



Highlights

Why OCA Did This Study

In accordance with the Office of the City Auditor’s Fiscal Year 2016 Audit Work Plan, we conducted a performance audit of the San Diego Convention Center. Specifically, we evaluated the efficiency and effectiveness of the management of the Convention Center.

Our audit objectives were to:

- Identify the City’s financial obligations related to the Convention Center and the sources of funding;
- Identify the division of oversight responsibilities for the Convention Center in comparison to typical governance structures; and
- Assess the San Diego Convention Center Corporation’s (SDCCC) oversight of its Sales and Marketing Contract with the San Diego Tourism Authority (SDTA).

What OCA Recommends

- SDCCC should revise its Sales and Marketing Contract with SDTA to include measureable performance targets for evaluating SDTA’s booking performance. The contract should also include a corrective action clause for SDTA underperformance.
- In order for SDCCC to prepare for capital funding needs, it should prioritize expected capital project needs for each year.
- The City’s Chief Operating Officer or designee and SDCCC should continue discussions with the Unified Port of San Diego to develop a financing plan that addresses the capital projects funding gap.
- SDCCC should update its internal invoice payment authorization procedures to reflect appropriate practice and develop a policy on how to use any available City funds should all capital needs be paid for in any given year.

Management agreed to implement all recommendations.

For more information, contact Eduardo Luna, City Auditor at (619)533-3165 or cityauditor@sandiego.gov

San Diego Convention Center

Improvement in Performance Measures and Collaboration Between Stakeholders is Needed to Help Ensure the Continued Success of the San Diego Convention Center as a Premier Tourist Destination

What OCA Found

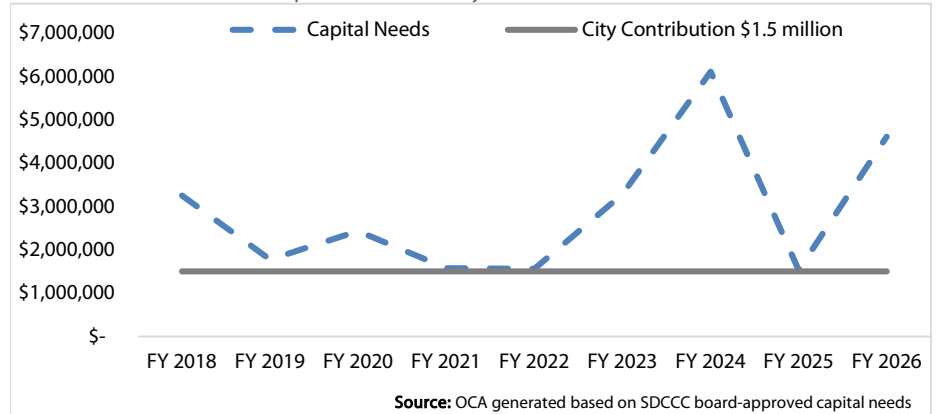
The San Diego Convention Center (Convention Center) is the region’s premier gathering place, hosting conventions, trade shows, and community events. These events economically benefit the City of San Diego (City) when convention attendees pay Transient Occupancy Tax (TOT) as part of their hotel bill. TOT revenue helps to pay for the City’s general services, such as police and street repair, as well as other cultural, recreational, and tourist-related activities.

The City uses a portion, approximately \$17 million, of TOT revenue for Convention Center-related expenditures. Approximately \$13.6 million annually is used to pay debt service lease payments, dewatering costs, and administrative and insurance fees. The City contributes the remaining \$3.4 million annually to SDCCC’s operating revenue specifically for marketing, promotions, and capital projects.

SDCCC uses approximately \$1.9 million annually of the City’s contribution for a Sales and Marketing Contract with the San Diego Tourism Authority (SDTA). However, [Finding 1](#) shows that the contract includes limited measurable performance targets and lacks a robust corrective action clause. The contract also includes incomplete and conflicting guidelines. SDCCC should improve its oversight of SDTA’s services by strengthening performance measures and corrective action protocols when the contract is up for renewal at the end of FY 2017.

As discussed in [Finding 2](#), SDCCC uses the remaining \$1.5 million annually of the City’s contribution for capital projects. This amount is not enough to address the approximate \$12.6 million funding gap for capital projects scheduled through 2026. The City should continue discussions with the Port to develop a capital financing plan that addresses the prioritized capital needs.

Convention Center Has More Capital Needs Than City Funds Will Cover between FY 2018 and FY 2026



Moreover, as discussed in [Finding 3](#), SDCCC could better manage and maximize the funding it receives from the City. SDCCC should update its invoice payment authorization procedures to reflect appropriate practice and develop a policy that prioritizes capital needs when there is available City funding. The policy should also require SDCCC to consult the City in writing to agree on how to spend available City funding.