

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO	CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY)
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TO: CITY COUNCIL	FROM (ORIGINATING DEPARTMENT): Economic Development	DATE: 3/19/2015
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SUBJECT: FY2016 San Diego Tourism Marketing District Report of Activities

PRIMARY CONTACT (NAME, PHONE): Meredith Dibden Brown, 236-6485 MS 56-D	SECONDARY CONTACT (NAME, PHONE): ,
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COMPLETE FOR ACCOUNTING PURPOSES

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

FUND					
FUNCTIONAL AREA					
COST CENTER					
GENERAL LEDGER ACCT					
WBS OR INTERNAL ORDER					
CAPITAL PROJECT No.					
AMOUNT	0.00	0.00	0.00	0.00	0.00

COST SUMMARY (IF APPLICABLE): An estimated \$34,517,026 of TMD assessments and \$30,000 in new interest and penalties will be collected in FY2016. An estimated \$22,982,589 of TMD assessments and interest will be carried over from FY2015. Combining these, the estimated FY2016 TMD Budget is \$57,529,615 including designations of: \$19,500,000 for liability reserve; and \$7,245.610 for Opportunity/Catastrophe and SDTMD Corporation and City administration expenses.

ROUTING AND APPROVALS

CONTRIBUTORS/REVIEWERS:	APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED
Environmental Analysis	ORIG DEPT.	Caldwell, Erik	03/21/2015
Liaison Office	CFO		
	DEPUTY CHIEF		
	COO		
	CITY ATTORNEY		
	COUNCIL PRESIDENTS OFFICE		

PREPARATION OF: RESOLUTIONS ORDINANCE(S) AGREEMENT(S) DEED(S)

1. Approve the FY2016 Report of Activities for the San Diego Tourism Marketing District with an anticipated budget total of \$57,529,615. This budget figure includes: anticipated TMD assessments for FY2016 of \$34,517,026; projected carryover of \$22,982,589 from FY2015; and projected TMD interest to be accrued in FY2016 of \$30,000.

2. Authorize the Chief Financial Officer to appropriate and expend for FY2016 TMD activities a total of \$57,529,615, which includes: anticipated TMD assessments for FY2016 of \$34,517,026; projected carryover of \$22,982,589 from FY2015; and projected TMD interest to be accrued in FY2016 of \$30,000, contingent upon the Chief Financial Officer certifying that the funds necessary for expenditure are, or will be, on deposit in the City Treasury and subject to any required hold backs.

3. Authorize the Chief Financial Officer to appropriate and expend the TMD Fund Balance and TMD Interest Fund Balance from FY2015 at year end closing (less the estimated TMD assessments and TMD interest carryover of \$22,982,589 to be included with the FY2016 budget) for prior year expenditures anticipated to be processed in FY2016, contingent upon the Chief Financial Officer certifying that the funds necessary for expenditure are, or will be, on deposit in the City Treasury but subject to any required hold backs.

STAFF RECOMMENDATIONS:

Approve the requested actions.

SPECIAL CONDITIONS (REFER TO A.R. 3.20 FOR INFORMATION ON COMPLETING THIS SECTION)

COUNCIL DISTRICT(S): All

COMMUNITY AREA(S): Citywide

ENVIRONMENTAL IMPACT: This activity will not result in a direct or reasonably foreseeable indirect physical change in the environment, and is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(2).

CITY CLERK INSTRUCTIONS:

**COUNCIL ACTION
EXECUTIVE SUMMARY SHEET
CITY OF SAN DIEGO**

DATE: 3/19/2015

ORIGINATING DEPARTMENT: Economic Development

SUBJECT: FY2016 San Diego Tourism Marketing District Report of Activities

COUNCIL DISTRICT(S): All

CONTACT/PHONE NUMBER: Meredith Dibden Brown/236-6485 MS 56-D

DESCRIPTIVE SUMMARY OF ITEM:

Approve the FY2016 Report of Activities for the San Diego Tourism Marketing District with an anticipated budget total of \$57,529,615 and authorize the Chief Financial Officer (CFO) to appropriate and expend the funds (contingent on availability) less any retention for a litigation reserve. Authorize the expenditure of fund balance from FY2015 to process any payments for prior year activities anticipated to be received at City in FY2016.

STAFF RECOMMENDATION:

Approve the requested actions.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

On September 25, 2012, City Council approved the Management Plan [Plan] for renewing the San Diego Tourism Marketing District [TMD] and on November 26, 2012, the City Council adopted the Resolution of Formation which renewed the TMD for a period of thirty-nine and one-half (39 ½) years with a starting date of January 1, 2013.

Assessments are now levied on all lodging businesses in the City of San Diego at the rate of 2.0% on those businesses with 30 or more rooms/units and 0.55% on those businesses with fewer than 30 rooms/units.

Council also approved an initial five-year Operating Agreement with the San Diego Tourism Marketing District (SDTMD) corporation in March 2013. The SDTMD is the non-profit business association representing the assessed lodging businesses. Council then approved a First Amendment in April 2013 which was rescinded by Council in November 2013 by approving a Second Amendment.

The Plan for the renewed TMD provides for certain activities within benefit categories. The specific benefit provided with TMD funds is room night sales generated through these activities. Promoting tourism to San Diego also provides spillover benefits in enhancing TOT revenues and sales tax received by the City. However, non-assessed businesses will not have access to the privileges and services provided by the assessment.

Ninety percent (90%) of assessment revenue, less any litigation reserve retentions, is designated annually for Marketing and Sales activities within these categories:

- A1.1 Hotel Meeting Sales
- A1.2 Event Management and Group Sales Development
- A1.3 Tourism Development including Travel & Trade
- A1.4 Group Meeting Direct Marketing

- A1.5 Consumer Direct Marketing Programs
- A1.6 Multi-Year Tourism Development
- A2 Sub-Regional Programs to Drive Sales Demand for District Lodging Businesses
- A3 Competitive Targeting
- B Destination Marketing with Specific Call to Action

Within these activities above, applicant organizations have to delineate:

- All sales, marketing, advertising and promotional programs
- Number of District lodging business room nights generated – existing and incremental
- Average daily rate
- Return on Investment (ROI) as measured in District room night revenue
- Time of year (peak, shoulder, low)
- Number of marketing impressions (where applicable)
- Cost allocation methodology

In accordance with the Plan and the Operating Agreement, the SDTMD requested proposals for services for FY2016 which were due by October 17, 2014. The SDTMD Board received presentations from applicants over multiple Board meetings from November 2014 through February, 2015.

At its February 27, 2015 Board meeting, the members ranked the applications and then made collective funding recommendations for those applications (see Table 1). The Board previously adopted a cost allocation methodology applicable to all funding recipients for assigning costs to TMD funding. These requirements are incorporated into the annual agreements between the SDTMD Corporation and funded entities.

Table 1 - FY2016 Funding Recommendations	Category	Amount
San Diego Tourism Authority (SDTA)	A1	\$18,974,619
San Diego Tourism Authority (SDTA)	A2	\$2,000,000
San Diego Tourism Authority (SDTA)	B	\$7,559,486
California State Games	A3	\$150,000
California Police Athletic Federation	A3	\$60,000
Competitor Group - Rock'n'Roll Marathon	A3	\$300,000
Craft Brewers Guild - San Diego Beer Week	A3	\$74,900
Farmers Open	A3	\$200,000
KOZ Events	A3	\$30,000
LGBT Pride	A3	\$25,000
San Diego Bayfair	A3	\$95,000
San Diego Bowl Game Association	A3	\$450,000
San Diego Crew Classic	A3	\$165,000
Total		\$30,084,005

At the same meeting, the Board also approved a consolidated budget for FY2016 (see table 2) which incorporates holdbacks pursuant to the Operating Agreement subject to the outcome of the outstanding lawsuit filed challenging the renewal of the District. The City originally received

notice of three lawsuits filed in FY2013 of which two have since been dismissed. The City and the SDTMD continue to defend the outstanding suit.

Table 2 - FY2016 Consolidated Budget	Category	Amount
Funding Allocations for Ranked Applications	A&B	\$30,084,005
SDTMD Multi-Year Tourism Development	A1.6	\$700,000
SDTMD - Admin	Admin & Ops	\$1,969,321
SDTMD - Contingency	Contingency	\$172,959
City - Admin	Admin & Ops	\$600,000
City - Litigation Reserve	Contingency	\$19,500,000
Opportunity Catastrophe	Contingency	\$4,503,330
Total		\$57,529,615

CITY STRATEGIC PLAN GOAL(S)/OBJECTIVE(S):

Goal #2: Work in partnership with all of our communities to achieve safe and livable neighborhoods

Objective #5. Cultivate civic engagement and participation

Goal #3: Create and sustain a resilient and economically prosperous City

Objective #3. Diversify and grow the local economy

Objective #5. Enhance San Diego’s global standing

FISCAL CONSIDERATIONS:

Pursuant to the renewed TMD Resolution R-307843, approximately \$57,529,615 of TMD Assessments, interest and fund balance is projected to be available in FY2016. These funds will be disbursed to the SDTMD to implement the TMD Management Plan for FY2016, except for those funds held: for Opportunity/Catastrophe; to recover City administration costs; and for potential claims as provided for in the Operating Agreement as amended. Depending on the timing and outcome of litigation there may be no fiscal impact to the General Fund however a reserve is being built to provide funding in the case of an adverse outcome.

EQUAL OPPORTUNITY CONTRACTING INFORMATION (IF APPLICABLE):

Contracts or agreements associated with this action are subject to the City’s Equal Opportunity Contracting (SD Ordinance No. 18173, Section 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (SD Municipal Code Sections 22.3501 through 22.3517).

PREVIOUS COUNCIL and/or COMMITTEE ACTION:

The TMD was renewed by Council on November 26, 2012 by Resolution R-307843. Council approved a five-year TMD Agreement by Resolutions R-307844, R-308062 and then amended that Agreement by Resolutions R-308065 (April 23, 2013) and R-308588 (December 9, 2013). The FY2015 Report of Activities was heard by the Budget & Finance Committee on April 16, 2014 and approved by Council on May 13, 2014 (Resolution R-308943).

COMMUNITY PARTICIPATION AND PUBLIC OUTREACH EFFORTS:

SDTMD regularly conducts Brown Act compliant noticed open meetings which provide opportunity for public comment. Applicants are invited to make presentations on funding requests and board deliberations on ranking and budget are conducted openly at the board meetings.

KEY STAKEHOLDERS AND PROJECTED IMPACTS:

The key stakeholders are San Diego lodging businesses and funded contractors. Information is provided via mail, email blasts, website postings, and at open, noticed public meetings.

Caldwell, Erik

Originating Department

Deputy Chief/Chief Operating Officer

San Diego Tourism Marketing District



Report of Activities for FY 2016

March 11, 2015

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Introduction



The renewed San Diego Tourism Marketing District (TMD) is an assessment district designed to facilitate the pooling of resources via the collection of assessments from San Diego lodging establishments to develop tourism within the City of San Diego to benefit the assessed businesses by increasing room night stays.



The boundaries of the renewed TMD coincide with the City boundaries and all lodging businesses within the City are assessed: effective January 1, 2013, those with 30 or more rooms are assessed two percent (2%) of eligible gross room revenues while those with 29 or fewer rooms are assessed 0.55% of eligible gross room revenues.



The guiding document for the renewed TMD is the Tourism Marketing District Management Plan (Plan) created by the assessed businesses and approved by City Council in September 2012. The Plan specifies how the assessments may be used and the general funding procedures and criteria. These uses are categorized as "A" and "B" according to activity type and benefit to assessed lodging businesses.



The Plan also outlines the process for oversight and administration. And, perhaps most importantly, it provides for the empowerment of assessed business owners with the local expertise and knowledge to evaluate and make recommendations on programs and services to specifically benefit the assessed lodging businesses through such activities as: marketing of the area; tourism promotion activities; and special events and programs.



The San Diego Tourism Marketing District (SDTMD) is the non-profit organization representing the assessed businesses which is under a five-year agreement through November 2017 to administer the renewed TMD.



The SDTMD brings management experience from the initial district to the renewed district but will also be guided by the new Plan for the renewed District when allocating funding for activities so that those that are assessed are benefitted while ensuring that those lodging businesses which are not assessed may not benefit from the TMD-funded activities.

This FY 2016 Report of Activities reflects the recommended allocations of assessments levied for FY2016.

Quick Facts

San Diego Tourism Marketing District:

Renewed by Resolution: R-307843 with Date of final passage November 27, 2012
Effective January 1, 2013 through June 30, 2052 (a term of 39 ½ years)

Agreement between City and TMD Management Corporation:

Approved by Resolution: R-307844 and amended by Resolutions R-308065
(Dated April 23, 2013) and R-308588 (Dated December 9, 2013).
Effective November 26, 2012 through November 25, 2017

Advisory Board and Contracted TMD Management Corporation:

San Diego Tourism Marketing District (SDTMD)
8880 Rio San Diego Drive, Suite 800, San Diego, CA 92108
(619) 209-6108 www.sdtmd.org

Assessment Methodology Authorized by Resolution No. R-307843:

All assessment rates are based on the privileges directly conferred and specific benefit directly received by assessed businesses from the activities provided within each category and is levied on "Assessable Rent" which is based on gross room rental revenue less exempt revenues, of those benefitting businesses.

Annual assessment rates are as follows:

- Benefit Category A Rate: 1.45% - applied to Assessable Rent of qualifying lodging businesses.
- Benefit Category B Rate: 0.55% - applied to Assessable Rent of qualifying lodging businesses.

In summary, lodging businesses with 30 or more rooms are assessed at a total rate of 2% (Category A + Category B). Lodging businesses with 29 or fewer rooms are assessed at a total rate of 0.55% (Category B only).

No Changes to Boundaries or Assessment Methodology:

For FY2016, no changes are proposed to the boundaries, which encompass the entire City of San Diego, or to benefit categories, or the basis / method of assessment for the renewed District.

Benefit Zones:

There are two (2) benefit categories in the District. Each benefit category is designed so that the activities provided in connection with that category will confer exclusive privileges and a specific benefit directly to assessed businesses.

Lodging businesses benefitting under category A include all lodging businesses in the District with thirty (30) or more rooms. Lodging businesses benefitting under category B include all lodging businesses in the District, regardless of size.

FY2016 Budget Total

Estimated Available Tourism Marketing District (TMD) Funds for FY2016: **\$57,529,615**

Budget Summary

Calculation of Available Tourism Marketing District (TMD) Funds for FY2016

Projected Assessments	
Category A	\$ 25,024,844
Category B	\$ 9,492,182
Projected Interest and Penalties	\$ 30,000
Projected Carryover from FY2014 –	\$ 22,982,589
Contributions from Other Sources:	\$ 0
Total FY2016 Funds Available	\$ 57,529,615

PROPOSED ACTIVITIES FOR FY 2016

(Pursuant to San Diego Tourism Marketing District Management Plan September 2012)

CATEGORY A

A1.1	Hotel Meeting Sales	\$ 4,426,361
A1.2	Event Management and Group Sales Development	\$ 1,907,980
A1.3	Tourism Development Including Travel & Trade	\$ 1,679,266
A1.4	Group Meeting Direct Marketing	\$ 886,847
A1.5	Consumer Direct Sales and Marketing Program	\$ 10,074,165
A1.6	Multi-Year Tourism Development	\$ 700,000
A2	Sub-Regional Targeting	\$ 2,000,000
A3	Competitive Targeting -	\$ 1,549,900

*Programs of the type detailed in benefit category A.1
(i.e. A1.1 through A1.6) awarded through a competitive process.*

Sub-Total **\$ 23,224,519**

Litigation Reserve (including carryover of \$8,700,000)	\$ 14,137,500
Opportunity/Catastrophe Reserve 5% (including carryover of \$2,713,797) Plus unallocated distributable funds of \$309,023)	\$ 4,274,063
Administration 5% (incl. carryover of \$638,388 in assessments and \$76,773 in interest, plus new interest of \$21,750)	\$ 1,988,153

Total Category A **\$ 43,624,235**

CATEGORY B

Destination Marketing with Specific Call to Action - SDTA	\$ 7,559,486
Litigation Reserve (including carryover of \$3,300,000)	\$ 5,362,500
Opportunity/Catastrophe Reserve 5% (including carryover of \$849,512, less current year budgeted usage of \$1,094,854)	\$ 229,267
Administration 5% (incl. carryover of \$238,682 in assessments and \$32,586 in interest, plus new interest of \$8,250)	\$ 754,127

Total Category B **\$ 13,905,380**

Destination Marketing & Forecast

San Diego Tourism Authority Analysis

The tourism market is an extremely competitive and lucrative export industry. On May 7, 2013, Mayor Antonio Villaraigosa and Los Angeles Tourism & Convention Board (LA Tourism) President and CEO Ernest Wooden, Jr. announced that Los Angeles has set a new goal to generate 50 million visitors by 2020 (an increase of 22% over the next 8 years). LA Tourism estimates that an increase in total visitation to 50 million will generate an increase of \$14 billion in economic impact for Los Angeles for a total of \$44.5 billion; bring in \$238 million in total annual hotel tax revenue to the City; and add 68,000 new jobs to the LA region's workforce for a total of 392,000 jobs supported by the tourism industry in 2020.

Los Angeles isn't the only destination to identify travel and tourism as an export economy worthy of investment and growth. On September 16, 2013, Chicago Mayor Rahm Emanuel and Don Welsh, President and CEO of Choose Chicago announced a 2020 goal of attracting 50 million visitors annually and becoming a top 5 U.S. city for international visitation. And, at the national level, President Barak Obama created for the first time the National Travel & Tourism Policy with a goal to attract 100 million international visitors (from current 66.6 million annually) by 2021 and to encourage more Americans to travel within the United States.

As outlined in the National Travel & Tourism Policy, growing a destination's tourism economy requires:

- Promoting the destination.
- Enabling and enhancing travel and tourism to and within the destination.
- Providing world-class customer service and visitor experience.
- Coordinating across government.
- Conducting research and measuring results.

Setting these goals and measuring progress for any destination requires historic data and an economic forecast. In 2008, the San Diego Tourism Authority engaged Tourism Economics (an Oxford Economics Company with a global clientele) to develop an economic forecasting model for San Diego tourism using years of San Diego tourism industry research. The San Diego Tourism Forecast Model, with visitor industry and economic inputs and outputs, was one of the first tourism forecasting models in the nation and the approach has now been adopted by leading destination marketing organizations (DMOs) including Visit California, Los Angeles Tourism & Convention Board and Brand USA.

Currently, the San Diego forecast is updated every six months, with the most recent forecast completed in December 2014. This forecast produced by Tourism Economics, takes into consideration the recent funding challenges, market conditions and competitive landscape, and forecasts the industry growth through 2019.

The following highlights provide insight into recent performance for San Diego and Outlook for 2015-2019

San Diego hosted 8.8 million visitors in the second quarter of 2014 and 10.8 million visitors in the third quarter of 2014. Growth in visits to San Diego in the third quarter (Q3) of 2014 registered 0.7% compared to 2013.

Visitor expenditures grew 14.0% in the second quarter (Q2) of 2014 and 8.8% in Q3 2014. In Q3 2014, visitor expenditures amounted to \$2.8 billion. Average daily expenditures increased across all visitor segments.

Hotel demand increased 7.8% and 3.2% in Q2 and Q3 of 2014, respectively. While room supply continues to grow, occupancy rates registered 77.9% in Q2 2014 and 81.7% in Q3 2014.

San Diego's average daily rate (ADR) has continued to accelerate over the past two quarters in response to higher demand. ADR in Q2 2014 was 6.6% higher than in 2013 and 5.7% higher in Q3 2014 compared with 2013 levels.

San Diego hotels continue to maintain premium occupancy rates and prices compared to both California and the US, but these premia have narrowed compared with last year. The San Diego hotel sector has regained ground since 2013 relative to California and the US. Both ADR and revenue per available room (RevPAR) have outpaced state and national performance through October 2014.

Macroeconomic data point towards a US economic bounce-back, mainly due to increased business investment, reduced government drag, solid labor market gains, modest global growth, and stronger consumer spending.

These factors, especially in the household sector, are the key drivers which will support travel the remainder of the year and through 2015.

Visits to San Diego are expected to post annual growth of 2.1% in 2014, aided by relatively stronger performance in overnight visitation throughout the year. Growth in visits for 2015 is forecast to remain steady at 2.6% and 2.5% in 2016.



Longer term, visitor growth is forecast to settle to 1.7% in 2017, 1.4% in 2018, and 2.1% in 2019. While spending is expected to accelerate in 2014 and 2015 due to relatively stronger overnight visitation, visitor spending growth will slow and remain stable through 2017.

Hotel room demand is projected to grow 5.7% in 2014, after posting growth rates of 7.8% and 3.2% in Q2 2014 and Q3 2014, respectively. This estimate is identical to our previous forecast. Demand is forecast to register 3.2% growth in 2015 and 1.9% in 2016, both of which represent slight upgrades to our previous forecast.

The combination of strong demand and an increasing room supply in 2014 will boost ADR growth above 6% for 2014. Supply growth will remain steady in 2014, but relatively high demand will keep occupancy close to 75% in 2014 and slightly above 76% in 2015. Occupancy rates will remain above 76% through 2016 and 2017, and slightly above 77% in 2018.



San Diego Tourism Summary Outlook (annual % growth, unless stated)							
	2013	2014	2015	2016	2017	2018	2019
Visits	2.6%	2.1%	2.6%	2.5%	1.7%	1.4%	2.1%
Day	3.4%	0.9%	3.7%	3.2%	2.0%	1.5%	2.2%
Overnight	1.8%	3.2%	1.5%	1.9%	1.4%	1.4%	1.9%
Expenditure	5.2%	9.4%	3.4%	5.2%	4.4%	4.1%	4.9%
Day	6.1%	3.7%	6.0%	5.9%	4.8%	4.2%	5.3%
Overnight	5.1%	10.1%	3.1%	5.1%	4.4%	4.1%	4.9%
Hotel Sector							
Room supply	0.9%	1.4%	1.1%	1.3%	1.3%	0.9%	1.1%
Room Demand	2.4%	5.7%	3.2%	1.9%	1.4%	1.5%	2.5%
Occupancy (%)	71.6	74.7	76.3	76.7	76.8	77.2	78.2
ADR (\$)	\$134.94	\$142.61	\$150.52	\$160.35	\$166.98	\$174.27	\$181.79

FY2016 Distributions

The FY2016 Distribution is estimated to be \$30,784,005. Per the FY2016 Application Guidelines, the deadline for the annual Applications was October 17, 2014. All submitted applications were reviewed, ranked, and allocations recommended as listed below. Ranking factors included time of year, new versus existing rooms, and potential for growth. A sample application is included as Attachment V and the rankings for all applications are shown on Attachment VII.

CATEGORY A1 & B - DESTINATION MARKETING ORGANIZATION (DMO)	
San Diego Tourism Authority (SDTA)* Funding Category A	\$ 18,515,567
San Diego Tourism Authority (SDTA)* Sports First (includes \$60,000 approved in FY2015 for FY2016)	<u>\$ 459,052</u>
Sub-total	\$ 18,974,619
San Diego Tourism Authority (SDTA)* Funding Category B	\$ 7,559,486
CATEGORY A2 - SUB-REGION PROMOTIONS (DMO)	
San Diego Tourism Authority (SDTA)*	<u>\$ 2,000,000</u>
Sub-total	\$ 28,534,105
 <i>*SDTA - formerly known as ConVis</i>	
CATEGORY A3 – GENERAL COMPETITIVE ANNUAL APPLICANTS	
California State Games	\$ 150,000
California Police Athletic Federation	\$ 60,000
Competitor Group - Rock'n'Roll Marathon	\$ 300,000
Craft Brewers Guild – San Diego Beer Week	\$ 74,900
Farmers Open	\$ 200,000
KOZ Events	\$ 30,000
LGBT Pride	\$ 25,000
San Diego Bayfair	\$ 95,000
San Diego Bowl Game Association	\$ 450,000
San Diego Crew Classic	<u>\$ 165,000</u>
Sub-total	\$ 1,549,900
Total FY2016 Funding Allocations from ranking	\$ 30,084,005
 ADDITIONAL APPROVED FUNDING	
A1.6: Multi-Year Tourism Development: SDTMD	\$ 700,000
Total Funding Allocations	<u>\$ 30,784,005</u>

San Diego Tourism Authority

Budget Summary

San Diego Tourism Authority formerly known as San Diego Convention and Visitors Bureau

Category A

Wages, Taxes & Employee benefits	\$	4,603,887
Advertising	\$	7,215,000
Advertising agency fees	\$	969,000
Bid fees/Attraction Ticket Sales Cost	\$	75,000
Dues/ Subscriptions/Memberships	\$	81,124
Event registration fees	\$	206,839
Lead generation services	\$	139,680
Marketing materials and brochures	\$	13,016
Outside contractors	\$	1,510,889
Promotional Items	\$	53,551
Rentals – booth space	\$	22,456
Rentals – remote space office	\$	75,730
Research	\$	279,715
Special event production	\$	79,861
Sponsorships	\$	306,317
Travel	\$	326,855
Allocation of Indirect Costs	\$	<u>3,015,699</u>
Total Category A Budget	\$	18,974,619

Category A2

2,000,000

Category B

Wages, Taxes & Employee Benefits	\$	346,292
Advertising	\$	5,869,000
Advertising agency fees	\$	575,700
Dues/ Subscriptions/Memberships	\$	5,391
Event registration fees	\$	3,240
Outside contractors	\$	461,532
Research	\$	83,011
Travel	\$	1,298
Allocation of Indirect Costs	\$	<u>214,022</u>
Total Category B Budget	\$	7,559,486

Total Budget

\$ 28,534,105

San Diego Tourism Authority

Program of Work

Overview:

The San Diego Tourism Authority (SDTA) is the sales and marketing engine for the San Diego region. The organization is charged with monitoring the health of the tourism industry, promoting all areas of the region, and driving inbound travel.

Incorporated in 1954, SDTA is a private not-for-profit 501(C)(6) organization governed by a 30-member board of directors. The SDTA is nimble in the marketplace. As market conditions shift, programs are updated in order to best capitalize on opportunities and maximize ROI. Investment of new marketing funds from the TMD have helped SDTA in its efforts to win market share and tout San Diego as a diverse tourism market, appealing to leisure and group travelers, international and domestic visitors.

The SDTA mission is clear: To drive visitor demand to economically benefit the San Diego community. Based on the total budget request of \$28.5 million in Tourism Marketing District funding, the FY 2016 program of work is projected to deliver the following:

1. Deliver maximum hotel room nights to the Tourism Marketing District hotels.
2. Deliver a minimum overall organization return on investment of \$19 to \$1.
3. Produce over 1 billion paid advertising gross impressions.
4. Generate an estimated 8 million visitor inquiries through the web site, social media, e-mail and phone.
5. Deliver over \$20 million in unpaid media exposure through earned media (unpaid editorial), unpaid media promotions and co-operative advertising partners.

FY2016 Key Strategies and Tactics:

The Leisure Market

1. Align San Diego marketing programs with Visit California and Brand USA, capitalizing on their respective \$100 million and \$200 million global marketing programs. Position San Diego as the best of everything California has to offer all in one place.
2. Generate maximum hotel/motel visitor volume for the destination by protecting existing volume markets and building opportunity markets.



3. Invest in research and database analysis to focus marketing programs, dollars and timing against the destination's best travel prospects.
 - a. Conduct comprehensive quantitative and qualitative brand research domestically and internationally to assess communications messages and strategies.
 - b. Update the 5-year San Diego Tourism forecasting model.
 - c. Continue to invest in core visitor industry performance intelligence such as the CIC Research, San Diego County Visitor Profile, Smith Travel Research San Diego Hotel Market Analysis and OTTI Overseas Travel Arrivals.
 - d. Continue program measurement tracking, including TNS Return on Investment Advertising Studies and Web Site Conversion Analysis.
 - e. Align database analysis with online marketing to profile customers across the OWNED and SHARED media channels (web site, digital, destination blog, YouTube, Social media).
4. Launch new advertising creative and media strategies based on findings from 2014 Global Brand Research Project.
5. Build off the impact of the 2014 advertising campaign.
 - a. Incorporate national and regional layers to effectively reach the existing volume markets while building emerging markets.
 - b. Establish a year-round base program with seasonal campaigns timed to drive business during need periods as well as secure share during peak periods.
 - c. Utilize a multi-media mix (i.e., television, digital, out-of-home, print) to effectively break through the clutter and reach targeted audiences.
 - d. Develop new media partnerships and promotional programs to elevate the brand and create new content.
 - e. Co-operative Advertising – raise over \$1.6 million annually in co-operative advertising through partnerships.
 - f. Adjust the advertising program based on insights from the Spring and Fall TNS Advertising Return-on-Investment Studies to the ongoing program of work.
6. Capitalize on the National Geographic Channel media partnership to put San Diego on the global stage.
 - a. Documentary of "San Diego: World's Smart City" airs April – May 2015 in the United States and over 60 countries.
 - b. Extend the documentary viewership by seeking additional media partners.
 - c. Incorporate the documentary into media pitches and digital campaigns to grow exposure for San Diego.
7. Increase San Diego's share of voice and leverage the paid media budget through unpaid EARNED media programs.
 - a. Public Relations - produce over \$16 million annually in unpaid editorial through public relations. Expand paid advertising's reach by targeting new markets and audiences. Continue to pitch the diversity of product as well as what's new in the destination. Continue to target the gay/lesbian niche segment.
 - b. Unpaid Media Promotions – generate over \$1 million annually in unpaid media

promotions that extend the San Diego brand in key geographic markets. Continue to target affinity audiences that align with the target (Adult Indulgence, Family Fun and Outdoor Recreation). Target the U.S. Hispanic segment.

8. Connect with travelers and communicate the depth of San Diego travel experiences through OWNED and SOCIAL media channels.
 - a. Launch a sandiego.org website using responsive design so that the traveler can easily access information via any screen (mobile, tablet, desktop).
 - b. Formalize the editorial calendar for publishing and repurposing content through all digital channels.
 - c. Showcase the destination and SDTA members by driving more traffic to all channels.
 - d. Partner with outside publishers to produce the San Diego Official Travel Guide (San Diego Magazine), San Diego Golf Map (Certified Folder) and San Diego Pocket Map (Where Magazine).
9. Deepen alliances with community partners to better promote the breadth of San Diego's travel product.
 - a. Arts & Culture – City of San Diego Commission for Arts & Culture
 - b. Craft Beer - San Diego Brewer's Guild
 - c. Food – California Restaurant Association, San Diego Chapter
 - d. Cruises – Port of San Diego
10. Partner with the major Online Travel Agencies to increase awareness of San Diego and grow sales of hotel room nights.
 - a. Through RFP, select key OTAs to run paid media and promotions. Effectively reach travel prospects by running high-profile placements; deploying competitive destination targeting; developing geo-targeted campaigns; and create affinity targeting.
 - b. Conduct reservation agent training on the San Diego travel product and experience.
 - c. Facilitate bringing together OTA market managers and SDTA members to grow San Diego product inclusion in OTA channels.
11. Assist visitors with planning their San Diego trip through:
 - a. Sandiego.org and m.sandiego.org - The Official Travel Resource for the San Diego Region.
 - b. Visitor publications.
 - c. Visitor services in the form of phone and email responses to visitor inquiries.
12. Continue to market to the Travel Trade as a means of influencing transient travel to the destination.
 - a. Major Travel Partners – continue to target the top producing travel agencies through sales calls and direct marketing. Seek opportunities for partners to increase promotion of San Diego to their consumers.
 - b. Airline Vacation Offices – partner with key airlines such as Southwest Vacations, Alaska Airlines Vacation and American Airlines Vacations. Develop promotions that feature air/hotel/attraction packages and provide potential visitors with a price-point

for the destination.

- c. Industry Support – continue to participate in major travel industry shows. Continue to offer the San Diego Travel Specialist online training program to educate and certify travel agents.

13. Increase international marketing programs and capitalize on both the Visit California and Brand USA global marketing programs.

- a. Create individual country plans for each major international market.
- b. Ensure foundational layer of international development with In-country representation, travel trade development and public relations.
- c. Build a layer of digital presence for San Diego through localized web sites and social media.
- d. Host travel trade and media FAMS to grow education among key influencers.
- e. Seek incremental funding from the TMD to build promotional campaigns in key target markets.

14. Partner with the San Diego Regional Airport Authority to develop and support new international routes.



The Citywide Conventions Market

1. Continue to support an expansion of the San Diego Convention Center in order to meet customer needs and ensure growth of citywide room nights for the destination.
2. Due to the expansion delay and uncertainty, shift sales and marketing to best maximize utilization of the existing facility and generate the greatest hotel room night demand.
 - a. Focus on filling open dates within the next five years (previously construction years).
 - b. Capitalize on *MINT*, *Top Medical Meetings*, *Tradeshaw Weekly*, *Competitive Calendars* and top 250 Trade shows List databases to uncover new accounts.
 - c. Bring prospective clients to San Diego to familiarize them with the convention center package.
 - d. Secure medical citywide rotations.
3. Monitor developments in the West Coast convention centers (such as San Francisco's Moscone Convention Center) as improvements in these centers pose a threat to our base of business. Evaluate developments at other centers (such as Boston Convention Center) that offer key vertical segments an alternative destination.
4. Leverage SDTA sales teams' synergies to increase market intelligence, establish stronger sales presence and better service key customers.
 - a. Continue collaboration between the Citywide and Hotel Meetings sales teams in order to achieve new savings, business referrals, identify new prospects and sales opportunities.



- b. Work a collaborative plan to maximize tradeshow presence, sales trips and industry events.
 - c. Analyze each account to see if there is citywide potential (or single property potential).
5. Secure facility revenue through Group Contract Agreements and Guidelines. Offer reduced or discounted deviations from the standard license fee rates if needed to secure core business.
 - a. Continue to partner with the San Diego Convention Center facility team in site visits and negotiations to ensure revenue and booking goals are achieved.
 - b. Develop deeper understanding of the center's operational costs in order to best qualify future business opportunities.
 - c. Maximize the catering food and beverage and audio visual contracts and hold clients responsible for meeting expectations.

Hotel Meetings Markets

1. Evolve the new business strategy by focusing sales team members on Prospect Development and services team members on Assist and Repeat business.
 - a. Prospects are defined as meetings that haven't met in San Diego previously and/or meetings that haven't met in San Diego in the last five years.
 - b. Assists are defined as supporting hotel members as they work with a meeting planner to sell San Diego versus another destination regardless of how the lead was generated.
 - c. Repeats are defined as groups that return to San Diego annually and need our assistance in hotel consideration (i.e., Surf Cup, USMC Graduation, Nomads Soccer, etc.).
2. Strategically place sales resources in key source markets in the West Coast, Midwest, Washington D.C., and Southeast.
3. Continue to build upon the San Diego Meeting Certified program to ensure destination excellence across the hospitality community. Create a competitive selling advantage by touting the "only in San Diego" certification program.
4. Transition the iLead online RFP tool to the Simpleview platform.
5. Develop new prospects by collaborating with meeting industry partners such as media companies and third party planners to tap new audiences geographically, by industry segment and those that traditionally hold favorable booking patterns.
6. Continue to promote the "San Diego: Forecast Success" tagline and advertising showcasing San Diego's unique selling proposition and business culture.
7. Support members by broadening the responsibilities of the site services team to assist hotels and ensure we "keep it in San Diego."

8. Reimagine customer experience programs (aka FAMS) to offer more personalized and creative options to entice and convert meeting planners.
9. Fully leverage social media platforms such as LinkedIn and Twitter to prospect new customers and maximize attendance.
10. Continue direct marketing programs including lead generation promotions, monthly email campaigns and direct mail to top accounts and prospects.
11. Hold in-market events for San Diego in primary and secondary markets to introduce San Diego to new customers.
12. Capitalize on the National Geographic Channel "World's Smart Cities" program to reposition San Diego and its business culture.

Additional SDTA Budget Allocation Approved

In addition, the SDTA recently received approval to continue to implement a sub-region marketing program that will support specific types of hotel product within the Tourism Marketing District.

Sub-Regional Marketing

In the Tourism Marketing District, a benefit category has been established to develop programs that serve the needs of larger hotels (30 rooms or more) that are located in parts of the City other than Downtown. This benefit category is A2.

Overview:

From a lodging performance perspective, hotels that are located outside the Downtown core tend to realize less business travel and need more direct sales and marketing in order to drive hotel room night sales. Boosting room night demand in these areas boosts the overall San Diego lodging market performance, district lodging revenue and City TOT collections. According to Smith Travel Research, San Diego's sub-regions underperformed against the Downtown region in calendar year 2014, although Mission Bay and the UTC areas edged closer:

San Diego TMD	Occupancy	ADR	RevPAR
Downtown	79.7%	\$174.74	\$140.24
Pt. Loma - Airport	77.5%	\$119.64	\$93.72
Mission Valley	74.1%	\$106.82	\$80.09
Mission Bay	78.0%	\$167.90	\$133.79
La Jolla Coastal	76.0%	\$206.74	\$158.82
UTC	78.5%	\$162.49	\$128.36
I-15 Corridor	71.3%	\$119.57	\$86.04

The TMD has approved budget for Sub-Regional Sales and Marketing, Benefit A2 programs, for FY 2016 for the purpose. FY 2016 strategies and tactics are to be determined based on program of work review currently in progress for FY 2015.



SDTA – “Sports First San Diego” Department:

“Sports First San Diego”, a strategic sales and marketing department within the San Diego Tourism Authority, is dedicated to local economic development, specifically sports tourism and the delivery / implementation of sporting events and athletic programs that result in a measurable economic impact to the City of San Diego Hotels.

The future vision for the Sports First department is to continue to aggressively research and cultivate the sports events marketplace in order to identify those events that will deliver incremental new hotel rooms nights, and economic impact by recognizing those events that represent a “good fit” for San Diego through our geographic location, facilities and venue offerings, as well as available dates. And most importantly, to continue to maximize the resources of the TMD to create a competitive, incentivized bid package in order to capture future events, and continually replenish the sports event niche, filling the pipeline of the sports group meeting market, which has historically generated approximately 70,000 room nights per year. This historic performance is in addition to the individual sports events and programs separately funded by the TMD.

The multi-track sales strategy includes:

- The continuation of the current sales model that supports the annual repeat or historical business that is the core component of sports tourism in San Diego.
- Adding a strategic sales component to generate approximately 20,000 room nights annually in incremental, new business...in-the-year-for-the-year.
- Adding a strategy of event cultivation that can potentially add 50-100 percent annual growth to the sports marketing niche by identifying and pursuing a long-range commitments to future business thereby filling the room night pipeline.

This strategy will be “sales only”, unencumbered by the necessity to provide after-sales services, so the focus will only be on the productivity of their sales efforts. It will be carried out by two full-time SDTA employees. All available sourcing and networking will be utilized to identify new sports events for San Diego.

SDTA – International Marketing Leverage (see Leisure Market above):

Align San Diego marketing programs with Visit California and Brand USA, capitalizing on their \$100 million and \$200 million respectively global marketing programs. Position San Diego as the best of everything California has to offer all in one place.

SDTA Funding to be used for A1 – DMO, A2. SUB-REGION, and B - DMO

Funding Request A1 & B	\$24,575,053
Funding Request A1- Sports First Department	\$459,052
Funding Request A2 – Sub-Region	\$2,000,000
<u>Funding Request A1 – International Marketing Leverage</u>	<u>\$1,500,000</u>
Funding Recommendation	\$28,534,105

Ranking:

- Directors’ Aggregate Ranking: #1- 3 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 3,327,600
- Return @ \$160.11 ADR (average daily rate) \$533,971,832
- **ROI 19***

**International Marketing Leverage and Sub-Region programs are in development. The program expenses are included; however, the projected room night production for both programs are “to be determined” and not included.*



California Police Athletic Federation

United States Police & Fire Championships will be celebrating its 50th Year Anniversary in **San Diego 2016**. Athletes representing law enforcement, fire, prisons, and border protection from across the country compete in 42 Olympic-style sports in 35 venues through-out the county.

The *United States Police & Fire Championships* will use the TMD Funding to market to athletes participating in the championships as well as to do outreach to affinity groups in the law enforcement and fire fighting communities in order to present San Diego not only as their sporting venue but their family vacation destination.

This event currently utilizes a very active and dedicated group of Sports Coordinators and volunteers to assist with the delivery of sports activities throughout the San Diego Region. Top notch officials, such as world renowned boxing official Patrick Russell, and nationally recognized venues like Torrey Pines Golf Course were used to solidify this event as a sought after and established competition

Funding to be used for A1.2 – Event Management & Group Sales Development, A1.4 - Group Meeting Direct Marketing and A1.5 – Consumer Direct Marketing.

Funding Request	\$130,000
Funding Recommendation	\$60,000

Ranking:

- Directors' Aggregate Ranking: #11 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 11,300
- New hotel room nights of total 3,000
- Return @ \$148.00 ADR (average daily rate) \$1,683,361
- **ROI 28**



California State Games & Winter Games

The 2015 California State Games will be held in San Diego July 16-19, 2015 and will host 8,500 athletes who will be competing in 24 sports at venues throughout San Diego. Since a large majority of athletes are under the age of 18, they attend the State Games with their families and coaches. These athletes and their families are excited to come to San Diego to compete and take an extended vacation. An estimated 13,500 TMD hotel room nights will be booked in all parts of the Assessment District. The California State Game has added a mandatory booking policy. Teams now have to stay at host SDTMD hotels to play in the Games.

The 2016 California Winter Games will be held in February & March 2016 and consists of Ice Hockey and Figure Skating. The Winter Games are open to out of state competitors. Athletes are expected from Colorado, Texas, Arizona, Washington, and Utah. Exciting news this year is that San Diego will have a new ice rink. With the additional ice time, they will be able to accommodate more teams that may want to play, which means more TMD hotel rooms. Over 1,500 athletes and over 3,000 TMD hotel room nights are expected.

Funding to be used for A1.1 – TMD Hotel Meeting Sales and A1.5 – Consumer Direct Marketing.

Funding Request	\$150,000
Funding Recommendation	\$150,000

Ranking:

- Directors' Aggregate Ranking: #5 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 16,500
- New hotel room nights of total 2,500
- Return @ \$138.00 ADR (average daily rate) \$2,277,000
- **ROI 15**



Competitor Group Rock 'n' Roll Marathon & Half Marathon

The Competitor Group's Rock 'n' Roll Marathon is a combination of dynamic media and participatory events within the endurance sports arena. Best-in-class media assets include: *Triathlete*, *Inside Triathlon*, *Velo*, *Women's Running*, and *Competitor* magazines. In combination with their web counterparts and top-tier events such as the *Rock 'n' Roll Marathons*, *TriRock* triathlon and *Women's Running Half Marathon* series, Competitor Group has quickly become the leading integrated event and media resource in endurance sports. The Competitor Group platform leverages these assets and 20+ years of expertise to deliver this growing, active market for clients.

To benefit the TMD assessed properties, grassroots promotions and marketing efforts will include expo booths on the Rock 'n' Roll San Diego Marathon & ½ Marathon Expo Tour. All marketing collateral, as well as consumer direct advertising, will contain a specific call to action directing interested consumers to "register and book (their) hotel now" at the event dedicated microsite, EpicSummerRun.com. The dedicated microsite will host a clearly visible "Hotel/Lodging" button in order to direct participants to the list of TMD (only) assessed hotels.

Funding to be used for A1.2 – Event Mgmt/ Group Sales Development, A1.4 – Group Meeting Direct Marketing, and A1.5 – Consumer Direct Marketing.

Funding Request	\$400,000
Funding Recommendation	\$300,000

Ranking:

- Directors' Aggregate Ranking: #13 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 42,700
- New hotel room nights of total 6,907
- Return @ \$176.58 ADR (average daily rate) \$7,539,966
- **ROI 25**



Craft Brewers Guild – SD Beer Week

The San Diego Brewers Guild is comprised of some of the nation’s best collection of breweries, allied pub members and affiliate members. With some 62 Brewing Company Members, 62 Allied Pub members, and 58 Affiliate members, this is an unusually cooperative group of businesses with a unified vision for San Diego Beer Week: to promote San Diego’s thriving craft beer culture with a ten-day countywide festival that attracts beer tourism, fosters knowledge of our regional brewing heritage, and serves as a showcase for San Diego’s breweries, restaurants, pubs, hotels and other businesses with ties to the craft beer community in the off-peak month of November.

San Diego Beer Week has become a destination in its own right and by working with the SDTMD, the SD Brewers Guild (SDBG) will reach out and solicit, through a targeted extensive nationwide media blitz, meeting planners and groups searching for fall meeting and conference destinations. The Guild will continue to actively attract Craft Beer industry-related groups to attend Beer Week in San Diego and utilize TMD properties through an aggressive marketing campaign.

With the requested SDTMD funding support, the Seventh Annual San Diego Beer Week will deliver a minimum of 6,943 incremental room nights in the City of San Diego during the first week of November, an “Off-Peak Period”. The largest event of Beer Week is now held at a San Diego Port venue along the embarcadero making access to TMD hotels a natural choice for the 1,000 or so people that come from out of town to enjoy all or part of Beer Week

Funding to be used for A1.4 – Group Meeting Direct Marketing and A1.5 – Consumer Direct Marketing

Funding Request	\$74,900
Funding Recommendation	\$74,900

Ranking:

- Directors’ Aggregate Ranking: #6 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 6,943
- New hotel room nights of total 1,000
- Return @ \$148.97 ADR (average daily rate) \$1,034,299
- **ROI 14**



Farmers Insurance Open (PGA Tour) Century Club of San Diego

Founded in 1961, The Century Club of San Diego is a 501(c)(3), non-profit organization with 53 dedicated men and women who promote and sell the Farmers Insurance Open. The 2015 Farmers Insurance Open had over 24.5 million US viewers, reached 140 different countries, and was seen in over 350 million households globally during four days of CBS and Golf Channel coverage. The telecast ends at 6:30 pm Eastern Time when it is cold and dark in most of the country, leaving viewers wishing they could be in San Diego as the beauty and climate of America's Finest City are on full display throughout the Tournament's telecast. But by the time viewers tune in to watch the Farmers Insurance Open, it is too late for destination travelers to join the event at Torrey Pines.

The Destination Advertising Program will highlight the City of San Diego and the Farmers Insurance Open over the fall months and into the new-year, with the primary goal of increasing *advance* out-of-market awareness for the Tournament and thereby offering a compelling reason to visit San Diego during the last week of January.

The Destination Advertising Program boils down to:

- What: Visit San Diego
- When: January / February, 2016
- Why: The Farmers Insurance Open
- How: A Combination of Travel Packages and Reduced Airfare Options on a dedicated Travel Landing Page

Funding to be used for A1.4 – Group Meeting Direct Marketing and A1.5 – Consumer Direct Marketing

Funding Request \$208,350

Funding Recommendation \$200,000

Ranking:

- Directors' Aggregate Ranking: #7 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 48,864
- New hotel room nights of total 2,500
- Return @ \$167.36 ADR (average daily rate) \$8,177,879
- **ROI 27**



KOZ Events

KOZ Events is a full-service special event company providing race management in San Diego County for the past 30 years, specializing in triathlons, runs, walks and bike rides. TMD will support three of their FY2016 events.

The Campagnolo GranFondo San Diego – April 2016: The Campagnolo GranFondo San Diego is well known as San Diego's Finest Cycling Event! This 7th year event is Italian inspired, starting under the iconic Little Italy marquee and finishing at the B Street pier. The ride is open to all levels of cyclists with 4 Route Options: 105, 56, 34, 20 Miles. For 2015, Peloton Magazine is sponsoring \$10,000 for 2 full-page ads to market the event nationally, and the event was represented internationally at Eurobike by Campagnolo. In the past years, this event has seen up to 2700 participants with 42% from outside San Diego. For 2015 the organizers estimate an increase of 300 riders, and for 2016, an increase of 1000 riders by utilizing TMD funds to market the GranFondo as a destination event to outside markets nationally and internationally.

Spring Sprint Triathlon – Mission Bay - May 2016: The Spring Sprint Triathlon & Duathlon is the second multi-sport sprint event of the season in San Diego. With a calm bay swim and a flat bike and run course, the Spring Sprint is the perfect race to kick off the triathlon season. For the past 17 years this event has averaged 1200 participants. This event has great potential for growth as a majority of past marketing efforts were focused on San Diego County.

Mission Bay Triathlon – Bonita Cove – October 2015: The 1974, the Mission Bay Triathlon was the first of its kind, organized as a run-bike-swim-run event on Fiesta Island by the San Diego Track Club. This event has grown from a small grass roots event to hosting 1300 competitors from around the country in 2015. Participants completed a 500 meter swim, 15K bike, and 5K run as well as a Duathlon and Aquathon. This event has growth potential with its new premier location next to Belmont Park.

Funding to be used for A1.2 - Event Management / Group Sales Development and A1.5 – Consumer Direct Marketing

Funding Request	\$45,000
Funding Recommendation	\$30,000

Ranking:

- Directors' Aggregate Ranking: #15 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 2,214
- New hotel room nights of total 898
- Return @ \$183.53 ADR (average daily rate) \$419,704
- **ROI 14**



LGBT PRIDE

"Out at the Park"

San Diego Pride is a not-for-profit organization with the purpose of enhancing the community. Pride produces civic, cultural and educational programs, which support and encourage pride within San Diego's Lesbian, Gay, Bisexual, and Transgender communities.

"Out at the Park" extends Pride's message of equality and community pride to non-traditional spaces around San Diego. For FY2016, Pride proposes to grow their annual "Out at the Park" event at Petco in the shoulder months April / May with an emphasis in attracting LGBT visitors from Los Angeles and San Francisco.

With the help of TMD funds, SD Pride believes that they can utilize their already established media and sponsor relationships with their flagship event to grow the fledging "Out at the Park" event from a one-day local event to a weekend-long event that targets out-of-town sports fans, LGBT softball clubs, and LGBT youth and family organizations in neighboring cities and states. Their targets include highlighting the gay-friendly TMD hotel properties in San Diego and extending the San Diego brand in the LGBT market as LGBT and family-friendly tourist destination.

Funding to be used for A1.4 - Group Meeting Direct Marketing

Funding Request	\$25,000
Funding Recommendation	\$25,000

Ranking:

- Directors' Aggregate Ranking: #10 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 850
- New hotel room nights of total 800
- Return @ \$148.97 ADR (average daily rate) \$126,625
- **ROI** **5**



San Diego Bayfair - Thunderboats

Founded by famed Unlimited Hydroplane racer Bill Muncey in 1964, San Diego Bayfair is a beach festival and powerboat racing event set for September 18-20, 2015 on Mission Bay in San Diego. The event has grown to become a yearly tradition since 1964 and has grown well beyond its regional attendance base. Nearly 100,000 attendees from the Southern California region and throughout the United States are primarily drawn by the fastest boats in the world, H1 Unlimited hydroplanes.

Close to 75 race teams in various categories compete on Mission Bay. To broaden the appeal, Bayfair featured a live music stage, a Southern California Car Show, and a large kids' zone on Crown Point. The races have been televised on the CBS network and streamed live on the internet.

There will be significant marketing efforts to attract a diverse range of competitors, support staff and visiting guests to TMD lodging properties. The TMD Funding will be used to cover a substantial portion of the appearance fees charged by the H1 Unlimited to appear in San Diego. The tour is a significant generator of hotel room nights from the race teams and fans who travel to see the Unlimited Hydroplanes.

Funding to be used for A1.2 – Event Management and Group Sales Development

Funding Request	\$95,000
Funding Recommendation	\$95,000

Ranking:

- Directors' Aggregate Ranking: #8 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 13,814
- New hotel room nights of total 150
- Return @ \$132.14 ADR (average daily rate) \$1,825,382
- **ROI 19**



San Diego Bowl Game Association

The San Diego Bowl Game Association produces two college football bowl games in December at Qualcomm Stadium: the Holiday Bowl and the Poinsettia Bowl. Beginning in 2014 the Holiday Bowl Game features the third selection of the eligible Pac-12 teams and fourth selection in the Big 10. This will be the second year that the bowl welcomes teams and fans from the Big 10 Conference. The tentative date of the 2015 Holiday Bowl is December 28th, 29th, or 30th. In the past three years, the Holiday Bowl games have generated an average of 25,530 TMD room nights.

The Holiday Bowl is televised nationally on ESPN and annually the game attracts 5 to 6 million viewers. The "beauty shots" of San Diego will again be part of the ESPN telecasts in 2015. Additionally, the game is broadcast nationally on ESPN radio and the Port of San Diego Big Bay Balloon Parade, a Holiday Bowl production, is televised nationally.

The possible date of the Poinsettia Bowl is December 23rd. The 2015 game will feature a team from the Mountain West against a bowl-eligible US Military Academy. In the past three years, the Poinsettia Bowl has generated an average of 10,140 TMD room nights. The Poinsettia Bowl is also broadcast on ESPN television and radio.

Funding to be used for A1.2 – Event Management and Group Sales Development

Funding Request	\$450,000
Funding Recommendation	\$450,000

Ranking:

- Directors' Aggregate Ranking: #4 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 39,895
- New hotel room nights of total 10,000
- Return @ \$124. ADR (average daily rate) \$4,946,980
- **ROI 11**



San Diego Crew Classic

The San Diego Crew Classic is the world’s largest annual rowing regatta held primarily for eight-oared shells (boats). Occurring in the spring, the Crew Classic heralds the start of the rowing season in the United States. Since 1973, this well-regarded event, organized by a not-for-profit organization, has showcased the city of San Diego to generations of rowers and spectators, nationally and internationally. The San Diego Crew Classic is a two-day regatta in March of 100+ races and 4,000+ athletes – a marked increase since FY2009 when TMD funding was first received. For 2016, they expect 450 boats from 76 cities, 24 states plus Canada, Mexico, Great Britain, AND Hong Kong. In 2008 there were only 340 boats. These crews will stay only in TMD hotels. The organizers state that, due to TMD funding, they have been able to realize the tandem goals of growing the event and creating increasing room demand for TMD assessed properties. With TMD Funding, they plan to continue to increase their use of pay-per-click advertising online, as it is more directed to their target audience from out-of-town.

Another goal for 2016 is to “fill every lane” of each Master’s race. The Master events have become a reunion of old teammates returning to San Diego from across the country to race against their peers. The Master competitors are the demographic that spend a significant amount of money to travel, race, and recreate in San Diego. They continue their efforts to attract the early December US Rowing Annual Convention and continue to explore ways to facilitate January winter rowing training in San Diego for collegiate programs such as the University of Minnesota.

Funding to be used for A1.2 – Event Management and Group Sales Development and A1.4 Group Meeting Direct Marketing.

Funding Request	\$165,000
Funding Recommendation	\$165,000

Ranking:

- Directors’ Aggregate Ranking: #9 of 15

Return on Investment (ROI) - Projected:

- Total hotel room nights 9,000
- New hotel room nights of total 500
- Return @ \$148.97ADR (average daily rate) \$1,340,730
- **ROI 8**



Multi-Year Tourism Development

The SDTMD Corporation will complete a twenty-year Master Plan targeted at the development of a strategic multi-year, long-range plan dedicated to substantially increasing the production of District lodging business leads and room night demand.

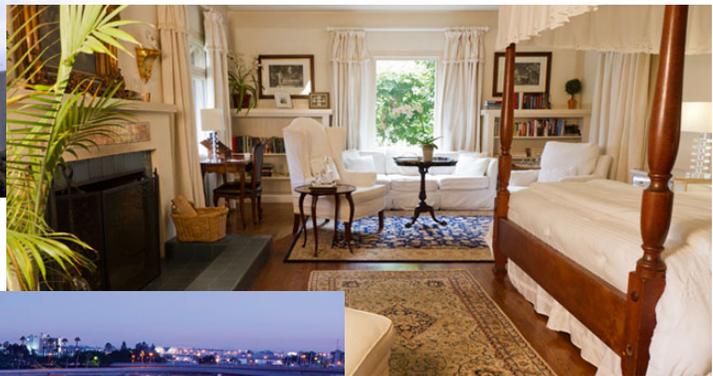
As detailed in the SDTMD Master Plan, expenses include, but are not limited to strategic planning, third-party whitepapers, market intelligence, research, and performance audits.

This Master Plan will then become the foundation reference for the ongoing 5-year Milestone Reports, a requirement of the SDTMD Corporation's Operating Agreement with the City of San Diego (section 1.8).

Funding to be used for Category A1.6 - Multi-Year Tourism Development.

Funding Allocation

\$700,000



Administration

San Diego Tourism Marketing District Corporation

	<u>Category A</u>	<u>Category B</u>	<u>Total</u>
Personnel			
Employee Benefits	\$ 8,142	\$ 3,089	\$ 11,231
Executive Director Wages	147,585	55,980	203,565
Payroll tax	11,807	4,478	16,285
Workers Comp	<u>2,954</u>	<u>1,120</u>	<u>4,074</u>
Total Personnel	170,488	64,667	235,155
Contract Services			
Accounting	174,000	66,000	240,000
Audits	63,438	24,062	87,500
Legal	725,000	275,000	1,000,000
Research and compliance	100,050	37,950	138,000
Communications	<u>132,312</u>	<u>50,188</u>	<u>182,500</u>
Total Contract Services	1,194,800	453,200	1,648,000
Overhead			
Auto	6,525	2475	9,000
Bank Service Charges	174	66	240
Broker Fees	1,740	660	2,400
Dues and subscriptions	638	242	880
Insurance	8,334	3,161	11,495
Meals, Travel & Entertainment	1,160	440	1,600
Occupancy	15,164	5,752	20,916
Office Supplies	3,625	1,375	5,000
Parking	290	110	400
Payroll processing	2,055	780	2,835
Postage and shipping	6,525	2,475	9,000
Printing and reproduction	14,500	5,500	20,000
Telephone	<u>1,740</u>	<u>660</u>	<u>2,400</u>
Total Overhead	62,470	23,696	86,166
Contingency	125,395	47,564	172,959
Total SDTMD Operations	1,553,153	589,127	2,142,280
Administration Fees to City	435,000	165,000	600,000
Total Administration	\$1,988,153	\$754,127	\$2,742,280

Opportunity & Catastrophe/ Litigation Reserve

Opportunity & Catastrophe Reserve by Fund: 5% of assessment revenue

	<u>Category A</u>	<u>Category B</u>	<u>Total</u>
Carryover from FY2015 5%	\$ 2,713,798	\$ 849,512	\$ 3,563,310
Release of B funds for FY2016	-	(1,094,854)	(1,094,854)
Add: 2016 unallocated assessments	309,023	-	309,023
Projected FY2016 5%	1,251,242	474,609	1,725,851
Total Opportunity/Catastrophe Reserve	4,274,063	229,267	4,503,330

Second Amendment Litigation Reserve: required fixed amount, allocation by category based on current budgeted funding obligations.

	<u>Category A</u>	<u>Category B</u>	<u>Total</u>
FY2014 Funding requirement	\$ 3,987,500	\$ 1,512,500	\$ 5,500,000
FY2015 Funding requirement	4,712,500	1,787,500	6,500,000
FY2016 Funding requirement	5,437,500	2,062,500	7,500,000
Total Litigation Reserve	14,137,500	5,362,500	19,500,000
Contributions from Other Sources:			\$ <u>0</u>

Net Opportunity & Catastrophe/Litigation Reserve **\$24,003,330**

Administrative/Interest Income

Administrative: 5% of assessment revenue plus interest income:

	<u>Category A</u>	<u>Category B</u>	<u>Total</u>
Carryover from FY2015 5%	\$ 638,388	\$ 238,682	\$ 877,070
Carryover interest from FY 2015	76,773	32,586	109,359
FY2016 Assessment income	1,251,242	474,609	1,725,851
FY2016 interest income	21,750	8,250	30,000
Total Administrative/Interest	1,988,153	754,127	2,742,280

Attachments

1. San Diego Tourism Marketing District Corporation (4 pages)	Page 31
2. Management Plan Highlights (5 pages)	Page 36
3. Funding Cycle for FY2015 (1 page)	Page 42
4. Key Elements of the Application Guidelines and Requirements for FY2015 (6 pages) ..	Page 44
5. Sample Application for FY2015 (42 pages)	Page 51
6. FY2015 SDTMD Corp. Directors Ranking of Applications Summary (1 page)	Page 94
7. SDTMD Corp. Annual Report – FY2013 Part 1 (Initial District) (21 pages)	Page 96
8. Agreed Upon Procedures – FY2013 Part 1 (Initl. Dist) Program Recipient ROI (58 pages)	Page 118
9. FY2014 Interim Report of Activities SDTA Q1 Summary (14 pages)	Page 177
10. FY2014 Interim Report of Activities SDTA Q2 Summary (13 pages)	Page 192

Attachment 1

San Diego Tourism Marketing District Corporation

4 Pages

SDTMD Corporation

Mission:

The San Diego Tourism Marketing District Corporation (SDTMD), formerly known as the San Diego Promotion Tourism Corporation, is a nonprofit mutual benefit corporation dedicated to improving lodging room night consumption in the City of San Diego.

Purpose:

The specific purpose of this private, non-profit corporation is to provide a private, nonprofit, funding vehicle to stimulate City of San Diego lodging room demand through tourism sales, marketing and advertising programs. The judicious allocation of these resources creates a positive economic, fiscal and employment impact on lodging businesses in the City of San Diego.

Board of Directors:

C. Terry Brown, Chair

Richard Bartell, Vice Chair

William Evans, Treasurer

John Schafer, Secretary

Luis Barrios

Jody Blackinton

Matt Greene

Keri Robinson

Tom Voss

Staff:

Lorin Stewart, Executive Director

San Diego Tourism Marketing District Corporation

8880 Rio San Diego Drive, Suite 800

San Diego, CA 92108

(619) 209-6108

lstewart@SDTMD.org

www.SDTMD.org

Management & Oversight:

The implementation of the TMD Management Plan is the responsibility of the Board of Directors of the San Diego Tourism Marketing District Corporation (SDTMD), formerly the San Diego Tourism Promotion Corporation, a private non-profit entity composed exclusively of the assessed lodging businesses.

General Powers:

Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law and any other applicable laws, and subject to any limitations of the articles of incorporation or bylaws, the corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors.

Board of Directors:

Only business owners or business owner's representatives paying the tourism marketing district assessment have the right to vote in annual elections of the association. And only business owners or business owner's representatives paying the tourism marketing district assessment have the right to seek nomination or election to the board of directors of the association. The Board of Directors shall consist of nine (9) directors unless changed by amendment to the bylaws of the corporation.

Initial Directors:

The initial Board of Directors was appointed by the Incorporator of the Corporation, with individuals to serve for staggered terms of one, two or three years. At the first duly constituted meeting of the Board of Directors, the initial Board members drew lots to determine their individual term.

Board Nominations & Elections:

Elections to the Board of Directors are held annually and the next such meeting shall be held on or about May 16, 2014. A call for self-nominations occurs annually and all self-nominees are listed on the ballot for Board elections. In addition to, or in the absence of, self nominations, the Nominations Committee of the Board may put forth a slate of nominees at each election.

The procedure for nominations and elections, including the timing for nominations, and the protocol for the distribution and collection of ballots, is defined in the Bylaws of the Corporation. SDTMD retains a third-party contractor to administer, count and report the results of the balloting for Board elections.

Board Officers:

Officers of the Board of Directors are elected by a majority vote of the Board at the first regularly scheduled meeting of the Board, following the seating of new Board members.

Board Standards and Conduct:

The SDTMD is organized as a 501(c) 6, mutual benefit corporation, and has as its purpose the management of the resources of the San Diego Tourism Marketing District. The primary measure of the success of the Corporation is the benefit it delivers to the assessed businesses.

Board members, officers and members of the association are intended and understood to represent and further the economic interest of the City's tourism industry. Board members or officers have a fundamental duty to advance the general welfare of the tourism industry in San Diego.

Because the delivery of a measurable benefit to the assessed businesses is required by law, and is the primary legal purpose of the Corporation, it is recognized that members of the Board of Directors, through their assessed businesses, will receive benefit from the activities of the SDTMD.

In addition, State law provides, and the City's enabling Procedural Ordinance recognizes, that SDTMD is a "private entity and may not be considered a public entity for any purpose, nor may

its board members or staff be considered to be public officials for any purpose."

However, SDTMD shall comply with Ralph M. Brown Act, California Government Code section 54950 *et. seq.*, at all times when matters within the subject matter of the District are heard, discussed, or deliberated, and with the California Public Records Act, California Government Code section 6250 *et. seq.*, for all documents relating to activities of the district.

Furthermore, the SDTMD Board of Directors shall comply with the California Corporations Code and shall develop internal policies defining standards, responsibilities and conduct for the Board of Directors.

Specifically, any member of the Board of the corporation, whether they are an owner, officer, or employee of an assessed business, shall disclose the material facts of their interest in a transaction, and shall recuse themselves from any discussion and decision on the transaction, when they have a material financial interest in the transaction.

A Volunteer Board of Directors:

The members and officers of the Board of Directors of the SDTMD serve as volunteers. They receive no monetary compensation or remuneration for their service individually or collectively.

They are not entitled to nor may they make a claim for reimbursement of any personal or professional expenses attributed to their service. Other than Directors and Officers Liability Insurance no benefits such as, but not limited to, health insurance, workman's compensation insurance, disability insurance, or paid vacation, is provided.

Marketing Support Programs Application Guidelines & Criteria:

The Board of Directors annually allocates a portion of the annual revenue from the District to marketing support programs and services that can deliver a measurable return on investment.

The SDTMD will solicit and/or receive applications for funding from numerous, diverse organizations, and entities. The guidelines, criteria and application will be created/updated annually at the sole discretion of the Board of Directors of the SDTMD subject to an action of the Board of Directors of the Corporation.

Limiting Contact Between Applicants and the Board of Directors:

It is vital that the application and allocation process for funding from the SDTMD be open, fair and efficient. To this end, the written submission of the application and supporting materials as well as any public presentation that may be required from applicants will be the foundation for Board discussion and deliberations. Board members are encouraged to limit their contact and communication with applicants regarding their applications or proposed application, and to disclose any such contact or communication prior to participating in the consideration of that applicant's submission.

Current Board Member Information:

C. Terry Brown, Chairman

President, Atlas Hotels. Atlas Hotels represent over 950 TMD rooms in the Mission Valley region of the City of San Diego. Mr. Brown's initial two-year term expired June 30, 2010, and he was elected for another term of three years beginning on July 1, 2010. In 2013, Mr. Brown was elected for another term of three years beginning on July 1, 2013.

Richard Bartell, Vice Chairman

President, Bartell Hotels. Bartell Hotels represent over 1,240 TMD rooms in the Harbor, Mission Valley, Mission Bay and La Jolla (SD North) regions of the City of San Diego. Mr. Bartell's initial three-year term expired on June 30, 2011, and he was elected for another term of three years beginning on July 1, 2011.

William L. Evans, Treasurer

Partner, Evans Hotels. Evans Hotels represents over 800 TMD rooms in the Mission Bay/ Pacific Beach, and La Jolla (SD North) regions of the City of San Diego. Mr. Evans' three-year term expired on June 30, 2012, and he was elected for another term of three years beginning on July 1, 2012.

John Schafer, Secretary

Vice President and Managing Director of the Manchester Grand Hyatt San Diego representing over 1625 rooms in the Downtown Harbor region of the City. Mr. Schafer was appointed to the Board to replace Mr. Ray Warren who retired in January 2012. Mr. Schafer will serve for the remainder of Mr. Warren's term which expires on June 30, 2014.

Luis Barrios

Mr. Barrios' three-year term expired on June 30, 2012, and he was elected for another term of three years beginning on July 1, 2012.

Jody Blackinton

Regional Director of West Coast Operations, Hersha Hospitality Hersha is a major hotel management, investment and development firm. It provides turn-key management, asset management or receivership solutions for 130 hotels in 20 states, including the 245 TMD rooms at the Courtyard by Marriott San Diego Downtown. Ms. Blackinton was elected for a three-year term beginning on July 1, 2013.

Matt Greene

Vice President of Operations, Evolution Hospitality. Evolution Hospitality's San Diego lodging inventory includes the Hilton Mission Valley with 349 rooms and Hard Rock Hotel San Diego with 420 rooms. Mr. Greene was elected for a three-year term beginning on July 1, 2014

Keri A. Robinson

Area Managing Director, Starwood Hotels & Resorts – GM Westin San Diego Gaslamp Quarter. Starwood Hotels & Resorts in San Diego represents 2,031 TMD rooms and the Westin San Diego Gaslamp Quarter represents 450 TMD rooms in the Gaslamp Quarter / Downtown region. Ms. Robinson's three year-term expired on June 30, 2012, and she was re-elected for another term of three years beginning on July 1, 2012.

Tom Voss

President, The Grand Del Mar, 249 rooms in the Del Mar / Carmel Mountain region of the City of San Diego. Mr. Voss was elected to the SDTMD Corporation Board of Directors for a three-year term beginning on July 1, 2013.

Attachment 2

Management Plan Highlights

5 Pages

Management Plan Highlights

Background:

As a result of diminishing public resources available for effective and competitive destination marketing, local lodging industry leadership began discussing alternative funding sources and available options in 2003. A working group comprised of lodging industry representatives held dozens of meetings with proposed assessed businesses, stakeholder groups and interested parties.

On May 8, 2007 the San Diego City Council adopted an enabling Procedural Ordinance that provided a process for establishing a Tourism Marketing District. Subsequently, on August 1, 2011, the City Council adopted amendments to the Procedural Ordinance specifying, among other things, a process by which such a district may be renewed. These amendments also permit a renewal term up to forty (40) years.

The original five year Tourism Marketing District was approved by the City in December 2007 and began January 1, 2008. The district was managed by representatives of the lodging business through the non-profit San Diego Tourism Marketing District (SDTMD) Corporation. Given the success of the original district, lodging industry representatives worked to renew the district and developed new guidelines for operation and administration of the renewed district which became the Tourism Marketing District Management Plan (Management Plan) approved by Council September 2012.

The renewed Tourism Marketing District began on January 1, 2013.

Assessments:

All assessment rates are based on the privileges directly conferred and specific benefit directly received by assessed businesses from the activities provided within each category and is levied on "Assessable Rent" which is based on gross room rental revenue less exempt revenues, of those benefitting businesses.

Annual assessment rates are as follows:

- Benefit Category A Rate: 1.45% - applied to Assessable Rent of qualifying lodging businesses.
- Benefit Category B Rate: 0.55% - applied to Assessable Rent of qualifying lodging businesses.

In summary, lodging businesses with 30 or more rooms will be assessed at a total rate of 2% (Category A + Category B). Lodging businesses with 29 or fewer rooms will be assessed at a total rate of 0.55% (Category B only).

Assessments are remitted on a monthly basis to the City Treasurer by each business using a self-reporting form that provides for identifying the activity period(s) and the Assessable Rent and District assessment for the respective accounting periods.

Pursuant to the Plan, Assessable Rent does not include revenue from stays where:

- the transient has exercised occupancy or was entitled to occupancy for one month or more; or
- the total space rental charge is twenty-five dollars (\$25.00) a day or less, or the accommodations rented are in a dormitory and the total space rental charge for each transient is twenty-five dollars (\$25.00) a day or less; or
- the transient is by treaty, or federal law, or state law exempt from payment of transient occupancy taxes; or
- rent is directly paid by the United States Government or the State of California or their respective instrumentalities.

Assessments levied for the purpose of providing activities that benefit businesses are not taxes for the general benefit of a city, but are assessments for the activities which confer benefits upon the assessed businesses for which the activities are provided and do not confer benefits upon those not paying the assessment.

Uses of Assessments:

Assessment funds will be spent to provide a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the City of conferring the benefit or granting the privilege. The activities also constitute specific government services provided directly to the payor that is not provided to those not charged, and which do not exceed the reasonable cost to the City of providing the services.

The privileges and services provided with District funds are sales, marketing, advertising and promotional programs available only to assessed businesses. District activities will be designed for the sole purpose of generating incremental room night sales at assessed businesses. Such room night sales are of great value to assessed business and constitute a specific benefit for which the assessment is charged. Non-assessed businesses will not have access to the privileges and services provided by the assessment.

In order to ensure provision of a specific government service and benefit to payors, which does not exceed the reasonable cost of providing the service, there are certain activities or improvements which may not be funded by the District. These include:

- The acquisition, construction, installation or maintenance of any tangible property, including parking facilities, parks, planting areas, fountains, benches, booths, kiosks, display cases, pedestrian shelters, signs, trash receptacles, public restrooms, ramps, sidewalks, plazas, pedestrian malls, lighting and heating facilities.
- The closing, opening, widening or narrowing of existing or new streets.
- Facilities or equipment, or both, to enhance security and safety of persons and property within the area, unless included in a specific proposal to benefit the assessed businesses.
- Regular public safety and security personnel and programs, maintenance and repair, sanitation, nor other municipal services normally and historically provided by the City.
- Political candidate or ballot initiative activity.
- Expenditures not consistent with the terms of the District Management Plan.

SDTMD Budget Guidelines:

An annual budget will be developed and approved by the Board of Directors of the San Diego Tourism Marketing District Corporation (SDTMD), formerly the San Diego Tourism Promotion Corporation, and included in the prospective Fiscal Year Report of Activities submitted to the City Council each year.

Assessments are proposed to be used for the Activities as generally outlined in the Budget Guidelines table on the next page. It is anticipated that ninety percent (90%) of assessment revenue will be designated annually for Marketing and Sales activities which will be tailored within the specific benefit categories to benefit the assessed businesses. Within the ninety percent (90%) allocated to marketing and sales activities, the Corporation's Board of Directors may adjust program allocations as needed to address changes in outside funding provided to those programs and ensure that assessment funds are spent on a specific benefit provided directly to assessees which is not provided to those not charged.

Ten percent (10%) of assessment revenue will be designated in total annually for Administration (including actual City costs to administer the District) and for a Reserve for opportunities, catastrophes, contingencies, and renewal of the District. Other revenues such as penalties and interest and incidental revenue shall be designated for Administration but may be added to the Reserve or designated for other activities at the discretion of the Corporation's Board of Directors.

Budget Guidelines (based on historical activity)		Category A		Category B	
Benefit Category	Description	Estimated Percent of Assessment Revenue	Amount	Estimated Percent of Assessment Revenue	Amount
A 1	Meeting and Group Sales & Marketing and Consumer-Direct Sales & Marketing				
A 1.1	Hotel Meeting Sales	25.1%	\$5,440,000		
A 1.2	Event Management and Group Sales Development	12.0%	\$2,595,000		
A 1.3	Tourism Development Including Travel & Trade	4.9%	\$1,060,000		
A 1.4	Group Meeting Direct Marketing	5.1%	\$1,110,000		
A 1.5	Consumer Direct Sales & Marketing Programs	14.5%	\$3,135,000		
A 1.6	Multi-Year Tourism Development	5.4%	\$1,160,000		
A 1 - Subtotal	Meeting & Group Sales and Consumer Direct Marketing	67.0%	\$14,500,000	0.0%	\$0
A 2 - Subtotal	Sub-Regional Targeting	6.9%	\$1,500,000	0.0%	\$0
A 3 - Subtotal	Competitive Targeting	16.1%	\$3,485,000	0.0%	\$0
B - Subtotal	Destination Marketing with Specific Call to Action	0.0%	\$0	90.0%	\$7,515,000
Contingency	Opportunity / Catastrophe Reserve	5.0%	\$1,082,500	5.0%	\$417,500
Admin & Ops	City of San Diego and Corporation	5.0%	\$1,082,500	5.0%	\$417,500
TOTAL ESTIMATED ANNUAL BUDGET	PROJECTED FY2014 ANNUAL BUDGET	100.0%	\$21,650,000	100.0%	\$8,350,000

Although actual revenues of the Corporation will fluctuate, the proportional allocations as listed in the table on the previous page shall generally remain the same; however, during the budgeting process each year, the Corporation's Board of Directors may adjust program allocations as needed to address: economic conditions; tourism trends; and changes in non-assessment funding provided to those programs. The resulting proposed annual budget submitted to City Council for consideration as part of the Annual Report of Activities will then ensure that assessment funds are to be spent on a specific benefit provided directly to assessed businesses which is not provided to those not charged. In no event will the budget for City administration costs fall below the amount necessary to recover City administration costs.

Sales and Marketing programs and services will be broadly defined by the Board of the SDTMD in order to remain current with changing consumer demands, tourism products, and technologies. Because both marketing and sales programs are necessities for successfully increasing room night sales, the Corporation will contract for marketing and sales programs and services to promote assessed lodging businesses in the District and to fund projects, programs, and activities that specifically benefit and provide unique privileges to assessed lodging businesses within the District.

The marketing and sales programs and services funded by the District are meant to deliver incremental room night sales directly to District-assessed lodging businesses. It is understood that each individual lodging business implements and privately funds a unique, proprietary marketing and sales program that is responsible for the generation of the vast majority of room nights at each business. District programs and services are supplemental to, and provide incremental room nights in addition to, those proprietary programs.

To allocate funding to marketing and sales programs, the Corporation's Board of Directors must find that each will be likely to generate incremental room night sales at assessed businesses. The purpose of any funded activity must be to generate such sales. The Corporation's Board of Directors will establish and regularly update a clearly defined application process for proposed marketing and sales programs. This application will articulate the required qualifications of applicants, the target ROI, and the measurement of results, among other criteria as means to ensure direct benefit to payors. More information on key elements of the FY 2015 Application may be found in Attachment 5.

The Corporation shall cause to be prepared annually a report for the coming fiscal year. The first report of the renewed district will include the activities for the first eighteen months of operation, from January 1, 2013 through June 30, 2014.

The Corporation shall cause to be prepared a retrospective and prospective District Milestone Report every five (5) fiscal years for which assessments are levied. This District Milestone Report will include the required annual Report of Activities for the prospective fiscal year.

The first District Milestone Report of the renewed District will include the reporting of results for the initial period of operation, from January 1, 2013 through the date of preparation of the report.

The final Milestone Report of the renewed district will include reporting of results from July 1, 2048 through June 30, 2053. Reports for the intervening period will include reporting of results for the prior five (5) years. Reports will be submitted to the City on agreed upon dates pursuant to the operating Agreement.

Attachment 3

Funding Cycle for FY 2016

1 Page

Funding Cycle for FY 2016

August 2014:

- FY 2016 Applications available by download / request
- Preliminary staff review of received applications
- **FY 2016 Annual Application Deadline: October 17, 2014**

November 2014 - February 2015:

- Preliminary staff review of received applications
- **Formal public board review of qualified applications**
- Funding recommendations of programs by board

March 2015:

- Notification of funding intention to City
- FY 2016 final budgets from approved organizations due on or about March 09, 2015.
- SDTMD submits FY 2016 Budgets with R.O.I. projections and Scope of Work assumptions to City on or about March 12, 2015.

April-June 2015:

- **FY 2016 Report of Activities presentation to City Budget & Government Efficiency Committee / City Council**
- FY 2016 Contracts Issued

July 1, 2015:

- FY 2016 Begins

**Dates are approximate and may change without notice.*

Attachment 4

Key Elements of the Application Guidelines and Requirements for FY2016

6 Pages

Key Elements of the Application Guidelines and Requirements for FY2016

The SDTMD Corporation is not a sales or marketing entity, but rather a funding conduit to contractors for development and implementation of effective sales and marketing programs and services that provide unique privileges and specifically benefit assessed businesses within the District.

The SDTMD Corporation will be responsible for allocation and distribution of available revenue and will contract with qualified third-party contractors to supply specific sales and marketing programs and services as required and approved by the Corporation's Board of Directors.

To allocate funding to marketing and sales programs, the Corporation's Board of Directors must find that each will be likely to generate incremental room night sales at assessed businesses. The purpose of any funded activity must be to generate such sales.

District programs and services are supplemental to, and intended to provide incremental room nights in addition to those generated by the proprietary sales and marketing programs of the individual lodging businesses.

Each applicant will be required to submit an "Application Request for TMD Funding" for specific sales and marketing programs that will provide unique privileges and specifically benefit assessed businesses within the District.

Specifically, all funding requests must delineate:

- All sales, marketing, advertising and promotional programs;
- Number of District lodging business room nights generated – existing and incremental;
- Average Daily Rate est. (from approved source such as Smith Travel Research);
- Projected sales leads to be generated (if applicable);
- Return on Investment (ROI) as measured in District room night revenue;
- Time of year (peak, shoulder, low); and
- Number of marketing impressions (included as supportive information only where applicable).

Fundamental to the funding of any application will be the projected return on investment in TMD hotel room night revenue and the benefit that will be realized to the assessment district lodging businesses. Each application must specify:

- "Who" in the assessment district will be directly benefited;
- "When" the benefits will be realized;
- "Where" in the assessment district the benefit will be realized; and
- "How" the results will be realized and tracked.

If a third party is to be used to determine the ROI, the application must list the company, their qualifications, and contact information.

When considering these fundamental application requirements, priority will be given to:

- Special-need periods of the year;
- Special-need geographic locations within the District; that may include but are not limited to a sub-region, multiple sub-regions, a neighborhood or community, or an area uniquely defined to host or support a program or event; and
- The opportunity to generate incremental room nights from existing programs or sponsoring programs.

To guide District contractors and ensure direct benefit to assessees, below is a partial list of required Best Practices for implementation of District-funded programs and services. This list may be modified from time to time provided that the goal of direct and exclusive benefit to assessees is attained.

- It is required that all recipients of District funds certify that those funds will be spent to provide exclusive privileges and/or specific benefits only to District assessed businesses and not to any other, non-assessed businesses. To the extent that other, non-District, lodging businesses may receive incremental room nights, that portion of the promotion or program generating those room nights shall be paid with non-District funds.
- It is required that all recipients of District funds demonstrate availability of other additional non-District sources of revenue, such as but not limited to, membership dues, marketing fees, earned income, and/or participation fees, which they will contribute to the promotion or program to pay for any incidental benefit to non-District lodging businesses.
- It is required that all advertising materials and media include a call-to-action that directs consumers exclusively to District lodging businesses.
- It is required that all recipients of District funds conduct an analysis of room night generation for District lodging businesses and non-District lodging businesses in addition to a ROI analysis. The cost of efforts which generate room nights for non-District lodging businesses must be paid with non-District funds.

Other requirements of the application process are listed below.

Legal Status

- Applicants must demonstrate proof of legal status within the jurisdiction of the headquarters of their business or corporation.

Track Record

- An applicant must have demonstrable history of successful, ongoing programming or business performance prior to submitting an application.

Location

- Regardless of where an applicant is headquartered or physically located, or where a particular marketing program is implemented, 100% of the funding received from the

SDTMD must be in support of programs that provide privileges directly conferred and specific benefit directly the assessed lodging businesses within the City of San Diego.

Compliance

- Former contractors of the City of San Diego must have submitted acceptable final report packages on any completed contract and be in good standing with the City of San Diego.

ADA

- Contractors will comply with the federally mandated Americans with Disability Act. Contractors and subcontractors will be individually responsible for their own ADA compliance.

EEO

- Contractors will comply with Title VII of the Civil Rights Acts of 1964, as amended; the California Fair Employment Practices Act; and any applicable federal and state laws and regulations herein enacted, as well as the City's Non-discrimination in Contracting Ordinance.

Drug-Free Work Place

- Contractors must provide a drug-free workplace.

Oral Presentation:

- Should an application meet the fundamental requirements for consideration, and prior to any final decision, qualifying finalist may be invited to make a public, oral presentation before the SDTMD Board of Directors.

Contract Agreement

- Once the Board of Directors has approved funding and the SDTMD budget is approved by the City Council, a Contract Agreement is issued to the successful applicants. The Contract Agreement details the terms and conditions of the contract between the SDTMD Corporation and the organization and the organization's scope of work, anticipated results and mutually agreed upon method(s) for measuring those results.

Reporting

- Successful applicants that become contractors for the Corporation will be required to submit quarterly performance updates and comprehensive annual performance reports which include the target and actual outcomes by type of activities, specific sales and marketing initiatives, etc., samples of marketing materials and information as to the methodology used to measure, track, and substantiate the ROI. The quarterly reports must detail the way in which all assessed businesses (TMD lodging businesses) are benefited, along with the details of all TMD funds expended. The reporting periods and dates are:

Quarter One: July 2015 - September 2015

Due November 27, 2015

Quarter Two: October 2015 - December 2015

Due February 29, 2016

Quarter Three: January 2016 - March 2016

Due May 31, 2016

Quarter Four: April 2016 - June 2016

FY16 ANNUAL REPORT Due Aug. 31, 2016

Auditing of Results

- The Corporation will contract with an independent third-party to audit the results and to verify District room nights and ROI.

Cost Allocation

- Funded contractors and programs must also have a cost allocation methodology which demonstrates that costs are apportioned between applicable funding sources so that the amount of assessment revenue used is proportionate to the benefit derived by District lodging businesses.

Cost Reimbursement

- All funds are awarded on a cost reimbursement basis following the City of San Diego Operations Manual. All items for reimbursement must align with the SDTMD / City approved budget and include proof of payment of the expense. The average turnaround time is 30 days from the receipt of a correctly submitted reimbursement request packet. Reimbursement requests may be submitted on a monthly basis or less frequently as arranged with staff. There can be no payment in advance, unless approved by the board for special circumstances and in compliance with the SDTMD contract with the City.

Funding Limitations

- TMD assessment funds cannot be used for alcoholic beverages. Corporation's subcontractors shall not use TMD assessment funds for travel, meals, lodging, or entertainment expenses, unless authorized by SDTMD in advance, as provided by the Contract with the City.
- The acquisition, construction, installation or maintenance of any tangible public property, including parking facilities, parks, planting areas, fountains, benches, booths, kiosks, display cases, pedestrian shelters, signs, trash receptacles, public restrooms, ramps, sidewalks, plazas, pedestrian malls, lighting and heating of public facilities.
- The closing, opening, widening or narrowing of existing or new streets.
- Facilities or equipment, or both, to enhance security and safety of persons and property within the District, unless included in a specific proposal to benefit the assessed businesses.
- Regular public safety and security personnel and programs, maintenance and repair, sanitation, nor other municipal services normally and historically provided by the City.
- Expenditures not consistent with the terms of the District Management Plan.

Definitions

- *Sales*

The sales process is defined as the activities designed to close or consummate the sale. This closure can take several forms when delivering lodging room night sales. For the transient or tourist responding to the marketing activities this sale may take the form of a walk-in purchase, an on-line reservation, or a telephone reservation.

Another significant element of the lodging sales function involves group and meeting sales. The group and meeting sales process consists primarily of interpersonal interaction, activities that engage the prospect or customer on a personal level rather than at a distance, through technology or a second party. It is often done by one-on-one meetings, cold calls, and networking. It requires significant front-line sales manpower, plus administrative, operational, and technological support, and considerable time. Often, success is the result of several years of communication and relationship building between the sales representative and the customer; who is usually a professional meeting or convention planner. The "sale" results in a signed agreement or contract for a meeting or convention that can deliver hundreds, if not thousands of hotel room nights.

- ***Marketing***

Marketing is the activity of identifying, communicating to, reaching, informing, educating, motivating, and persuading prospective consumers of hotel room nights to consummate a purchase. It is the message that prepares the prospective consumer for the sale, may take many traditional and/or innovative forms, and may be modified over time as a result of changes in consumer demands, new tourism products, and advances in marketing and communication technologies. It currently consists of many strategies, tactics and components including but not limited to these examples:

- Market Research;
- Advertising;
- Marketing Promotion;
- Press and/or Public Relations;
- New Product Development;
- Web Strategies, Viral and E-marketing;
- Partnership marketing; and
- Direct Marketing (to a defined universe with a specific call to action).

- ***DMOs (e.g. San Diego Tourism Authority / Convention and Visitors Bureau):***

It is widely recognized that successful direct marketing and sales of a visitor destination is the result of a considerable investment in time and resources. Visitor destinations, of all sizes in myriad locations, compete for a finite number of consumers. Many of these visitors require lodging. This daily consumption of lodging, as measured by the industry standard of hotel room nights, is vital because the unused portion of a hotel's available inventory spoils every day, and is never again available for sale.

Historically, businesses in visitor destinations have banded together to pool resources in order to develop coordinated messaging and to deliver a call-to-action that would result in an increase in the consumption of visitor-serving offerings. These groups have been given many names that usually contain the term "visitors bureau." More recently, they have been recognized as Destination Marketing Organizations (DMOs). Over time these organizations have become clearinghouses for visitor-serving information, products and services, while generating incremental new business for their members. Typically, a major participant in these coordinated community, regional and/or statewide efforts are representatives of the hotel industry who, understanding the "commodity" nature of their products, constantly seek opportunities to increase daily consumer demand for them.

Depending on the location and its available visitor offerings, each DMO develops and implements a business plan to sustain current visitor levels while generating additional business from new visitors. The activities implemented to serve these goals are numerous, creative, and diverse.

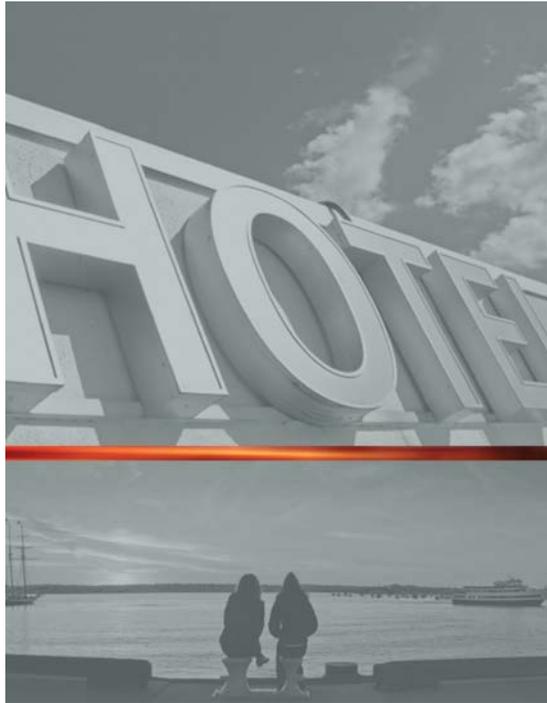
The meetings industry is distinct within the visitor industry, different from tourism, with its own unique markets, requirements and agendas. Yet, like leisure visitors, meeting attendees and convention delegates require accommodations.

The success of marketing and sales efforts is predicated on the long-term establishment and operations of a local DMO. The decisions that drive these direct sales initiatives are based on years, if not decades, of research, performance analysis, brand development and messaging, plus nurtured client/vendor relationships, performed by a professional staff with administrative support requiring extensive business manpower (sales force), infrastructure (offices, equipment, transportation) and technology (internet tools).

Attachment 5

Sample A3 Application for FY 2016

43 Pages



FY 2016

(July 1, 2015 – June 30, 2016)

APPLICATION BENEFIT CATEGORY A3

GENERAL APPLICANTS

A3: Competitive Targeting

Programs of the type detailed in benefit category A3 are awarded through the competitive application process.

Assessment revenues derived from Benefit Category A may only be expended for such programs as in A1.1 thru A1.5 (TMD District Management Plan).

**Guidelines
&
Application**



Draft v. 09.03.14

San Diego Tourism Marketing District

Mission:

The San Diego Tourism Marketing District is a nonprofit mutual benefit corporation dedicated to improving lodging room night consumption in the City of San Diego.

Purpose:

The specific purpose of this private, non-profit corporation is to create a positive economic, fiscal, and employment impact on the lodging businesses in the City of San Diego through the effective and judicious allocation of its revenue and resources to measurably successful tourism sales and marketing programs.

Board of Directors:

C. Terry Brown, Chair
Richard Bartell, Vice Chair
William Evans, Treasurer
John Schafer, Secretary
Luis Barrios
Jody Blackinton
Matt Greene
Keri Robinson
Tom Voss

Staff:

Lorin Stewart, Executive Director

San Diego Tourism Marketing District Corporation

8880 Rio San Diego Drive, Suite 800
San Diego, CA 92108
(619) 209-6108

lstewart@SDTMD.org

www.SDTMD.org

SAN DIEGO TOURISM MARKETING DISTRICT**OVERVIEW:****What is the SDTMD?**

The San Diego Tourism Marketing District (the *District*) follows the Tourism Business Improvement District (TBID) model, which utilizes the efficiencies of private sector operation in the market-based promotion of local and regional tourism for the targeted benefit of assessed businesses. TBIDs, such as this *District*, allow lodging businesses to organize their efforts to increase tourism, specifically the consumption of hotel rooms as measured by room night stays, achieving economies of scale they could not otherwise achieve.

In San Diego, lodging businesses within the *District* will be assessed and those funds will be used to provide privileges, programs and services directly to the assessed lodging businesses that specifically benefit those businesses.

District-funded programs and services designed to deliver incremental new room night sales to assessed businesses may include, but are not limited to:

- Marketing of the Assessed Businesses
- Tourism Promotion Activities
- Special Events and Programs

In California, TBIDs such as the *District* are formed pursuant to the Property and Business Improvement District Law of 1994 (PBID Law), the Parking and Business Improvement Area Law of 1989 (BID Law), or pursuant to an ordinance of a Charter City. In San Diego, the *City Council* adopted a local TBID enabling (procedural) ordinance similar to the 1994 PBID Law. This State statute and the *City procedural ordinance* allow creation of a special benefit assessment district to raise funds within a specific geographic area, in this case the city of San Diego, for the purpose of improving room occupancy and room night sales for assessed businesses.

There are many benefits to TBIDs:

- Funds must be spent to provide privileges or a specific benefit only to those who pay;
- Funds cannot be diverted for other government programs;
- Activities are customized to fit the needs of businesses in each TBID;
- Petition support is required from lodging businesses paying over 50% of the annual proposed assessment (this is true both under San Diego's *procedural ordinance* and the 1994 PBID Law);
- They are designed by those who will pay the assessment; and
- They provide a stable funding source for tourism promotion that will result in the generation of incremental new room night sales for assessed businesses.

History:

As a result of diminishing public resources available for effective and competitive destination marketing, local lodging industry leadership began discussing alternative funding sources and available options in 2003. A working group comprised of lodging industry representatives held dozens of meetings with proposed assessed businesses, stakeholder groups and interested parties. On May 8, 2007, at the request of a working group comprised of lodging industry representatives, the San Diego City Council (*City Council*) adopted the San Diego Tourism Marketing District Procedural Ordinance (SDMC Section 61.2501 et seq.) (*Procedural Ordinance*), which created a process for creating a tourism marketing district. Subsequently, on August 1, 2011, the *City Council* adopted amendments to the *Procedural Ordinance* specifying, among other things, a process by which such a district may be renewed. These amendments permit a renewal term up to forty (40) years.

The **San Diego Tourism Marketing District** (*District*) was established pursuant to the *Procedural Ordinance* effective January 1, 2008 for an initial five-year term that ended on December 31, 2012. Developed by San Diego lodging businesses, the *District* is a benefit assessment district created to fully or partially fund marketing and sales efforts that directly benefit San Diego lodging businesses. On November 26th, 2012 the City Council renewed the *District* for a period of thirty-nine and one-half (39.5) additional years. The approved District Management Plan sets forth a plan for *District* activities and assessments during that renewal period.

District Location:

The boundaries of the *District* are the same as the boundaries of the City of San Diego (see “Assessments and Benefit Categories”).

Funding Source Entirely from Assessed Lodging Businesses:

In response to the 2010 Proposition 26 legislation, the renewed district consists of two (2) benefit categories in the *District*. Each benefit category is designed so that the activities provided in connection with that category will confer exclusive privileges and a specific benefit directly to assessed businesses (current and future). These assessed businesses are defined in Appendix 1 of the District Management Plan: Lodging businesses benefitting under category A include all lodging businesses in the *District* with thirty (30) or more rooms. Lodging businesses benefitting under category B include all lodging businesses in the *District*, regardless of size.

Assessments and Benefit Categories:

All assessment rates are based on the privileges directly conferred and specific benefit directly received by assessed businesses from the activities provided within each category and are levied on “Assessable Rent” which is based on gross room rental revenue less exempt revenues, of those benefitting businesses. Annual assessment rates are as follows:

- **Benefit Category A Rate: 1.45%** - applied to Assessable Rent of qualifying City of San Diego lodging businesses with 30 or more rooms.
- **Benefit Category B Rate: 0.55%** - applied to Assessable Rent of

all qualifying City of San Diego lodging businesses.

In summary, lodging businesses with 30 or more rooms will be assessed at a total rate of 2% (Category A + Category B). All other lodging businesses will be assessed at a total rate of 0.55% (Category B only).

Pursuant to this Plan, assessable Rent does not include revenue from stays where:

- the transient has exercised occupancy or was entitled to occupancy for one month or more; or
- the total space rental charge is twenty-five dollars (\$25.00) a day or less, or the accommodations rented are in a dormitory and the total space rental charge for each transient is twenty-five dollars (\$25.00) a day or less; or
- the transient is by treaty, or federal law, or state law exempt from payment of transient occupancy taxes; or
- rent is directly paid by the United States Government or the State of California or their respective instrumentalities.

Assessments will be authorized by the *City Council* to be levied for the term of the *District*.

FY: 2016
(July 1, 2015 – June 30, 2016)

**SDTMD FUNDING APPLICATION
GUIDELINES AND REQUIREMENTS**

APPLICATION GUIDELINES AND REQUIREMENTS

General Application Guidelines:

The SDTMD Corporation is not a sales or marketing entity, but rather a funding conduit to contractors for development and implementation of effective sales and marketing programs and services that provide unique privileges and specifically benefit assessed businesses within the *District*. The SDTMD Corporation will be responsible for allocation and distribution of available revenue and will contract with qualified third-party contractors to supply specific sales and marketing programs and services as required and approved by the Corporation's Board of Directors.

Each applicant will be required to submit an “**Application Request for TMD Funding**” for specific sales and marketing programs that will provide unique privileges and specifically benefit assessed businesses within the *District*. Each application requires significant information about the applying organization or entity, as well as a detailed budget proposal and narrative specifying how the proposed funds will be spent, the expected result(s) in TMD lodging room night revenue, and the method(s) for measuring results.

The marketing and sales programs and services funded by the *District* are meant to deliver incremental room night sales directly to *District*-assessed lodging businesses. It is understood that each individual lodging business implements and privately funds a unique, proprietary marketing and sales program that is responsible for the generation of the vast majority of room nights at each business. *District* programs and services are supplemental to, and provide incremental room nights in addition to, those proprietary programs.

To allocate funding to marketing and sales programs, the Corporation's Board of Directors must find that each will be likely to generate incremental room night sales at assessed businesses. The purpose of any funded activity must be to generate such sales. The Corporation's Board of Directors will establish and regularly update a clearly defined application process for proposed marketing and sales programs. The application will articulate the required qualifications of applicants, the target *ROI*, and the measurement of results, among other criteria as means to ensure direct benefit to assessees.

Definitions-

- ***Sales***

The sales process is defined as the activities designed to close or consummate the sale. This closure can take several forms when delivering lodging room night sales. For the transient or tourist responding to the marketing activities this sale may take the form of a walk-in purchase, an on-line reservation, or a telephone reservation.

Another significant element of the lodging sales function involves group and meeting sales. The group and meeting sales process consists primarily of interpersonal interaction, activities that engage the prospect or customer on a personal level rather than at a distance, through technology or a second party. It is often done by one-on-one meetings, cold calls, and networking. It requires significant front-line sales manpower, plus administrative,

operational, and technological support, and considerable time. Often, success is the result of several years of communication and relationship building between the sales representative and the customer; who is usually a professional meeting or convention planner. The “sale” results in a signed agreement or contract for a meeting or convention that can deliver hundreds, if not thousands of hotel room nights.

- ***Marketing***

Marketing is the activity of identifying, communicating to, reaching, informing, educating, motivating and persuading prospective consumers of hotel room nights to consummate a purchase. It is the message that prepares the prospective consumer for the sale, may take many traditional and/or innovative forms, and may be modified over time as a result of changes in consumer demands, new tourism products, and advances in marketing and communication technologies. It currently consists of many strategies, tactics and components including but not limited to these examples:

- Market Research;
- Advertising;
- Marketing Promotion;
- Press and/or Public Relations;
- New Product Development;
- Web Strategies, Viral and E-marketing;
- Partnership marketing; and
- Direct Marketing (to a defined universe with a specific call to action).

- ***DMOs (e.g. San Diego Tourism Authority / Convention and Visitors Bureau):***

It is widely recognized that successful direct marketing and sales of a visitor destination is the result of a considerable investment in time and resources. Visitor destinations, of all sizes in myriad locations, compete for a finite number of consumers. Many of these visitors require lodging. This daily consumption of lodging, as measured by the industry standard of hotel room nights, is vital because the unused portion of a hotel’s available inventory spoils every day, and is never again available for sale.

Historically, businesses in visitor destinations have banded together to pool resources in order to develop coordinated messaging and to deliver a call-to-action that would result in an increase in the consumption of visitor-serving offerings. These groups have been given many names that usually contain the term “visitors bureau.” More recently, they have been recognized as Destination Marketing Organizations (DMOs). Over time these organizations have become clearinghouses for visitor-serving information, products and services, while generating incremental new business for their members. Typically, a major participant in these coordinated community, regional and/or statewide efforts are representatives of the hotel industry who, understanding the “commodity” nature of their products, constantly seek opportunities to increase daily consumer demand for them.

Depending on the location and its available visitor offerings, each DMO develops and implements a business plan to sustain current visitor levels while generating additional business from new visitors. The activities implemented to serve these goals are numerous, creative, and diverse.

The meetings industry is distinct within the visitor industry, different from tourism, with its own unique markets, requirements and agendas. Yet, like leisure visitors, meeting attendees and convention delegates require accommodations.

The success of marketing and sales efforts is predicated on the long-term establishment and operations of a local DMO. The decisions that drive these direct sales initiatives are based on years, if not decades, of research, performance analysis, brand development and messaging, plus nurtured client/vendor relationships, performed by a professional staff with administrative support requiring extensive business manpower (sales force), infrastructure (offices, equipment, transportation) and technology (internet tools).

Marketing and Sales Programs: Stipulated Best Practices

To guide *District* contractors and ensure direct benefit to assessees, below is a partial list of required Best Practices for implementation of *District*-funded programs and services.

Following *District* renewal and adoption by the *Corporation's* Board of Directors, this list may be modified from time to time provided that the goal of direct and exclusive benefit to assessees is attained.

- It is required that all recipients of *District* funds certify that those funds will be spent to provide exclusive privileges and/or specific benefits only to *District* assessed businesses and not to any other, non-assessed businesses. To the extent that other, non-*District*, lodging businesses may receive incremental room nights, that portion of the promotion or program generating those room nights shall be paid with non-*District* funds.
- It is required that all recipients of *District* funds demonstrate availability of other additional non-*District* sources of revenue, such as but not limited to, membership dues, marketing fees, earned income, and/or participation fees, which they will contribute to the promotion or program to pay for any incidental benefit to non-*District* lodging businesses.
- It is required that all advertising materials and media include a call-to-action that directs consumers exclusively to *District* lodging businesses.
- It is required that all recipients of *District* funds conduct an analysis of room night generation for *District* lodging businesses and non-*District* lodging businesses in addition to a *ROI* analysis. The cost of efforts which generate room nights for non-*District* lodging businesses must be paid with non-*District* funds.

Funding / Benefit Categories A & B:

There are two (2) benefit categories in the *District*. Each benefit category is designed so that the activities provided in connection with that category will confer unique privileges and a specific benefit directly to assessed businesses (current and future).

Lodging businesses benefitting under **Category A** include all lodging businesses in the *District* with thirty (30) or more rooms. Lodging businesses benefitting under **Category B** include all lodging businesses in the *District*, regardless of size.

BENEFIT CATEGORY A

All lodging businesses in the District with thirty (30) or more rooms

Benefit Category A Overview

It is understood by the Board of Directors of the *SDTMD Corporation* that the aggressive, daily consumption of lodging, as measured by the industry standard of hotel room nights, is vital to all lodging businesses because the unused portion of a hotel's available inventory spoils every day, and is never again available for sale. Therefore, the *Corporation* will contract with destination marketing organizations (DMOs) and other contractors selected through competitive application or procurement processes for the specific marketing and sales programs and services as outlined below.

The marketing and sales programs and activities of Benefit Category A will focus primarily on (i) the group and meeting planner or contractor and (ii) consumer direct sales and marketing programs. Consumer direct sales and marketing programs are specifically designed to place booking opportunities for assessed businesses in the grasp of consumers who have or may have expressed an interest in traveling to San Diego. To ensure proportional provision of direct benefits to assessees, the services to be provided to benefit category A assessees have been divided into three subcategories: A1, A2, and A3.

Benefit Category A1:**Meeting and Group Sales & Marketing Programs and Consumer Direct Sales & Marketing Programs to Drive Sales Demand for District Lodging Businesses (*with thirty (30) or more rooms*)**

Benefit category A1 lodging businesses will have the exclusive privilege to participate or be represented in, and receive a specific benefit from, but not limited to, the direct marketing and sales initiatives and programs listed above and further defined in District Management Plan (DMP) Appendix 4 & 5.

Other activities designed to support the above efforts to drive sales demand to these lodging businesses include: Direct Sales and Marketing to Meeting Planners and Meeting Buyers, and Consumer Research, Market Intelligence, Market Cultivation and Penetration.

Benefit category A1 direct sales and marketing programs and services, which are a diverse mix of time-tested and proven initiatives, projects, and activities, will provide exclusive privileges and specifically benefit all current and future lodging businesses of thirty (30) rooms or more within the boundaries of the *District*. These initiatives, projects and activities are deployed to achieve individual property direct sales for those lodging businesses with meeting space, and/or large enough (30 rooms or more) to accommodate a small meeting, reunion or tour group. The hotel meeting and group sales effort is focused on group, meeting, convention and tour operator contract programs.

Benefits resulting from these programs will be realized directly by individual lodging businesses in the target market area or market segment served through the exclusive privilege of participating in a unique contract program, marketing initiative or service funded under benefit category A.

Meeting & Group Direct Sales and Marketing

Benefit category A requires that a specific set of marketing and sales tools be deployed to achieve individual property direct sales for those lodging businesses. Hotel Meeting Sales is focused on Group, Meeting, Convention and Tour Operator contract programs. These are typically business-to-business relationships. These programs require unique skills, marketing tools and expertise to deal with different markets, develop different messaging, and to address multiple challenging and different decision factors. Specifically, the marketing and sales programs and services provided to generate hotel room nights include (as defined District Management Plan - DMP Appendix 4 & 5) but are not limited to:

- **A1.1 : Hotel Meeting Sales;**
- **A1.2 : Event Management and Groups Sales Development;**
- **A1.3 : Tourism Development including Travel & Trade;**
- **A1.4 Group Meeting Direct Marketing; and**
- **A1.5: Consumer Direct Sales & Marketing Programs including National Online and Pay-Per-Click Banner Advertising and Online Travel Agency Campaigns (OTAs such as Expedia, Orbitz, and Travelocity).**

Note: Multi-Year Tourism Development - A1.6 is reserved (see Appendix 4).

Benefit Category A2: **Sub-Regional Targeting** *(For District Lodging Businesses with thirty (30) or more rooms)*

Although benefit category A1 programs are designed to provide benefit citywide, many of these programs have a focus on larger convention and activities that occur in the Downtown area. In order to ensure that the programs exist to directly serve the needs of larger hotels spread throughout the City, category A2 includes services that are directed specifically towards parts of the City other than Downtown.

Targeted sub-regional marketing will deliver specific benefit to coordinated groups of lodging businesses throughout the *District* which are subject to the benefit category A assessment. These lodging businesses will have the exclusive privilege to participate or be represented in, and/or receive the specific benefit from, but not limited to the marketing and sales initiatives and programs listed above and further defined in Appendixes 4 and 5 (of the DMP). Activities shall be intended to provide supplemental programs of the type detailed in benefit category A.1 but specific to the District sub-regions outside of the downtown core such as Rancho Bernardo, La Jolla, Mission Bay, and Mission Valley.

Subject to further provisions in this paragraph, the *Corporation* shall annually budget a portion of funds derived from benefit category A assessment revenue to DMOs for the purpose of sub regional sales and marketing for those lodging businesses subject to the benefit category A assessment. When allocating resources and implementing programs in sub-regional areas, consideration shall be given to the number and distribution of lodging businesses subject to the benefit category A assessment and room count in those sub-regional areas to ensure that all assessees benefit proportionally from the activities funded by the assessment.

To further ensure provision of a specific benefit to assessed lodging businesses, sub-regional Hotel Advisory Committees shall be established as follows:

- DMOs receiving *District* funds shall establish criteria for the recognition of sub-regional Hotel Advisory Committees.
- The *Corporation's* Board of Directors shall annually apply those criteria to identify the bona fide sub-regional Hotel Advisory Committees.
- Membership on the Hotel Advisory Committees shall be limited to representatives from lodging businesses subject to the benefit category A assessment located in the sub-region for which each committee is established. While the sub-regions may realign or increase in the future, it is anticipated that the initial sub-regions will include, but not be limited to:
 - Mission Bay
 - Mission Valley
 - La Jolla
 - Shelter Island / Point Loma
 - I-5 corridor (adjacent to Del Mar)
 - I-15 corridor
- The committees shall act in an advisory capacity with the primary purpose of consulting with DMOs, and making recommendations on the programs and expenditures relative to sub regional programs annually proposed by DMOs.
- Sub-regional programs as proposed and implemented shall be consistent with the stated goals and objectives of the DMO to the extent they comply with the requirements of this Plan, and shall utilize proven marketing and media channels.

Benefit Category A3:
Competitive Targeting

(For District Lodging Businesses with thirty (30) or more rooms)

Category A3 includes programs similar in nature to those funded through category A1, but selected through a competitive application process amongst smaller service providers and special programs.

The *Corporation's* Board of Directors will annually budget a portion of the revenue derived from the benefit category A assessment for competitive supplemental marketing efforts.

Such programs, activities, events, and services may be solicited either through a competitive application or open procurement process. These programs and services must provide unique, exclusive privileges and/or deliver a measurable specific benefit to assessees based on room night sales, which are in addition to the privilege or benefits provided by other programs funded with the benefit category A assessment.

The *Corporation* will solicit and/or receive applications for funding from numerous diverse entities. Specific application guidelines were implemented during the *District's* initial five-year term and will continue to be utilized throughout the renewal term. Changes to the guidelines, criteria and application can only be made by an action of the *Corporation's* Board of Directors.

Fundamental to the funding of any application will be the clearly articulated exclusive privileges and specific benefit to assessed lodging businesses in the *District*. While exclusive privileges can be delivered in numerous ways, the specific benefit must be measured in the delivery of hotel room night sales to assessed lodging businesses. Successful applications will clearly describe the strategy and tactics for delivering room night sales, as well as the estimated resulting number of room night sales and resulting gross room revenue. The method for calculating and verifying the *ROI* results must be described in the application.

When considering these fundamental application requirements, priority will be given to:

- **Special-need periods of the year;**
- **Special-need geographic locations within the *District*; that may include but are not limited to a sub-region, multiple sub-regions, a neighborhood or community, or an area uniquely defined to host or support a program or event; and**
- **The opportunity to generate incremental room nights from existing programs or sponsoring programs.**

Competitive Supplemental Marketing Programs will deliver a specific benefit to coordinated groups of lodging businesses throughout the *District* which are subject to the benefit category A assessment. These lodging businesses will have the exclusive privilege to participate or be represented in, and/or receive the specific benefit from competitive supplemental marketing initiatives and programs designed to drive sales demand for room nights at these businesses as articulated in District Management Plan (DMP) Appendix 4 & 5.

Determining ROI

All successful applicants for funding from assessment revenues must clearly demonstrate a measurable *ROI* based on room night sales for the programs or services they propose. Applicants and recipients must demonstrate their suggested methods of measuring *ROI* for their programs as part of applications and quarterly performance reports. All stated *ROI* results are subject to third-party audit

BENEFIT CATEGORY B

All lodging businesses in the District, regardless of size

Benefit Category B: Overview (DMO Primary)

Critical to the consumption of lodging business room nights is the location, or destination, of the businesses. While a meeting or convention can mandate a destination for a conventioner or delegate, the transient hotel guest, the tourist, makes a personal travel decision in light of market forces. Consumer direct/destination marketing and messaging are designed to influence, entice and support such decisions and therefore generate incremental transient room night sales. All of the lodging businesses subject to the benefit category B assessment will directly benefit from consumer direct/destination marketing.

Benefit Category B: Destination Marketing with Specific Call to Action

Benefit category B funds consumer direct destination marketing. Such marketing can include, but is not limited to, consumer direct advertising and earned media (public relations releases) and media contacts. All marketing funded through benefit category B will include specific calls to action directly related to district lodging businesses. Such calls to action might include, but are not limited to, inclusion of special consumer directed website landing pages featuring only district lodging businesses, links, or phone numbers exclusively dedicated to providing district lodging business information and booking opportunities. All approved campaigns must have budget proportional other source funding reflective of benefit that will be used to augment the District funding to proportionally reflect the any percentage of benefit received to non-assesseees. Typical direct expenses include advertising costs, agency fees, production, printing, distribution costs, District related personnel salary, commissions, benefits, training, travel, printed material, promotional items, information technology, market intelligence, research, and performance audits. - Typical indirect expenses include related contractor executive management, information technology support, and general & administrative overhead.

While none of the exclusive privileges (calls to action and special website and phone number) of participating in programs funded by benefit category B will be available to businesses that do not pay the benefit category B assessment, secondary benefit may accrue to lodging establishments outside the boundaries of the *District*, but the resulting room night capture would be offset by the utilization of other source income to support these programs. DMOs will be required to demonstrate sufficient alternate revenue sources in support of Consumer Direct/Destination Marketing programs under benefit category B.

Benefit category B Consumer Direct/Destination Marketing programs and services will provide exclusive privileges and specifically benefit all assessed lodging businesses in the *District*, regardless of size. Therefore, all of these qualifying lodging businesses as listed in Appendix 3 will be assessed for the activities provided by funding from benefit category B. Benefits resulting from these programs will be realized directly by individual assessed lodging businesses in the target market area or market segment served through the exclusive privilege of participating in a unique contract program, marketing initiative or service funded by the benefit category B assessments.

Funding Requirements:

Assessment funds will be spent to provide a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the *City* of conferring the benefit or granting the privilege. The activities also constitute specific government services provided directly to the payor that is not provided to those not charged, and which do not exceed the reasonable cost to the *City* of providing the services.

The privileges and services provided with *District* funds are sales, marketing, advertising and promotional programs available only to assessed businesses. District activities will be designed for the sole purpose of generating incremental room night sales at assessed businesses. Such room night sales are of great value to assessed business and constitute a specific benefit for which the assessment is charged. Non-assessed businesses will not have access to the privileges and services provided by the assessment. For example, only assessed businesses will be entitled to receive sales leads generated by District-funded activities or be featured in District-funded marketing materials.

Because marketing services are provided by *Corporation*-approved contractors, requirements for contractors and the application process have been developed. Specifically, all funding requests must delineate:

- All sales, marketing, advertising and promotional programs;
- Number of *District* lodging business room nights generated – existing and incremental;
- Average Daily Rate est. (from approved source such as Smith Travel Research);
- Projected sales leads to be generated (if applicable);
- Return on Investment (*ROI*) as measured in *District* room night revenue;
- Time of year (peak, shoulder, low); and
- Number of marketing impressions (included as supportive information only where applicable).

Successful applicants that become contractors for the *Corporation* will be required to submit quarterly performance updates and comprehensive annual performance reports which include the above required information along with samples of marketing materials and information as to the methodology used to substantiate the *ROI*.

Funded contractors and programs must also have a cost allocation methodology which demonstrates that costs are apportioned between applicable funding sources so that the amount of assessment revenue used is proportionate to the benefit derived by *District* lodging businesses.

The *Corporation* will contract with an independent third-party to audit the results and to verify *District* room nights and *ROI*.

Oral Presentation:

Should an application meet the fundamental requirements for consideration, and prior to any decision, qualifying finalist may be invited to make a public, oral presentation before the SDTMD Board of Directors at a public meeting.

Agreement Between Contractor and SDTMD:

Unless otherwise directed by the SDTMD, each Applicant awarded funds must then submit an electronic copy of their Proposal (Scope of Work) and Budget adapted to reflect the awarded amount within 30 days of the receipt of the notice of funding or by March 21, 2015, whichever is earlier. This applies for all Annual Funding recipients.

Once the Board of Directors has approved funding and the SDTMD budget is approved by the City Council, an Agreement will be issued to the successful applicants. The Agreement will specify the terms and conditions of the arrangement, including the organization's scope of work, the amount of funding, the limitations associated with the funding, anticipated results, and mutually agreed upon method(s) for measuring those results. The Contractor shall be required to execute such an Agreement prior to receiving SDTMD funds.

Cost Reimbursement:

All funds are awarded on a cost reimbursement basis following the City of San Diego Operations Manual. All items for reimbursement must align with the SDTMD / City approved budget and include proof of payment of the expense. The average turnaround time is 30 days from the receipt of a correctly submitted reimbursement request packet. Reimbursement requests may be submitted on a monthly basis or less frequently as arranged with staff. There can be no payment in advance, unless approved by the board for special circumstances and in compliance with the SDTMD contract with the City.

Performance Reports:

Performance Reports will be required quarterly detailing the target and actual outcomes by type of activities, specific sales and marketing initiatives, etc. These quarterly reports must detail the way in which all assessed businesses (TMD lodging businesses) are benefited, along with the details of all TMD funds expended.

Applicants must detail their method of measuring and tracking ROI for their particular program as part of their performance reports. All ROI results will be subject to a third-party audit (*see attached APPENDIX A: "Metrics Criteria for the San Diego Tourism Marketing District-ROI Measurement Policy"*).

FY 2016 Quarterly Performance Report Schedule: Provides two months to file each quarterly report

Quarter One: July 2015 - September 2015	Due November 27, 2015
Quarter Two: October 2015 - December 2015	Due February 29, 2016
Quarter Three: January 2016 - March 2016	Due May 31, 2016
Quarter Four: April 2016 - June 2016	FY 2016 ANNUAL REPORT Due August 31, 2016

FUNDING ELIGIBILITY

Legal Status: Applicants must demonstrate proof of legal status within the jurisdiction of the headquarters of their business or corporation.

Track Record: An applicant must have demonstrable history of successful, ongoing programming or business performance prior to submitting an application.

Location: Regardless of where an applicant is headquartered or physically located, or where a particular marketing program is implemented, 100% of the funding received from the SDTMD must be in support of programs that provide privileges directly conferred and specific benefit directly the assessed lodging businesses within the City of San Diego.

Compliance: Former contractors of the City of San Diego must have submitted acceptable final report packages on any completed contract and be in good standing with the City of San Diego.

ADA: Contractors will comply with the federally mandated Americans with Disability Act. Contractors and subcontractors will be individually responsible for their own ADA compliance.

EEO: Contractors will comply with Title VII of the Civil Rights Acts of 1964, as amended; the California Fair Employment Practices Act; and any applicable federal and state laws and regulations herein enacted, as well as the City's Non-discrimination in Contracting Ordinance.

Drug-Free Work Place: Contractors must provide a drug-free workplace.

FUNDING LIMITATIONS

- TMD assessment funds cannot be used for alcoholic beverages. Corporation's subcontractors shall not use TMD assessment funds for travel, meals, lodging, or entertainment expenses, unless authorized by SDTMD in advance, as provided by the Contract with the City.
- The acquisition, construction, installation or maintenance of any tangible public property, including parking facilities, parks, planting areas, fountains, benches, booths, kiosks, display cases, pedestrian shelters, signs, trash receptacles, public restrooms, ramps, sidewalks, plazas, pedestrian malls, lighting and heating of public facilities.
- The closing, opening, widening or narrowing of existing or new streets.
- Facilities or equipment, or both, to enhance security and safety of persons and property within the *District*, unless included in a specific proposal to benefit the assessed businesses.

- Regular public safety and security personnel and programs, maintenance and repair, sanitation, nor other municipal services normally and historically provided by the *City*.
- Expenditures not consistent with the terms of the District Management *Plan*.
- Political candidate or ballot initiative activity.

ADDITIONAL REQUIREMENTS

Insurance: All SDTMD contractors shall comply with the City’s insurance requirements for the term of the Agreement.

- a) **Commercial General Liability (CGL)** Insurance written on an ISO Occurrence form CG 00 01 07 98 or an equivalent form providing coverage at least as broad which shall cover liability arising from any and all personal injury or property damage in the amount of \$ 1 million per occurrence and subject to an annual aggregate of \$2 million. There shall be no endorsement or modification of the CGL limiting the scope of coverage for either insured vs. insured claims or contractual liability. All defense costs shall be outside the limits of the policy.
- b) **Automobile Liability Insurance**, providing coverage for all bodily injury and property damage, with a limit of at least One Million Dollars (\$1,000,000) per occurrence. Such insurance shall cover liability arising out of any vehicle (including owned, hired, and non-owned vehicles) on the Premises. Coverage shall be written on ISO form CA00 01 12 90, or a substitute form providing equivalent liability coverage; and
- c) **Worker’s Compensation Insurance**, as required by the laws of the State of California for all Contractors’ employees who provide services under the SDTMD funding grant with a limit of at least One Million Dollars (\$1,000,000).

Certificate of Good Standing: Applicants must be in good standing with the Secretary of State and Franchise Tax Board. All required filings must be current and the status of the business / corporation must be active. “Active” status means that your corporation has not been dissolved, suspended, surrendered or forfeited. For more information concerning Certificates of Good Standing, contact (619) 525-4113 or online at: www.ss.ca.gov/business

Promotional Material Requirement: SDTMD funded entities shall include the following language on all promotional materials (including, but not limited to, brochures, newsletters, advertising, facts sheets, news releases, and Internet web sites): **“Funded in part (or in whole) by the San Diego Tourism Marketing District Corporation with City of San Diego Tourism Marketing District Assessment Funds.”** Such acknowledgment shall be prominently displayed on all such promotional materials. When any such promotional material expresses an opinion regarding a matter of public policy, the acknowledgment shall note that the opinion(s) stated in the promotional materials do(es) not necessarily reflect the policy of the City of San Diego. A copy of page or pages, of promotional material displaying

required language, or other equivalent proof, is required to be included in reconciliation report.

Mandatory Disclosure of Business Interests: Pursuant to section 225 of The City Charter of the City of San Diego, California (“Charter”), all contractors and subcontractors shall make a full and complete disclosure of the name and identity of any and all persons directly or indirectly involved in any transaction funded by, or proposed to be funded by, the SDTMD and the precise nature of all interests of all persons therein. Contractor’s failure to fully disclose all of the information required by Charter section 225, or Contractor’s failure to require each of its subcontractors to fully disclose such information, shall be a default of the Agreement between SDTMD and the Contractor.

No Political Activity: Contractor shall not use and require its subcontractors not to use, any of the funds received pursuant to this Agreement, or any personnel or material paid for with funds pursuant to the SDTMD agreement, for political activity. The term “political activity” shall mean a communication made to any electorate in support of, or in opposition to, a ballot measure or candidate in any federal, state or local government election.

Operating Manual: Notwithstanding any other provision in the SDTMD Agreement, Contractor shall comply with the City of San Diego Operating Manual, including without limitation those provisions related to fiscal accountability, eligible and ineligible project expenditures, and procedures for financial management, accounting, budgeting, record keeping, reporting, and other administrative functions. Contractor shall seek and obtain SDTMD’s prior written approval of any deviation from the Operating Manual’s prescribed practices and procedures.

Limiting Contact Between Applicants and the Board of Directors: It will be vital that the application and allocation process for funding from the SDTMD be open, fair and efficient. To this end, the written submission of the application and supporting materials as well as any public presentation that may be required from applicants will be the foundation for Board discussion and deliberations. Board members are encouraged to limit their contact and communication with applicants regarding their applications or proposed application, and to disclose any such contact or communication prior to participating in the consideration of that applicant's submission.

HOW TO APPLY

GETTING STARTED

Request for Application Form: All new and returning applicants may obtain an application in MSWord format by contacting Lorin Stewart, Executive Director, at (619) 209-6108 or lstewart@SDTMD.org. Application documents in PDF format may also be downloaded from the SDTMD website, www.SDTMD.org.

Who to call: If you have any questions regarding SDTMD funding eligibility or policy, please contact Mr. Lorin Stewart, Executive Director, at (619) 209-6108 or lstewart@SDTMD.org. Background information and resources may also be downloaded from the SDTMD website at: www.SDTMD.org.

Application Types:

- 1) **GENERAL APPLICANTS – CATEGORY A3 ANNUAL Funding**
Application: The SDTMD Fiscal Year 2016 is the same as the City of San Diego: July 1, 2015 and ends on June 30, 2016. **Regardless of delivery method, all organizations applying for funding for this period must have their completed application packets submitted to the SDTMD office by 5:00 p.m. on Friday, October 17, 2014. Applications received after the deadline will not be accepted for annual funding requests.**

- 2) **DMO - SAN DIEGO TOURISM AUTHORITY / SAN DIEGO SPORTS COMMISSION - ANNUAL Funding Application:** The SDTMD Fiscal Year 2016 is the same as the City of San Diego: July 1, 2015 and ends on June 30, 2016. **Regardless of delivery method, all organizations applying for “annualized” funding for this period must have their completed application packets submitted to the SDTMD office by 5:00 p.m. on Friday, January 30, 2015. Applications received after the deadline will not be accepted for annual funding requests.**

- 3) **SUPPLEMENTAL Funding Application:** After all Annual Funding Programs have been reviewed and allocated by the SDTMD Board and **if** TMD funds are available, qualifying organizations may apply for Supplemental funding such as a single event or a specialized sales / marketing program. All supplemental proposals are required to follow the SDTMD application format and submit to the SDTMD at least **one month** in advance of the next regularly scheduled Board of Directors Meeting, unless directed otherwise by the SDTMD board or staff. It is strongly recommended that a preliminary discussion with the Executive Director is scheduled prior to the submittal of any Supplemental application.

Public Presentation to the SDTMD Board: After the close of the Application Deadline for Annual Funding, the SDTMD Executive Director may schedule respective organization to present their annual proposed Scope of Work, Budget of Proposed Use of TMD Funds,

and ROI projections in TMD lodging room night consumption to the Board of Directors for review at public meetings.

TECHNICAL ASSISTANCE

Consultations: Applicants are encouraged to take advantage of individual consultation by SDTMD staff. The assistance provided will be limited to guidance in the completion of the application and in understanding the eligibility requirements. **Receiving staff consultation does not guarantee funding.**

Site Visits by Staff and Board: The SDTMD may arrange site visits with contractors and potential applicants.

PREPARING THE APPLICATION

Preparation Instructions: To help us prepare your application for Board review, please adhere to the guidelines below.

- Present the application in the order and format requested. Failure to do so may result in the disqualification of your application.
- All sections of the application must be typed in black ink using an easy to read format and font.
- All material is to be submitted on **one-sided**, 8.5 x 11 inch white paper with three-hole punches. **Do not bind or staple any pages.** Marketing collateral is an exception to this requirement.
- All audio-visual materials must be clearly labeled with the applicant's name and title of the piece.
- The application in MS Word is available by email request to the Executive Director, Mr. Lorin Stewart, at the following address: lstewart@sdtmd.org
- The application in PDF format is available for download from the San Diego Tourism Marketing District website: www.SDTMD.org . Click on the ***"CONTRACTORS & FUNDING"*** tab.

Required Application Contents: The Completed Application will contain the following required documents in this order:

- Signed Application Cover Page**
- EXHIBIT A: Proposed Scope of Work Narrative**
- EXHIBIT B: FY 2016 Budget for Proposed Scope of Work**
- EXHIBIT B1: FY 2016 Budget Narrative By Category**
- EXHIBIT E: Targeted Return on Investment In Hotel Room Night Revenue Worksheet**
- EXHIBIT F: Personnel Schedule:** Required for all positions being claimed against San Diego Tourism Marketing District Funds.
- Board of Directors List (if applicable):** List of Board of Directors including business names and addresses.
- Disclosure of Business Interests (if applicable):**
- Audit Compliance Acknowledgement**
- Accounting Compliance Acknowledgement**
- Work Force Report:** Completed City of San Diego Work Force Report
- Certificate of Good Standing:** Online printout from Secretary of State and Franchise Tax Board www.ss.ca.gov/business. All required filings must be current and the status of the business / corporation must have a current “Active” status.

Optional (Non-Required) Attachments: The following items may be included to help the Board evaluate your proposal:

- Clippings and samples from similar events or ad campaigns.
- Audio visual documentation including PowerPoint presentations.
- Websites (maximum 5 pages of each site).

Number of Copies:

- Submit a total of **twelve (12)** hard copies of the full application and all required exhibits (one original + eleven copies).
- In addition, submit a **PDF copy** (on USB drive) of the full application and all required exhibits.

Packaging / Submittal Directions: When completing your application packet, please keep the following information in mind:

- Label each page with the organization name and page number.
- Use binder clips not binders: **Do not staple or bind any pages.**
- **Three (3) hole punch all pages.**
- Maintain a margin of at least 0.5”.
- Always leave enough space to make the information legible.
- Use a font size of 12 point or larger.

- Keep responses clear and to the point.
- Submit a total of twelve (12) full hard copies and one PDF (on flash drive) of the application and all required exhibits.

Submit twelve (12) hard copies and a PDF(on USB drive) of your full application to:

**San Diego Tourism Marketing District - SDTMD
Attention: Mr. Lorin Stewart, Executive Director
8880 Rio San Diego Drive, Suite 800
San Diego, CA 92108**

APPLICATION REVIEW PROCESS

PRELIMINARY REVIEW BY STAFF:

SDTMD Executive Director shall review each application and consider:

- The thoroughness of application and format.
- The proposed programs' compliance (such as Prop 26) and ROI.
- The appropriateness of the proposed program goals and objectives.
- The quality of the responses to the review criteria including the strength of the program's collateral and support materials.
- The current and past contractual performance / standing with the City of San Diego and/or other governmental agencies.
- Disclosure of other pending or granted public funding for the fiscal year in question.

SDTMD BOARD REVIEW OUTLINE:

Eligible applications will be forwarded by staff to the SDTMD Board for review. The formal SDTMD application review process will consist of **two phases** to be held in a public meeting format.

I. Annual Funding Competitive Application Review:

Phase One: The SDTMD Board may review and discuss all applications individually at public board meetings. *Applicants may be requested to provide an oral/ multimedia presentation not to exceed 10 minutes, unless otherwise directed by the SDTMD Board.* These presentations shall coincide with the application review and will be scheduled by the SDTMD in advance.

Phase Two: After the formal application review process (Phase One) is complete for all annual applicants, all programs will be prioritized by the SDTMD Board. At a public meeting, the Board will then evaluate the relative value and need of each program and determine the level of funding, if any, of each program based upon the "Phase One" reviews, recommendations, and the estimated availability of funds. **There is no guarantee of funding for any application.**

II. Supplemental Funding Review:

After all Annual Funding Programs have been reviewed and allocated by the SDTMD Board and **if** TMD funds are available, qualifying organizations may apply for Supplemental funding such as a single event or a specialized sales / marketing program.

Qualifying "short term" initiatives may be applied for after the Annual Application deadline. All such proposals are required to follow the SDTMD application format and submit to the SDTMD at least one month in advance of the next regularly scheduled Board of Directors Meeting, unless directed otherwise by the SDTMD board or staff. It is strongly recommended that a preliminary discussion with the Executive Director is scheduled prior to the submittal of the application.

As these initiatives will be periodic through the year and, by nature, not subject to the funding deadline of the annual programs, it is possible that only one proposal might be presented to the SDTMD Board for review at a public meeting. In this case, Phase One and Phase Two may be combined with funding determined immediately upon Board review. If more than one initiative or organization is reviewed, then the following format will be used:

Phase One: The SDTMD Board will review and discuss each application individually at public board meetings. *Applicants may be requested to provide an oral/multimedia presentation not to exceed 10 minutes, unless otherwise directed by the SDTMD Board.* These presentations shall coincide with the application review and will be scheduled by the SDTMD in advance.

Phase Two: After the formal application review process (Phase One) is complete for all pending supplemental applicants, all programs will be prioritized by the SDTMD Board. At a public meeting, the Board will then evaluate the relative value and need of each program and determine the level of funding, if any, of each program based upon the “Phase One” reviews, recommendations, and the estimated availability of funds. **There is no guarantee of funding for any application.**

APPEALS PROCESS

Written appeals may be made after Phase One ranking. In a public meeting, the SDTMD Board shall consider appeals and will vote on final recommendations.

Appeals may be based only on two possible grounds:

- A material misstatement(s) by the Board during the review process of factual information contained within the application such that it negatively influenced the Board’s evaluation of the applicant’s request for funding; and, or
- Incorrect processing of the required application materials such that it negatively influenced the panel’s evaluation of the applicant’s request for funding.

Dissatisfaction with an application’s denial or ranking is not sufficient grounds for an appeal. Additionally, an appeal may not be used to correct incorrectly stated or omitted information made by the applicant in the application.

The FY 2016 Funding Cycle*

September 2014:

- FY 2016 Applications available by download / request
- Preliminary staff review of received applications
- **GENERAL A3 - FY 2016 Annual Application Deadline: October 17, 2014**
- **DMO - SDTA & SDSC - FY 2016 Annual Application Deadline: January 30, 2015**

November 2014 - February 2015:

- Preliminary staff review of received applications
- **Formal public board review of qualified applications**

February - March 2015:

- **Formal public board review of qualified applications**
- Funding recommendations of programs by board
- Notification of funding intention to City
- FY 2016 final budgets from approved organizations due on or about March 20, 2015
- SDTMD submits FY 2015 Budgets with R.O.I. projections and Scope of Work assumptions to City on or about March 27, 2015

May-June 2015:

- **FY 2016 Budget presentation to San Diego City Budget & Government Efficiency Committee / City Council**
- FY 2016 Contracts Issued

July 1, 2015:

- FY 2016 Begins

*Dates are approximate and may change without notice.

FY 2016 Application Cover Pages

For San Diego Tourism Marketing District Funds

APPLICANT ORGANIZATION NAME:

Mailing Address: _____

Telephone: _____ FAX: _____

Website: _____

Primary Contact Information:

Name: _____ Title: _____

Telephone: _____ FAX: _____

Email: _____

Website (if different from above): _____

BRIEF DESCRIPTION OF YOUR ORGANIZATION OR COMPANY:

YOUR ORGANIZATION MISSION STATEMENT OR STATEMENT OF PURPOSE:

YOUR ORGANIZATION'S PROGRAMS AND SERVICES:

Briefly describe your core programs and services and describe any plans for change, growth, or reduction in the proposed year. Please limit your response to one page.

IS YOUR ORGANIZATION A NON-PROFIT ORGANIZATION? Yes / No
If Yes:

1) **Board of Directors Disclosure:** On a separate sheet, describe the roles and responsibilities of your Board of Directors and attach a roster of your current Board and Officers to the SDTMD Application

2) **Mandatory Disclosure of Business Interests: On a separate sheet, disclose the information following these guidelines:** *Pursuant to section 225 of The City Charter of the City of San Diego, California (“Charter”), all contractors and subcontractors shall make a full and complete disclosure of the name and identity of any and all persons directly or indirectly involved in any transaction funded by, or proposed to be funded by, the SDTMD and the precise nature of all interests of all persons therein. Contractor’s failure to fully disclose all of the information required by Charter section 225, or Contractor’s failure to require each of its subcontractors to fully disclose such information, shall be a default of the Agreement.*

IS YOUR ORGANIZATION A FOR-PROFIT ORGANIZATION? Yes / No

If Yes: Mandatory Disclosure of Business Interests: On a separate sheet, disclose the information following these guidelines: *Pursuant to section 225 of The City Charter of the City of San Diego, California (“Charter”), all contractors and subcontractors shall make a full and complete disclosure of the name and identity of any and all persons directly or indirectly involved in any transaction funded by, or proposed to be funded by, the SDTMD and the precise nature of all interests of all persons therein. Contractor’s failure to fully disclose all of the information required by Charter section 225, or Contractor’s failure to require each of its subcontractors to fully disclose such information, shall be a default of the Agreement.*

Closing Date of Applicant’s Most Recently Completed Fiscal Year: ____/____/____

CPA REVIEW/AUDIT (Please answer the following questions)

Does your organization receive a financial audit*? Yes No

If not, were unaudited financial statements prepared? Yes No

Was a copy of the audit report/financial statements submitted to the City? Yes No

What period is covered by your most recent audit report/financial statements: _____

Does your Board of Directors receive and discuss the management letter from the audit report? Yes No

***NOTE:** Contractors receiving \$75,000 or more in federal, state, City and/or SDTMD funds shall have Financial Statement Audits prepared in accordance with GAAP and audited by an independent Certified Public Accountant, in accordance with Generally Accepted Auditing Standards [GAAS]. This audit report shall include the following statements:

- a) A statement of expenditure of SDTMD funds by program, to be identified in the same expenditure classifications as contained in the final budget and compared with the budgeted amounts;
- b) A statement of revenues and expenditures, and a balance sheet of all funds received by Corporation; and
- c) A statement certifying compliance with all terms and conditions of the SDTMD’s contract with Contractor, and that all required reports and disclosures have been submitted, completed by an executive officer of Corporation.

Contractor shall provide the SDTMD a copy of the Financial Statement Audit within 150 calendar days of the end of Contractor’s last complete fiscal year.

Will your organization receive any other public funding in **FY 2016**? Yes No

If “Yes”, list funding source(s), amount of funding, and dedicated use of funds:

Is your organization applying for any other public funding in **FY 2016**? Yes No

If “Yes”, list funding source(s), amount of funding requests, and proposed use of funds:

SDTMD CONTRACT COMPLIANCE (Returning Applicants only)

For the most recent fiscal year - has your organization filed quarterly reports? Yes No:
What period is covered by your most recently submitted report: _____

REQUIRED ATTACHMENTS (Please check off prior to submittal)

The Completed Application must contain the following required documents in this order:

- Signed Application Cover Page**
- EXHIBIT A: Proposed Scope of Work Narrative**
- EXHIBIT B: Budget for Proposed Scope of Work by Category**
- EXHIBIT B1: FY 2016 Budget Narrative By Category**
- EXHIBIT E: Targeted Return on Investment In Hotel Room Night Revenue Worksheet**
- EXHIBIT F: Personnel Schedule:** Required for all positions being claimed against San Diego Tourism Marketing District Funds.
- Board of Directors List (if applicable):** List of Board of Directors including business names and addresses.
- Disclosure of Business Interests (if applicable):**
- Audit Compliance Acknowledgement**
- Accounting Compliance Acknowledgement**
- Work Force Report:** Completed City of San Diego Work Force Report
- Certificate of Good Standing:** *Online printout* from Secretary of State and Franchise Tax Board www.ss.ca.gov/business. All required filings must be current and the status of the business / corporation must have a current “Active” status.

Authorized Signatory / Title: _____

Signature: _____ Date: _____

FY 2016 *(July 1, 2015 – June 30, 2016)*
Application Request for TMD Funding

On separate paper titled “**EXHIBIT A: Proposed Scope of Work Narrative**”, respond to criteria item numbers one (1) through five (5) below. Number and label your response to each item. Please limit your narrative response to 5 pages or less*:

EXHIBIT A: PROPOSED SCOPE OF WORK NARRATIVE:

1) Proposed Scope of Work Narrative:

Using Categories A1.1 through A1.5 in **APPENDIX 4:**

- By Category A1.1 through A1.5, specifically detail the scope of work of your proposed sales, marketing/promotional program and/or event using TMD funding.
- By Category A1.1 through A1.5, specifically detail how your event or promotion will sell, market, or promote only TMD hotel properties 30 rooms and above. Due to California Prop 26 restrictions, TMD funding cannot be used to support the promotion or production of lodging rooms for non-TMD assessed lodging businesses.
- Describe how you will be working in collaboration with other TMD funded organizations and programs to maximize the effectiveness of Tourism Marketing District Funds.
- Your proposed scope of work narrative should explain your line-by-line Exhibit B – Budget.

2) Applicant Qualifications:

Describe how your organization is uniquely qualified to provide the proposed program or initiative.

3) Budget Assumptions for use of Tourism Marketing District Funds: Referencing the Budget of Proposed Scope of Work (EXHIBIT B), provide a supporting narrative of your proposed budgeted allocation of TMD funds requested.

4) Targeted Return on Investment (ROI) in TMD Hotel Room Nights: Referencing the ROI Worksheet (EXHIBIT E) describe your projected return on investment in TMD hotel room night revenue and the benefit that will be realized to the entire assessment district (TMD hotels within the city limit of San Diego). Specifically detail “Who” in the assessment district will be directly benefited (EG: Category A-TMD assessed properties with 30 or more rooms), “When” the benefits will be realized, “Where” in the assessment district the benefit will be realized, and “How” you proposed to realize and track the

results. **Describe what specific actions you have taken and the resources you will or have used to determine your ROI estimate.** If a third party will be used to determine the ROI, list the company, their qualifications, and contact information.

5) Progress / Success Measurement and Timing:

By contract, quarterly reports detailing the progress of each funded program and the ROI, including the method of determining the ROI, are required by both the SDTMD and the City of San Diego. Describe what tools or device (surveys or other sources) will be used to measure the projected results from your proposed program.

***If the proposed SDTMD funding represents more than 50% of the organizations' annual budget, then a full operational line item budget detailing the use of the TMD funding will be required, and the 5 page limit is waived.**

**EXHIBIT B
BUDGET-SDTMD FUNDS
FY 2016**

Date:

DOWNLOAD PDF VERSION OF FY 2016 “DRAFT EXHIBIT B-BUDGET TEMPLATE”

From www.SDTMD.ORG at:

“CONTRACTORS FUNDING” / “APPLICATION, GUIDELINES & REQUIREMENTS”

TO REQUEST A CURRENT VERSION IN EXCEL, PLEASE CONTACT:

**MS. ZORAIDA SINGLEY (“Z”)
Staff Accountant
Batten Accountancy, Inc.**

Zoraida@battenaccountancy.com

**2020 Camino Del Rio North, Suite 810
San Diego, CA 92108**

EXHIBIT B1 BUDGET NARRATIVE BY CATEGORY FY 2016
--

Date: _____

ORGANIZATION NAME: _____

TMD Funds: CATEGORY A: \$ _____

TMD Funds: CATEGORY B: \$ DMO _____

TOTAL TMD FUNDS A + B: \$ _____

ORGANIZATION'S TOTAL ANNUAL BUDGET (TMD + PRIVATE SOURCE): \$ _____

CATEGORY A
BUDGET NARRATIVE BY SUB-CATEGORY:

A1.1 Hotel Meeting Sales: **TMD FUNDS:** \$ _____
NARRATIVE (of budget line items):

A1.2 Event Mgmt. / Group Sales Development: **TMD FUNDS:** \$ _____
NARRATIVE (of budget line items):

A1.3 Tourism Development/Travel Trade: **TMD FUNDS:** \$ _____
NARRATIVE (of budget line items):

A1.4 Group Meeting Direct Marketing:
NARRATIVE (of budget line items):

TMD FUNDS: \$ _____

A1.5 Consumer Direct Sales & Marketing:
NARRATIVE (of budget line items):

TMD FUNDS: \$ _____

CATEGORY B (For DMO)
BUDGET NARRATIVE:

B: General TV / Radio Broadcast & Outdoor Media: TMD FUNDS*: \$ _____

***EXPENSE BREAKDOWN:**

- **ADVERTISING FUNDS:** \$ _____
- **ADVERTISING AGENCY FEES:** \$ _____
- **PERSONNEL SALARY & WAGES:** \$ _____
- **OTHER:** \$ _____

NARRATIVE (of budget line items):

EXHIBIT E ROI FOR SDTMD FUNDS FY 2016
--

ORGANIZATION / PROGRAM NAME: _____

TMD BENEFIT CATEGORIES:

- MAIN CATEGORY (*List one*): **A3 – Competitive Targeting**

- PROGRAM CATEGORIES (*List all that apply*): _____

FY 2016 TARGETED ROI WORKSHEET		
<i>All ROI results for awarded TMD funds will be subject to a third-party audit.</i>		
TMD FUNDS REQUESTED	A	\$
DATES OF EVENT OR PROMOTION :		
HISTORIC AVERAGE DAILY RATE (ADR) for EVENT OR PROMO DATES*		\$
* USE SAN DIEGO CITY ADR in TMD Hotel Room Night Revenue from Smith Travel Research / SDTA (formerly ConVis)		

Number of TMD Room Nights Historically Generated by Event or Promotion		
Total Estimated TMD Room Night Revenue @ above ADR		\$
Number of NEW TMD Room Nights Generated by Event or Promotion **		
Total Estimated NEW TMD Room Night Revenue @ above ADR		\$
TOTAL ESTIMATED SAN DIEGO CITY TMD ROOM NIGHTS (combined)		
TOTAL ESTIMATED SD CITY TMD ROOM NIGHT REVENUE (combined)	B	\$

TOTAL RETURN ON INVESTMENT Total TMD Room Night Revenue Generated : TMD Funds Requested (B/A :1)	
	: 1

MEDIA IMPRESSIONS & BROADCAST EXPOSURE (<i>If Applicable</i>):	
International Broadcast Media (attach separate page if necessary)	
National / Regional Broadcast Media (attach separate page if necessary)	
Web / Social / Digital Media (attach separate page if necessary)	

EXHIBIT E
ROI FOR SDTMD FUNDS
FY 2016

Sample

Sample

ORGANIZATION / PROGRAM NAME:

XYZ Organization

TMD BENEFIT CATEGORIES:

- MAIN CATEGORY (*List one*):

A3 – Competitive Targeting

- PROGRAM CATEGORIES (*List all that apply*):

A1.2 & A1.5

SAMPLE		FY 2016 TARGETED ROI WORKSHEET	
<i>All ROI results for awarded TMD funds will be subject to a third-party audit.</i>			
TMD FUNDS REQUESTED	A	\$	25,000.
DATES OF EVENT OR PROMOTION :		November 11-15, 2015	
HISTORIC AVERAGE DAILY RATE (ADR) for EVENT OR PROMO DATES*		\$	123.
* USE SAN DIEGO CITY ADR in TMD Hotel Room Night Revenue from Smith Travel Research / SDTA (formerly ConVis)			

Number of TMD Room Nights Historically Generated by Event or Promotion		3,500.
Total Estimated TMD Room Night Revenue @ above ADR	\$	430,500.
Number of NEW TMD Room Nights Generated by Event or Promotion		500.
Total Estimated NEW TMD Room Night Revenue @ above ADR	\$	61,500.
TOTAL ESTIMATED SAN DIEGO CITY TMD ROOM NIGHTS (combined)		4,000.
TOTAL ESTIMATED SD CITY TMD ROOM NIGHT REVENUE (combined)	B	\$ 492,000.

TOTAL RETURN ON INVESTMENT Total TMD Room Night Revenue Generated : TMD Funds Requested (B/A :1)	19.68 : 1
---	------------------

<u>MEDIA IMPRESSIONS & BROADCAST EXPOSURE (If Applicable):</u>	
International Broadcast Media (attach separate page if necessary)	NA
National / Regional Broadcast Media (attach separate page if necessary)	See attached sheet
Web / Social / Digital Media (attach separate page if necessary)	See attached sheet

Appendix 4

Benefit Category Programs

(From SDTMD-District Management Plan)

BENEFIT CATEGORY A1

A1: Meeting and Group Sales & Marketing Programs and Consumer Direct Sales & Marketing Programs to Drive Sales Demand for District Lodging Businesses (*with 30 rooms or more*)

Activities to be Implemented through Destination Marketing Organizations

A1.1 Hotel Meeting Sales

Deployment of a direct sales force tasked to attend sales conferences and make sales calls on meeting planners, association & business group clients, and individuals.

- Typical direct expenses include District-related sales personnel salary, commissions, benefits, training; travel and entertainment of targeted industry professionals such as meals (excluding alcohol) ; staff travel and related expenses for attendance at industry tradeshow and events, travel, meal and mileage expenses related to sales calls activities; outside services such as lead generation services; remote sales offices; marketing materials and promotional items targeted towards hotel sales efforts;; event registration for staff attendance at industry tradeshow and events; funding of events that agree to promote district activities; dues and subscriptions such as membership to trade organizations to create additional client relationships and sales opportunities; information technology, market intelligence, research, and performance audits.
- Typical indirect expenses include related contractor executive management, information technology support, and general & administrative overhead.

A1.2 Event Management and Group Sales Development

Execution of special events dedicated to the production of District lodging business meeting leads and room night sales demand through, but not limited to, participation in and marketing activities at professional and/or affinity group conferences, organizations or associations of meeting planners, business group clients, and individuals.

- Typical expenses include District-related personnel salary, commissions, benefits, training, travel and entertainment; tradeshow and event expenses such as exhibit fees, facility and booth space rentals; outside contractors, bid & sponsorship fees, remote sales office; printed material and promotional items; food and beverage (excluding alcohol) appurtenant to trade show participation; information technology, market intelligence, research, and performance audits.

- Typical indirect expenses include related contractor executive management, information technology support, and general & administrative overhead.

A1.3 Tourism Development including Travel & Trade

Execution of special events dedicated to the production of District group meeting leads and room night sales demand through, but not limited to, domestic and international travel & trade shows.

- Typical expenses include District-related sales personnel salary, commissions, benefits, and training; international representation in countries such as Germany, UK, and Japan including brochure distribution; travel and entertainment; event food & beverage (excluding alcohol) and printed material and promotional items distributed at tradeshow and events attended by travel trade representatives and decision makers; trade show booths and display production, space rental, display transportation, set up & break down costs; information technology, market intelligence, research, and performance audits.
- Typical indirect expenses include related contractor executive management, information technology support, and general & administrative overhead.

A1.4 Group Meeting Direct Marketing

Placement of advertisements to targeted affinity group organizations through various mediums such as business, association, or trade networks and publication to directly influence the production of District lodging leads and room night sales through conferences, meeting planners, associations, and group clients.

- Typical expenses include advertising costs, agency fees, production, printing, distribution costs, District-related personnel salary, commissions, benefits, training, travel, printed material and promotional items, information technology, market intelligence, research, and performance audits.
- Typical indirect expenses include related contractor executive management, information technology support, and general & administrative overhead.

A1.5 Consumer Direct Sales & Marketing Programs

Placement of consumer direct sales and marketing campaigns including, but not limited to, Pay-Per-Click Online Banner Advertising and dedicated Online Travel Agency (OTAs such as Expedia, Orbitz, Travelocity) campaigns that are specifically designed to place booking opportunities for assessed businesses in the grasp of consumers who have or may have expressed an interest in traveling to San Diego.

- Typical expenses include outside services such as advertising agency fees ; related events and promotions; production and advertising costs, District-related personnel salary, commissions, benefits, training, travel, printed material , promotional items, information technology, market intelligence, research, and performance audits.

- Typical indirect expenses include related contractor executive management, information technology support, and general & administrative overhead.

A1.6 Multi-Year Tourism Development (*SDTMD Only*)

Strategic development of multi-year or long-range event planning dedicated to the production of District lodging business leads and room night sales demand.

- Typical expenses include, but are not limited to, strategic planning, event RFPs, third-party whitepapers, promotional items, information technology, market intelligence, research, and performance audits. Typical indirect expenses include related contractor executive management, information technology support, and general & administrative overhead.

Within benefit category A1 the activities provided will result in Direct, Indirect, and General & Administrative expenses. A cost allocation methodology shall be approved periodically by the Corporation and made known to its contractors to be used in determining eligible Direct, Indirect, and General & Administration expenses and appropriate per diem, travel, and overhead rates.

The cost allocation methodology approved by the Corporation shall be modeled on OMB Circular A-122 (or successor document) in determining the Direct, Indirect, and General & Administrative expenses to be applied to District funding, notwithstanding that certain District-specific expenses may be treated as exceptions to OMB Circular A-122 with supporting analysis.

BENEFIT CATEGORY A2

A2: Sub-Regional Targeting

Activities to be Implemented through Destination Marketing Organizations

Supplemental programs of the type detailed in benefit category A1 but specific to District sub regions outside of the downtown core such as Rancho Bernardo, La Jolla, Mission Bay, Mission Valley, and others.

- Assessment revenues derived from benefit category A may only be expended for such programs as in A1 and may not be designated for General Advertising.

BENEFIT CATEGORY A3

A3: Competitive Targeting *(Applications for Category A1.1 through A1.5 Only)*

Programs of the type detailed in benefit category A.1 awarded through competitive process.

- Assessment revenues derived from benefit category A may only be expended for such programs as in (A1.1 through A1.5) and may not be designated for General Advertising (Benefit Category B).

Within benefit categories A2 and A3, the activities provided will result in Direct, Indirect, and General & Administrative expenses. A cost allocation methodology shall be approved periodically by the Corporation and made known to its contractors to be used in determining eligible Direct, Indirect, and General & Administration expenses and appropriate per diem, travel, and overhead rates.

The cost allocation methodology approved by the Corporation shall be modeled on OMB Circular A-122 (or successor document) in determining the Direct, Indirect, and General & Administrative expenses to be applied to District funding, notwithstanding that certain District specific expense may be treated as exceptions to OMB Circular A-122 with supporting analysis.

BENEFIT CATEGORY B *(DMO Only)*

B: Destination Marketing with Specific Call to Action To Drive Demand for All District Lodging Businesses

Destination advertising campaigns and earned media will have specific call to actions such as special consumer directed website landing pages, links, and/or phone numbers to drive sales demand for District lodging businesses. All approved campaigns must have budgeted proportional other source funding reflective of benefit that will be used to augment the District funding to proportionally reflect any benefit to non-assessees.

- Typical direct expenses include advertising costs, agency fees, production, printing, distribution costs District-related personnel salary, commissions, benefits, training, travel, printed material and promotional items, information technology, market intelligence, research, and performance audits.
- Typical indirect expenses include related contractor executive management, information technology support, and general & administrative overhead.

Within benefit category B the activities provided will result in Direct, Indirect, and General & Administrative expenses. A cost allocation methodology shall be approved periodically by the Corporation and made known to its contractors to be used in determining eligible Direct, Indirect, and General & Administration expenses and appropriate per diem, travel, and overhead rates.

The cost allocation methodology approved by the Corporation shall be modeled on OMB Circular A-122 (or successor document) in determining the Direct, Indirect, and General & Administrative expenses to be applied to District funding, notwithstanding that certain District specific expense may be treated as exceptions to OMB Circular A-122 with supporting analysis.

Attachment 6

FY2016 SDTMD Corporation Directors Ranking of Applications Summary

1 Page

SDTMD Director Raking Sheet - FY2016 Annual Funding Applications

Director's Individual and Combined Rankings											
APPLICANT	Amount Requested	C.Terry Brown	Richard Bartell	William Evans	John Schafer	Luis Barrios	Jody Blackinton	Thomas Voss	Total	Rank Order	Recommended Amount
											Total
SAN DIEGO TOURISM AUTHORITY (SDTA)	24,575,053	1	1	1	1	1	1	1	7	1.00	24,575,053
SDTA - SUB REGION	\$ 2,000,000	2	2	2	2	2	3	2	15	2.14	3,500,000
SDTA - SPORTS FIRST - BASE	\$ 399,052	3	3	3	3	3	2	3	20	2.86	399,052
SD BOWL GAME ASSOCIATION	\$ 450,000	6	5	7	5	4	5	4	36	5.14	450,000
CA STATE GAMES	\$ 150,000	7	4	8	7	9	6	11	52	7.43	150,000
SAN DIEGO BREWERS GUILD: BEER WEEK	\$ 74,900	12	8	6	8	5	4	9	52	7.43	74,900
FARMERS OPEN	\$ 300,000	5	14	r	4	7	13	5	48	8.00	200,000
SD BAYFAIR - THUNDERBOATS	\$ 95,000	11	7	5	6	12	7	12	60	8.57	95,000
SD CREW CLASSIC	\$ 165,000	14	9	4	9	10	8	8	62	8.86	165,000
LGBT PRIDE	\$ 25,000	13	11	9	10	6	10	10	69	9.86	25,000
CA POLICE ATHLETIC FEDERATION	\$ 130,000	9	10	12	13	11	9	7	71	10.14	60,000
SD NATURAL HISTORY MUSEUM - "MAYA"	\$ 215,000	8	13	10	12	15	11	6	75	10.71	-
COMPETITOR GROUP R&R MARATHON	\$ 400,000	4	6	15	15	14	15	15	84	12.00	300,000
LA JOLLA PLAYHOUSE	\$ 25,000	15	r	11	11	8	14	14	73	12.17	-
KOZ EVENTS	\$ 45,000	10	12	13	14	13	12	13	87	12.43	30,000
	29,049,005	120	105	106	120	120	120	120	811		30,024,005

Attachment 7

SDTMD Corporation Annual Report for FY 2014

January 1, 2013 – June 30, 2014

13 Pages

STAY

FILLING SAN DIEGO
HOTEL ROOMS

The San Diego Tourism Marketing District develops and supports economic growth through tourism promotion to stimulate hotel room nights in the City of San Diego.

PURPOSE

The San Diego Tourism Marketing District (SDTMD) provides a private, nonprofit funding vehicle to stimulate hotel room demand through tourism promotion, marketing and advertising programs.

The judicious allocation of these resources creates a positive economic, fiscal and employment impact on lodging businesses in the City of San Diego.

Message from the Chair and Executive Director	1
Market Assessment	5
Timeline	7
Innovation and Impact	9
Hotels	13
Tourism Authority ROI	17
Board of Directors	20

A robust lodging business in San Diego is fundamental to a thriving tourism industry in the region.

Because of the persistence of our board, our partners, and the San Diego City Council, the San Diego Tourism Marketing District (SDTMD) made a challenging year a success. The SDTMD is a non-profit mutual benefit corporation designed to increase the number of visitors who stay in San Diego lodging businesses. The district is funded by hoteliers who assess their properties based on the number of guest rooms. The assessments are collected by the City of San Diego and disbursed to the SDTMD to promote local tourism through marketing and advertising.

The challenge we faced this year began with little warning in early 2013 when the newly-elected (now former) mayor of San Diego objected to the SDTMD's funding model. He blocked the implementation of the SDTMD renewal agreement, which had been approved by the City Council just before he took office. This led to funds being sequestered by the City and a partial interruption of our Fiscal Year (FY) 2014 program. Patience in seeking a beneficial solution for the City and our hotels paid off. As we worked with the City staff and the Council on the issue, the Mayor was forced to resign after nine months in office.

Through the political transition, the SDTMD continued to work with Interim Mayor Todd Gloria, Acting City Council President Sherri Lightner, and the City Council, which approved a second amendment to our operating agreement and ended the months-long impasse in November 2013. The action allowed the SDTMD to once again fund vital marketing and advertising programs beginning in January 2014.

This annual report looks at an eighteen-month time frame due to the interruption in our funding in early 2013. The assessments being collected were not released until January 2014. Because of the delay, the SDTMD was unable to contract with any independent event-based organizations in FY 2014. The San Diego Tourism Authority, the sales and marketing agency for the destination, was the only organization to deploy TMD funds into the marketplace in FY 2014.

Once the political hurdle was cleared, the SDTMD wasted no time in working with newly-elected Mayor Kevin Faulconer and our partners to ensure that SDTMD rooms were booked, San Diego was once again marketed far and wide and tourism continued to thrive in the region.

A robust lodging business in San Diego is fundamental to a thriving tourism industry in the region. This fact proved true when the SDTMD was unable to fully fund the tourism authority and market significant events due to the legal argument with the former mayor. The result for the region was a minor increase in the number of tourists and booked hotel rooms, while our competitors' numbers grew at a markedly greater rate.

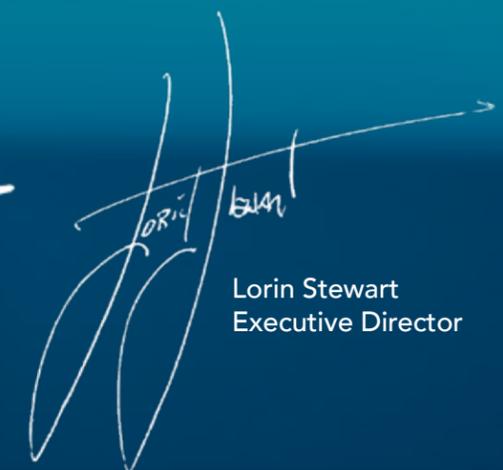
It has taken almost a year to rebuild our momentum and become once again the thriving district that contributes to San Diego's stellar reputation with state, national and international visitors. As soon as the SDTMD funding was released in January of 2014, the San Diego Tourism Authority launched a multimillion dollar advertising campaign, which in part led to an increase in

the number of visitors booking TMD hotel rooms, and the amount collected by the City of San Diego for the Transient Occupancy Tax (TOT.) Now the SDTMD looks forward to the programs it has funded from the highly-competitive process for the FY 2015 marketing contracts.

Yet even as we anticipate the success of our partners, we are mindful of and continue to defend ourselves against the lawsuits and political opposition that have challenged the validity of the SDTMD's funding. We believe hoteliers have the right to self-assessment and have the city collect the funds that benefit SDTMD hotels. In the meantime, we invite you to take part in the events we support as they are just a microcosm of what makes San Diego special, one of the world's best places to visit...**and stay.**



C. Terry Brown
Chairman



Lorin Stewart
Executive Director

SDTMD GOALS

FUEL DESTINATION MARKETING

INCREASE hotel room night occupancy

COLLECT approximately \$30 million in assessments annually

ATTRACT tourism activity

OUTPERFORM competitive markets

COMPETE aggressively with major travel markets

DELIVER \$10.5 million in Transient Occupancy Tax annual savings to the City of San Diego General Fund (Total: \$63 million over six years)

market ASSESSMENT

In 2014 San Diego continued to shine brightly for visitors enamored by the region's coastal and outdoor lifestyles. The San Diego Tourism Marketing District is the agency that provides stable funding for tourism. The San Diego Tourism Authority was the only organization to deploy TMD funds into the marketplace in FY 2014 due to the months it took to work out the district's operating agreement with the City of San Diego. With that challenge and its lingering market effects behind us, the SDTMD board opened up the funding competition for FY 2015 and are excited by the variety of programs that were presented, which will increase room stays for San Diego's lodging industry.

The SDTMD Board is confident that the last five years of experience running the program has paid off and is one of the key reasons that the region's advertising and marketing programs are so successful.

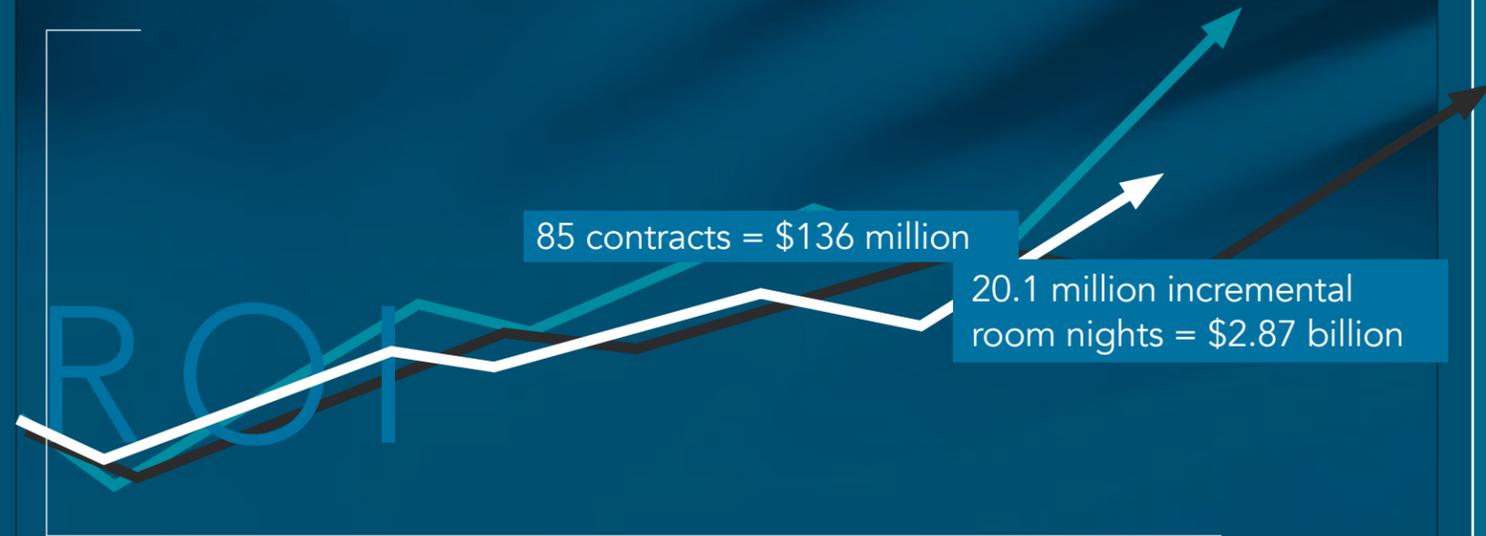
The numbers are impressive and something we believe will continue over the next few years. From January 2008 through FY 2014, the SDTMD awarded more than 85 separate contracts worth approximately \$136 million. For the assessed lodging properties, this supported the production of over 20.1 million incremental room nights valued at \$2.87 billion in revenue.

The district provides a reliable financial platform for the promotion of San Diego tourism for the benefit of its assessed lodging properties. The programs we fund fuel destination marketing.

Organizers of large-scale events and the San Diego Tourism Authority can count on annual financial support if their activities put people in our hotels and have an excellent return on investment. This kind of consistency is integral to increasing our market share in the highly-competitive tourism industry.

We must get to the people who are sitting on the fence about where to vacation. Change their minds and we score big for San Diego businesses. That's the value of the San Diego Tourism Marketing District.

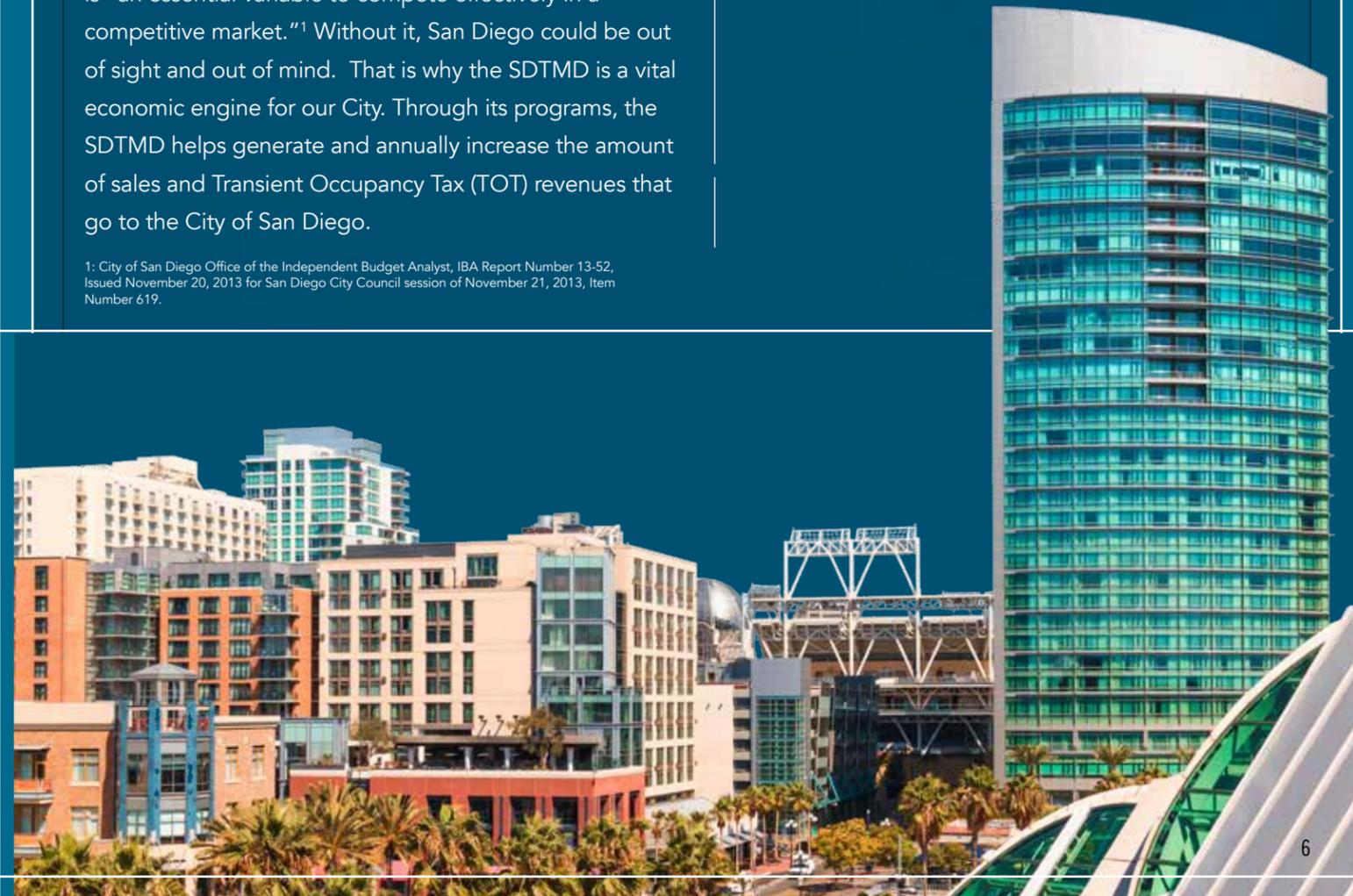
San Diego City Council President Todd Gloria

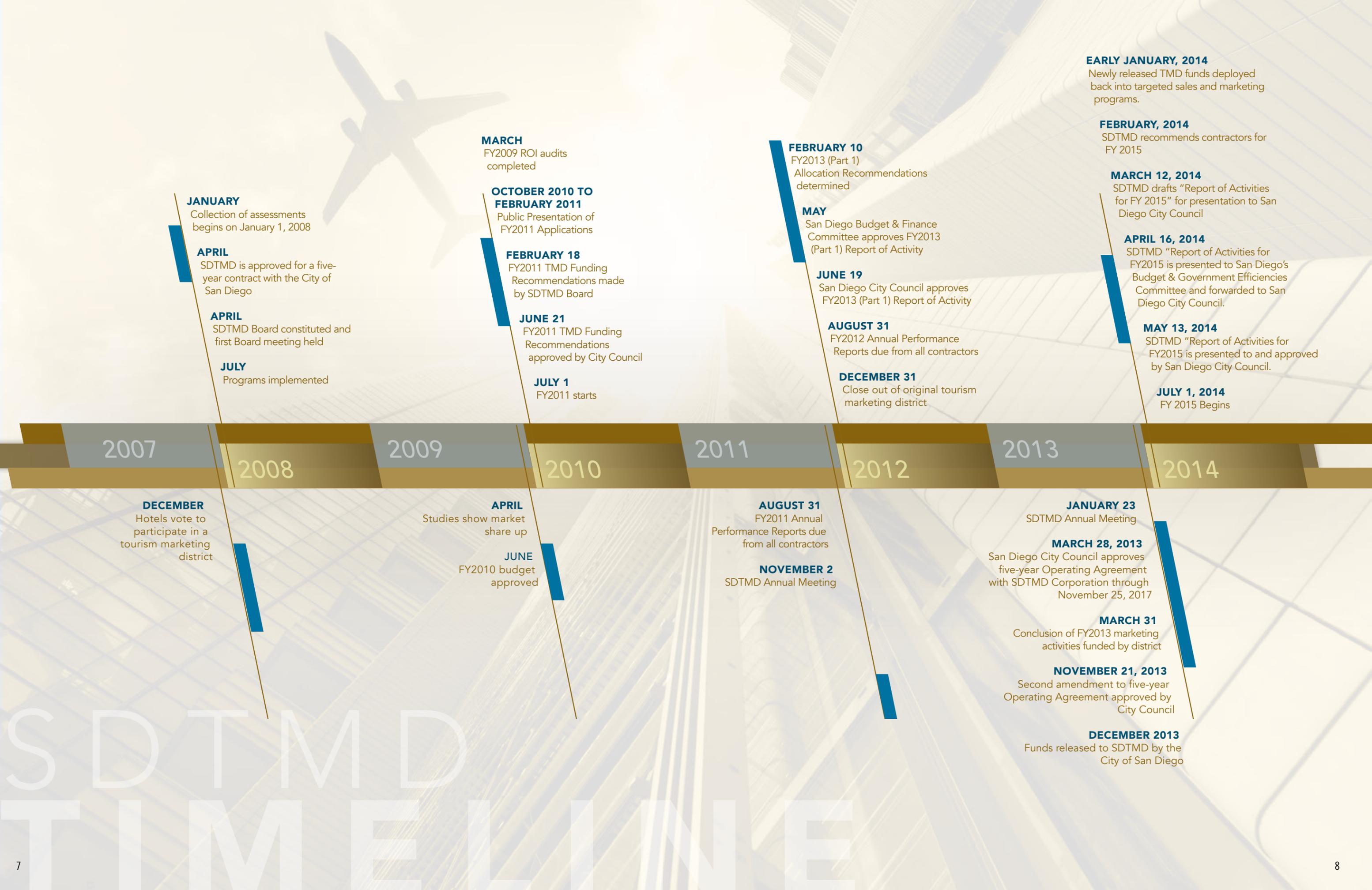


San Francisco, Los Angeles, Phoenix, Las Vegas and New York City among others are competing for the same domestic and international travel market as San Diego. While our region is blessed with mountains, deserts, bays, and beaches, the SDTMD knows that silence is not golden when it comes to tourism. To influence tourism, marketing is "an essential variable to compete effectively in a competitive market."¹ Without it, San Diego could be out of sight and out of mind. That is why the SDTMD is a vital economic engine for our City. Through its programs, the SDTMD helps generate and annually increase the amount of sales and Transient Occupancy Tax (TOT) revenues that go to the City of San Diego.

A case in point is the months that the SDTMD funds were restricted and the TOT revenues only grew by 3.6 percent annualized, well below projections. Since January 2014, when the funds and activities were restored, the annualized TOT revenues have grown by 8.8 percent, well above the City's projections.

1: City of San Diego Office of the Independent Budget Analyst, IBA Report Number 13-52, Issued November 20, 2013 for San Diego City Council session of November 21, 2013, Item Number 619.





JANUARY

Collection of assessments begins on January 1, 2008

APRIL

SDTMD is approved for a five-year contract with the City of San Diego

APRIL

SDTMD Board constituted and first Board meeting held

JULY

Programs implemented

MARCH

FY2009 ROI audits completed

OCTOBER 2010 TO FEBRUARY 2011

Public Presentation of FY2011 Applications

FEBRUARY 18

FY2011 TMD Funding Recommendations made by SDTMD Board

JUNE 21

FY2011 TMD Funding Recommendations approved by City Council

JULY 1

FY2011 starts

FEBRUARY 10

FY2013 (Part 1) Allocation Recommendations determined

MAY

San Diego Budget & Finance Committee approves FY2013 (Part 1) Report of Activity

JUNE 19

San Diego City Council approves FY2013 (Part 1) Report of Activity

AUGUST 31

FY2012 Annual Performance Reports due from all contractors

DECEMBER 31

Close out of original tourism marketing district

EARLY JANUARY, 2014

Newly released TMD funds deployed back into targeted sales and marketing programs.

FEBRUARY, 2014

SDTMD recommends contractors for FY 2015

MARCH 12, 2014

SDTMD drafts "Report of Activities for FY 2015" for presentation to San Diego City Council

APRIL 16, 2014

SDTMD "Report of Activities for FY2015 is presented to San Diego's Budget & Government Efficiencies Committee and forwarded to San Diego City Council.

MAY 13, 2014

SDTMD "Report of Activities for FY2015 is presented to and approved by San Diego City Council.

JULY 1, 2014

FY 2015 Begins

2007

2008

2009

2010

2011

2012

2013

2014

DECEMBER

Hotels vote to participate in a tourism marketing district

APRIL

Studies show market share up

JUNE

FY2010 budget approved

AUGUST 31

FY2011 Annual Performance Reports due from all contractors

NOVEMBER 2

SDTMD Annual Meeting

JANUARY 23

SDTMD Annual Meeting

MARCH 28, 2013

San Diego City Council approves five-year Operating Agreement with SDTMD Corporation through November 25, 2017

MARCH 31

Conclusion of FY2013 marketing activities funded by district

NOVEMBER 21, 2013

Second amendment to five-year Operating Agreement approved by City Council

DECEMBER 2013

Funds released to SDTMD by the City of San Diego

SDTMD TIMELINE

SDTMD AND CONTRACTORS



The SDTMD is the funding conduit for our contracted partners who, through a rigorous application process, demonstrate a proven ability to develop and implement effective sales and marketing programs while driving visitors into area hotels. Over the last five years the process has been extremely successful, supporting the production of more than 20.1 million hotel room bookings. In turn, those bookings generated more assessment dollars for the SDTMD and more TOT revenues for the City of San Diego. The SDTMD plays a crucial role in generating hotel revenues.

At no time was this more evident than during the 2013 disruption in the SDTMD process, caused by a dispute with a former mayor. But the delay had a "hard-earned" silver lining. Through it we were able to measure the value of a marketing campaign and event promotion. Take money out of the marketplace and economic impacts go down, put promotion money back into the marketplace and the percentage goes up significantly.

When the money was restricted, the TOT increased by only 3%.
When the money was freed up, it increased to 9%.

While funds were restricted, we watched the number of people at area hotels drop below projections and the percent change in the TOT tax also decreased below projections.

In the first 18 month of the new district, the SDTMD contracted for \$22,463,168. The San Diego Tourism Authority, the sales and marketing agency for the destination, was the only organization to deploy TMD funds into the marketplace in FY2014.

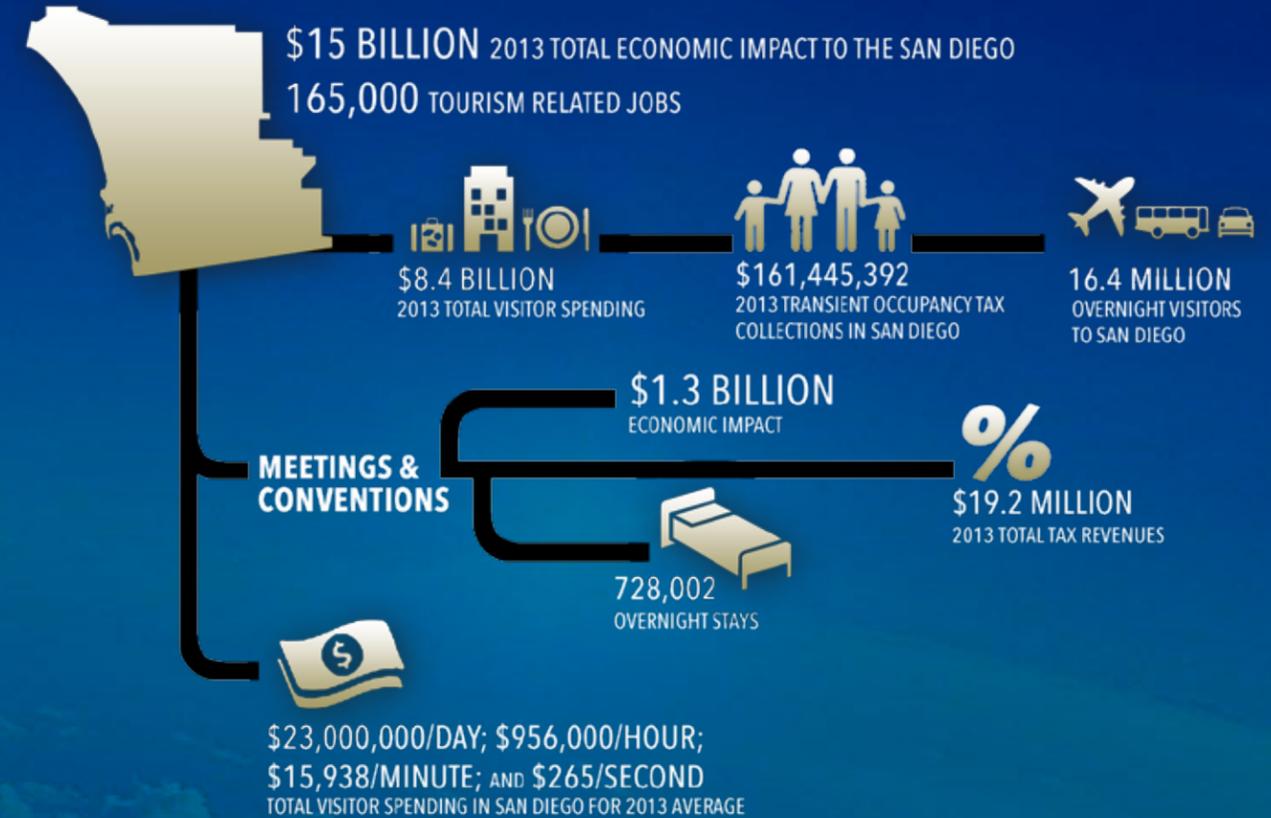
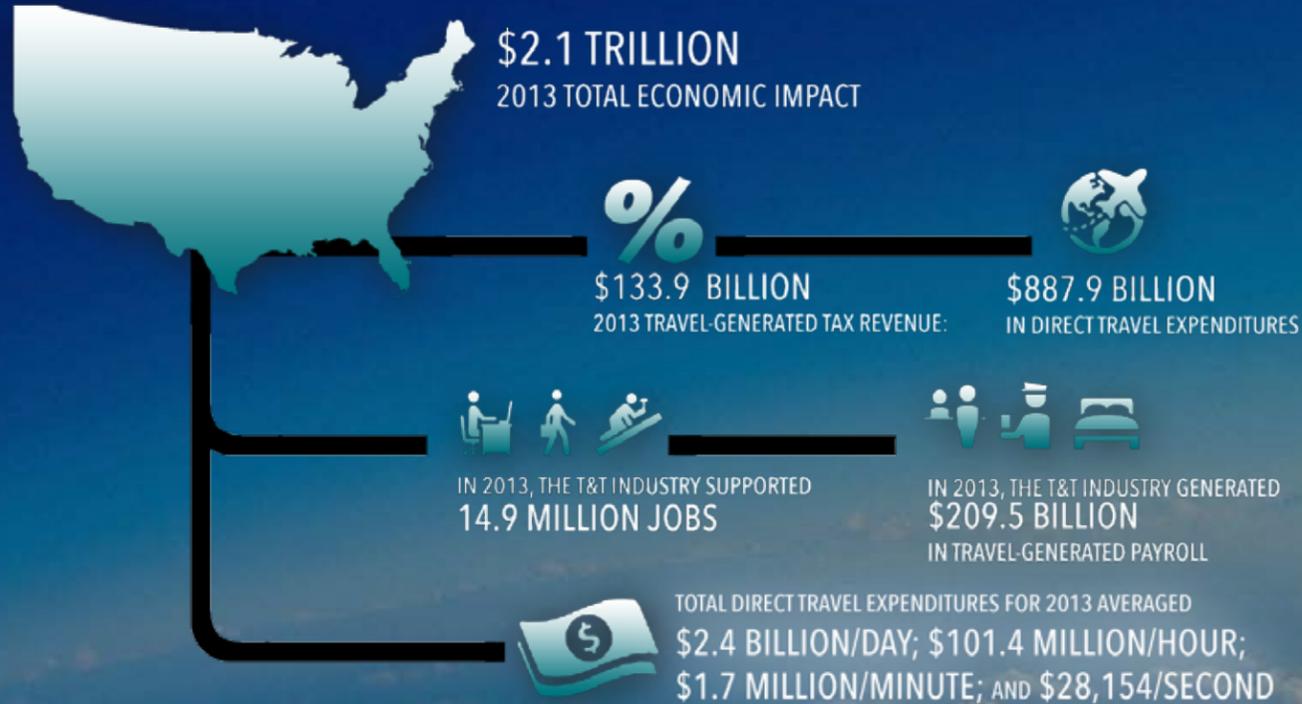
Y-O-Y Increases in SD TOT Payments (w/o int & pen)
1st 6 Months & Calendar Year Ends



This chart captures the amount of TOT during the time when the funds were restricted: January 2013 – August 2013

INNOVATION & IMPACT

TOURISM ECONOMIC IMPACT



I knew the San Diego City Council had to get the San Diego Tourism Marketing District functioning as quickly as possible after the long delay. The lack of tourism promotion was directly related to the drop in TOT revenues. Now we're back in the market telling our story to future visitors worldwide.

San Diego City Councilmember Sherri Lightner

HOTEL PERFORMANCE AND IMPACT

Tourism is one of the largest and most competitive industries in the world.

The performance of the hotel sector in the City of San Diego is instrumental to the health of the local businesses and jobs supported by the tourism industry. Stagnant growth in rooms booked can mean less sales and TOT revenues for city coffers. As an example, experts point to the dramatic loss of tourism-related revenue that occurred in Colorado in the mid-1990s when the state eliminated tourism promotion. In one year, Colorado slipped from first to seventeenth place in the summer resort category. Its share of the U.S. leisure travel market plummeted by 30%. Visitor spending fell and created an immediate loss of total revenues of \$1.4 billion, which increased to \$2.4 billion annually by the late 1990s.

A microcosm of that situation occurred in San Diego. SDTMD funding was held back by a legal disagreement, and the funds were not released until a compromise was approved by the City Council in late 2013. Because of the delay, the SDTMD cancelled the application process for FY 2014, and the San Diego Tourism Authority, the sales and marketing agency for the destination, was the only organization to deploy TMD funds into the marketplace.

Stepping out of the market for one year created an impact. While our competitors experienced growth, San Diego's hotel performance lagged.

In January 2013, the funding was released and the SDTA immediately went into the market with an advertisement that reached 43 million viewers of the National Football League playoff game featuring the San Diego Chargers and the Denver Broncos. After a year delay, we were back in business.

Stepping out of the market for one year created an impact. While our competitors experienced growth, San Diego's hotel performance lagged.

A

**TMD Meeting & Group Sales/
Consumer Direct Sales & Marketing**

**Payer Universe = Lodging
businesses in City of SD with 30
rooms or more**

Assessment @ 1.45%*

B

**Destination Marketing with
Specific Call to Action for TMD
Lodging Businesses**

**Payer Universe = All Lodging
Businesses in City of SD**

Assessment @ 0.55%*

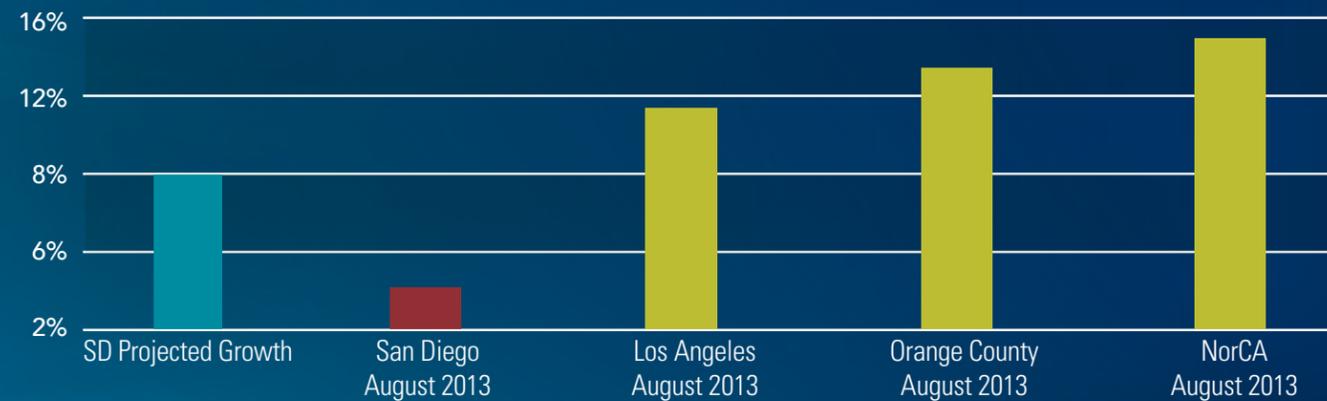
** All TMD lodging businesses of 30 or more rooms pay Categories A + B for total assessment of 2%



As Mayor, I'm proud to partner with our Tourism Marketing District to create more opportunities for San Diego families, workers and visitors. Together, we will continue to transform neighborhoods, reinvigorate our economy, and showcase our beautiful and innovative city to the world. Thank you for your continued support and contributions, which makes so much possible.

Mayor Kevin Faulconer

San Diego Projected Growth (RevPAR) vs. Actual Performance for San Diego & Comp Sets

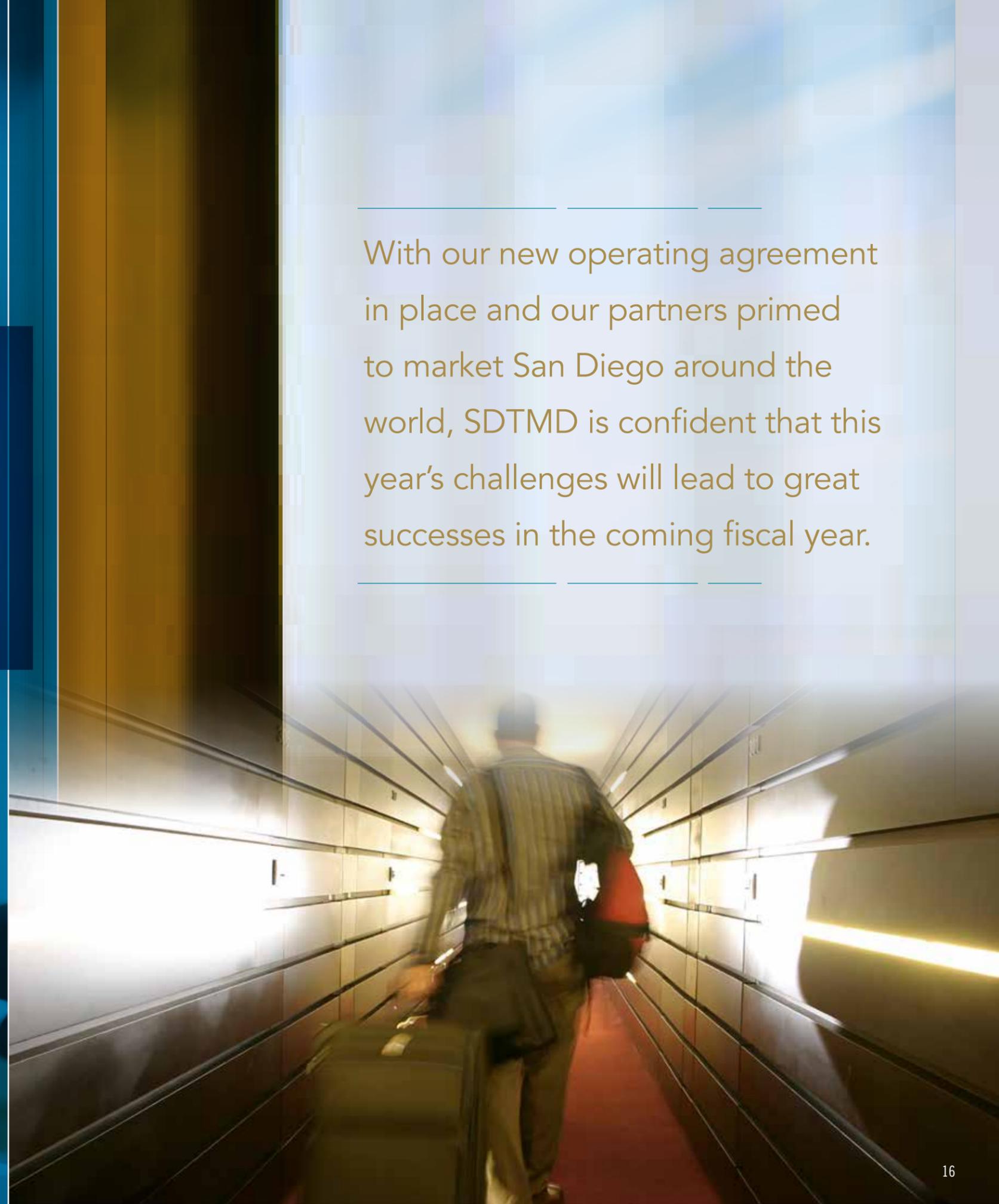


This chart captures hotel performance during the time of the restricted funds: January 2013 – August 2013

The renewal of the new district in 2013 began a new chapter for the SDTMD. The first five years were a success, recognized by the San Diego City Council in late 2012 when it unanimously agreed to renew the district for 39.5 years and approved the new district's first five-year operating plan.

When the legal dispute with the former mayor arose, the SDTMD was forced to drastically reduce its funding program throughout 2013... This resulted in losing approximately 50% of our projected growth in marketshare.

With our new operating agreement in place and our partners primed to market San Diego around the world, SDTMD is confident that this year's challenges will lead to great successes in the coming fiscal year.



San Diego Tourism Authority (SDTA)

As the SDTMD's only contractor to deploy TMD funds in FY 2014, the SDTA immediately took advantage of the opportunity to market San Diego to more than 43 million viewers of the San Diego Chargers versus the Denver Broncos NFL playoff game in January 2014. The SDTA announced that they were back in business and revved their engines as they sped into service with a marketing and advertising campaign that kicked into high gear in February 2014. The SDTA pushed their advertisement and promotions campaigns, tracked and monitored visitor volume; and participated in a variety of travel trade events in order to tout San Diego. Its strategic focus brought in millions of visitors who booked hotel rooms and contributed to San Diego's tourism occupancy revenues.

SDTA AND HOTEL PERFORMANCE

In the combined months, SDTA was responsible for supporting the production of 4,524,606 room nights and \$692,849,598 in room night revenues.

31:1 Total FY2013 Return on Investment

FY2014 Funding Amount \$21,853,532

Hotel Room Nights 4,524,606

x Average Daily Rate: ADR \$153.13

Total Room Night Revenue \$692,849,598

When tracking online travel agency reporting for SDTMD district properties only, the SDTA reported over the same time period bookings for 1,391,711 rooms with an average daily rate of \$150.53. The total revenue for the number of rooms booked was \$209,499,997.

The SDTA commissioned a Quarterly Travel Forecast from Tourism Economics, an Oxford Economics Company, based on data from 2013 and FY 2014 that compiled possible new hotel openings in order to increase the hotel room supply in San Diego. By June 2016, the region could have as many as 1,261 new rooms in the City of San Diego.



SDTA 31:1 ROI

San Diego Tourism Summary Outlook (annual % growth, unless stated)

Year	2010	2011	2012	2013	2014	2015	2016	2017
Visits	0.90%	4.30%	3.60%	2.20%	1.60%	2.10%	1.90%	1.60%
Day	-2.50%	4.00%	4.80%	2.70%	1.10%	2.50%	2.10%	1.80%
Overnight	4.50%	4.50%	2.40%	1.70%	2.10%	1.70%	1.80%	1.50%
Expenditure	1.70%	5.70%	6.60%	5.20%	5.40%	5.10%	5.10%	4.70%
Day	-4.30%	5.80%	7.90%	5.10%	3.60%	5.40%	5.10%	4.90%
Overnight	2.50%	5.70%	6.40%	5.30%	5.60%	5.10%	5.10%	4.70%

Hotel Sector								
Room supply	1.00%	0.20%	0.20%	0.90%	1.40%	0.70%	1.60%	1.40%
Room Demand	6.70%	3.70%	2.90%	2.20%	2.80%	2.30%	2.30%	2.00%
Occupancy (%)	66.40%	68.70%	70.50%	71.50%	72.40%	73.60%	74.10%	74.50%
ADR (\$)	\$121.38	\$125.59	\$131.22	\$135.02	\$140.36	\$146.38	\$151.90	\$157.26

According to the report, San Diego maintained its premium occupancy rates and prices but the margins narrowed. However, through April 2014 the ADR and RevPAR beat the state and national performance. Hotel room demand continued to climb slowly.

SAN DIEGO HOTEL PROJECT PIPELINE

2015 Projected 4-5 Star Hotels	Address	City	Zip	Potential Open Date	Number of Rooms	Potentiality Rating
Holiday Inn - Mission Valley	625 Hotel Circle South	San Diego	92108	Mar-15	87	5
Courtyard by Marriott	453 6th Avenue	San Diego	92101	Jul-15	90	5
Homewood Suites & Hilton Garden Inn	2137 Pacific Highway	San Diego	92101	Jul-15	364	5
TOTAL					541	

2016 Projected 4-5 Star Hotels	Address	City	Zip	Potential Open Date	Number of Rooms	Potentiality Rating
Lane Field North - Spring Hill Suites	Harbor Drive	San Diego	92101	Apr-16	253	5
Lane Field North - Residence Inn	Harbor Drive	San Diego	92101	Apr-16	147	5
Gaslamp Project - 4-Star to be named	J Street	San Diego	92101	Jun-16	320	5
TOTAL					720	

Board of Directors

C. Terry Brown, Chairman
President, Atlas Hotels

Jody Blackinton
Regional Director, HHM Hospitality

Richard Bartell, Vice Chairman
President, Bartell Hotels

Matt Greene
Vice President of Operations,
Evolution Hospitality

William L. Evans, Treasurer
Partner, Evans Hotels

Keri A. Robinson
Area Managing Director,
Starwood Hotels & Resorts – San Diego
Weston Gaslamp Quarter Downtown

John Schafer, Secretary
Vice President and Managing Director,
Manchester Grand Hyatt San Diego

Thomas J. Voss
President, The Grand Del Mar Resort & Spa

Luis Barrios
General Manager, Best Western
Hacienda Hotel Old Town

Lorin Stewart
Executive Director

STAY

sd|tmd
SAN DIEGO TOURISM
MARKETING DISTRICT

SDTMD.ORG

8880 RIO SAN DIEGO DRIVE, SUITE 800 | SAN DIEGO, CA 92108 | (619) 209-6108

Attachment 8

FY 2015 Interim Report of Activities Summary

6 Pages

FY 2015 INTERIM REPORT OF ACTIVITIES
(July 1, 2014- February 28, 2015)

San Diego Tourism Marketing District

San Diego Tourism Marketing District

Established by Resolution: R-307843 with Date of final passage November 27, 2012
Effective January 1, 2013 through June 30, 2052 (a term of 39 ½ years)

Agreement between City and SDTMD

Approved by Resolution: R-307844 and amended by Resolutions R-308065
(Dated April 23, 2013) and R-308588 (Dated December 9, 2013).
Effective November 26, 2012 through November 25, 2017

Advisory Board: San Diego Tourism Marketing District (SDTMD)

8880 Rio San Diego Drive, Suite 800

San Diego, CA 92108

(619) 209-6108

www.sdtmd.org

lstewart@sdtmd.org

Assessment Methodology: All assessment rates are based on the privileges directly conferred and specific benefit directly received by assessed businesses from the activities provided within each category and is levied on “Assessable Rent” which is based on gross room rental revenue less exempt revenues, of those benefitting businesses.

Annual assessment rates are as follows: Benefit Category A Rate: 1.45% - applied to Assessable Rent of qualifying lodging businesses. Benefit Category B Rate: 0.55% - applied to Assessable Rent of qualifying lodging businesses.

In summary, lodging businesses with 30 or more rooms will be assessed at a total rate of 2% (Category A + Category B). Lodging businesses with 29 or fewer rooms will be assessed at a total rate of 0.55% (Category B only).

Available Tourism Marketing District (TMD) Funds for FY 2015:

Projected Assessments Based Upon Current Market Forecast:	\$ 32,699,983
Projected Interest	\$ 46,862
FY 2014 Carryover	\$ 18,424,620
Total FY 2015 Funds Available:	\$ 51,171,465

Expenditures for FY 2015:

Pursuant to San Diego Tourism Marketing District Management Plan September 2012:

FY 2015 Allocations:**Total Allocations** **\$26,334,650****Administration** **\$ 1,854,226****TOTAL FY2015 PROJECTED EXPENDITURES** **\$ 28,188,876****TOTAL REMAINING FOR FY 2015 CARRYOVER to FY 2016** **\$ 22,982,589***Includes Opportunity/Catastrophe Principal Reserve \$3,563,310, litigation reserve of \$12,000,000, unallocated distributable funds \$6,432,851 and administrative carryover of \$986,428.***FY 2015 ALLOCATIONS:**

	San Diego Tourism Authority	\$ 23,794,736
	SDTA - Balboa Park Film Production Cost	\$ 200,000
	California State Games	\$ 150,000
	Competitor Group: Rock and Roll Marathon	\$ 300,000
	Craft Brewers Guild: San Diego Beer Week	\$ 74,900
	Farmers Insurance Open - Century Club of SD	\$ 200,000
	La Jolla Playhouse - "Hunchback"	\$ 18,114
	San Diego Bayfair: Thunderboats	\$ 85,000
	San Diego Bowl Game Association	\$ 450,000
	San Diego Crew Classic	\$120,500
	San Diego Sports Commission	\$ 441,400
	SDTMD –Multi Year Tourism Development	\$ 500,000
	Total FY15 allocations	\$ 26,334,650

FY2015 FUNDING ROI AND RANKING DETAIL:

NOTE: As of submittal date, only Q1 and Q2 ROI reports have been received (through December 31, 2014 with February 27, 2015 deadline). Q3 ROI reports are due on May 29, 2015.

a. San Diego Tourism Authority (SDTA): \$23,794,736

i. Return on Investment (ROI)-projected:

- 3,511,000 total hotel room nights
- \$568,934,834 @ original ADR
- 24:1

ii. Actual FY 2015 ROI Q1 &Q2:

- Campaigns run through Q4 of FY 2015
 - TNS reports results after campaigns
- Citywide Group Sales @ 27% to annual goal
- Hotel Sales Division @ 109% to annual goal

SDTA - Balboa Park B-Roll Production: \$200,000

i. Score Ranking:

- Mid-Year Variable

ii. Return on Investment (ROI)-projected:

- NA: A production cost for overall SDTA promotion of Balboa Park.

b. California State Games & Winter Games: \$150,000

i. Score Ranking:

- Directors' Aggregate Score: #6 of 13

ii. Return on Investment (ROI)-projected:

- 15,600 total hotel room nights
- \$ 2,059,200 @ Original ADR
- 13.7: 1

iii. Actual FY 2015 ROI Q1 &Q2:

- Approximately 14,205 rooms produced in 2014 for the CA State Games event yielding approximately \$108,788 in revenue (on track).
- Winter Games ROI results (Q3) will be reported out by May 31, 2015.

FY2015 COMPETITIVE INCREMENTAL FUNDING ROI AND RANKING DETAIL:
Continued

c. Competitor Group: Rock& Roll + ½ Marathon: \$450,000

i. Score Ranking:

- Directors' Aggregate Score: #10 of 13

ii. Return on Investment (ROI)-projected:

- 42,000 total hotel room nights
- \$7,473,060 @ original ADR
- 25:1

iii. Actual FY 2015 ROI Q1 &Q2:

- NA: Event occurs in June of 2015

d. Craft Brewers Guild SD Beer Week: \$74,900

i. Score Ranking:

- Directors' Aggregate Score: #4 of 13

ii. Return on Investment (ROI)-projected:

- 6,943 total hotel room nights
- \$997,431 @original ADR
- 13:1

iii. Actual FY 2015 ROI Q1 &Q2:

- There were over 600+ FY15 events.
- 6,900 total hotel rooms
- \$991,254 @ \$143.66 ADR
- 13:1 to date (minimum)

e. Farmers Insurance Open- Century Club : \$200,000

i. Score Ranking:

- Directors' Aggregate Score: #11 of 13

ii. Return on Investment (ROI)-projected:

- 30,825 total hotel room nights
- \$4,218,093 @original ADR
- 20:1

iii. Actual FY 2015 ROI Q1 &Q2:

- NA: This program occurs in Q3 FY 2015

FY2015 COMPETITIVE INCREMENTAL FUNDING ROI AND RANKING DETAIL:

Continued

f. La Jolla Playhouse - "Hunchback": \$18,114

i. Score Ranking:

- Directors' Aggregate Score: #9 of 13

ii. Return on Investment (ROI)-projected:

- 1,470 total hotel room nights
- \$211,196 @ original ADR
- 11:1

iii. Actual FY 2015 ROI Q1 &Q2:

- 1,500 total hotel room nights
- \$224,605 @ \$149.76
12.4:1

g. S.D. Bayfair - Thunderboats: \$85,000

i. Score Ranking:

- Directors' Aggregate Score: #7 of 13

ii. Return on Investment (ROI)-projected:

- 14,194 total hotel room nights
- \$1,817,683 @ original ADR
- 24:1

iii. Actual FY 2015 ROI Q1 &Q2:

- 12,282 total hotel room nights
- \$2,090,521 @ \$170.21
24.6:1

h. S.D. Bowl Game Association HB & PB: \$450,000

i. Score Ranking:

- Directors' Aggregate Score: #3 of 13

ii. Return on Investment (ROI)-projected:

- 30,500 total hotel room nights
- \$3,507,500 @ original ADR
- 8:1

iii. Actual FY 2015 ROI Q1 &Q2:

- Total 29,895 room nights
- \$3,700,000 in approx. revenue @124. ADR
- 8.2:1 to date.

FY2015 COMPETITIVE INCREMENTAL FUNDING ROI AND RANKING DETAIL:

Continued

I. SD Crew Classic: \$120,500

i. Score Ranking:

- Directors' Aggregate Score: #8 of 13

ii. Return on Investment (ROI)-projected:

- 9,000 total hotel room nights
- \$1,292,940 @ original ADR
- 11:1

iii. Actual FY 2015 ROI Q1 &Q2:

- NA: This program occurs in Q3 FY 12

j. San Diego Sports Commission (Base): \$328,900

i. Score Ranking:

- Directors' Aggregate Score: #5 of 13

ii. Return on Investment (ROI)-projected:

- 22,873 total hotel room nights
- \$3,286,000 @ original ADR
- 10:1

iii. Actual FY 2015 ROI Q1 &Q2:

- NOTE The SD Sports Commission migrated to the SDTA in November of 2014. .
- Approximately 31,200 rooms awarded
- To yield approx. \$4,482,192 @143.66 ADR
- Approx.: 13.6:1 to date

DOCKET SUPPORTING INFORMATION
CITY OF SAN DIEGO

EQUAL OPPORTUNITY CONTRACTING PROGRAM EVALUATION

DATE:

April 1, 2015

SUBJECT: FY2016 San Diego Tourism Marketing District Report of Activities

GENERAL CONTRACT INFORMATION

Recommended Contractor: S.D. Tourism Marketing District

Amount of this Action: **\$ 57,529,615**

Funding Source: City of San Diego (TMD Assessments)

Goals: N/A

SUBCONTRACTOR PARTICIPATION

There is no subcontractor activity associated with this action.

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity: Required.

Contracts or agreements associated with this action are subject to the City's Equal Opportunity Contracting (San Diego Ordinance No. 18173, Section 22.2701 through 22.2708) and Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

ADDITIONAL COMMENTS

This action is to approve the FY2016 Report of Activities for the San Diego Tourism Marketing District with an anticipated budget total of \$57,529,615. The budget figure includes: anticipated TMD assessments for FY2016 of \$34,517,026; project carryover of \$22,982,589 from FY2015; and projected TMD interest to be accrued in FY2016 of \$30,000.

MM

SAN DIEGO TOURISM MARKETING DISTRICT



REPORT OF ACTIVITIES FOR FY 2016

Budget and Government Efficiency Committee

April 15, 2015

TMD OVERVIEW

- Renewed: Jan 1, 2013 for 39.5 years
- Citywide & All Lodging Businesses
- Assessment Categories A & B
 - *2.00% (A & B) - 30 or more rooms/units*
 - *0.55% (B only) - 29 or fewer rooms/units*
- SDTMD Corporation - 5 Yr Agreement
- One Pending Validation Lawsuit
- Reserves
 - FY16 +\$ 7.5M \$19.5M cum.
 - FY17 +\$10.5M \$30.0M cum.



TOURISM FORECAST & PROJECTED REVENUE

- Tourism Forecasts

- CY 2015 *US domestic trips +1.6%*
SD overnight visits +1.5%

- CY 2016 *Room Demand +1.9%*
Room Supply +1.3%
Average Occupancy rate 76.7%,
Average Daily Rate (ADR) \$160.35



- FY 2016 TMD Funds Available \$ 57,529 M
 - *TMD Assessments (Cat. A & B)* \$ 34.517 M
 - *FY2015 Carryover (incl. Lit. Res. of \$12 M)* \$ 22.982 M
 - *FY2014 Interest & Penalties* \$ 0.030 M

BUDGET DEVELOPMENT & COMPETITIVE APPLICATION PROCESS

- Budget Guidelines for Funding Categories
- Return on Investment (ROI)
- Application format
- Brown Act Board meetings and presentations
- Scoring and Allocation Procedures



MANAGEMENT PLAN - BUDGET GUIDELINES

- A1 - Meeting/Group + Consumer Direct Sales & Marketing Programs
 - *A1.1 - Hotel Meeting Sales*
 - *A1.2 - Event Management and Group Sales Dev.*
 - *A1.3 - Tourism Development incl. Travel & Trade*
 - *A1.4 - Group Meeting Direct Marketing*
 - *A1.5 - Consumer Direct Sales & Marketing Programs*
 - *A1.6 – Multi-Year Tourism Development (SDTMD)*
- A2 - Sub-Regional Targeting
- A3 - Competitive Targeting
- B - Advertising Campaigns/Earned Media

FY 2016 FUNDING RECOMMENDATION

Allocations

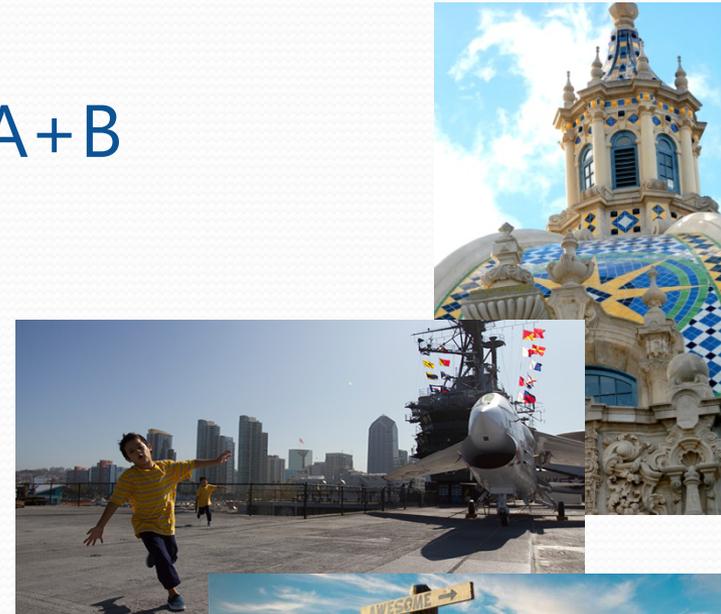
Category A1 & B - DMO	\$ 26.534 M
Category A2 - Sub-Region - DMO	\$ 2.000 M
Category A3 - Competitive Targeting	\$ 1.550 M
A1.6 - Tourism Development	\$ 0.700 M
Opportunity/Catastrophe (Cat. A & B)	\$ 4.503 M
City & SDTMD Administration	\$ 2.742 M
Includes \$172,959 Contingency	
FY16 Projected Year-End Litigation Reserve	<u>\$ 19.500 M</u>
Total	\$ 57.529 M



SAN DIEGO TOURISM AUTHORITY

(formerly known as ConVis)

- FY 2016 Allocations
\$26.534 M + \$2M Categories A+B
- Target ROI overall ~19 to 1.
- Produce 1 billion paid advertising gross impressions.
- Deliver \$20+ million unpaid media exposure
- Generate 8 million visitor inquiries
- Increase definite meetings group room nights



CALIFORNIA POLICE ATHLETIC FEDERATION

- FY 2016 Allocation: \$60,000 Category A.
- Target Total TMD Hotel Room Nights: 11,300.
- Target ROI overall: ~28 to 1.
- Event: United States Police & Fire Championships



KOZ EVENTS

- FY 2016 Allocation: \$30,000 Category A.
- Target Total TMD Hotel Room Nights: 2,214.
- Target ROI overall: ~14 to 1.
- Events: Campagnolo GranFondo
Spring Sprint Triathlon – Mission Bay
Mission Bay Triathlon – Bonita Cove



LGBT PRIDE - “Out at the Park”

- FY 2016 Allocation: \$25,000 Category A.
- Target Total TMD Hotel Room Nights: 850.
- Target ROI overall: ~5 to 1.
- Event: “Out at the Park”



FY2016 ALLOCATIONS & PROJECTED RESULTS

Entity	Allocation	Room Nights	Room Rev	ROI
SD Tourism Authority				
A1 & B & Sports First	\$26,534,105	3,327,600	\$533,971,832	19
A2 TMD Sub-Regional	\$2,000,000	TBD	TBD	TBD
CA Police Athletic Fed.	\$60,000	11,300	\$1,683,361	28
CA State Games	\$150,000	16,500	\$2,277,000	15
Comp. Group: RR Marathon	\$300,000	42,700	\$7,539,966	25
Craft Brewers Guild Beer Week	\$74,900	6,943	\$1,034,299	14
Farmers Open – Century Club	\$200,000	48,864	\$8,177,879	27
KOZ Events	\$30,000	2,214	\$419,704	14
LGBT PRIDE	\$25,000	850	\$126,625	5
SD Bayfair	\$95,000	13,814	\$1,825,382	19
SD Bowl Game Assoc.	\$450,000	39,895	\$4,946,980	11
San Diego Crew Classic	\$165,000	9,000	\$1,340,730	8
TOTAL	\$30,084,005	3,519,680	\$563,343,758	19

QUESTIONS

