$1.6
				10.0%	6.3%
Total	\$39.3	\$40.1	\$42.5	\$3.2	\$2.4
				8.0%	6.0%

Administrative Expenses

1. Salaries and Personnel

The total cost for salaries and benefits is projected to increase \$807,000 (10.7%) from the FY 2013 budget and \$821,000 (10.9%) from FY 2013 projection. Fringe expense accounts for \$624,000 of the increase over the FY 2013 budget and \$545,000 of the increase over the FY 2013 projection. The fringe expense of \$3.5 million is a pass-through cost from the City primarily due to the increase in the City's FY 2014 ARC payment. FY 2014 salaries have increased by \$196,000 (4.5%) over the FY 2013 budget and \$369,000 (8.5%) over the FY 2013 projection.

Discretionary pay adjustments are less than 1% of payroll and account for \$40,000 of the increase in the FY 2014 salary budget over the FY 2013 projection.

The increases to the FY 2014 salary budget over the FY 2013 projection are primarily due to budgeted positions that were vacant or partially vacant in FY 2013. Additionally, staff upgrades and restructuring in Benefits Administration contribute to the FY 2014 budget increase over the FY 2013 projection. The Benefits Administration division is in the midst of a two-year plan to reshape the department in anticipation of retirements and to create the staffing structure to support operations under the new pension system. In addition, there are salary adjustments due to promotions, step increases and expanded responsibilities. The FY 2014 budget for temporary labor has been reduced \$92,000 from the FY 2013 projection as staff vacancies are being filled. Temporary labor was budgeted in FY 2013 primarily to assist with data cleansing and retiree health; however,

experienced provisional staff (retirees who return to work for up to 90 days) were selectively employed and are included in the FY 2013 projection and FY 2014 budget as salary expense.

No provision has been made for a general salary increase and the staff's compensation continues to include the 6% roll back that began in FY 2010. FY 2014 fringe rates may be adjusted by the City in May and any changes if available will be included in the final budget presentation to the SDCERS Board.

The FY 2014 budgeted headcount remains at the FY 2013 budgeted level of 58. One limited (part-time) position was added for IRIS data cleansing activities in FY 2014.

2. Information Technology

The FY 2014 budget for Information Technology increased \$75,000 (3.8%) from the FY 2013 budget, and \$284,000 (16.2%) from the FY 2013 projection. The \$284,000 increase in the FY 2014 budget over the FY 2013 projection is primarily due to increased pension system support contact costs and an increase in technical labor costs. IRIS and Pension Gold maintenance contracts will overlap for six months in FY 2014. Technical labor under contract with SDCERS is \$40,000 below the FY 2013 budget, but \$80,000 higher than the FY 2013 projection.

3. Legal/External

The outside Legal Budget of \$1.6 million is comprised of litigation counsel (\$1.2 million), fiduciary counsel (\$180,000), tax/general counsel (\$175,000), and disability counsel (\$42,000). The FY 2014 budget has been reduced by \$348,000 (-18.1%) from the FY 2013 budget, and \$533,000 (-25.3%) from the FY 2013 projection. The scheduling of the substantially equal (UAL) case and the PSC litigation drive the expected costs in litigation expense. A majority of the work related to the substantially equal case is projected to be completed by the end of FY 2013 while expenses for PSC litigation are expected to be incurred in early FY 2014 and are included in the budget. Outside fiduciary counsel costs are also included in the FY 2014 legal budget. The fiduciary budget is \$180,000, which is \$41,000 less than the FY 2013 projection and assumes that costs will arise from the PEPRRA legislation. The budget for tax/general includes estimates for work related to the tax compliance review and the preparation of Cycle C filings. The FY 2014 budget for disability counsel was decreased from the FY 2013 budget by \$88,000 because staff has experienced a drop in applications that require hearings; this is the second consecutive year of substantial decreases.

4. General Operations

The General Operations budget reflects an overall increase of \$161,000 (5.0%) from the FY 2013 budget, and a \$217,000 increase (6.8%) from the FY 2013 projection. The increase in depreciation expense of \$257,000 over the FY 2013 projection more than explains the overall increase in General Operations; IRIS is scheduled to be placed in

service January 1, 2014, and depreciation expense for six months is included in the FY 2014 budget. Disability processing costs are decreasing by \$46,000 compared to the FY 2013 budget and increasing \$24,000 from the FY 2013 projection due to the number of known cases to be processed in FY 2014.

Investment Management

Investment management fees are budgeted based on assets under management, the projected growth in the investment portfolio, and the investment of assets in the allocations as approved by the SDCERS Board. The annual growth in assets under management is based on SDCERS' actuarial assumed rate of return of 7.5%. The asset growth projection is applied to the current contractual fee schedules of SDCERS' investment managers and is calculated on projected average assets of approximately \$6.2 billion for FY 2014.

Investment management expenses in the FY 2014 Budget are projected to increase by \$1.6 million (6.3%) from the FY 2013 projection. The increases from FY 2013 projection are driven primarily by a \$1.1 million increase in public market equity and fixed income fees associated with the assumed 7.5% growth in assets and the fact that assets grew at a faster than 7.5% pace in FY 2013. Asset growth in FY 2013 is projected to be over 13% and grow 7.5% in FY 2014. Because an average asset value is used to calculate fees, the asset growth in any given year impacts the fee growth in the subsequent year. It is important to note that the relevant indicator is not the absolute changes in fees paid year over year but the *basis point* cost, which is approximately 28 basis points for public markets in both FY 2013 and 2014.

Additionally, real estate fees increase by \$570,000 over the FY 2013 projection. This increase is due to the expected growth in assets, and commitments to fund managers for new investments in FY 2014. Private equity fees are budgeted in FY 2014 \$73,000 below the FY 2013 projection (a 2.7% decline) due to the transition between Series I and Series II. Infrastructure fees remain essentially flat due to the early stages of the program and the budget assumes that no new series will be added in FY 2014. Consulting expenses are \$24,000 lower in the FY 2014 budget compared to the FY 2013 projection as the FY 2013 expenses included a custody search. Custodial banking services are budgeted to increase by \$16,000 due to an enhanced compliance monitoring program implemented by State Street.

The Investments Division, in conjunction with the outside consultant HEK, will conduct an Asset Allocation Study that may result in recommendations to change the asset allocation of the portfolio. No assumptions have been incorporated in the FY 2014 budget for potential investments fee changes associated with future allocation changes, or for new investments not yet discussed by the SDCERS Board.

Capital Spending

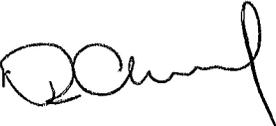
SDCERS' capital spending is projected at \$3.1 million for FY 2014; nearly double the \$1.6 million budgeted in FY 2013, and up \$2.0 million from the FY 2013 projection. The increase is due to the final payments (\$2.9 million) for the IRIS pension administration system replacement project and \$250,000 budgeted for a web and portal redesign and enhancements.

Conclusion

The FY 2014 budget reflects continued cost control over administrative overhead while providing the resources necessary for SDCERS to meet its responsibilities.

Attachments: FY 2014 Expense Budget
FY 2014 Capital Expense Budget

**SAN DIEGO CITY EMPLOYEES' RETIREMENT SYSTEM
MEMORANDUM**

DATE: October 5, 2012
TO: Mark Hovey, CEO
FROM: Rolando Charvel, Controller 
SUBJECT: Supplemental COLA Reserve Status at June 30, 2012

This report provides information on the status and projected life of the Supplemental COLA Reserve (Reserve) as of June 30, 2012 as well as summary information on the recipients of this benefit.

The Supplemental COLA Reserve (Reserve) is a declining reserve account that pays a benefit to older retirees. Established in 1998 with a \$35 million balance, the Supplemental COLA increased the retirement allowance of members who retired prior to July 1, 1982 to an amount equal to 75% purchasing power of their original allowance. The Reserve receives an annual interest credit, when qualifications in San Diego Municipal Code (SDMC) Division 15 are met. When the Reserve is exhausted, this component of the retirement allowance for the qualified retirees shall cease in accordance with SDMC 24.1504(c)(4), unless action is taken under Section 24.1504(d) to increase the Reserve.

Based on current trends, the Reserve has funds to pay benefits approximately through October 2013. The projection is unchanged from last year.

The total FY2012 Supplemental COLA benefits paid, interest credited and the ending Reserve balance at June 30, 2012 is presented in Table 1:

Table 1		Reserve Balance	Amount
Reserve Balance at June 30, 2011			\$ 6,095,662
Less: Total Benefits Paid during FY 2012	(1)		(2,725,113)
Balance at June 30, 2012 before interest			\$ 3,370,549
Add: Interest credited on June 30, 2012 Balance	(2)		-
Reserve Balance at June 30, 2012			\$ 3,370,549
(1) FY11 benefits paid: \$2,892,657			
(2) Earnings in FY2012 are projected to be insufficient to post an interest credit on June 30, 2012 balance			

Supplemental COLA Reserve Status at June 30, 2012

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The breakdown by age of the recipients, their average monthly allowance, and the average monthly Supplemental COLA amount included in the allowance is in Table 2:

Table 2		Recipients by Age		
Age	Number	Average Recipient Monthly Allowance	Average Monthly Supp. COLA included in Allowance	Supp. COLA as a % of Monthly Allowance
90 and Older	172	\$ 1,081	\$ 310	28.7%
80 - 89	242	1,224	306	25.0%
70 - 79	126	1,203	325	27.0%
60 - 69	134	1,435	376	26.2%
50 - 59	9	1,412	220	15.6%
Total	683	1,228	323	26.3%

Table 3 reports the number of recipients and average benefits grouped by retirees and continuances:

Table 3		Recipients by Group		
Group	Number	Average Recipient Monthly Allowance	Average Monthly Supp. COLA included in Allowance	Supp. COLA as a % of Monthly Allowance
Retirees	351	\$ 1,625	\$ 411	25.3%
Continuances	332	809	230	28.5%
Total	683	1,228	323	26.3%

Finally, the monthly allowance range for recipients at June 30, 2012 is in Table 4:

Table 4		Recipients by Monthly Allowance Range		
Monthly Allowance Range	Number	Average Recipient Monthly Allowance	Average Monthly Supp. COLA included in Allowance	Supp. COLA as a % of Monthly Allowance
Less than \$500	121	\$ 345	\$ 81	23.6%
\$500 to \$999	190	756	204	26.9%
\$1,000 to \$1,999	299	1,544	410	26.5%
\$2,000 to \$2,999	56	2,327	594	25.5%
\$3,000 to \$3,999	15	3,502	922	26.3%
\$4,000 to \$4,999	2	4,421	1,317	29.8%
Total	683	1,228	323	26.3%

Supplemental COLA Reserve Status at June 30, 2012

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The number of surviving recipients at June 30 each year for 2008, 2009, 2010, 2011 and 2012, respectively, were 905, 841, 781, 735 and 683.

The projected life of the Reserve has not changed from last year's report. With five years of historical data, Cheiron's projected annual expenses and SDCERS' expense projections have both tracked closely to the annual actual expenses. With only one full year of funding remaining, it is unlikely there will be any significant changes to the projection. The trends in mortality and annual benefits paid have been consistent for the last five years.

As reported last year, a significant factor leading to the early exhaustion of the Reserve is that interest was not credited for three years in 2002, 2003 and 2009 because the criteria under the SDMC were not met. Based on preliminary financial information, interest will not be credited for fiscal year 2012. If interest had been credited these four years, the Reserve balance at June 30, 2013 would be projected at \$11.3 million, \$10.5 million higher than the \$0.8 million balance currently projected through the end of fiscal year 2013. This would have extended the life of the reserve through approximately fiscal year 2019.

Additional historical information is included in the attached two schedules.

Attachments:

- a) Schedule 1 – Summary of Recipients and Benefits Payable by Age
- b) Schedule 2 – Supplemental COLA Reserve History and Projected Expense

cc: Mary Lewis
Cynthia Queen

SDCERS

Schedule 1

Supplemental COLA Recipients

Summary of Recipients and Benefits Payable, by Age, at June 30
Fiscal Years 2008 through 2012

2008	Recipients at 6/30/08			Monthly Supp COLA Benefits at 7/01/08			Average Monthly Per Person	
	Member's Age	Number of Recipients	Percentage of Total Recipients	Cumulative % age bracket and older	Total Monthly Supp COLA Benefit	Total Monthly Pension (including Supp COLA)	Supp COLA as a % of Monthly Pension	Avg Monthly Supp COLA Benefit (Included in Avg Monthly Pension)
90 and older	157	17.3%	17.3%	\$ 38,420	\$ 130,911	29.3%	\$ 245	\$ 834
80-89	380	42.0%	59.3%	119,485	445,922	26.8%	314	1,173
70-79	164	18.1%	77.5%	48,736	186,648	26.1%	297	1,138
60-69	174	19.2%	96.7%	59,397	224,496	26.5%	341	1,290
50-59	30	3.3%	100.0%	8,844	38,093	23.2%	295	1,270
TOTAL	905	100.0%		\$ 274,882	\$ 1,026,070	26.8%	\$ 304	\$ 1,134
Retirees	489	54.0%						
Continuances	416	46.0%						
Total	905	100.0%						

2009	Recipients at 6/30/09			Monthly Supp COLA Benefits at 7/01/09			Average Monthly Per Person	
	Member's Age	Number of Recipients	Percentage of Total Recipients	Cumulative % age bracket and older	Total Monthly Supp COLA Benefit	Total Monthly Pension (including Supp COLA)	Supp COLA as a % of Monthly Pension	Avg Monthly Supp COLA Benefit (Included in Avg Monthly Pension)
90 and older	161	19.1%	19.1%	\$ 43,426	\$ 153,003	28.4%	\$ 270	\$ 950
80-89	341	40.5%	59.7%	107,512	405,867	26.5%	315	1,190
70-79	155	18.4%	78.1%	47,715	178,264	26.8%	308	1,150
60-69	166	19.7%	97.9%	57,114	219,591	26.0%	344	1,323
50-59	18	2.1%	100.0%	5,302	23,857	22.2%	295	1,325
TOTAL	841	100.0%		\$ 261,068	\$ 980,581	26.6%	\$ 310	\$ 1,166
Retirees	451	53.6%						
Continuances	390	46.4%						
Total	841	100.0%						

2010	BY AGE: Recipients at 6/30/10			Monthly Supp COLA Benefits at 7/01/10			Average Monthly Per Person	
	Member's Age	Number of Recipients	Percentage of Total Recipients	Cumulative % age bracket and older	Total Monthly Supp COLA Benefit	Total Monthly Pension (including Supp COLA)	Supp COLA as a % of Monthly Pension	Avg Monthly Supp COLA Benefit (Included in Avg Monthly Pension)
90 and older	159	20.4%	20.4%	\$ 46,096	\$ 159,485	28.9%	\$ 290	\$ 1,003
80-89	304	38.9%	59.3%	96,309	369,726	26.0%	317	1,216
70-79	152	19.5%	78.7%	46,815	172,020	27.2%	308	1,132
60-69	152	19.5%	98.2%	53,896	207,514	26.0%	355	1,365
50-59	14	1.8%	100.0%	3,674	18,201	20.2%	262	1,300
TOTAL	781	100.0%		\$ 246,790	\$ 926,946	26.6%	\$ 316	\$ 1,187
2010	BY TYPE: Recipients at 6/30/10						Average Monthly Per Person	
Retirees	404	51.7%		\$ 163,605	\$ 637,580	25.7%	\$ 405	\$ 1,578
Continuances	377	48.3%		83,185	289,365	28.7%	221	768
Total	781	100.0%		\$ 246,790	\$ 926,946	26.6%	\$ 316	\$ 1,187

2011	BY AGE: Recipients at 6/30/11			Monthly Supp COLA Benefits at 7/01/11			Average Monthly Per Person	
Member's Age	Number of Recipients	Percentage of Total Recipients	Cumulative % age bracket and older	Total Monthly Supp COLA Benefit	Total Monthly Pension (Including Supp COLA)	Supp COLA as a % of Monthly Pension	Avg Monthly Supp COLA Benefit (included in Avg Monthly Pension)	Average Monthly Pension
90 and older	170	23.1%	23.1%	\$ 52,642	\$ 181,704	29.0%	\$ 310	\$ 1,069
80-89	275	37.4%	60.5%	83,437	331,308	25.2%	303	1,205
70-79	134	18.2%	78.8%	40,954	151,168	27.1%	306	1,128
60-69	145	19.7%	98.5%	53,236	202,656	26.3%	367	1,398
50-59	11	1.5%	100.0%	2,591	14,549	17.8%	236	1,323
TOTAL	735	100.0%		\$ 232,860	\$ 881,385	26.4%	\$ 317	\$ 1,199
2011	BY TYPE: Recipients at 6/30/11						Average Monthly Per Person	
Retirees	373	50.7%		\$ 152,073	\$ 597,219	25.5%	\$ 408	\$ 1,601
Continuances	362	49.3%		80,787	284,165	28.4%	223	785
Total	735	100.0%		\$ 232,860	\$ 881,385	26.4%	\$ 317	\$ 1,199

2012	BY AGE: Recipients at 6/30/12			Monthly Supp COLA Benefits at 7/01/12			Average Monthly Per Person	
Member's Age	Number of Recipients	Percentage of Total Recipients	Cumulative % age bracket and older	Total Monthly Supp COLA Benefit	Total Monthly Pension (Including Supp COLA)	Supp COLA as a % of Monthly Pension	Avg Monthly Supp COLA Benefit (included in Avg Monthly Pension)	Average Monthly Pension
90 and older	172	25.2%	25.2%	\$ 53,393	\$ 185,913	28.7%	\$ 310	\$ 1,081
80-89	242	35.4%	60.6%	74,145	296,209	25.0%	306	1,224
70-79	126	18.4%	79.1%	40,896	151,617	27.0%	325	1,203
60-69	134	19.8%	98.7%	50,373	192,352	26.2%	376	1,435
50-59	9	1.3%	100.0%	1,978	12,709	15.6%	220	1,412
TOTAL	683	100.0%		\$ 220,783	\$ 838,799	26.3%	\$ 323	\$ 1,228
2012	BY TYPE: Recipients at 6/30/12						Average Monthly Per Person	
Retirees	351	51.4%		\$ 144,319	\$ 570,253	25.3%	\$ 411	\$ 1,625
Continuances	332	48.6%		76,464	268,546	28.5%	230	809
Total	683	100.0%		\$ 220,783	\$ 838,799	26.3%	\$ 323	\$ 1,228

SDCERS
Supplemental COLA Reserve History and Projected Expense
Since Inception, Fiscal Year 1998
Update as of June 30, 2012

Schedule 2

A. Reserve Balance History Since Inception:

Fiscal Year	Beginning Balance	Add: Interest Credited	N o t e	Deduct: Annual Benefits Paid Out	Ending Balance	Number of recipients at end of year
1998					\$ 35,000,000	<i>not avail.</i>
1999	\$ 35,000,000	\$ 2,800,000		\$ 3,774,856	34,025,144	<i>not avail.</i>
2000	34,025,144	2,722,012		3,627,103	33,120,053	<i>not avail.</i>
2001	33,120,053	2,643,834		4,233,647	31,530,240	<i>not avail.</i>
2002	31,530,240	2,622,990		4,209,121	29,944,109	<i>not avail.</i>
2003	29,944,109	-	(1)	4,218,090	25,726,019	<i>not avail.</i>
2004	25,726,019	-	(2)	3,986,603	21,739,416	<i>not avail.</i>
2005	21,739,416	1,739,153		3,899,449	19,579,120	<i>not avail.</i>
2006	19,579,120	1,566,330		3,733,303	17,412,147	<i>not avail.</i>
2007	17,412,147	1,392,972		3,524,144	15,280,975	964
2008	15,280,975	1,222,478		3,343,674	13,159,779	905
2009	13,159,779	1,052,782		3,227,613	10,984,948	841
2010	10,984,948	-	(3)	3,050,021	7,934,927	781
2011	7,934,927	614,957		2,892,657	5,657,227	735
2012	5,657,227	438,435	(4)	2,725,113	3,370,549	683
Notes:					Beginning Reserve Balance FY 2013 \$	3,370,549

- (1) earnings in FY2002 were insufficient to post an interest credit during FY2003
(2) earnings in FY2003 were insufficient to post an interest credit during FY2004
(3) earnings in FY2009 were insufficient to post an interest credit during FY2010
(4) earnings in FY2012 are projected to be insufficient to post an interest credit during FY2013

B. Projected Future Interest Credits and Benefit Payments (Life of Reserve only):

Fiscal Year	Beginning Balance	Add: Projected Annual Interest (1)		Deduct: Projected Annual Benefits Payable (2)	Ending Balance
2013	\$ 3,370,549	\$ -		\$ 2,588,608	\$ 781,941
2014	781,941	58,646	(3)	840,587	-
Notes:					Projected Depletion of Reserve: October, 2013

- (1) Future interest credits are contingent annually on meeting earnings criteria per SDMC 24.1404(c)(3)
(2) Projected benefits payable for FY 2013 and beyond are based upon annual financial historical trends
(3) Projected benefits payable for FY2014 are projected to be exhausted by October 2013.

C. History of Projected Expense Compared to Actual

Fiscal Year	Projected Expense per Cheiron (1)	Projected Expense per SDCERS (2)		Actual Expense Paid 2008-2012
Actual:				
2008	3,211,947	3,280,889		3,343,674
2009	3,133,334	3,176,666		3,227,613
2010	3,009,008	3,115,581		3,050,021
2011	2,877,052	2,899,832		2,892,657
2012	2,739,573	2,748,856		2,725,113
Total FY 2008-12	\$ 14,970,914	\$ 15,221,824		\$ 15,239,078
Projected Pay-As-You-Go annual expense range:				
2013	2,598,610	2,588,608		
2014	2,456,090	2,458,940		
2015	2,313,786	2,335,768		
2016	2,173,274	2,218,766		
2017	2,035,923	2,107,625		
2018	1,902,892	2,002,050		
2019	1,775,114	1,901,765		
2020	1,653,253	1,806,502		
2021	1,537,695	1,716,012		
2022	1,428,564	1,630,054		
2023	1,325,765	1,548,402		
2024	1,229,050	1,470,840		
2025	1,138,053	1,397,164		
2026	1,052,344	1,327,177		
2027	971,466	1,260,697		
2028	894,970	1,197,547		
2029	822,440	1,137,560		
2030	753,501	1,080,578		
2031	687,831	1,026,450		
Pay-as-You-Go Expense Range through FY 2031	\$ 28,750,621	\$ 32,212,505	(3)	

(1) Cheiron's Projected Actuarial Expense Schedule dated 5/22/2008.

(2) SDCERS Projected Expense is computed by calculating the percentage of benefits paid in the current year as compared to the prior year, averaging this calculation for the five most recent years and applying the percentage to the most recent year's actual benefits paid.

(3) To maintain the existing Supplemental COLA benefit through FY 2031 for only the current surviving recipients, assuming an actuarial rate of 7.5%, the funding requirement to replenish the Reserve is between \$16.6 million and \$18 million if that occurs by 2013. This compares to a PAYGO range of \$28.8 to \$32.2 million to maintain benefits through 2031.

SALES AND MARKETING SERVICES CONTRACT
Between
SAN DIEGO CONVENTION CENTER CORPORATION
And
SAN DIEGO CONVENTION AND VISITORS BUREAU
CONTRACT NO. 12-1765-E

This Sales And Marketing Services Contract (“Contract”) is entered into effective July 1, 2012 by and between SAN DIEGO CONVENTION CENTER CORPORATION (“Corporation”), a California non-profit public benefit corporation with primary offices located at 111 West Harbor Drive, in San Diego City and County, California and SAN DIEGO CONVENTION AND VISITORS BUREAU (“SDCVB”), a private, non-profit, mutual benefit corporation with primary offices at 750 B Street, Suite 1500, in San Diego City and County, California, referred to herein individually as “a party” and collectively as “the Parties”.

RECITALS

WHEREAS, the San Diego Convention Center (“Center”) located at 111 West Harbor Drive, San Diego, California 92101, generates significant economic benefits for the greater San Diego region by hosting international and national conventions and trade shows in a world-class facility; and

WHEREAS, Corporation pursuant to the Third Amended and Restated Management Agreement (“Agreement”) with the City of San Diego (“City”) manages, markets and operates the Center; and

WHEREAS, San Diego City Council resolution R-307350 dated April 5, 2012 authorizes a First Addendum to said Agreement permitting Corporation to assign certain sales, marketing and promotion obligations under the Agreement to a third party, with the City’s approval through its Mayor and City Council, for events that are booked at the Center more than eighteen (18) months in advance, including booking, allocating meeting space, and pricing such events (“Services”); and

WHEREAS, SDCVB also generates significant economic benefits for the greater San Diego region and is in the business to promote and market San Diego County as a vacation destination and convention site for the benefit of business and the local community and desires to contract with Corporation to perform said services; and

WHEREAS, Corporation and SCVCB desire to unify long term sales and marketing of the Center related to long term events to provide a unified presence in the marketplace and maximize the economic impact of events hosted in the Center; and

WHEREAS, Corporation has elected and SDCVB has agreed as set forth herein to provide said services;

NOW, THEREFORE, in consideration of the mutual covenants and conditions herein, the

Parties agree as follows:

SECTION 1: CONTRACT DOCUMENTS

1.1 The contract documents consist of this Contract and two (2) exhibits:

Exhibit A: Facility Rental & Contracting Guidelines

Exhibit B: Booking Guidelines

These exhibits (the "Exhibits") are attached hereto and incorporated by reference herein as if fully set forth, including any amendments that may be made to the Exhibits from time to time. The Exhibits set forth the requirements and guidelines of the Services and other programs to be undertaken by SDCVB in furtherance of the objectives set forth in this Contract.

1.2 This Contract replaces and supersedes all prior contracts, amendments and Administrative or Operating Memoranda by and between the Parties on the subject matter herein. However, this Contract is subject to the Agreement between Corporation and City for management of the Center including all Addendums thereto, and the 1998 Convention Center Management Agreement between City and the San Diego Unified Port District (the "Port/City Agreement"). To the extent this Contract conflicts with the Agreement or the Port/City Agreement, the terms of the Agreement and the Port/City Agreement control.

SECTION 2: SCOPE OF WORK

2.1 During the Initial Term of this Agreement, and during any Extension Term, SDCVB agrees to provide the following services ("the Services") to the Corporation specific to the long term sales and marketing of the Center:

a. Develop and implement a comprehensive long term sales and marketing plan to promote market, advertise, and publicize the Center to conventions, trade shows, conferences and other events that will seek to maximize hotel room night generation from the destination, produce economic benefit to the region, and maximize operating revenue for the Convention Center.

b. Annually present for approval (which shall not be unreasonably withheld) by the Corporation's Sales and Marketing Committee, a sales and marketing plan for long term sales of the Center which includes corresponding budget and detail on the complete range of marketing disciplines to be utilized including print, digital, sales trips, FAMS (familiarization trips), and trade show attendance.

c. Provide long term sales and marketing services to Corporation in accordance with the annual plan as approved by the Corporation's Sales and Marketing Committee, including compliance with the production goals set forth in the Booking Guidelines attached as Exhibit B.

SECTION 3: COMPENSATION

3.1 For Fiscal Year 2013, Corporation shall pay to SDCVB for the performance of those services by SDCVB described in this Contract the total amount of One Million Nine Hundred Thousand Dollars \$1,900,000.00 annually, payable in equal monthly amounts of One Hundred Fifty-Eight Thousand Three Hundred Thirty-Three Dollars (\$158,333) within five (5) days of submittal of monthly invoices.

3.2 Compensation for each subsequent year of the initial term shall be determined through an annual negotiation between Corporation's Sales/Marketing committee and SDCVB, which shall be submitted to the Corporation's board for approval at the time of or before approval of the Corporation's budget for the next fiscal year. In the event the Parties fail to reach agreement by that time, the Parties may proceed under the Alternative Dispute Resolution procedures set forth in Section 8.6 hereof.

3.3 Unless otherwise agreed between the Parties, SDCVB shall submit to Corporation an invoice on the first day of each month for One Hundred Fifty-Eight Thousand Three Hundred Thirty-Three Dollars (\$158, 333), payable within five days of receipt as set forth above.

SECTION 4: TERM; OPTION TO EXTEND

4.1 This Contract shall be in effect for an initial term of four (4) years ("Initial Term") commencing on July 1, 2012 and terminating on June 30, 2016, unless sooner terminated as provided herein.

4.2 Following the Initial Term, Corporation may extend the term for successive (2) year terms ("Extension Term") by giving ninety (90) days written notice to SDCVB. Beginning with the first Extension Term (fifth year of the Contract beginning July 1, 2017) Corporation's annual decision to extend the Initial Term for each successive two year term will take into consideration, among other factors, SDCVB's fulfillment of the production goals set forth in the Booking Guidelines attached as Exhibit B, and conditional upon agreement by the Parties on the compensation to be paid for the Extension Term.

SECTION 5: REPORTING REQUIREMENTS; OBLIGATIONS

5.1 SDCVB shall provide to Corporation, in a form suitable for presentation, written status reports on the programs and activities funded pursuant to this Contract. These reporting requirements shall include but are not limited to monthly activity reports on sales and bookings, quarterly reports with a presentation to the Corporation's Board, and semiannual reports to the Economic Development and Strategies Committee of the San Diego City Council and the full San Diego City Council. The Corporation shall approve the timing, form and content of such status and outcome reports, which shall include the extent to which SDCVB's performance of Services pursuant to this Contract is contributing to the fulfillment of the objectives of this Contract, including the production goals set forth in the Booking Guidelines attached as Exhibit B.

5.2 Business and Financial Records; Inspection. SDCVB shall maintain accurate financial books and business records consisting of all records related to the Services provided pursuant to this Contract ("Books and Records"). Said Books and Records shall be maintained in accordance with

generally accepted accounting principles, and shall include, but not be limited to: contracts with approved subcontractors, agreements with licensees; invoices, memoranda, correspondence, any and all other information on business transactions directly or indirectly pertaining to the Services provided for in this Contract.

SDCVB shall preserve the Books and Records for this Contract and all prior contracts between the Parties (if any), throughout the term of this Contract and for an additional four (4) years following termination of the Contract. SDCVB shall make the Books and Records available for audit and examination by Corporation.

During the term of this Contract, and for an additional four years following termination of the Contract, SDCVB shall allow Corporation or its auditors, at all reasonable times, to inspect and copy said Books and Records.

5.3 SDCVB agrees to be bound by the City of San Diego Equal Employment Opportunity Ordinance (Municipal Code Chapter 2, Article 2, Division 27). Said ordinance specifies the provisions of the City of San Diego Equal Employment Opportunity Program, which is administered under this Contract by Corporation.

5.4 SDCVB shall comply with all California State and Federal Wage and Hour laws and all California and Federal laws and regulations governing employment and conditions of employment. SDCVB shall comply with the Workers' Compensation Act of the State of California and any amendments thereto that are applicable.

5.5 SDCVB shall assume full responsibility for the actions of all SDCVB personnel performing Services pursuant to this Contract, and shall be solely responsible for their supervision, direction and control, and for payment of salaries (including withholding and payment of personal income taxes, unemployment insurance, disability insurance and Social Security) as required by applicable federal, state and local laws. Personnel supplied by SDCVB to perform any Services pursuant to this Contract shall be deemed to be employees of SDCVB and shall not, for any purpose, be considered employees or agents of Corporation.

5.6 SDCVB shall advise all employees performing services pursuant to this Contract of the City of San Diego's DRUG FREE WORKPLACE POLICY (City Council Policy #100-17) which states: The unlawful manufacture, distribution, dispensing, possession, or use of a controlled substance is prohibited at the San Diego Convention Center. Employees of SDCVB must agree to the terms of this policy as a condition of employment and be advised that violations of this policy shall result in appropriate disciplinary action up to and including termination, and that if an employee is convicted of a violation of a criminal drug statute, occurring in the workplace, said employee is required to notify his or her supervisor of this in writing no later than five (5) calendar days after such conviction.

5.7 SDCVB shall comply with the City of San Diego Living Wage Ordinance (San Diego Municipal Code Section Chapter 2, Article 2, Division 42).

5.8 SDCVB shall comply with the City of San Diego Equal Benefits Ordinance (San Diego

Municipal Code Section Chapter 2, Article 2, Division 43). In accordance with the Equal Benefits Ordinance, SDCVB must certify that it will provide and maintain equal benefits to its employees with spouses and its employees with domestic partners for the duration of this Contract, and notify employees at the time of hire and during open enrollment. Failure to maintain equal benefits is a material breach of this Contract.

5.9 SDCVB and its employees, agents and representatives shall comply with all applicable federal, state and local laws in the performance of this Contract.

5.10 Conflict of Interest. SDCVB shall familiarize its employees with the provisions of Title 2, California Code of Regulations, Section 18730 and the Corporation's Policy & Procedures related to gifts and gratuities, including but not limited to Corporation Policy #401 (Code of Ethics and Conduct), Corporation Policy #404 (Conflicts of Interest), and Corporation Policy #406 (Improper Payments). Accordingly, SDCVB, its employees and agents shall not offer or provide any employee of the Corporation any gift, gratuity, favor, meal, entertainment, loan or other item of monetary value.

5.11 Booking Guidelines. SDCVB and its employees, agents and representatives shall follow the Booking Guidelines and the Facility Rental and Contracting Guidelines, set forth in Exhibits A and B. In addition, SDCVB shall meet the production goals set forth in the Booking Guidelines.

5.12 Media Inquiries. SDCVB or the Corporation will be the primary contact responsible for media requests and general communication for events booked by their respective Sales Teams. The Corporation will handle all media inquiries specific to operations of the Center.

SECTION 6: COOPERATION; ACCESS TO DATA; DISPUTE RESOLUTION

6.1 Mutual Cooperation. Each of the Parties agrees to fully cooperate in good faith with the other in connection with the services provided under this Contract and matters related to or arising hereunder, including without limitation, SDCVB's cooperation with Corporation to enable Corporation to analyze and utilize data which may be collected as a result of activities performed under this Contract.

6.2 Records Access. SDCVB shall provide Corporation with data and records related to the provision of services under this Contract which are necessary for compliance with City audits.

6.3 Negotiation of Disputes. The Parties will attempt in good faith to resolve any controversy or claim arising out of or relating to this Contract by prompt negotiation as follows: Either party may initiate negotiations by written request to the other party setting forth the particulars of the dispute, the terms of the Contract involved in the dispute, and a suggested resolution. The Parties shall meet within twenty (20) days of receipt of the referral of the dispute and shall meet as often as they deem necessary to exchange relevant information and resolve the dispute.

6.4 Continued Performance During Dispute Resolution. Unless this Contract is terminated pursuant to Section 8, and as long as Corporation is complying with all terms of this agreement, including but not limited to, making all payments invoiced for Services, SDCVB shall not cease performance of this Contract during the resolution of any dispute and shall continue to perform in accordance with the terms

of the Contract. All other provisions of the Contract shall remain in full force and effect during the dispute resolution process.

SECTION 7: PROPERTY RIGHTS AND OWNERSHIP

7.1 All deliverables and work product of SDCVB (and their respective subcontractors) of every type and form purchased or produced under this Contract and, all equipment, hardware, software, or programs, for which the Corporation has paid pursuant to said Contract or otherwise; including but not limited to web sites, domain names, other electronic files, intellectual property, writings, art work, advertising; layouts, brochures, photographs, films, slogans, logos, production (including but not limited to radio and/or television commercials), collateral materials, jingles, announcements, statements, and speeches, shall be the sole property of Corporation, free of any right, title or interest of any kind in SDCVB and its respective subcontractors, and SDCVB shall transmit the same, and any rights associated therewith, to Corporation at the conclusion or termination of this Contract, or upon Corporation's request prior thereto.

7.2 Notwithstanding the foregoing, SDCVB shall have a non-exclusive license for the duration of this Contract to use any of the intellectual property, writings, art work, advertising, layouts, brochures, photographs, films, slogans, logos, production (including but not limited to radio and/or television commercials), collateral materials, jingles, announcements, statements, and speeches, referred to above.

SECTION 8: TERMINATION: DEFAULT

8.1 Termination by Expiration. This Contract shall terminate upon expiration of its Term or Extended Term, unless extended in writing by mutual agreement of the Parties pursuant to Section 4 of this Contract, or unless sooner terminated pursuant to the provisions of this Section.

8.2 The occurrence of any of the following events shall be an Event of Default under this Contract:

a. SDCVB shall file a voluntary petition in bankruptcy or proceedings in bankruptcy shall be instituted against it and shall not be dismissed within 120 days after filing, or any court shall take jurisdiction of SDCVB and its assets, pursuant to proceedings brought under the provisions of any federal reorganization act, or a receiver of SDCVB's assets shall be appointed, or an assignment shall be made for benefit of creditors, or SDCVB shall permanently be prevented by a final action of any federal or state from conducting or operating its business;

b. SDCVB or the Corporation shall fail to perform, keep or observe any term, covenant, or condition herein contained which, because of its character, would jeopardize Corporation's or SDCVB's interest and such failure shall continue for a period of thirty (30) days after SDCVB's or Corporation's receipt of written notice from Corporation or SDCVB specifying such failure;

c. SDCVB or Corporation shall fail to perform, keep or observe any other term,

covenant, or condition herein contained, and such failure shall continue for a period of thirty (30) days after SDCVB's or Corporation's receipt of written notice from Corporation specifying such failure;

d. SDCVB abandons in whole or in part its services provided for by this Contract or becomes unable to perform its services under this Contract and such abandonment or inability continues for a period of thirty (30) days after SDCVB's receipt of written notice from Corporation specifying such abandonment or inability; or

e. Any other event expressly identified as a default or breach or a ground for termination under this Contract shall occur and SDCVB or Corporation shall not cure such occurrence within thirty (30) days after receipt of written notice from Corporation or SDCVB specifying such occurrence.

8.3 Termination for Cause. In the event SDCVB commits and fails to cure a material breach of this Contract, as set forth in Section 8.2 above, Corporation may immediately and without further notice terminate this Contract for cause effective on the date set forth in the Notice of Default or Notice of Termination or proceed under the Alternative Dispute Resolution procedures set forth in Section 8.6 hereof.

8.4 Rights and Obligations upon Termination. On the effective date of termination of this Contract, SDCVB shall immediately cease operations and Services hereunder, and surrender to Corporation all real and intellectual property belonging to it. All documents and records maintained by SDCVB pursuant to or in connection with its performance of this Contract shall be promptly delivered to Corporation for copying, but in no event later the effective date of termination. Corporation shall pay SDCVB any sums owing to SDCVB pursuant to this Contract on or before the effective date of termination.

8.5 No Waiver of Breach or Default. Failure of either party to strictly and promptly enforce any of its rights to declare a default, require cure of default, and/or terminate this Contract shall not operate as a waiver of the default, breach, or Corporation's rights, or to defeat or affect in any way the rights of either party with respect of any such continuing or subsequent default or breach. No waiver shall be inferred from or implied by anything done or omitted by either party, except an express written waiver. All rights and remedies of either party with respect to default and breach shall be cumulative and not alternative. Each party expressly reserves the right to enforce any and all rights it has herein at any such time as the party, in its sole discretion, deems appropriate.

8.6 Alternative Dispute Resolution. If a dispute arises out of, or relates to the Agreement, or the breach thereof, and if said dispute cannot be settled through negotiations, the Parties agree to first endeavor to settle the dispute in good faith, using mandatory non-binding mediation administered by a neutral professional mediator affiliated with and under the rules of the National Dispute Resolution Center ("NDRC") or JAMS, before having recourse in a court of law.

a. Any such mediation shall be held in San Diego, California. The Parties agree to

select a mediator from NDRC's or JAM's panel of approved neutrals.

b. The expenses of witnesses for either side shall be paid by the Party producing such witnesses. All other expenses of the mediation, including required traveling and expenses of the mediator, and the cost of any proofs or expert advice produced at the direct request of the mediator, shall be borne equally by the Parties, unless they agree otherwise.

c. Any agreements resulting from mediation shall be documented, in writing. All mediation results and documentation, by themselves, shall be "non-binding" and inadmissible for any purpose in any legal proceeding, unless such admission is otherwise agreed upon, in writing, by both Parties. Mediators shall not be subject to any subpoena or liability and their actions shall not be subject to discovery.

d. In the event that a dispute cannot be resolved in the manner described above, the Parties agree to waive any and all rights to jury trial.

SECTION 9: NON-DISCRIMINATION

9.1 SDCVB shall not, in connection with the performance of work under this Contract, discriminate against any employee or applicant for employment because of race, color, religion, creed, national origin, ancestry, age, sexual orientation, handicap, or disability.

9.2 SDCVB shall not, in connection with the performance of work under this Contract, discriminate because of race, color, religion, creed, national origin, ancestry, age, sex, sexual orientation, handicap, or disability against any licensee, applicant for a license, invitee, patron, or any other person attending, employed in, or participating in any event or activity at the Center. SDCVB shall ensure that all employees, including supervisory employees, assigned on either a permanent or part-time basis to provide services under this Contract shall have been instructed, prior to such assignment, regarding laws and regulations against harassment and other forms of discrimination based on sex, race, color, religion, creed, national origin, age, disability, and sexual orientation.

9.3 SDCVB shall ensure that its employees performing services pursuant to this Contract are familiar with Corporation Policy # 503 regarding Harassment, and do not engage in any form of behavior which would contribute to a hostile work environment for employees of Corporation, or other contractors of Corporation and, upon being made aware of any such behavior through notice from the Corporation or otherwise, shall take-prompt and effective corrective action.

9.4 SDCVB shall indemnify and hold harmless Corporation, its Board, officers, representatives, contractors, agents and employees, in both individual and official capacities, against all suits, claims, damages, losses and expenses including but not limited to reasonable attorney's fees, arising out of any failure by SDCVB, its officers, representatives, contractors, agents or employees to comply with the terms of this Section.

SECTION 10: INDEMNIFICATION

10.1 SDCVB, at its expense, shall indemnify and hold harmless Corporation, City of San Diego, San Diego Port District and their respective members, officers, directors, agents and employees, from all suits, claims, damages, losses and expenses, including reasonable attorneys' fees, arising out of performance of this Contract and caused or claimed to be caused by SDCVB, its employees, agents, or officers, or anyone engaged by SDCVB in the performance of this Contract. To the extent the foregoing applies, claims arising from, connected with, caused by, or claimed to be caused by the active or passive negligent acts or omissions of Corporation, City of San Diego, or San Diego Port District, and their respective agents, officers, or employees, in combination with the active or passive negligent acts or omissions of SDCVB, its employees, agents, or officers are covered. SDCVB's duty to defend, indemnify, and hold harmless shall not include any claims or liabilities arising from the sole negligence or sole willful misconduct of Corporation, City of San Diego, or San Diego Port District, their agents, officers, or employees. Corporation shall give SDCVB prompt notice of any claim, threatened or made, or suit instituted against it, which could result in a claim for indemnification hereunder, provided, however, that lack of such notice shall not necessarily be a waiver of SDCVB's indemnification of Corporation. The obligations herein shall not be construed to negate or abridge any other obligation of indemnification running to Corporation, which would otherwise exist.

10.2 Corporation, at its expense, shall indemnify and hold harmless SDCVB, its Board, officers and employees, from all suits, claims, damages, losses and expenses, including reasonable attorneys' fees, arising out of the Services performed or actions taken by Corporation, its employees, agents, or officers in connection with short term sales and marketing of the Center. SDCVB shall give Corporation prompt notice of any claim, threatened or made, or suit instituted against it, which could result in a claim for indemnification hereunder, provided, however, that lack of such notice shall not necessarily be a waiver of Corporation's indemnification of SDCVB. The obligations herein shall not be construed to negate or abridge any other obligation of indemnification running to SDCVB, which would otherwise exist.

SECTION 11: GENERAL PROVISIONS

11.1 SDCVB is and shall remain an independent Contractor. Neither SDCVB nor its agents or employees shall act as officers, agents, or employees of Corporation. SDCVB has no authority to assume or create any commitment or obligation on behalf of Corporation, or to bind Corporation in any manner, except as otherwise set forth herein.

11.2 Force Majeure. The obligation of any party to perform any acts herein shall be suspended during the period such performance is prevented by acts of God; war; riot; invasion; fire; accident; strike or walkout; government interference, regulation, appropriation, or rationing; or by inability to secure goods because of the foregoing conditions. The obligation to perform shall resume immediately upon cessation of the force majeure condition(s).

11.3 Notices. Any notice required by this Contract shall be deemed to have been sufficiently communicated when (1) personally delivered or (2) on the second (2nd) business day after mailing by overnight delivery, postage prepaid:

to Corporation addressed:

President and Chief Executive Officer
San Diego Convention Center Corporation
111 West Harbor Drive
San Diego, California 92101

with copies to:

General Counsel
San Diego Convention Center Corporation
111 West Harbor Drive
San Diego, California 92101

or to SDCVB addressed:

President and Chief Executive Officer
San Diego Convention and Visitors Bureau
750 B Street, Suite 1500
San Diego City, California 92101

In the event that notice is provided by either party under Section 8 (Termination: Default) of this Contract, such notice shall also be provided to the City of San Diego addressed to and with a copy as follows:

Chief Operating Officer
The City of San Diego
202 C Street, 11th Floor
San Diego, California 92101

City Attorney
The City of San Diego
1200 Third Avenue, Suite 1620
San Diego, California 92101

11.4 Subordination. This Contract and the obligations of Corporation herein shall be subordinate to any ground and premises leases, and to obligations (including deeds of trusts, mortgages, bonds, and all instruments supplemental thereto), and all renewals, modifications, consolidations, replacements and extensions thereof, created or given by Corporation with respect to the Center. SDCVB hereby covenants and agrees that it will at any time required by Corporation, during the term hereof and any extension or renewal, give and execute all further assurances as may be reasonably required to evidence and effectuate this subordination provision, to the holder or holders of any such leases or obligations.

11.5 Binding on Successors and Assigns. The provisions of this Contract shall be binding upon and shall inure to the benefit of the Parties and each of their respective successors and assigns, subject to the limitations on assignment and subcontracting set forth herein below.

11.6 Assignment and Subcontracting. SDCVB shall not assign or transfer any interest in this Contract, whether by assignment or novation, without the prior written consent of Corporation and the prior written consent of the City of San Diego, through its Mayor and City Council.

11.7 Modifications and Amendments. No amendment or modification of this Contract shall be valid or binding unless made in writing and signed on behalf of each party by a duly authorized representative.

11.8 Singular, Plural, and Gender. As used herein, the singular shall include the plural and the

masculine shall include the feminine or neuter.

11.9 Headings. All section and paragraph headings are for reference and convenience only and do not alter, amend, explain, interpret or otherwise affect the terms and conditions of this Contract.

11.10 Applicable Law, Jurisdiction and Venue. This Contract is made and entered into in the State of California and its interpretation and enforcement and the construction of its terms shall be governed by California law. Jurisdiction and venue for any dispute resolution proceeding hereunder shall be in the appropriate state or federal court located in San Diego County, California.

11.11 Entire Agreement. This Contract represents the sole and entire agreement between Corporation and SDCVB, and supersedes all prior negotiations, representations, agreements, arrangements or understandings, either oral or written, between or among the parties hereto, relating to the subject matter of this Contract, except to the extent that it is subject to the Agreement between Corporation and City and the Port/City Agreement.

11.12 Partial Invalidity. If any term or provision of this Contract is held by a court of competent jurisdiction to be invalid, void or unenforceable, the remainder of the provisions of this Contract shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

IN WITNESS WHEREOF, the Parties have duly executed duplicate originals of this Contract on the date set forth on the first page hereof.

San Diego Convention Center Corporation

San Diego Convention & Visitor Bureau

By: Carol Wallace
Carol Wallace

By: Joe Terzi
Joe Terzi

Its: President & CEO

Its: President & CEO

Date: Aug 7, 2012

Date: 7/18/12

Approved as to form and legality:

General Counsel
San Diego Convention Center Corporation