

Agenda Item 3.A

MINUTES*
SAN DIEGO CONVENTION CENTER CORPORATION
THE BOARD OF DIRECTORS

BOARD MEETING OF JUNE 22, 2021
Via Teleconference

BOARD MEMBERS PRESENT:	Chair Elvin Lai and Directors Carol Kim, Allan Farwell, Carlos Cota, Jeff Gattas, Shawn VanDiver and Jaymie Bradford
BOARD MEMBER(S) ABSENT:	
STAFF PRESENT:	Rip Rippetoe, Mardeen Mattix, Andy Mikschl, Kelly Revell and Pat Evans (Recorder)
ALSO PRESENT:	Jennifer Lyon, General Counsel, Julie Coker, SDTA President & CEO

*Audio copies of Board of Director meetings are available upon request. Please contact Pat Evans at (619)525-5131 or pat.evans@visitsandiego.com to request a copy.

1. Call to Order

Chair Elvin Lai called the Board Meeting to order at 12:01 p.m. in the Executive Boardroom of the San Diego Convention Center Corporation, 111 West Harbor Drive, San Diego, CA 92101. Chair Lai then called roll to determine which Directors were present on the teleconference:

Director Lai – Present
Director Kim – Present
Director Farwell – Present
Director Cota – Present
Director Gattas – Present
Director VanDiver – Present
Director Bradford – Absent

All Directors were present except Director Bradford. Chair Lai noted that all votes taken during this meeting would be recorded via roll-call vote.

2. Non-Agenda Public Comment – None

3. Board Committee Reports and Board Action Items:

Consent Agenda:

- A. Approval of Minutes of Board Meetings of May 25, 2021.**
- B. Authorization to Accept Revisions to the San Diego Convention Center Corporation COVID-19 – Interim Personnel Policy – California Supplemental Paid Sick Leave (SB95)**
- C. Authorization to Accept Revisions to the San Diego Convention Center Corporation COVID-19 – Interim Personnel Policy – Families First Coronavirus Response Act (FFCRA)**
- D. Authorization to Accept Revisions to the San Diego Convention Center Corporation Policy re: Wardrobe & Grooming Policies for Uniformed and Non-Uniformed Staff**

Directors Kim and VanDiver moved and seconded, respectively, to approve the Consent Agenda set forth hereinabove.

**Director Lai – Aye
Director Kim – Aye
Director Farwell – Aye
Director Cota – Aye
Director Gattas – Aye
Director VanDiver – Aye
Director Bradford – Absent**

Vote: Unanimous

AYES: 6

NAYS: 0

ABSTENTIONS: 0

Action Item(s):

- E. Budget Committee (Allan Farwell) – CFO Mattix reported the following regarding April financials:**
 - The Corporation is tracking \$2 million better than the forecast that will be reviewed when we approve fiscal year 2022 budget.
 - Part of the reason for the surplus is the recall plan for recalling staff to support this operation is moving slower than anticipated. The Corporation is reflecting savings on the personnel line item compared to what the forecast was estimating.
 - The Corporation has also been unable to complete some repair and maintenance items because staff is unable to access the space at this time due to Operation Artemis.
 - Overall, there are some costs that will be rolling-over into the fiscal year 2022 budget.
 - The Corporation is yielding approximately \$1million per week from Operation Artemis and the Artemis staff is already in demobilization mode. There are 350 undocumented minors on site at this time. Staff anticipates that the Corporation will end fiscal year 2021 with a positive \$13 million bottom line for operational net

revenues over expenses. The reserve ending balance will be approximately \$16 million.

- The PPP loan forgiveness of approximately \$4.4 million that the Corporation anticipated receiving by the end of fiscal year 2021 will not be process in time. The Corporation will roll the loan forgiveness into fiscal year 2022. The Corporation has submitted the paperwork for the loan forgiveness and it was accepted; however, additional information is needed and staff will not be able to provide that information until sometime in July. There is no reason to believe that the Corporation will ultimately not receive full loan forgiveness. The forgiveness has just been delayed until August or September.
- The Corporation also has approximately \$16 million of accrued revenue that needs to be billed to Operation Artemis. Staff has not been able to successfully submit an invoice due to issues associated with the Corporation’s Dunn & Bradstreet number. Staff hopes to have this issue resolved by the end of the week at which time the invoice will be resubmitted. Alternatively, staff may wait until demobilization is complete to submit one full invoice for payment. Staff expects that once the invoice is submitted, payment will be received within 30 days. Since staff has not billed over the pre-approved spending limit, they do not expect any issues with process the invoice.
- The Corporation has approximately \$8 million in unrestricted cash; however, those funds will be depleted in mid-July when the I-Bank payment is due.
- Once the May financials are completed, staff anticipates the bottom line will be a \$13 million profit, which is better than what staff was projecting prior to Operation Artemis.

(1) Acceptance of April and May Financial Reports from Chief Financial Officer

Ms. Mattix noted that the agenda should be corrected to reflect that the Board is approving Financial Reports for the months of April and May instead of May and June.

Directors Farwell and Cota moved and seconded, respectively, to approve the April and May Financial Reports from Chief Financial Officer

Director Lai – Aye
Director Kim – Aye
Director Farwell – Aye
Director Cota – Aye
Director Gattas – Aye
Director VanDiver – Aye
Director Bradford – Absent

Vote: Unanimous

AYES: 6

NAYS: 0

ABSTENTIONS: 0

(2) Authorization to Approve Second Revised Budget for Fiscal Year 2022

Ms. Mattix reported that there are some items that significantly changed this budget. The first change was Operation Artemis came into the Center right after the last budget was approved. In the revised FY 2021 forecast column, the Emergency Intake Site line item reflects a \$16.6 million increase to the forecast for FY 2021 which in turn results in a \$16 million reserve balance ending FY 2021.

Moving into FY 2022, another item that changed is that staff had originally budgeted to reopen in October and now operations will resume in August. Operation Artemis will also be on site through mid-July and the Corporation will earn approximately \$2.4 million in unplanned revenue for that time frame.

With the resumption of business in August, staff does see an increase in overall revenues of approximately \$5 million; however, those revenues are offset by increased personnel and other expenses associated with hosting events (i.e. utilities, repair and maintenance, etc.).

The Corporation is still facing an overall operating loss of approximately \$13 million for FY 2022. That does not include \$10.2 million that the City has agreed to provide as an operating subsidy. When the City approved the interim funding, they did so with the caveat that the Corporation would provide a full review in the first quarter of the fiscal year. It is anticipated that the City may reduce the subsidy somewhat because of the reserve balance the Corporation will have at the end of the fiscal year 2021 (\$16 million). The City may provide some funding so that the Corporation can maintain its target reserve balance, but some of the \$10.2 will probably be redirected to other City programs.

Even taking into account the \$10.2 million subsidy which will offset the Corporation's overall operating loss, the net effect for the year is a \$1.2 million loss which will be subsidized out of the Corporation's reserves.

The other change is the PPP loan forgiveness (\$6.4 million) will be recognized as an extraordinary gain and the entire amount will hit in FY 2022. Therefore, the Corporation's ending reserve balance for FY 2022 is projected to be at \$17 million if the City provides the full \$10.2 million subsidy.

However, it is important to note that going into FY 2023, the Corporation still faces a projected operating loss and now, based on the best projections, the Corporation would only have a \$12.7 million reserve balance at the end of FY 2023 if the City provides the \$10.2 million subsidy this year. It will be very important for staff to monitor projections going forward if there is in fact a reduction in the City's operating subsidy

to the Corporation and to note the impact of the reduction on the budget for the following year.

The Corporation also made revisions to its CIP Plan. The roof project is going to be delayed. The Corporation went out for RFP for the roof. The RFP was issued as a “design/build” project and the Corporation received limited responses. Staff has met with the City and determined that the RFP will need to be reissued with separate design/construction components. Staff is also strategizing with the City on the issue of financing.

Issues have also arisen regarding the fire pump project. Due to City permitting issues, it is no longer feasible that the Corporation can install a diesel fire pump on the roof. Staff has put a halt to the diesel project and is transitioning to the use of an electric fire pump. The estimated cost is approximately \$700,000 and staff hopes to have that project complete by the end of FY 2022. This project is reflected on the CIP as a new item.

The Corporation has also experienced failures with the P-2 dewatering pumps. Staff is working on the repairs internally and the Corporation will be working with the City and the Port to determine an allocation of the repayment for the repairs.

Staff is continuing the ERP conversion with the integration of additional systems. The timeline has been delayed by approximately three months. Approximately \$100,000 of the projected costs have been moved into FY 2022 (there has been no change to the overall cost of the project).

Directors Farwell and Cota moved and seconded, respectively, to Authorize Approval of Second Revised Budget for Fiscal Year 2022

Director Lai – Aye
Director Kim – Aye
Director Farwell – Aye
Director Cota - Aye
Director Gattas – Aye
Director VanDiver – Aye
Director Bradford – Absent

Vote: Unanimous

AYES: 6

NAYS: 0

ABSTENTIONS: 0

F. Audit Committee (Carlos Cota)

(1) Authorization to Accept Money Purchase Pension Plan Audited Financial Report for the Plan Year Ended December 31, 2020

Director Cota noted that while the Money Purchase Pension Plan Audit was “clean,” he wanted to report that staff found a \$36,000 error committed by Wells Fargo.

CFO Mattix noted that the plan assets of approximately \$25 million appeared to be virtually unchanged even through the market was doing well. Upon closer examination, plan assets increased by \$2.1 million and employer contributions increased by approximately \$1.2 million for a total addition to plan assets of \$3.4 million. However, \$3.6 million was pulled out of the plan by participants. Ms. Mattix believes the monies pulled out were due to staff transferring funds to 401Ks after layoffs and monetary transfers to cover pandemic related expenses.

Ms. Mattix also noted that a review of the Plan’s notes indicated that the plan administrative fees had increased dramatically. When the Corporation decided to convert the retirement plan from Wells Fargo to RBC Wealth Management, the Corporation elected to pay any conversion fees so as to not negatively impact employees. Fees were usually approximately \$50,000 but this year those fees were \$96,000 and those fees, even though the Corporation had requested otherwise, were deducted from employee accounts. Upon further investigation, Wells Fargo found that they had inadvertently posted another company’s plan fees to the SDCCC account. Wells Fargo will reimburse the fees 100% and the RBC firm will work with an actuary to determine how to reallocate the fees to employee accounts.

Directors Carlos and VanDiver moved and seconded, respectively, to Accept Money Purchase Pension Plan Audited Financial Report for the Plan Year Ended December 31, 2020

- Director Lai – Aye**
- Director Kim – Aye**
- Director Farwell – Aye**
- Director Cota - Aye**
- Director Gattas – Aye**
- Director VanDiver – Aye**
- Director Bradford – Absent**

Vote: Unanimous

AYES: 6

NAYS: 0

ABSTENTIONS: 0

Chair Lai requested that agenda Items 3(F)(2) and 3(F)(3) be pulled from Board consideration for further editing (removal of GBAC language) and resubmission to the Board at its next meeting. The documents will be vetted by the Audit Committee prior to resubmission to the Board.

(2) Authorization to Approve the San Diego Convention Center Corporation Injury and Illness Prevention Program

This item was pulled from consideration on the agenda.

(3) Authorization to Approve the San Diego Convention Center Corporation Coronavirus Prevention Program

This item was pulled from consideration on the agenda.

Director Cota asked if the Corporation would be eliminating all GBAC guidelines from the policies. Mr. Rippetoe responded that the Corporation found that some of the GBAC guidelines were contrary to State guidelines, so, the Corporation would be following the appropriate CDC, Cal-Osha and State guidelines while not spending funds on a certification that was not necessary.

4. Chair's Report (Chair Elvin Lai): Chair Lai reported:

- There is no Board meeting scheduled for July. Budget and Executive Committee members will receive notice if the July Committee meetings will be cancelled.
- The hybrid in-person/Virtual Board meetings will resume on August 24, 2021 at Noon.
- The Annual Board Dinner is scheduled for September, 10, 2021 starting at 4:30 p.m. and will be a less formal cook-out this year and will take place on the back patio overlooking the harbor. Board Directors are invited to bring a guest.

5. President's Report (Rip Rippetoe) – Mr. Rippetoe reported:

- The Center will be open to the public commencing on July 19, 2021. Staff that have been working remotely will be back on site; however, staff will also be refining a work-from-home policy which will allow for some flexibility.
- The strategic plan is moving forward. Staff has reengaged the consultant for some meetings to help refine KPIs and some of the content.
- Information regarding the funeral services for staff member Carlito des los Santos will be forwarded to the Board. Staff will be given access to counseling and EAP services.
- Mr. Rippetoe will complete his year as Chair of IAVM in August and will be traveling to IAVM related events between July 27 and August 6, 2021. MR. Rippetoe appreciated the Board's support during his tenure as Chair.

6. Board Comment [Govt. Code § 54954.2(a)(2)] – Director Cota stated that he was proud of the work the Center has done with shelter and the unaccompanied minors but he was looking forward to the Center reopening getting back to its core business of hosting events. There is a lot of excitement and relief within the community regarding the Center's

reopening. Chair Lai noted that the hospitality is looking for employees if anyone knows of job seekers.

7. **Closed Session:** The Board entered into closed session at 12:40 p.m. to discuss:
 - A. **CONFERENCE WITH LEGAL COUNSEL --- ANTICIPATED LITIGATION** Initiation of litigation pursuant to Government Code section 54956.9(d)(4) (5 cases)
 - B. **CONFERENCE WITH LEGAL COUNSEL- EXISTING LITIGATION**
Govt. Code section 54956.9 (d)(1)- 2 cases
Case No. 37-2020-00008163-CU-OE-CTL
Case No. 37-2020-00008111-CU-WT-CTL

The Board returned to open session at 1:10 p.m.

Reporting out of closed session, General Counsel Lyon stated that the Board discussed items “7A” and “7B” and direction was given but no reportable action was taken.

There being no further business, the meeting adjourned at 1: 10 p.m.

I, Carlos Cota, Secretary of the Board of Directors of the San Diego Convention Center Corporation, Inc., do hereby certify that the foregoing is a true and correct copy of the minutes of the business transacted by the Board of Directors of the San Diego Convention Center Corporation, Inc., at a duly noticed meeting held on June 22, 2021 and that said minutes were approved by the Board of Directors on August 24, 2021.

[Approved at Board Meeting of August 24, 2021]
Carlos Cota, Secretary