

**SAN DIEGO CONVENTION CENTER  
CORPORATION**

(A Component Unit of the City of San Diego, California)

Independent Auditor's Report and  
Basic Financial Statements

As of and for the Year Ended June 30, 2024



Certified  
Public  
Accountants

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Independent Auditor's Report and Basic Financial Statements  
As of and for the Year Ended June 30, 2024

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## **Independent Auditor's Report**

To the Board of Directors San Diego Convention Center Corporation  
City of San Diego, California

### **Report on the Audit of the Financial Statements**

#### ***Opinion***

We have audited the financial statements of the San Diego Convention Center Corporation (SDCCC), a component unit of the City of San Diego, California (the City), as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise the SDCCC's basic financial statements as listed in the table of contents.

In our opinion, the accompanying financial statements referred to above present fairly, in all material respects, the financial position of the SDCCC as of June 30, 2024, and the changes in financial position and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

#### ***Basis for Opinion***

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS) and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States (*Government Auditing Standards*). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SDCCC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### ***Responsibilities of Management for the Financial Statements***

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SDCCC's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

### ***Auditor's Responsibilities for the Audit of the Financial Statements***

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS and *Government Auditing Standards*, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SDCCC's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SDCCC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

### ***Required Supplementary Information***

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis, as listed in the table of contents, be presented to supplement the basic financial statements. Such information is the responsibility of management and, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with GAAS, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated October 30, 2024, on our consideration of SDCCC's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is solely to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the effectiveness of SDCCC's internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering SDCCC's internal control over financial reporting and compliance.

A handwritten signature in black ink that reads "Macias Gini & O'Connell LLP". The signature is written in a cursive, flowing style.

San Diego, California  
October 30, 2024

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## **MANAGEMENT'S DISCUSSION AND ANALYSIS**

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Management's Discussion and Analysis  
For the Year Ended June 30, 2024  
(Unaudited)

As management of the San Diego Convention Center Corporation ("SDCCC"), we offer readers of SDCCC's financial statements this narrative overview and analysis of the financial activities of SDCCC for the year ended June 30, 2024. We encourage readers to consider the information presented here in conjunction with the basic financial statements and the accompanying notes to those statements appearing in this report.

**Overview of the Financial Statements**

This discussion and analysis is to serve as the introduction to SDCCC's basic financial statements. We report our financial information using accounting methods similar to those used by private-sector companies. These statements offer short-term and long-term financial information about its activities.

The Statement of Net Position presents information on all SDCCC's assets and liabilities as of June 30, 2024. The difference between assets and liabilities is reported as net position. Over time, increases and decreases in net position may serve as a useful indicator of whether the financial position of SDCCC is improving or deteriorating.

The Statement of Revenues, Expenses and Change in Net Position presents information showing changes in SDCCC's net position during the most recent fiscal year. All changes in net position are reported when the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g., earned but unused paid time off).

The Statement of Cash Flows presents information showing cash receipts and cash payments during the fiscal year, a reconciliation of operating income to net cash provided by operating activities, investing activities, and financing activities.

**Highlights to Financial Results**

SDCCC's core business has returned to pre-pandemic revenue levels as of June 30, 2024, along with a focus on re-building staffing levels to support activity. Additionally, SDCCC has been building an engineering department, including long-term capital planning in coordination with the City of San Diego (City) team, to ensure the building maintains the necessary infrastructure and functionality to continue to welcome guests to the destination, generating tax revenue and economic impact for the region.



**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2024  
(Unaudited)

**Management Financial Statement Analysis**

The following is a summary of SDCCC's assets, liabilities and net position as of June 30, 2024 and 2023:

	June 30, 2024	June 30, 2023	Percentage Increase (Decrease)
<b>Assets</b>			
Cash and cash equivalents	\$ 7,963,046	\$ 10,455,325	-24%
Restricted cash	2,120,790	1,770,790	20%
Investments	25,169,159	22,745,894	11%
Accounts receivable, net	8,525,419	6,316,905	35%
Prepaid expenses	1,320,145	1,147,357	15%
Deposits with others	143,177	135,504	6%
Inventory	48,891	53,081	-8%
Note receivable	-	374,556	-100%
Capital assets, net	36,336,607	33,488,593	9%
Total assets	<u>81,627,234</u>	<u>76,488,005</u>	7%
<b>Liabilities</b>			
Accounts payable	1,016,166	1,184,431	-14%
Accrued liabilities	1,719,232	1,046,930	64%
Accrued workers' compensation claims liability	1,250,636	873,815	43%
Accrued I-Bank interest and loan administrative fee	381,929	396,855	-4%
Retention payable	146,860	22,473	553%
Unearned income	8,126,715	7,334,168	11%
Compensated employee absences	1,673,920	1,479,898	13%
Long-term liabilities	22,021,494	23,406,337	-6%
Total liabilities	<u>36,336,952</u>	<u>35,744,907</u>	2%
<b>Net position</b>			
Net investment in capital assets	15,812,960	11,580,103	37%
Restricted*	2,120,790	1,770,790	20%
Unrestricted	27,356,532	27,392,205	0%
Total net position	<u>\$ 45,290,282</u>	<u>\$ 40,743,098</u>	11%

\* \$1.8 million of net position for 2023 was reclassified to restricted to reflect amounts held as collateral for workers' compensation insurance.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2024  
(Unaudited)

Assets

Total assets for fiscal year 2024 increased by \$5.1 million, or 7%, reaching \$81.6 million from \$76.5 million in fiscal year 2023, driven by an increase of \$2.8 million, or 9%, in net capital assets largely due to higher investments in capital assets. When combined, cash and cash equivalents and investments saw a modest decrease of \$0.1 million, or 0.2%, totaling \$33.1 million. Restricted cash increased \$0.4 million, or 20%, to \$2.1 million due to increase in required collateral for workers' compensation insurance. Accounts receivable, net, increased by \$2.2 million, or 35%, due to higher event activity of enhanced quality which drove revenue growth from April through June 2024.

Liabilities

Total liabilities for fiscal year 2024 increased by \$0.6 million, or 2%, to \$36.3 million as compared to \$35.7 million from fiscal year 2023 with offsetting category fluctuations. Unearned income increased by \$0.8 million, or 11%, while long-term debt decreased by \$1.4 million, or 6%, due to principal payments. Accrued liabilities increased by \$0.7 million, or 64%, mainly due to contract services incurred in June 2024 which were paid in July 2024. Accrued workers' compensation increased by \$0.4 million, or 43%, due to increase in workers' compensation claims and reserves.

Net Position

Total net position for fiscal year 2024 increased by \$4.5 million or 11% to \$45.3 million. Net investment in capital assets increased by \$4.2 million, or 37%. Restricted net position increased \$0.4 million, or 20%, due to increase in required collateral for workers' compensation insurance.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2024  
(Unaudited)

The following is a summary of SDCCC's changes in net position for the years ended June 30, 2024 and 2023:

	Period ended June 30, 2024	Period ended June 30, 2023	Percentage Increase (Decrease)
<b>Operating revenues</b>			
Rental	\$ 8,712,894	\$ 9,936,614	-12%
Food and beverage	14,178,694	12,782,573	11%
Ancillary services***	22,710,339	19,000,433	20%
Sponsorship***	312,500	305,502	2%
Other revenue	31,812	4,599	592%
Total operating revenues	<u>45,946,239</u>	<u>42,029,721</u>	9%
<b>Operating expenses</b>			
Salaries and wages	23,241,273	20,374,538	14%
Fringe benefits	6,356,633	4,897,999	30%
Utilities	6,423,892	5,934,973	8%
Services and supplies	7,825,113	7,949,661	-2%
Depreciation & amortization	3,336,330	2,921,622	14%
Marketing contract	2,729,500	2,655,000	3%
Total operating expenses	<u>49,912,741</u>	<u>44,733,793</u>	12%
<b>Operating income (loss)</b>	<u>(3,966,502)</u>	<u>(2,704,072)</u>	-47%
<b>Non-operating revenues (expenses)</b>			
Contributions - City of San Diego**	7,734,650	2,655,000	191%
Interest income	1,346,997	632,338	113%
Interest expense	(844,625)	(831,283)	2%
Loan administrative fee	(64,914)	(67,435)	-4%
Gain on sales of disposal of capital assets	15,299	-	100%
Other income	187,550	220,443	-15%
Total non-operating revenue (expenses), net	<u>8,374,957</u>	<u>2,609,063</u>	-221%
Income (loss) before capital contributions	4,408,455	(95,009)	4740%
Capital contributions	138,729	-	100%
Change in net position	4,547,184	(95,009)	4886%
Net position - beginning of year	40,743,098	40,838,107	0%
Net position - end of year	<u>\$ 45,290,282</u>	<u>\$ 40,743,098</u>	11%

\*\* The contribution from the City of San Diego in 2023 was reclassified from operating revenues to non-operating revenues for consistency with FY2024's presentation.

\*\*\* Digital Advertising of \$388,052 in FY2023 was reclassified from Sponsorship to Ancillary Service for consistency with FY2024's presentation.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2024  
(Unaudited)

**Operating Revenue**

Total operating revenues generated in fiscal year 2024 amounted to \$45.9 million as compared to \$42.0 million for fiscal year 2023, an increase of \$3.9 million, or 9%. The change was the result of a concentrated sales effort to book more corporate, technology, and medical shows that typically yield better business opportunities for internal partners and the surrounding businesses while maximizing hotel occupancy to generate a greater regional impact and produce tax revenue for the City.

**Operating Expenses**

Total operating expenses incurred during fiscal year 2024 were \$49.9 million, up from \$44.7 million for fiscal year 2023, an increase of \$5.2 million, or 12%. Salary and fringe benefit expenses increased by \$4.3 million, or 17%, due to increased personnel costs, workers' compensation claims and retirement contributions. The rise in personnel costs was a combination of annual wage increases and collective bargaining agreement renegotiations aimed at retaining our workforce along with the creation of a new engineering and capital planning department to address long-term building rehabilitation and maintenance needs. Additionally, utilities increased by \$0.5 million, or 8%. Service and supplies expenses were similar to 2023. Depreciation and amortization expenses increased \$0.4 million, or 14%, due to an increase in capital investment in 2024. Additionally, the San Diego Tourism Authority ("SDTA") marketing agreement increased by nearly \$0.1 million, or 3%, due to the contractual annual increase.

**Non-operating Revenue and Expenses, net**

Non-operating revenues, net for fiscal year 2024 were \$8.4 million compared to \$2.6 million in the prior year, an increase of \$5.8 million. Contributions from the City increased \$5.1 million to \$7.7 million due to receiving operational support for increased personnel and maintenance costs. Interest income increase \$0.7 million to \$1.3 million due to SDCCC continuing to maintain significant cash and investment balances and the increased market interest rates.

**Capital Assets Analysis**

As of June 30, 2024, SDCCC had a net capital asset book value of \$36.3 million, as compared to \$33.5 million as of June 30, 2023, an increase of \$2.8 million, or 9%. Capital assets are spread across a broad range of computer, office and operating equipment, telecommunications, leasehold improvements and right-to-use leased assets. Net capital assets increased due to acquisitions of nearly \$6.2 million exceeding depreciation and amortization incurred in fiscal year 2024 totaling \$3.3 million.

**Debt Analysis**

Effective December 6, 2016, SDCCC and the City, as co-lessees entered into a financing obligation agreement with the I-Bank to finance capital infrastructure improvement projects valued at \$25.5 million ("Facility Fund"). The agreement calls for the Facility Fund to be amortized over 25 years at a 3.59% interest rate and 0.3% loan administrative fee of the outstanding principal balance. As of June 30, 2024, SDCCC had an outstanding balance of \$21.6 million. A total of \$1.7 million (including principal, interest, and loan administrative fee) was paid in fiscal year 2024.

Effective February 3, 2023, SCCC entered into a noncancelable lease agreement with Ward and Burke Tunneling Inc. to lease a truck marshal yard and warehouse space. The lease commenced April 1, 2023, and expires March 31, 2025. The total principal and interest payments are \$1,231,644 with an implicit rate

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2024  
(Unaudited)

of 9%. As of June 30, 2024, SDCCC had an outstanding balance of \$0.5 million. A total of \$0.6 million (principal and interest) was paid in fiscal year 2024.

**Economic Factors and Next Year's Budget**

The convention center continues to be the premier gathering place in the region, consistently generating significant economic benefits for the greater San Diego area through hosting international and national conventions and trade shows. Fiscal year 2024 saw robust attendance, with travel patterns and spending surpassing pre-pandemic levels. Fiscal year 2025 is expected to set a remarkable revenue milestone, with projected operational performance reaching record highs. This success is driven by an event line-up that includes some very large medical shows and corporate events. Despite this impressive revenue growth, SDCCC is also facing unprecedented operational expenses, driven by high wage demands, rising utility costs, and the establishment of an engineering and capital projects department to plan capital projects and oversee major maintenance initiatives.

In addition, SDCCC has completed a facility condition assessment that identifies over \$400 million in projected capital needs over the next 20 years for asset replacement and modernization. In response, SDCCC created a dedicated engineering and capital projects department to manage maintenance and develop a long-term renewal plan, resulting in an increase of over \$3 million in annual costs. Given current funding limitations, SDCCC plans to only address critical CIP needs in the near term. SDCCC's Board has approved utilizing approximately \$8.8 million of the reserve balance for planned capital expenditures in fiscal year 2025. The current approach to funding urgent capital needs is unsustainable, as highlighted in the May 2024 City of San Diego - Office of the Independent Budget Analyst (IBA) report, which warns of escalating costs due to deferred maintenance without a sustainable or dedicated funding source. Although Measure C—a citizen initiative aimed at addressing SDCCC's expansion and modernization—could potentially provide funding, its uncertain outcome emphasizes the need for a proactive, long-term financial strategy to meet these critical needs. There is also a Sales Tax Measure on the November 2024 ballot that could potentially increase revenue for the City, which is intended to fund deferred maintenance of facilities and infrastructure, among other City properties.

Moreover, the Third Amendment and Restated Agreement between the City and San Diego Convention Center Corporation, Inc. requires SDCCC to project and request an allocation of City funding specifically for marketing, promotion, and/or capital projects during the City's annual budget process. However, this request must compete with other City priorities, which has historically limited the support received. As an additional funding revenue, the City could consider redirecting funds from maturing Convention Center Bonds starting in fiscal year 2029. Given these challenges, SDCCC anticipates the need for larger subsidy requests in fiscal year 2026 to stabilize resources and fulfill its operational obligations.

Operational contributions from the City for fiscal year 2024 totaled \$7.7 million as compared to \$2.7 million for fiscal year 2023, an increase of \$5.0 million. In fiscal year 2025, SDCCC is expecting the City to contribute \$2.8 million for SDTA marketing efforts and \$0.5 million to support SDCCC's pump station repairs.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Management's Discussion and Analysis (Continued)  
For the Year Ended June 30, 2024  
(Unaudited)

**Request for Information**

This financial report is designed to provide a general overview of SDCCC's finances. Questions concerning any of the information provided in this report or request for additional financial information should be addressed to the CFO at the San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, CA 92101.

## **BASIC FINANCIAL STATEMENTS**

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Statement of Net Position  
June 30, 2024

**Assets**

Current assets:

Cash and cash equivalents	\$ 7,963,046
Restricted cash	2,120,790
Investments	5,248,152
Accounts receivable, net	8,025,419
Prepaid expenses	1,320,145
Deposits with others	143,177
Inventory	48,891
Total current assets	<u>24,869,620</u>

Noncurrent assets:

Investments	19,921,007
Accounts receivable	500,000
Capital assets:	
Construction in progress	4,642,487
Furniture, equipment and software	8,149,595
Leasehold improvements	66,824,031
Right-to-Use leased asset	1,122,331
Less: Accumulated depreciation and amortization	<u>(44,401,837)</u>
Total capital assets, net	<u>36,336,607</u>
Total non-current assets	<u>56,757,614</u>

<b>Total assets</b>	<u><u>81,627,234</u></u>
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**Liabilities**

Current liabilities:

Accounts payable	1,016,166
Accrued liabilities	1,719,232
Accrued workers' compensation claims liability	1,250,636
Accrued I-Bank interest and loan administrative fee	381,929
Retention payable	146,860
Unearned income	5,113,674
Compensated employee absences	1,352,453
Current portion of long-term liabilities	<u>1,326,880</u>
Total current liabilities	<u>12,307,830</u>

Noncurrent liabilities:

Long-term compensated employee absences	321,467
Long-term liabilities	20,694,614
Long-term portion of unearned income	<u>3,013,041</u>
Total noncurrent liabilities	<u>24,029,122</u>

Total liabilities	36,336,952
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**Net position**

Net investment in capital assets	15,812,960
Restricted	2,120,790
Unrestricted	<u>27,356,532</u>
Total net position	<u><u>\$ 45,290,282</u></u>

See Accompanying Notes to the Basic Financial Statements.



**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Statement of Revenues, Expenses and Changes in Net Position  
For the Year Ended June 30, 2024

**Operating revenues**

Rental revenue:	
Convention and trade shows	\$ 7,344,104
Corporate/incentive events	340,212
Consumer shows	382,630
Meetings and seminars	141,007
Cancelled events	324,194
Local trade shows	180,747
Food and beverage revenue	14,178,694
Ancillary service revenue:	
Utilities	8,602,957
Telecommunications	5,991,110
Event and cleaning services	5,915,737
Audio visual	1,745,664
Digital advertising	454,871
Sponsorship	312,500
Other revenue	31,812
Total operating revenues	<u>45,946,239</u>

**Operating expenses**

Salaries and wages	23,241,273
Fringe benefits	6,356,633
Utilities	6,423,892
Repairs and maintenance	3,920,230
General expenses	1,682,416
Depreciation and amortization	3,336,330
Contractual marketing and sales	2,729,500
Contracted services	813,234
Supplies	562,979
Insurance	691,035
Sales and marketing	25,194
Travel and transportation	68,046
Telecommunications	61,979
Total operating expenses	<u>49,912,741</u>

<b>Operating income (loss)</b>	<u>(3,966,502)</u>
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**Non-operating revenues (expenses)**

Contributions - City of San Diego	7,734,650
Investment Income	1,346,997
Interest expense	(844,625)
Loan administrative fee	(64,914)
Gain on sales of capital assets	15,299
Other income	187,550
Total non-operating revenues, net	<u>8,374,957</u>
Income before capital contribution	4,408,455
Capital contributions	<u>138,729</u>
Change in net position	4,547,184
<b>Net position - beginning of year</b>	<u>40,743,098</u>
<b>Net position - end of year</b>	<u><u>\$ 45,290,282</u></u>

See Accompanying Notes to the Basic Financial Statements.

**SAN DIEGO CONVENTION CENTER CORPORATION**

(A Component Unit of the City of San Diego, California)

**Statement of Cash Flows**

**For the Year Ended June 30, 2024**

**Cash flows from operating activities**

Receipts from customers	\$ 45,092,378
Payments to suppliers for goods and services	(17,357,049)
Payments to employees for services	(28,942,412)
Net cash provided by operating activities	<u>(1,207,083)</u>

**Cash flows from noncapital financing activities**

Contribution from the City of San Diego	<u>7,734,650</u>
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**Cash flows from capital and related financing activities**

Acquisition and construction of capital assets	(5,299,569)
Repayment of long-term debt	(1,384,843)
Interest and loan administrative fees paid on long-term debt	(924,465)
Sales of capital assets	15,299
Net cash used in capital and related financing activities	<u>(7,593,578)</u>

**Cash flows from investing activities**

Purchases of investments	(20,197,304)
Sales of investments	17,774,039
Proceed from investments	1,346,997
Net cash used in investing activities	<u>(1,076,268)</u>

Net increase in cash and cash equivalents	(2,142,279)
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Cash and cash equivalents - beginning of year	<u>12,226,115</u>
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Cash and cash equivalents - end of year	<u>\$ 10,083,836</u>
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(continued)

See Accompanying Notes to the Basic Financial Statements.

**SAN DIEGO CONVENTION CENTER CORPORATION**

(A Component Unit of the City of San Diego, California)

Statement of Cash Flow (Continued)

For the Year Ended June 30, 2024

**Reconciliation of operating income to net cash provided by  
operating activities**

Operating income (loss)	\$ (3,966,502)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation and amortization	3,336,330
Other income (expense)	187,550
Changes in operating assets and liabilities:	
Increase in receivables	(1,833,958)
Increase in prepaid expenses	(172,788)
Increase in deposits with others	(7,673)
Decrease in accounts payable	(294,604)
Increase in compensated employee absences	194,022
Increase in accrued liabilities - payroll	84,651
Decrease in accrued liabilities - non-payroll	(27,866)
Increase in workers' compensation claims liability	376,821
Increase in retention payable	124,387
Increase in unearned income	792,547
Net cash provided by operating activities	<u>\$ (1,207,083)</u>

**Noncash capital and related financing activities**

Acquisition of capital assets included in accounts payable and accrued liabilities	\$ 741,856
Capital asset contribution	138,729

See Accompanying Notes to the Basic Financial Statements

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements  
For the Year Ended June 30, 2024

**NOTE 1 – REPORTING ENTITY**

San Diego Convention Center Corporation (SDCCC) is a not-for-profit public benefit corporation originally organized to market, operate, and maintain the San Diego Convention Center (Convention Center).

SDCCC acts in accordance with its By-Laws, the City of San Diego's (City) Charter, and the City's Municipal Code. The City is the sole member of SDCCC and appoints seven voting members to the Board of Directors of SDCCC. Since the City appoints the voting members of the Board of Directors of SDCCC and is able to impose its will on the SDCCC, the City, as the primary government, is financially accountable for SDCCC. In accordance with accounting principles generally accepted in the United States, SDCCC is a blended component unit of the City.

The Convention Center was constructed by the San Diego Unified Port District (District) on land owned by the District. Construction was completed in the fall of 1989 and the Convention Center opened in November 1989. An expansion of the Convention Center that roughly doubled the size of the facility was constructed by the City and completed in September 2001. The City has an agreement with the District to manage the Convention Center.

SDCCC has a management agreement with the City to provide sales and marketing, operating and maintenance services for the Convention Center. The agreement provides that the City will allocate to SDCCC approved budgetary amounts for marketing, promotion and capital projects for the Convention Center (refer to Note 6).

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

**A. *Basis of Accounting and Measurement Focus***

The financial transactions of SDCCC are reported using the economic resources measurement focus and the full accrual basis accounting under which revenues are recognized as earned and expenses are recognized as incurred. SDCCC distinguishes operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing event meeting space, goods and services in connection with SDCCC's principal ongoing operations. SDCCC's principal operating revenues include event meeting space rental revenues, food and beverage commissions, event and cleaning service revenues, and other ancillary service revenues. SDCCC's principal operating expenses includes salaries and wages, fringe benefits, utilities, repairs & maintenance, contractual marketing & sales, and depreciation. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses. When both restricted and unrestricted resources are available for use, it is SDCCC's policy to use restricted resources first, then unrestricted resources as they are needed.

**B. *Cash and Cash Equivalents***

SDCCC's cash and cash equivalents for purposes of the statement of cash flows are considered to be cash on hand, demand deposits, and short-term investments with original maturities of three months or less from the date of acquisition.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2024

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**C. *Accounts Receivable***

Accounts receivable is reported net of an allowance for estimated uncollectible amounts. Management estimates an uncollectible amount of \$57,625 at June 30, 2024, using its allowance calculation methodology based on collection activity, historical write-off rates and comparable industry standards.

Long-term receivables in the amount of \$500,000 represent incentive payments to be received by SDCCC on July 1, 2026, from Centerplate in consideration of the SDCCC's extension of Centerplate's exclusive food and beverage contract through June 30, 2026. This agreement was amended on October 2, 2020, to further extend the remaining incentive payment amortization period to June 30, 2028.

**D. *Prepaid Expenses***

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid expenses.

**E. *Leases***

At the commencement of a lease with contractual terms longer than 12 months, SDCCC initially measures the lease payable at the present value of payments expected to be made during the lease term. Subsequently the lease payable is reduced by the principal portion of lease payments paid.

Key estimates and judgements include how SDCCC determines (1) interest rate it uses to calculate the present value of the expected lease payments, (2) lease term, and (3) lease payments.

- The interest rate is based on the rate stated in the lease agreement, if not stated, then SDCCC estimates in incremental borrowing rate based on the prime rate plus 1%.
- The lease term includes the non-cancellable period of the lease.

**F. *Inventory***

Inventory consists of spare parts that will be used and capitalized or expensed (according to capitalization policy thresholds) when the assets are placed into service.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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Notes to the Basic Financial Statements (Continued)  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**G. *Capital Assets***

Capital assets are reported at cost. Capital assets are defined as assets with an initial cost of more than \$15,000 per item and a useful life of greater than one year. Recurring normal maintenance and repair costs are charged to operation, whereas major repairs, improvements and replacements that extend the asset's useful life or service utility are capitalized. Capital assets are depreciated or amortized using the straight-line method over the following estimated useful lives:

	<u>Years</u>
Right-to-use leased asset	2
Data processing equipment and software	3-10
Telecommunication equipment	5
Office furniture and operating equipment	7 – 15
Leasehold improvements	10 – 30

**H. *Unearned Income***

Unearned income represents funds received from customers that pertain to enforceable future contractual obligations. Building rent deposits, revenue contract incentive payments and advertising payments are recognized once the event has occurred, or the contractual obligation has been fulfilled. The future events scheduled after June 30, 2025, are reported as noncurrent unearned income.

**I. *Compensated Employee Absences***

Accumulated annual leave (PTO) is compensated time off for eligible employees who are absent from work and is recorded in the Statement of Net Position. The amount recorded is expected to be used in accordance with SDCCC's personnel guidelines for vacation, illness, and personal business, with a maximum accumulation of 480 hours per employee. Until March 31, 2020, full-time employees were allowed up to 120 hours paid compensation in lieu of annual leave provided they maintained a minimum balance of 40 hours and had taken a minimum of 80 hours of paid leave during the prior twelve-month period. This program was subsequently suspended for expense reduction purposes, with occasional time-restricted windows having taken place for payouts for balances meeting certain criteria (typically to reduce risk of accrual cap-outs for employees with higher balances).

SEIU represented part-time employees are paid their annual leave balance that exceeds 40 hours within 30 days of fiscal year-end. Teamster represented part-time employees are paid their annual leave balance that exceeds 40 hours within 30 days of fiscal year-end.

**J. *Components of Net Position***

Net Investment in Capital Assets – This amount consists of capital assets net of accumulated depreciation and amortization and reduced by outstanding debt that is attributed to the acquisition, construction or improvement of the assets, net of any unspent loan proceeds, which as of June 30, 2024, was \$15,812,960.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2024

**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**J. *Components of Net Position (Continued)***

Restricted – This amount consists of assets that have external restrictions imposed by creditors, grantors, contributions, or laws or regulations of other governments, reduced by liabilities related to those assets. As of June 30, 2024, the \$2,120,790 of restricted net position reported is related to workers' compensation insurance collateral requirements.

Unrestricted – This amount is the portion of net position that does not meet the definition of "net investment in capital assets" or "restricted net position".

**K. *Income Taxes***

SDCCC has received notice from the Internal Revenue Service that it is exempt from federal income taxes pursuant to Section 501(c)(3) of the Internal Revenue Code. SDCCC is also exempt from state franchise taxes on related income pursuant to California Revenue and Taxation Code Section 23701(d). However, the Corporation is subject to income taxes on any net income that is derived from a trade or business carried on, and not in furtherance of the purposes for which it was granted exemption. No income tax provision has been recorded as the net income, if any, from any unrelated trade or business, in the opinion of management, is not material to the accompanying financial statements.

**L. *Use of Estimates***

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Management believes that the estimates made are reasonable.

**M. *New Accounting Pronouncements***

The following GASB Statements have been issued and are effective for the year ended June 30, 2024.

- GASB Statement No. 99, *Omnibus 2022*, the requirements related to financial guarantees and the classification and reporting of derivative instruments within the scope of GASB statements No. 53 were effective for the fiscal year ended June 30, 2024. The implementation of GASB Statement No. 99 did not have a material impact on the financial statements.
- GASB Statement No. 100, *Accounting Changes and Error Corrections*, effective for the fiscal year ended June 30, 2024. The implementation of GASB Statement No. 100 did not have a material impact on the financial statements.

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Notes to the Basic Financial Statements (Continued)  
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**NOTE 2 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

**M. New Accounting Pronouncements (Continued)**

The following GASB Statements have been issued but not yet effective for the year ended June 30, 2024. SDCCC is assessing what financial statement impact, if any, these Statements will have:

- GASB Statement No. 101, *Compensated Absences*, effective for the fiscal year ending June 30, 2025.
- GASB Statement No. 102, *Certain Risk Disclosures*, effective for the fiscal year ending June 30, 2025.
- GASB Statement No. 103, *Financial Reporting Model Improvements*, effective for the fiscal year ending June 30, 2026.

**NOTE 3 – CASH AND INVESTMENTS**

Cash and investments as reported in the statement of net position are categorized as follows at June 30, 2024:

	<u>Cash and Cash Equivalents</u>	<u>Investments</u>
Cash on hand	\$ 5,237	\$ -
Bank checking and saving deposits	6,974,486	-
Money market mutual funds	3,104,113	-
Fixed income investments	-	25,169,159
Total cash and investments book balance	<u>\$ 10,083,836</u>	<u>\$ 25,169,159</u>

At June 30, 2024, the book balance of SDCCC's cash on hand and deposits was \$10,083,836 and the bank balance was \$10,125,828. Of the bank balance, \$250,000 was covered by Federal depository insurance. The remaining uninsured balance is collateralized, with the collateral held by an affiliate of the counterparty's financial institution.

A formal deposit and investment policy was approved in August 2010 and amended in December 2017 by SDCCC's Board of Directors, which addresses custodial credit risk, interest rate risk, credit quality risk and allowable investments. SDCCC is provided a broad spectrum of eligible investments under California Government Code (CGC) 53600 which includes: obligations of the U.S. government, its agencies and instrumentalities; investment grade state and local government securities; certificates of deposit; bankers' acceptances; commercial paper; repurchase agreements; and money market mutual funds whose portfolios consist only of domestic securities.



**SAN DIEGO CONVENTION CENTER CORPORATION**  
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Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2024

**NOTE 3 – CASH AND INVESTMENTS (Continued)**

SDCCC's Investment Policy is governed by the California Government Code (CGC), 56000 et seq. The following table represents the authorized investments, requirements and restrictions per the CGC and the SDCCC investment policy:

Investment Type	Maximum Maturity		Maximum % of Portfolio		Minimum Rating	
	SDCCC		SDCCC		SDCCC	
	CGC	Policy <sup>1</sup>	CGC	Policy <sup>1</sup>	CGC	Policy <sup>1</sup>
Local Agency Bonds	5 years	5 years	None	None	None	None
U.S. Treasury Obligations (bills, notes, or bonds)	5 years	5 years	None	None	None	None
State Obligations - CA and Others	5 years	5 years	None	None	None	None
CA Local Agency Obligations	5 years	5 years	None	None	None	None
U.S. Agency Obligations	5 years	5 years	None	None	None	None
Bankers' Acceptances	180 days	180 days	40%	40%	None	None
Commercial Paper - Non-Pooled Funds	270 days	270 days	25%	25%	Highest letter and number rating	Highest letter and number rating
Negotiable Certificates of Deposit	5 years	5 years	30%	30%	None	None
Non-negotiable Certificates of Deposit	5 years	5 years	None	None	None	None
CD Placement Service	5 years	5 years	30%	30%	None	None
Repurchase Agreements	1 year	1 year	None	None	None	None
Reverse Repurchase Agreements	92 days	92 days	20%	20%	None	None
Medium-Term Notes	5 years	5 years	30%	30%	A	A
Money Market Mutual Funds	None	None	20%	20%	AAA	AAA
Collateralized Bank Deposits	5 years	5 years	None	None	None	None
Mortgage Pass-Through Securities	5 years	5 years	20%	20%	AA	AA
Local Agency Investment Fund	None	None	None	\$75 million	None	None
Supranational Obligations	5 years	5 years	30%	30%	AA	AA
Issued Saving & Bank Money Market Accounts	N/A	N/A	N/A	N/A	N/A	N/A

<sup>1</sup> In the absence of a specified maximum, the maximum is 5 years.

Investments and cash equivalents as reported in the statement of net position are categorized as follows at June 30, 2024:

*Fair Value Measurements*

GASB Statement No. 72 requires that investments be categorized within a fair value hierarchy based upon fair value measurements. Fair value measurements are classified and disclosed in one of the following three categories:

- Level 1: Inputs are quoted prices in an active market that are accessible at the measurement date for identical assets or liabilities;
- Level 2: Inputs other than quoted prices that are either directly or indirectly observable;
- Level 3: Significant unobservable inputs are used when little or no market activity is available.

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**NOTE 3 – CASH AND INVESTMENTS (Continued)**

Fair value is defined as the quoted market value on the last trading day of the period, obtained from various pricing sources by our custodian bank. SDCCC does not value any of its investments using Level 1 and Level 3 inputs. Investment in repurchase agreements are valued at amortized cost and is exempt from the fair value hierarchy. Investments that are measured at fair value using the net asset value per share (or its equivalent) are not classified in the fair value hierarchy. SDCCC values investments in government money market mutual funds at NAV, and therefore are not subject to the fair value hierarchy.

The table below represents SDCCC's fair value hierarchy for reporting its investments as of June 30, 2024:

	<u>Fair Value</u>	<u>Level 2</u>
<b>Investment at Fair Value</b>		
U.S. Treasury Bills	\$ 14,397,048	\$ 14,397,048
U.S. Agency Bonds	5,105,768	5,105,768
Corporate Bonds	5,666,343	5,666,343
	<u>25,169,159</u>	<u>\$ 25,169,159</u>
 <b>Investment Measured at the Net Asset Value (NAV)</b>		
Money Market Mutual Funds	<u>3,104,113</u>	
	<u>\$ 28,273,272</u>	

GASB Statement No. 40 requires that risks for deposits and investments with fair values as it relates to credit risk, concentration of credit risk, and interest rate risk be disclosed. SDCCC minimizes exposure by limiting investments to short-term, safe securities such as mutual funds or similar investment pools to ensure preservation of capital as well as pre-qualifying brokers and diversification of the investment portfolio. In order to maintain proper cash flow requirements, funds are continuously invested in readily available securities to ensure appropriate liquidity is maintained.

**Interest Rate Risk**

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. SDCCC mitigates this risk by investing a portion of funds in short-term securities of less than a year in order to meet operational cash requirements and structuring the investment portfolio to allow securities to mature to avoid selling on the open market. As of June 30, 2024, SDCCC's investment interest rate risk by maturity is as follows:

	<b>Investment Maturity</b>					
	<u>Under 1 Month</u>	<u>1 - 6 Months</u>	<u>6 - 12 Months</u>	<u>1 - 3 Years</u>	<u>Over 3 Years</u>	<u>Fair Value</u>
U.S. Treasury Bills	\$ -	\$ -	\$ -	\$ 6,602,859	\$ 7,794,189	\$ 14,397,048
U.S. Agency Bonds	-	706,251	2,202,028	2,197,489	-	5,105,768
Corporate Bonds	469,822	-	1,870,051	3,326,470	-	5,666,343
Money Market Mutual Funds	3,104,113	-	-	-	-	3,104,113
	<u>\$ 3,573,935</u>	<u>\$ 706,251</u>	<u>\$ 4,072,079</u>	<u>\$ 12,126,818</u>	<u>\$ 7,794,189</u>	<u>\$ 28,273,272</u>

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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**NOTE 3 – CASH AND INVESTMENTS (Continued)**

**Credit Risk**

Credit risk is the risk that an issuer of an investment will not fulfill their obligation to the holder of the investment. This is measured by using an average of the rating assignments from three nationally recognized statistical rating organizations (NRSRO). The three NRSROs used in the average credit rating are S&P Global Rating, Moody's Investor Services & Fitch Ratings. SDCCC mitigates credit risk through its Investment Policy. Section I of the Investment Policy outlines the authorized investments, requirements, and investment restrictions. As of June 30, 2024, SDCCC's investment and corresponding credit ratings are follows:

	<u>Fair Value</u>	<u>Credit Rating</u>
Corporate Bonds	\$ 451,961	AA+
Corporate Bonds	467,320	AA-
Corporate Bonds	453,973	A+
Corporate Bonds	893,270	A
Corporate Bonds	2,462,702	A-
Corporate Bonds	937,117	BBB+
Money Market Mutual Funds	3,104,113	N/A
U.S. Agency Bonds	5,105,768	AA+
U.S. Treasury Bills	14,397,048	AA+
	<u>\$ 28,273,272</u>	

*Based on average of S&P, Moody's & Fitch*

**Concentration of Credit Risk**

GASB Statement No. 40 also requires disclosure of investments in any one issuer (other than U.S. Treasury securities, money market mutual funds, and external investment pools) that represent 5% or more of total investments. For the fiscal year ended June 30, 2024, no investments made up 5% or more of the total funds invested.

**Custodial Credit Risk**

Custodial credit risk for *deposits* is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. The custodial credit risk for *investments* is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. The California Government Code and SDCCC's investment policy do not contain legal or policy requirements that would limit the exposure to custodial credit risk for deposits or investments, other than the following provision for deposits: The California Government Code requires that a financial institution secure deposits made by state or local governmental units by pledging securities in an undivided collateral pool held by a depository regulated under state law (unless so waived by the governmental unit). The market value of the pledged securities in the collateral pool must equal at least 110% of the total amount deposited by the public agencies. California law also allows financial institutions to secure SDCCC deposits by pledging first trust deed mortgage notes having a value of 150% of the secured public deposits.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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Notes to the Basic Financial Statements (Continued)  
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**NOTE 4 – CAPITAL ASSETS**

A summary of changes in capital assets for the year ended June 30, 2024, is as follows:

	Balance June 30, 2023	Additions	Deletions	Transfers In/Out	Balance June 30, 2024
Non-Depreciable Capital Assets:					
Construction in Progress	\$ 709,092	\$ 6,184,344	\$ -	\$ (2,250,949)	\$ 4,642,487
Depreciable and Amortizable Capital Assets					
Furniture, Equipment and Software	6,964,940	-	(237,962)	1,422,617	8,149,595
Leasehold Improvements	65,995,699	-	-	828,332	66,824,031
Right-to-use Leased Asset	1,122,331	-	-	-	1,122,331
Total Depreciable and Amortizable Capital Assets	74,082,970	-	(237,962)	2,250,949	76,095,957
Less Accumulated Depreciation and Amortization:					
Furniture, Equipment and Software	(4,722,849)	(528,370)	237,962	-	(5,013,257)
Leasehold Improvements	(36,440,329)	(2,246,794)	-	-	(38,687,123)
Right-to-use Leased Asset Amortization	(140,291)	(561,166)	-	-	(701,457)
Total Accumulated Depreciation and Amortization	(41,303,469)	(3,336,330)	237,962	-	(44,401,837)
Total Depreciable and Amortizable Capital Assets, Net	32,779,501	(3,336,330)	-	2,250,949	31,694,120
Capital Assets, Net	\$ 33,488,593	\$ 2,848,014	\$ -	\$ -	\$ 36,336,607

Depreciation and amortization expenses for the year ended June 30, 2024, were \$3,336,330.

**NOTE 5 – LONG-TERM LIABILITIES**

**A. Compensated Employee Absences**

A summary of changes in accrued compensated employee absences for the year ended June 30, 2024, is as follows:

	Balance June 30, 2023	Additions	Retirements	Balance June 30, 2024	Current Portion
Compensated Employee Absences	\$ 1,479,898	\$ 1,877,873	\$ (1,683,851)	\$ 1,673,920	\$ 1,352,453

**B. Notes Payable, Financing Obligation, and Lease Payable**

**Financing Obligation**

On December 6, 2016, SDCCC (borrower) and the City, as co-borrowers entered into a financing obligation agreement with the California Infrastructure and Economic Development Bank (I-Bank), as the borrower for a loan amount of \$25,500,000 (the “Facility Funds”). Under the financing obligation agreement, the Facility Funds were used to pay the convention center building (the “Financed Asset”) improvement costs.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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Notes to the Basic Financial Statements (Continued)  
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**NOTE 5 – LONG-TERM LIABILITIES (Continued)**

**B. Notes Payable, Financing Obligation, and Lease Payable (Continued)**

***Financing Obligation***

The City and SDCCC are jointly and severally liable for all payment obligations under the financing obligation agreement. The Facility Funds are secured by the Financed Asset. In addition, the financing obligation agreement contains certain customary representations and warranties, affirmative covenants, and events of default. If such an event of default were to occur, the borrower under the financing obligation agreement would be entitled to take various actions, including without termination of the financing obligation agreement, collect all amounts owing under the financing obligation agreement until maturity.

The Facility Funds bear a 3.59% annual interest rate and a 0.3% loan administrative fee based upon the outstanding principal balance. The financing obligation agreement requires annual principal repayment commencing on August 1, 2019 and ending on August 1, 2041. Per agreement with the City, SDCCC has budgeted for and made payments on the full amount due under the financing obligation agreement beginning on August 1, 2019. In any given year, to the extent that payment obligations, infrastructure capital, and operations and maintenance expenditures exceed SDCCC's available funding, SDCCC will seek further budgetary allocation from the City.

***Lease Payable***

SDCCC entered into a noncancelable lease effective April 1, 2023, through March 31, 2025, for the truck marshal yard and warehouse space. The total of principal and interest payments are \$ 1,231,644 with an implicit rate of 9%.

A summary of changes in notes payable, the financing obligation, and lease payable for the year ended June 30, 2024, is as follows:

	<b>Balance</b>			<b>Balance</b>	<b>Current</b>
	<b>June 30, 2023</b>	<b>Additions</b>	<b>Retirements</b>	<b>June 30, 2024</b>	<b>Portion</b>
I-Bank Financing Obligation	\$ 22,410,635	\$ -	\$ (842,881)	\$ 21,567,754	\$ 873,140
Lease payable	995,702	-	(541,962)	453,740	453,740
	<u>\$ 23,406,337</u>	<u>\$ -</u>	<u>\$ (1,384,843)</u>	<u>\$ 22,021,494</u>	<u>\$ 1,326,880</u>

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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**NOTE 5 – LONG-TERM LIABILITIES (Continued)**

**C. Amortization Requirements**

Annual requirements to amortize the financing lease and lease payable as of June 30, 2024, including interest payments to maturity, are as follows:

Year Ending June 30,	Financing Obligation			Lease Payable	
	Principal	Interest	Annual Fee	Principal	Interest
2025	873,140	745,549	62,302	453,740	17,185
2026	904,486	713,172	59,597	-	-
2027	936,957	679,632	56,794	-	-
2028	970,594	644,888	53,890	-	-
2029	1,005,438	608,897	50,883	-	-
2030 - 2034	5,595,244	2,457,740	205,382	-	-
2035 - 2039	6,674,338	1,343,134	112,240	-	-
2040 - 2043	4,607,557	183,084	15,300	-	-
	<u>\$ 21,567,754</u>	<u>\$ 7,376,096</u>	<u>\$ 616,388</u>	<u>\$ 453,740</u>	<u>\$ 17,185</u>

**NOTE 6 – ECONOMIC DEPENDENCY**

SDCCC receives contributions from the City as specified in a management agreement between SDCCC and the City. The agreement provides that the City will allocate to SDCCC approved budgetary amounts for marketing, promotion and capital projects for the Convention Center. During the year ended June 30, 2024, SDCCC received \$7,734,650 from the City as unrestricted funding to support operations.

**NOTE 7 – DEFINED CONTRIBUTION PLAN**

The San Diego Convention Center Corporation's Money Purchase Pension Plan (Plan) is a governmental plan under section 414(d) of the Internal Revenue Code, which was established effective January 1, 1986, by SDCCC's Board of Directors. The Plan is administered by SDCCC through a Defined Contribution Committee, represented by the SDCCC Board and staff, who act by a majority of its members in office to carry out the general administration of the Plan. Any recommended Plan amendments are subject to the approval and adoption by SDCCC's Board of Directors. As part of the Plan, SDCCC through Board action selected Charles Schwab Trust Bank as Trustee, to hold and administer Plan assets subject to the terms of the Plan. The Plan is a qualified defined contribution plan and, as such, benefits depend on amounts contributed to the Plan plus investment earnings less allowable plan expenses. The Plan covers all employees who have completed at least 1,000 hours of service in one year and are not covered through a union retirement plan. Full-time employees are eligible to participate in the plan on the first day of the month after completing 1,000 hours of service and receive contributions on a bi-weekly basis thereafter.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
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Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2024

**NOTE 7 – DEFINED CONTRIBUTION PLAN (Continued)**

Part-time employees not covered through a union retirement plan are eligible to participate in the plan after completion of 1,000 hours and receive contributions annually once they meet the 1,000 hours threshold requirement each year. For each Plan year, SDCCC contributes 10% of compensation paid after the employee becomes an eligible participant, which is transferred to the trustee on behalf of each qualifying individual.

A Plan year is defined as a calendar year. The balance in the Plan for each eligible employee is vested gradually over five years of continuing service, with an eligible employee becoming fully vested after five years. Forfeitures and Plan expenses are allocated in accordance with Plan provisions.

For the year ended June 30, 2024, pension expense amounted to \$1,645,141 with no employee contributions made to the Plan. Included in pension expense were forfeitures in the amount of \$31,546. SDCCC records pension expense during the fiscal year based upon employee compensation that is included in qualified gross compensation.

SDCCC offers its employees a deferred compensation plan, created in accordance with Internal Revenue Service Code Section 457, State and Local Government Deferred Compensation Plan. The plan permits eligible employees to defer, pre-tax, a portion of their salary until future years. Deferred compensation is not available to employees until termination, retirement, death, disability, or an unforeseeable emergency. All assets and income of the deferred compensation plan are held in trust for the exclusive benefit of plan participants and their beneficiaries.

In accordance with GASB Statement No. 84, *Fiduciary Activities*, the deferred compensation plans are not considered part of SDCCC's financial reporting entity.

During fiscal year 2024, non-qualified supplemental catch-up contributions of \$6,668 were made to the 457b plan for CEO Clifford Rippetoe. This was to make up pension shortfalls for calendar year 2022. These catch-up contributions of retirement expense were included as a part of the pension expense amount described above.

The Corporation makes monthly contributions to the SEIU National Pension Fund for all hours paid part-time employees covered by the Agreement Between San Diego Convention Center Corporation and Service Employees International Union (SEIU) United Services Workers West (USWW) Agreement Effective July 1, 2022 through June 30, 2027. For the year ended June 30, 2024 the SEIU National Pension Fund expense was \$131,618.

**NOTE 8 – RISK MANAGEMENT**

The Corporation is self-insured for workers' compensation and maintains contracts with various insurance companies to manage its risks. The Corporation's self-insured retention amount is \$250,000 per claim for its workers' compensation program. Amounts in excess of \$250,000 are insured up to statutory limits.

Claim expenditures and estimated liabilities are reported when it is probable that a loss has occurred, and the amount of that loss can be reasonably estimated.

**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2024

**NOTE 8 – RISK MANAGEMENT (Continued)**

A reconciliation of total liability claims for the Corporation's workers' compensation showing current and prior year activity is presented below:

<b>Balance, July 1, 2022</b>	\$ 869,894
Claims and Changes in Estimation	288,094
Claim Payments	<u>(284,172)</u>
<b>Balance, June 30, 2023</b>	873,816
Claims and Changes in Estimation	776,149
Claim Payments	<u>(399,329)</u>
<b>Balance, June 30, 2024</b>	<u><u>\$ 1,250,636</u></u>

During fiscal year 2024, there were no significant reductions in insurance coverage from the prior year. For each of the past three fiscal years, settlements which were covered by insurance have not exceeded the Corporation's insurance coverage limits.

**NOTE 9 – COMMITMENTS**

**SDCCC as Lessor**

Effective March 22, 2013, SDCCC entered into a sublease agreement for truck marshal yard space for an initial term of 60 months, from April 1, 2013, through March 31, 2018, and exercised its option to extend for additional five years effective April 1, 2018 – March 31, 2023. The agreement was not renewed and continues on a month-to-month basis.

Rental income related to the sublease was \$175,991 for the year ended June 30, 2024.

**Construction Commitments**

As of June 30, 2024, SDCCC has begun work for electrical infrastructure upgrade and repair, west kitchen construction and equipment, and generator infrastructure upgrade. Chula Vista Electric Company has been contracted to conduct the electrical infrastructure upgrade work and started during fiscal year 2023 with a remaining commitment of \$427,145. Costa Azul Contracting Group has been contracted to conduct the West Kitchen construction and started during fiscal year 2024 with a remaining commitment of \$819,586. San Diego Restaurant Supply has been contracted to conduct the west kitchen equipment upgrade and replacements with a remaining amount of \$676,672. Neal Electric Corp. has been contracted to conduct a generator infrastructure upgrade with a remaining commitment of \$1,007,715.



**SAN DIEGO CONVENTION CENTER CORPORATION**  
(A Component Unit of the City of San Diego, California)  
Notes to the Basic Financial Statements (Continued)  
For the Year Ended June 30, 2024

**NOTE 10 – CONTINGENT LIABILITIES**

SDCCC is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

SDCCC is subject to various lawsuits as well as grievances by labor unions. SDCCC's management believes, based upon consultation with SDCCC attorneys, that any unasserted claims, in the aggregate, will not result in a material adverse financial impact on SDCCC.

SDCCC is covered by various insurance policies, the largest of which include property, liability and workers' compensation, with deductibles that vary from \$1,000 to \$250,000. SDCCC management believes that SDCCC's insurance programs are sufficient to cover any potential losses should an unfavorable outcome materialize. There have been no insurance claim settlements that exceeded insurance coverage during the past three fiscal years.

**NOTE 11 – SUBSEQUENT EVENTS**

On August 22, 2024, SDCCC entered into the Fourth Extension of Food and Beverage Services Contract with Service America Corporation dba Sodexo Live! effective October 1, 2024, which extends the contract through June 30, 2038.

On August 29, 2024, SDCCC entered into an Industrial Real Estate Lease contract with Santa Ana Energy Properties, LLC., to lease a property in Chula Vista, California. SDCCC intends to use the leased property as a truck marshal yard. The lease commences September 1, 2024 through December 31, 2034 and includes an option to extend two additional five-year periods.

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**Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an Audit of Financial  
Statements Performed in Accordance with *Government Audit Standards***

**Independent Auditor's Report**

To the Board of Directors  
San Diego Convention Center Corporation  
City of San Diego, California

We have audited, in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States (*Government Auditing Standards*), the financial statements of the San Diego Convention Center Corporation (SDCCC), a component unit of the City of San Diego, California, as of and for the year ended June 30, 2024, and the related notes to the financial statements, which collectively comprise SDCCC's basic financial statements, and have issued our report thereon dated October 30, 2024.

**Report on Internal Control Over Financial Reporting**

In planning and performing our audit of the financial statements, we considered SDCCC's internal control over financial reporting (internal control) as a basis for designing audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of SDCCC's internal control. Accordingly, we do not express an opinion on the effectiveness of SDCCC's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

**Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether SDCCC's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the financial statements. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Macias Gini & O'Connell LLP

San Diego, California  
October 30, 2024