

REQUEST FOR COUNCIL ACTION CITY OF SAN DIEGO				CERTIFICATE NUMBER (FOR COMPTROLLER'S USE ONLY) N/A	
TO: CITY COUNCIL		FROM (ORIGINATING DEPARTMENT): Economic Development		DATE: 3/21/2017	
SUBJECT: FY2018 San Diego Tourism Marketing District Report of Activities					
PRIMARY CONTACT (NAME, PHONE): Meredith Dibden Brown, 619-236-6485 MS 56-D			SECONDARY CONTACT (NAME, PHONE): ,		
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): For FY2018 (modified TMD), estimated available funds are \$36,855,968 of FY2018 TMD assessments plus \$160,000 in interest/penalties plus \$3,058,608 of FY2017 TMD assessments/interest. In total, the estimated FY2018 TMD Budget is \$40,074,576 and allows for: \$1,000,000 for liability reserve; \$4,789,691 for Opportunity/Catastrophe and Admin. Prior year Litigation Reserve includes around \$29 million from FY2017 TMD Funds A and B though \$3 million of that is requested for supplemental activities.					
ROUTING AND APPROVALS					
CONTRIBUTORS/REVIEWERS:		APPROVING AUTHORITY	APPROVAL SIGNATURE	DATE SIGNED	
Environmental Analysis		ORIG DEPT.	Caldwell, Erik	03/24/2017	
Equal Opportunity Contracting		CFO			
Liaison Office		DEPUTY CHIEF	Graham, David	04/12/2017	
Financial Management		COO			
Comptroller		CITY ATTORNEY			
		COUNCIL PRESIDENTS OFFICE			
PREPARATION OF:	<input checked="" type="checkbox"/> RESOLUTIONS	<input type="checkbox"/> ORDINANCE(S)	<input type="checkbox"/> AGREEMENT(S)	<input type="checkbox"/> DEED(S)	
1. Approve the FY2018 Report of Activities for the San Diego Tourism Marketing District with an anticipated budget total of \$40,074,576. This budget figure includes: anticipated TMD assessments for FY2018 of					

\$36,855,968; projected carryover of \$3,058,608 from FY2017; and projected TMD interest and penalties to be accrued in FY2018 of \$160,000.

2. Authorize the Chief Financial Officer to appropriate and expend for FY2018 TMD Report of Activities a total of \$40,074,576, which includes: anticipated TMD assessments for FY2018 of \$36,855,968; projected carryover of \$3,058,608 from FY2017 (modified District); and projected TMD interest and penalties to be accrued in FY2018 of \$160,000, 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.

3. Approve the FY2018 supplemental request of \$3,000,000 from prior year Litigation Reserve for additional marketing and promotional activities and authorize the Mayor or designee to execute a First Amendment to the Operating Agreement to effect this request.

4. Authorize the Chief Financial Officer to appropriate and expend for FY2018 supplemental TMD activities a total of \$3,000,000 from prior year Litigation Reserve contingent upon the Chief Financial Officer certifying that the funds necessary for expenditure are, or will be, on deposit in the City Treasury.

5. Authorize the Chief Financial Officer to appropriate and expend the TMD Fund Balances and TMD Interest Fund Balances from FY2017 at year end closing (less the estimated TMD assessments and TMD interest carryover of \$3,058,608 from the modified District to be included with the FY2018 budget) for prior year expenditures anticipated to be processed in FY2018, 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, FY2018 San Diego Tourism Marketing District Report of Activities, is not subject to CEQA pursuant to CEQA Guidelines Section 15060(c)(3).
CITY CLERK INSTRUCTIONS:	

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

DATE: 3/21/2017

ORIGINATING DEPARTMENT: Economic Development

SUBJECT: FY2018 San Diego Tourism Marketing District Report of Activities

COUNCIL DISTRICT(S): All

CONTACT/PHONE NUMBER: Meredith Dibden Brown/619-236-6485 MS 56-D

DESCRIPTIVE SUMMARY OF ITEM:

Approve the FY2018 Report of Activities for the San Diego Tourism Marketing District with an anticipated budget total of \$40,074,576 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 FY2018 Supplemental Request for \$3,000,000 from prior year Litigation Reserves and amend the Operating Agreement accordingly. Authorize the expenditure of fund balances from FY2017 to process any payments for prior year activities anticipated to be received by the City in FY2018.

STAFF RECOMMENDATION:

Approve the requested actions.

EXECUTIVE SUMMARY OF ITEM BACKGROUND:

In 2012, City Council approved the Management Plan [Plan] and Resolution of Formation renewing the San Diego Tourism Marketing District [TMD] for a period of 39 ½ years effective January 1, 2013.

In August 2016, City Council approved modifications to the TMD and Plan effective September 1, 2016. Assessments are now levied on lodging businesses with 70 or more rooms in the City of San Diego at the rate of 2.0%. Lodging businesses with fewer rooms are no longer assessed.

Council also approved an updated five-year Operating Agreement with the San Diego Tourism Marketing District (SDTMD) Corporation, effective November 1, 2016. The SDTMD is the non-profit business association representing the assessed lodging businesses.

The Plan for the renewed/modified TMD provides for certain activities. The specific benefit provided with TMD funds is room night sales generated for assessees 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, and activities which benefit smaller hotels will be funded in part from non-assessment revenues.

Generally, ninety percent (90%) of assessment revenue, less any litigation reserve retentions, is designated annually for marketing and sales activities within these categories:

Targeted Marketing and Sales Programs (53.9%)

- Hotel meeting sales
- Event management & group sales development

- Consumer direct sales & marketing
- Sub-regional targeting
- Competitive targeting

Destination Marketing (36.2%)

- Tourism development, including travel & trade
- Group meeting destination marketing
- Multi-year tourism development
- Destination marketing

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)

In accordance with the Plan and the Operating Agreement, the SDTMD requested proposals for services for FY2018. The SDTMD Board received presentations from applicants over multiple Board meetings from January through March, 2017.

During March 2017 Board meetings, the Board ranked applications, considered supplemental requests, and approved a recommended budget for FY2018 including \$1 million for the Litigation Reserve. The Board members also approved requesting the release of \$3,000,000 from the prior year Litigation Reserve for supplemental marketing and promotional activities.

The Litigation Reserves are being held pending the outcome of the outstanding lawsuits pertaining to the renewal/modification of the District. The City originally received notice of three lawsuits filed, two of which have since been dismissed and the third is resolved but for an attorneys' fee claim to be heard by the court in April. Two challenges to the 2016 amendment of the assessment are pending. The City and the SDTMD continue to defend these outstanding suits.

Table 1 - FY2018 Consolidated Budget	Category	Amount
Funding Allocations	TM&S/DM	\$34,247,385
Destination Master Plan	DM	\$37,500
SDTMD - Admin	Admin & Ops	\$1,597,429
City - Admin	Admin & Ops	\$500,000
City - Litigation Reserve	Contingency	\$1,000,000
Opportunity Catastrophe	Contingency	\$3,092,561
Total		\$40,074,576
Supplemental Marketing & Promotion	TM&S/DM	\$3,000,000

The Board previously adopted a cost-allocation methodology regarding use of TMD funds that is incorporated into the annual agreements between the SDTMD Corporation and funded entities.

ENTITY	TMD FUNDS	NON-TMD FUNDS
San Diego Tourism Authority-Base	31,987,785	--
SDTA/SD Sports Alliance/Breeders Cup	100,000	--
SDTA/SD Sports Alliance/US Australian Football	29,700	--
SDTA/SD Sports Alliance/Thanksgiving Soccer	50,000	--
SDTA/SD Sports Alliance/Elite Soccer Ch'ship	60,000	--
SDTA/SD Sports Alliance/US Soccer	500,000	--
Total SDTA	32,727,485	\$4,452,483
California Police Athletic Federation*	\$50,000	\$141,500
California State Games	\$150,000	\$500,000
California State Games – USA Masters Games	\$150,000	\$1,014,500
Century Club - Farmers Insurance Open*	\$100,000	\$808,625
Extreme Sailing	\$400,000	\$600,000
San Diego Bayfair-Thunderboats	\$95,000	\$301,000
San Diego Bowl Game Association*	\$300,000	\$1,000,000
San Diego Brewers Guild – Beer Week	\$74,900	\$40,100
San Diego Crew Classic*	\$200,000	\$1,050,000
TOTAL	34,247,385	9,908,208

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

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:

Estimated FY18 Available Funds of \$40,074,576 (TMD Assessments, interest and fund balance) will be disbursed to the SDTMD to implement the TMD Management Plan, except for those funds held: for Opportunity/Catastrophe; to recover City administration costs; and for potential claims as provided for in the Operating Agreement. Additionally, \$3,000,000 is requested from prior year Litigation Reserve for supplemental marketing and promotional activities. 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 and modified by Resolution R-310664, effective September 1, 2016. Council approved a five-year TMD Agreement by Resolution R-310731 effective November 1, 2016. The FY2018 Report of Activities is to be heard by the ED&IR Committee on April 20, 2017.

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 was provided via mail, email blasts, website postings, and at open, noticed public meetings.

Caldwell, Erik

Originating Department

Graham, David

Deputy Chief/Chief Operating Officer

DOCKET SUPPORTING INFORMATION
CITY OF SAN DIEGO
EQUAL OPPORTUNITY CONTRACTING PROGRAM EVALUATION

DATE:
March 28, 2017

SUBJECT: FY2018 San Diego Tourism Marketing District Report of Activities

GENERAL CONSULTANT INFORMATION

Recommended Consultant: San Diego Tourism Marketing District Corp (Non-profit agency)

Amount of this Action: \$ 40,074,576.00 (FY2018)

Funding Source: Revenue

Goals: N/A

SUBCONSULTANT PARTICIPATION

There is no subcontractor participation associated with this action; however, subsequent actions must adhere to funding agency requirements

EQUAL EMPLOYMENT OPPORTUNITY COMPLIANCE

Equal Opportunity: Required

This agreement is with a Non-Profit Organization, and therefore exempt from Workforce Report analysis. Refer to San Diego Municipal Code Section 22.2703(c).

This agreement is subject to the City's Non-Discrimination in Contracting Ordinance (San Diego Municipal Code Sections 22.3501 through 22.3517).

ADDITIONAL COMMENTS

Anticipated budget total of \$40,074,576.00 – This budget figure includes: anticipated TMD assessments for FY2018 of \$26,855,968; projected carryover of \$3,058,608 from FY2017-Part II; and projected TMD interest and penalties to be accrued in FY2018 of \$160,000.

MM

San Diego Tourism Marketing District



Report of Activities for FY 2018

April 5, 2017

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Extreme Sailing	
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Introduction



The 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 TMD coincide with the City boundaries and effective September 1, 2016 all lodging businesses within the City with 70 or more rooms are assessed two percent (2%) of eligible gross room revenues.



The guiding document for the TMD is the Tourism Marketing District Management Plan (Plan) created by the assessed businesses and approved by City Council in August 2016. The Plan specifies how the assessments may be used and the general funding procedures and criteria.



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) Corporation is the non-profit organization representing the assessed businesses that works with the City through an Operating Agreement to implement the TMD Management Plan.

This FY 2018 Report of Activities reflects the recommended allocations of assessments for FY2018; July 1, 2017 through June 30, 2018.

Quick Facts

San Diego Tourism Marketing District:

Renewed by Resolution: R-307843 (November 27, 2012) effective January 1, 2013.

Modified by Resolution R-310664 (August 3, 2016) effective September 1, 2016

District ends June 30, 2052

Agreement between City and TMD Management Corporation:

Approved by Resolution R-310731; effective November 1, 2016 through October 31, 2021

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-310664:

The assessment rate of two percent (2%) is based on the privileges directly conferred and specific benefit directly received by assessed businesses from the activities provided and is levied on "Assessable Rent" which is based on gross room rental revenue less exempt revenues, of those benefitting businesses.

No Changes to Boundaries or Assessment Methodology:

No changes are proposed to the boundaries, which encompass the entire City of San Diego.

Benefit Zones:

None

FY2018 Budget Total

Estimated Available Tourism Marketing District (TMD) Funds FY2018:

\$40,074,576

Budget Summary

CALCULATION OF AVAILABLE TOURISM MARKETING DISTRICT FUNDS FOR FY2018

Projected Assessments	\$ 36,855,968
Projected FY17 – Part II carryover	3,058,608
Projected Interest and Penalties	160,000
Contributions from Other Sources of Funding*:	<u>0</u>
Total FY2018 Funds Available	\$40,074,576

PROPOSED ACTIVITIES FOR FY 2018*

(Pursuant to San Diego Tourism Marketing District Management Plan August 2016)

Targeted Marketing and Sales Programs	\$ 18,746,772
Destination Marketing	<u>15,500,613</u>

Sub-Total **\$34,247,385**

Destination Marketing – SDTMD Master Plan 37,500

Administration & Operations (Includes carryover of \$94,631) 2,097,429

Opportunity/Catastrophe Reserve (Includes carryover of \$1,249,763
Less: \$400,300 used for FY18 funding requests) 2,692,262

Indemnification reserve 1,000,000

Total **\$40,074,576**

* Please see Page 6 for detail of recommended allocations and required Matching Funds for funded entities

FY2018 Allocations

The FY2018 recommended allocations to other entities total \$34,247,385. Per the FY2018 Application Guidelines, the deadline for the annual Applications was December 9, 2016. All submitted applications were reviewed, ranked, and allocations recommended. Ranking factors included time of year, new versus existing rooms, and potential for growth. Incremental applications were also considered and prior year recommendations were also included in the final recommendation. The information below reflects the recommended amounts for FY2018.

ENTITY	TMD FUNDS	NON-TMD FUNDS
San Diego Tourism Authority-Base	\$ 31,987,785	--
SDTA/SD Sports Alliance/Breeders Cup	100,000	--
SDTA/SD Sports Alliance/US Australian Football	29,700	--
SDTA/SD Sports Alliance/Thanksgiving Soccer	50,000	--
SDTA/SD Sports Alliance/Elite Soccer Championship	60,000	--
SDTA/SD Sports Alliance/US Soccer	500,000	--
Total SDTA	32,727,485	\$4,452,483
California Police Athletic Federation*	50,000	141,500
California State Games	150,000	500,000
California State Games – USA Masters Games	150,000	1,014,500
Century Club - Farmers Insurance Open*	100,000	808,625
Extreme Sailing	400,000	600,000
San Diego Bayfair-Thunderboats	95,000	301,000
San Diego Bowl Game Association*	300,000	1,000,000
San Diego Brewers Guild – Beer Week	74,900	40,100
San Diego Crew Classic*	200,000	1,050,000
TOTAL	34,247,385	9,908,208

**THESE ENTITIES ARE RECOMMENDED FOR A LESSER AMOUNT THAN REQUESTED, REVISED BUDGETS WITH NON-TMD FUND PORTION TO BE SUBMITTED BY CONTRACTOR. AMOUNTS REPORTED ARE ESTIMATED BASED ON ORIGINAL BUDGET SUBMISSION.*

San Diego Tourism Authority

Budget Summary

Targeted Marketing and Sales Programs

Wages, Taxes & Employee benefits	\$ 4,437,688
Advertising	8,105,809
Advertising agency fees	137,750
Dues/ Subscriptions/Memberships	79,392
Entertainment	43,252
Event registration fees	212,241
Lead generation services	102,600
Marketing materials and brochures	6,650
Outside contractors	459,154
Promotional Items	38,996
Rentals – remote space office	57,644
Research	221,445
Special event production	79,578
Sponsorships	94,050
Travel	266,971
Allocation of Indirect Costs	<u>2,143,952</u>
Total Targeted Marketing and Sales Programs	16,487,172

Destination Marketing

Wages, Taxes & Employee Benefits	1,433,546
Advertising	8,081,650
Advertising agency fees	1,792,650
Dues/ Subscriptions/Memberships	10,854
Event registration fees	71,620
Marketing Materials & Brochures	11,400
Outside contractors	1,536,435
Promotional items	31,825
Rentals – booth space	6,650
Research	213,751
Special Event production	23,892
Sponsorships	24,510
Travel	246,168
Allocation of Indirect Costs	<u>2,015,662</u>
Total Destination Marketing	15,500,613

Total **31,987,785**

SDTA/SD Sports Alliance Sponsorships **739,700**

Grand Total **\$32,727,485**

San Diego Tourism Authority

Program of Work

The San Diego Tourism Authority (SDTA) is San Diego's umbrella destination marketing organization, charged with driving visitor demand and monitoring the health of the tourism industry. SDTA develops sales and marketing programs that promote San Diego as a preferred leisure and meetings destination. In collaboration with San Diego's tourism industry partners, SDTA serves as the collective voice of the destination and aims to keep San Diego top-of-mind.

Incorporated in 1954, SDTA is a private nonprofit 501c6 corporation that is governed by a 30-member board of directors composed of industry and non-industry representatives. Funding comes from the City of San Diego Tourism Marketing District, County of San Diego, City of Coronado Tourism Improvement District and private source revenues (membership dues, advertising and events).

Investment by the SDTA in sales and marketing of the San Diego brand has resulted in San Diego becoming one of the nation's top travel destinations.

Strategic Imperatives

- Grow visitor demand for San Diego.
- Strengthen and maximize the San Diego brand domestically and internationally.
- Deliver consistent value for our customers and stakeholders.
- Actively inform, advocate and educate on behalf of the visitor industry.
- Reinforce and support a culture of excellence.



Introduction and Overview

The 2017–2018 San Diego Destination Sales and Marketing Plan is a comprehensive plan developed to guide SDTA's sales and marketing programs over the next two years.

The goal is to grow inbound travel demand and visitation revenues by boosting brand awareness, building new markets and converting more customers to choose San Diego.

This strategic plan has been developed with the San Diego Tourism Marketing District's 20-Year Master Plan in mind. The plan takes into account current market conditions, tourism industry forecasts, SDTA funding resources, Visit California opportunities and Brand USA developments. Annual work plans are then developed to match funding resources to strategic initiatives.

Eight Guiding Principles Used In the Development Of The Plan

1. Drive the maximum hotel room nights for Tourism Marketing District Hotels.
2. Act as the collective voice of the destination and do what individual organizations can't do by themselves.

3. Elevate the San Diego brand and broaden context of San Diego's diverse travel product.
4. Leverage all SDTA's marketing assets across **Bought + Earned + Owned** in order to increase San Diego's share of voice.
5. Focus on developing new markets and audiences for the destination.
6. Align programs with Visit California and Brand USA in order to maximize efficiency.
7. Deliver strong return on investment for all major programs.
8. Support the membership by providing value and opportunity to effectively reach the marketplace.

Destination Forecasting – as of December 2016 (Source: Tourism Economics)

Projected growth in 2016 for U.S. domestic travel in both the leisure and business segments is lower than seen in 2015. Leisure travel will continue to experience growth at the 1-2 percent level through 2020, while business travel actually declined in 2016 (-0.6%) over 2015, and is forecasted to remain under 1 percent per annum through 2019.

Growth in visits to San Diego is expected to continue but the forecast is for improved growth in 2017 and 2018 growth expanding again to about 2 percent, before the market levels off in 2019 and 2020 to about 1.5 percent. Overnight visitation will expand by 1.0 percent in 2016 and will edge up to 1.9 percent growth in 2017 as global demand remains muted; some further rebound is then expected in 2018 as growth reached 2.0 percent. Growth in day visits will reach 1.2 percent in 2016. As fuel costs remain low and consumers gain confidence, day visits will improve to 1.5 percent in 2017 before easing slightly to 1.4 percent in 2018 as travel costs gradually climb. Visitor expenditures in San Diego are expected to rise 4.2 percent in 2016, ramping up to 5.3 percent in 2017 and easing back to 4.2 percent by 2018. San Diego's key feeder markets in the western U.S. are experiencing good GDP growth and lower unemployment, which are important for San Diego's travel demand.

San Diego Annual Travel Forecast

(ANNUAL PERCENT GROWTH, UNLESS STATED)*	2014	2015	2016	2017	2018	2019	2020
Visits	2.1%	1.4%	1.1%	1.7%	1.7%	1.4%	1.5%
Day	1.2%	1.0%	1.2%	1.5%	1.4%	1.3%	1.4%
Overnight	2.9%	1.8%	1.0%	1.9%	2.0%	1.5%	1.6%
Expenditures	9.7%	7.7%	4.2%	5.3%	4.2%	3.7%	3.9%
Day	4.0%	2.0%	2.3%	4.6%	4.0%	4.1%	3.9%
Overnight	10.4%	8.4%	4.4%	5.3%	4.2%	3.7%	3.9%
HOTEL SECTOR							
Room Supply	2.1%	1.0%	1.2%	1.7%	1.3%	1.8%	1.1%
Room Demand	6.4%	3.4%	1.3%	2.5%	1.7%	1.1%	1.2%
Occupancy (%)	74.6	76.4	76.4	77.1	77.4	76.9	76.9
ADR (\$)	\$141.38	\$150.03	\$154.21	\$159.30	\$165.00	\$171.47	\$177.82

Specific to the lodging sector, hotel room demand in San Diego will give up its growth premium over the US in 2016 due, in part, to a weaker than expected first half, rising 1.3 percent in for the year. Coupled with 1.2 percent growth in the supply of available rooms, this will weigh on hotel occupancy which is expected to register 76.4 percent in 2016. As such, ADR is expected to advance 2.8 percent in 2016 to \$154. Looking forward over the forecast horizon, uncertainty in both domestic and international markets will continue to weigh on the San Diego lodging market, as well as the US lodging sector as a whole.

Following a flat Quarter 1 in 2016, Quarter 1 of 2017 is forecasted to see a slight decline in occupancy (-0.1%) as supply growth outpaces demand in the quarter. Quarter 2 room demand growth is strongest in 2017 at 5 percent, after which demand growth eases to just over 2 percent in Q3 and Q4. The ADR is expected to average 2 to 3 percent throughout 2017.

San Diego Hotel Sector Forecast By Quarter (2016 - 2018)

	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
Rooms (in million roomnights)												
Room Supply	5.4	5.5	5.6	5.7	5.6	5.7	5.7	5.8	5.6	5.7	5.8	5.9
Room Demand	4.1	4.4	4.7	3.9	4.1	4.5	4.8	4.0	4.2	4.5	4.9	4.1
Occupancy (% balance)	74.5%	79.1%	83.3%	69.0%	74.3%	79.1%	84.7%	70.3%	75.2%	79.5%	84.8%	70.2%
ADR (\$)	\$144.0	\$155.6	\$173.1	\$140.9	\$148.1	\$160.6	\$178.4	\$146.5	\$154.1	\$167.2	\$184.6	\$150.4
RevPAR (\$)	\$107.2	\$123.0	\$144.3	\$97.2	\$110.0	\$127.0	\$151.1	\$103.0	\$115.8	\$133.0	\$156.5	\$105.5
(YEAR-TO-YEAR % GROWTH)	2016 Q1	2016 Q2	2016 Q3	2016 Q4	2017 Q1	2017 Q2	2017 Q3	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
Room Supply	0.7%	0.7%	0.9%	2.6%	2.5%	2.1%	1.7%	0.5%	0.8%	1.0%	1.4%	1.9%
Room Demand	0.0%	-0.2%	3.3%	2.1%	2.2%	2.0%	3.4%	2.5%	2.0%	1.6%	1.5%	1.6%
Occupancy (%)	-0.7%	-0.8%	2.3%	-0.4%	-0.3%	0.0%	1.7%	1.9%	1.3%	0.5%	0.1%	-0.2%
ADR	2.2%	2.3%	3.4%	2.8%	2.9%	3.3%	3.0%	4.0%	4.0%	4.1%	3.5%	2.6%
RevPAR	1.5%	1.5%	5.8%	2.3%	2.6%	3.2%	4.8%	6.0%	5.3%	4.7%	3.6%	2.4%

The Leisure Travel Market

FY2018 Key Strategies And Tactics

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 deeper analysis of the Los Angeles Designated Market Area to determine if a threat exists due to growing traffic and rise of competitive destinations.

- b. Update the new market development matrix, evaluating market potential versus market cost.
- c. Update the five-year San Diego Tourism forecasting model.
- d. 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.
- e. Continue program measurement tracking, including TNS Return on Investment Advertising Studies and OTA Analysis.
- f. Align database analysis with online marketing to profile customers across the OWNED and SHARED media channels (website, digital, destination blog, YouTube, social media).
- 4. Launch new advertising creative and media strategies based on the "Beach-City" messaging.
- 5. Build on the impact of the 2016 advertising campaign.
 - a. Incorporate national and regional layers to effectively reach the existing volume markets while building opportunity markets.
 - b. Due to declining effective media buying dollars, concentrate Brand Advertising media spending in the January–June time period to ensure strong peak travel seasons and run Promotional media during the September–December time period to support the shoulder seasons.
 - c. Utilize a multimedia mix (e.g., television, digital, out-of-home, print) to effectively break through the clutter and reach targeted audiences.
 - d. Target audiences through a persona-based approach and develop new content to build the brand story.
 - e. Raise over \$500,000 annually in cooperative funding.
 - f. Adjust the advertising program based on insights from the Spring and Fall TNS Advertising Return-on-Investment Studies.
- 6. Increase San Diego's share of voice and leverage the paid media budget through unpaid EARNED media programs.
 - a. Public Relations—produce \$30+ million annually in unpaid editorial. 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 and build upon U.S. Hispanic/Spanish-language outreach.
 - b. Unpaid Media Promotions—generate over \$1 million annually in unpaid media promotions that extend the San Diego brand message in key geographic markets.
- 7. Connect with travelers and communicate the depth of San Diego travel experiences through OWNED and SOCIAL media channels.
 - a. With Sandiego.org now on a responsive platform (converged desktop, tablet and mobile versions), invest in new visuals and campaigns to grow audiences.
 - b. Continue to build new content working with travel writers and users to generate compelling experiences.

- c. Showcase the destination and SDTA members by driving more traffic to all channels.
 - d. Partner with outside publications to produce the San Diego Official Travel Guide (San Diego Magazine), San Diego Golf Map (San Diego Certified) and San Diego Pocket Map (Where Magazine).
- 8. Deepen alliances with community partners to promote the breadth of San Diego's travel product:
 - a. Arts and Culture—City of San Diego Commission for Arts and Culture
 - b. Craft Beer—San Diego Brewer's Guild
 - c. Food—California Restaurant Association, San Diego Chapter
 - d. Attractions – Major attraction partners
 - e. Major events – Community and event organizers
- 9. Partner with the major Online Travel Agencies to increase awareness of San Diego and grow sales of hotel room nights for the TMD.
 - a. Through RFP, select key OTAs to run paid media and promotions both domestically and internationally. Effectively reach travel prospects by running high-profile placements; deploying competitive destination targeting; developing geo-targeted campaigns; and 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.
- 10. Assist visitors with planning their San Diego trip through:
 - a. 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.
- 11. 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 customers.
 - b. Airline Vacation Offices – partner with key airlines to develop packages and promotions.
 - c. Industry Support – continue to participate in major industry shows such as NTA and SYTA to show San Diego tourism support and build new business.
- 12. Partner with the San Diego Regional Airport Authority to develop and support new air service, especially international routes.
- 13. Increase international marketing programs and investment to capitalize on both the Visit California and Brand USA global marketing programs.
 - a. Create individual country plans for each major international market that is targeted.
 - b. Ensure a foundational layer of international development with In-Country Representation, Travel Trade Development and Public Relations.

- c. Offer the sandiego.org web site in in multiple languages and Google translate options.
- d. Run localized social media campaigns as feasible.
- e. Host travel trade and media FAMs to grow education among key influencers.
- f. Deploy incremental funding from the TMD for long-range international market development using the Tourism Economics Market Allocation Platform (See International Marketing Plan).

The Citywide Conventions Market

1. Continue to advocate for contiguous on-site 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 ten years.
 - b. Capitalize on MINT, Top Medical Meetings, Competitive Calendars and top 250 Shows List databases to uncover new accounts.
 - c. Host prospective clients in San Diego to familiarize them with the convention center package.
 - d. Secure medical citywide rotations by booking multi-year contracts.
3. Monitor developments in the West Coast convention centers (such as San Francisco's Moscone Convention Center and Anaheim), 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, garner business referrals, and identify new prospects and sales opportunities.
 - b. Work a collaborative plan to maximize trade show 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 over need periods and holiday dates.
 - a. Continue to partner with the San Diego Convention Center facility team in site visits and negotiations to ensure that 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 SDCC catering food and beverage and audiovisual contracts for revenue generation, and hold clients accountable for meeting expectations.
6. Identify and support conventions that align with San Diego's business strength and identity to grow further destination awareness.

Hotel Meetings Markets

1. Continue the business strategy by focusing sales team members on new customer acquisition and services team members on Assist and Repeat business.
 - a. New customers 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, when we did not generate the lead.
 - c. Repeats are defined as groups that return to San Diego annually and need our assistance in hotel consideration (e.g., Surf Cup, USMC graduation, Nomads Soccer, etc.).
2. Strategically place sales resources in key source in all key markets in the West Coast, Midwest, Washington, D.C., Southeast and East Coast.
3. Continue direct marketing programs, including lead generation promotions and monthly email campaigns to top accounts and prospects.
4. Capitalize on the new "Beach-City" positioning to raise awareness of San Diego's business culture, diversity, and world-class amenities
5. Fully leverage social media platforms such as LinkedIn and Twitter to prospect new customers and maximize attendance.
6. Hold in-market events for San Diego in primary and secondary markets to introduce San Diego to new customers
7. Build Site Inspection training program for hotels to deliver consistently high levels of destination-wide sites and conversion.
8. Support members by broadening the responsibilities of the site services team to assist hotels and ensure we "keep it in San Diego."
9. Reimagine customer experience programs (a/k/a FAMS) to offer more personalized and creative options to entice and convert meeting planners.
10. 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.

International Market Development

Goal

To grow international visitation to San Diego to stimulate more hotel room night demand and greater economic benefit for the San Diego community.

From 5.9 Million International Arrivals in 2014 to 7.1 Million International Arrivals In 2020

Core Objective

To create awareness of the San Diego brand and increase consideration to travel.

Key Strategies

1. Identify priority markets for San Diego marketing investment.
2. Align San Diego marketing programs with Visit California and Brand USA in order to maximize efficiency.
3. Partner with the San Diego Regional Airport Authority and other Southwestern regional transportation partners to increase access to San Diego.
4. Make San Diego travel product more easily available in international markets.
5. Build a communications foundation that delivers key messaging for each of the priority markets.
6. Invest in research and tracking to support the international program of work.

Priority Markets:

1. Canada
2. United Kingdom/Ireland
3. China
4. México
5. Japan
6. Australia/New Zealand
7. Germany/Switzerland (air service support)



Sub-Region Sales and Marketing Plan

Sub-Region Marketing Program Objectives

1. Increase overall group and transient room night demand for San Diego Tourism Marketing District properties through promotion of the TMD's distinct sub-regions.
2. Raise awareness of and preference for San Diego's sub-regions by showcasing the differentiating products and experiences for the six defined sub-markets outside the Downtown urban core.
3. Continue to partner with the TMD Board and Sub-Regional Hotel Advisory Committee on program of work development. (Note: program of work must be consistent with the stated goals and objectives of the SDTA to the extent they comply with the requirements of the TMD management plan, and shall utilize proven marketing and media channels.)
4. Continue to build off the overall destination sales and marketing plan in order to create synergy and efficiency.

Key Performance Indicators (Source: as reported by STR for defined sub regions)

1. Sub-Region Occupancy and YOY Growth
2. Sub-Region ADR and YOY Growth
3. Sub-Region RevPAR and YOY Growth

Sub-Region Sales and Marketing Plan Target Audiences:

Primary 1: Domestic Leisure Travelers

Luxury: Adults 25-64, HHI >\$100K, Top DMAs, Adult Indulgence Target

Economy: Adults 25-54, HHI >\$50K, Top DMAs, Outdoor Recreation and Family Fun Targets

Primary 2: Meeting Planners, Corporate and Association

Small regional corporate meeting planners and small regional associations, emerging corporate meetings.

Secondary: Meeting Planners, Group Specialty Markets

Military, Government, Education, Multicultural, Clubs/Hobby Groups, Religious, Fraternal/Social and Service Groups

Tertiary: International leisure travelers

Priority markets are Canada, Mexico, the United Kingdom, China, Japan and Australia.

Key Strategies and Tactics: Leisure Travelers

1. Continue tour and travel development to build more leisure group sales opportunities for sub-region stakeholders.
2. Partner with the major Online Travel Agencies to develop campaigns and promote sub-regions during need periods as identified through market assessment.
3. Advertise San Diego sub-regions through targeted media outlets that reach the upscale leisure and budget-conscious traveler targets. Run "advertorial style" creative that showcases different regions, products and experiences in order to better educate customers.
4. Continue with a dedicated public relations program to generate earned media exposure for the sub-regions including pitches specifically matching neighborhood product offerings to media outlets.
5. Work with Visit California and Brand USA to include sub-regions in international media pitches and hosting opportunities where appropriate.
6. Continue the social media campaigns featuring sub-regions and engage hotel members to participate in sweepstakes, promotions and amplification campaigns.
7. Continue adding rights-free creative assets to the Media Silo library for use by sub-region lodging properties. Expand to include general destination assets.
8. Provide quarterly reporting to all stakeholders and planning input sessions with Sub-Regional Hotel Leadership.
9. Distribute a promotional calendar of sub-region marketing campaigns including advertising, social media promotions, PR opportunities and OTA campaigns to all participating lodging properties.

Key Strategies and Tactics: Meeting Planners

1. Continue development of new customer acquisition programs including partnering with media companies and third-party resources to identify new business prospects and developing direct marketing programs to grow audiences.
2. Support sales lead generation through email marketing, social media promotions, trade shows and industry event attendance.
3. Continue to work with sub-region hotels to identify specific need dates for sales team focus.
4. Build customer relationships through customized site visits and in-market/to the customer San Diego events that showcase the diversity of the San Diego region.
5. Ensure sales and service team deployment and specialty assignments support sub-region lodging properties group meeting needs.
6. Work with key media partners to identify 20-25 customers that have not booked San Diego in the past but could book a sub-region hotel. Bring the customers together on three to four FAM trips per year.

Funding Request	<u>\$32,002,993</u>
Funding Recommendation	\$31,987,785

Ranking:

· Directors' Aggregate Ranking:	#1 of 13
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Return on Investment (ROI) - Projected:

· Total hotel room nights	3,976,500
· New hotel room nights of total	0
· Return @ \$173.28 ADR (average daily rate)	\$31,987,785
· ROI	21.5:1

SDTA/SD Sports Alliance Sponsorships

Breeders' Cup World Championships

Past Breeders' Cup economic impact statistics indicate a strong benefit for the region that hosts the event. For example, two-thirds of Breeders' Cup attendees come from outside of California. This is an affluent and intensely passionate following. This year's organizers anticipate 30,000 room nights will be consumed in November in San Diego County. This opportunity can reach far beyond 2017, with the potential to establish Del Mar as a regular Breeder's Cup destination.

US Australian Football

The 2017 USAFL National Championships will be held the weekend of October 21-22, 2017. This is the largest Australian Football tournament in the world, with 4 men's divisions, 2 women's divisions, encompassing over 1,000 athletes competing in over 64 games.

Thanksgiving Soccer

This event attracts both boys and girls teams 14 years of age and under. Because it is held over the Thanksgiving Weekend, entire families travel together and are expected to consume 8,000 hotel room nights.

Elite Soccer Championships

The goal of the Elite Clubs National League is to change the landscape for elite female soccer players in the United States through innovative, player-centered programming. San Diego will be host to the National Championship in June 2018. Teams are required to book hotels in the Elite Soccer block which are exclusively TMD hotels.

US Soccer (Surf Cup Sports)

The "Development Academy (DA) National Summer Showcase" is a two-week event to be held in San Diego late June 2018 with 426 youth teams encompassing 10,000 players and almost 1,000 coaches and staff. The projected number of TMD hotel room nights consumed by teams exclusive of family/spectators is 23,000. Because the players are youth, there is significant family travel which creates additional value to this program. Other benefits include the use of TMD hotels outside of the downtown core and there is interest on the part of US Soccer to find a long term home for this annual event.

Sponsorship ROI Summary		<i>Anticipated Room</i>	<i>Est. Room</i>	<i>Projected</i>
<i>Entity</i>	<i>Allocation</i>	<i>Nights</i>	<i>Revenue</i>	<i>ROI</i>
Breeders Cup	\$ 100,000	20,000	\$3,202,400	32.0:1
US Australian Football	\$ 29,700	1,500	\$ 219,780	7.4:1
Thanksgiving Soccer	\$ 50,000	8,000	\$1,170,000	23.4:1
Elite Soccer Championships	\$ 60,000	14,000	\$1,404,000	23.4:1
US Soccer	\$ 500,000	23,322	\$3,941,418	7.9:1

California Police Athletic Federation

The 2018 United States Police and Fire Championships will be celebrating its 52nd year of competition in San Diego. The event will be held in June, 2018. Athletes representing law enforcement, firefighters, and officers from corrections, probation, border protection, immigration and customs from across the country compete annually in 42 Olympic-Style sports in 35 venues throughout San Diego County.

The United States Police & Fire Championships will use the SDTMD Funding to market to athletes participating in the championships and to facilitate outreach to affinity groups in the law enforcement and firefighting communities. The goal is to present San Diego not only as their sporting venue but their family vacation destination. Athletes and their families come to San Diego for the games and stay for vacation, and the foundation actively promotes this outcome.

The Federation currently utilizes a dedicated group of sports coordinators and volunteers to assist with the Games throughout the San Diego Region. Respected officials such as world renowned boxing official Patrick Russell and nationally recognized venues like Torrey Pines Golf Course are used to solidify the event as a sought after and established competition. Each year the event has grown substantially, and incremental room nights have increased with SDTMD dollars spent on marketing efforts.

Funding will be used for a diverse cross-section of promotional activities including postcards, brochures and promotional items.

Funding Request	\$71,500
Funding Recommendation	\$50,000

Ranking:

· Directors' Aggregate Ranking:	#9 of 13
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Return on Investment (ROI) - Projected:

· Total hotel room nights	11,118
· New hotel room nights of total	2,400
· Return @ \$160.12 ADR (average daily rate)	\$1,780,214
· ROI	35.5:1



California State Games

The California State Games is a multi-sport, Olympic style series of events that takes place in San Diego in July for the summer events and in the months of February and March for the winter events. Ranging from archery to taekwondo in the summer and including hockey and skating in the winter, the events take place at dozens of locations on weekends.

The California State Summer Games will host over 9,000 athletes who will compete in 24 sports at venues throughout San Diego in July 2017. Since a large majority of athletes are under the age of 18, they attend the State Summer 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 14,000 TMD hotel room nights will be booked in all parts of the Assessment District. A mandatory booking policy has been added whereby teams are now required to stay at host SDTMD hotels to play in the Games.

The 2018 California Winter Games will be held in February & March 2018 and consist of Ice Hockey, Gymnastics, Roller Skating and Figure Skating. Athletes are expected from Colorado, Texas, Arizona, Washington, Utah, and of course, California. A new ice rink is being added this year and with the additional ice time, they will be able to accommodate more teams, which means more TMD hotel rooms. Over 1,500 athletes and over 3,500 TMD hotel room nights are expected.

Funding to be used primarily for Marketing Contractors and a full-time Marketing Manager

Funding Request	<u>\$150,000</u>
Funding Recommendation	\$150,000

Ranking:

- Directors' Aggregate Ranking: #3 of 13

Return on Investment (ROI) - Projected:

- Total hotel room nights 17,500
- New hotel room nights of total 3,000
- Return @ \$145.00 ADR (average daily rate) \$2,537,500
- **ROI 16.9:1**



California State Games

USA Masters Games

The USA Masters Games is a new multi-sport event for competitive adult athletes. It provides both a "national-championships-level" competitive experience in each sport and a fun, entertaining environment conducive to meeting and socializing with fellow Masters Athletes from across the U.S.A and other countries of the world. It is marketed as a Sports Festival for Masters Athletes.

The 2018 USA Masters Games will be held in San Diego in May of 2018. The Games will host over 5,000 athletes ages 21 and older in 20 different sports at venues throughout San Diego. These athletes will be coming from across the United States as well as around the world. This is part of an overall \$400,000 three-year investment by the SDTMD. \$100,000 was approved for FY2017 to aid their bid and \$150,000 was approved for each of 2018 and 2019 to support the Masters Games in each of those two years. Since the funding was awarded in August 2016 (subject to City Council approval), a July 2017 Master Games was added and will coincide with the California State Summer Games. The non-profit California State Games will be managing the event with marketing cooperation from the San Diego Tourism Authority and San Diego Exploratory Committee.

Funding to be used for marketing expenses (printing, banners & advertising) and some administrative costs

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

Ranking:

· Opportunity/Catastrophe Request:	N/A
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Return on Investment (ROI) - Projected:

· Total hotel room nights	10,000
· New hotel room nights of total	10,000
· Return @ \$149.00 ADR (average daily rate)	\$1,490,000
· ROI	9.9:1



Century Club of San Diego

Farmers Insurance Open

Composed of more than 50 local business leaders, the Century Club of San Diego is a 501(c)(3) non-profit organization that plans and hosts San Diego's PGA TOUR event, the Farmers Insurance Open. Since 1961, the Century Club has been dedicated to utilizing the annual tournament for many programs, including charity fundraising but mainly as a way to drive economic benefit to the City of San Diego.

The Farmers Insurance Open consistently draws millions of television viewers across the nation, as well as reaching 140 countries. Combined global viewership is over 350 million households during four days of CBS and Golf Channel coverage. Their telecast ends in the evening in the eastern time zone in January or February, when it is cold and dark, leaving a memorable impression on viewers longing for warmer climes. Though it's too late for people to attend at that time, viewers can be motivated to plan a trip to San Diego.

The organization's destination advertising program highlights San Diego and the golf tournament over the fall months and into the new-year. The primary goal is to increase advanced out-of-market awareness for the Tournament and thereby offering a compelling reason to visit San Diego during the last week of January.

Funding to be used primarily for production and placement of digital advertising.

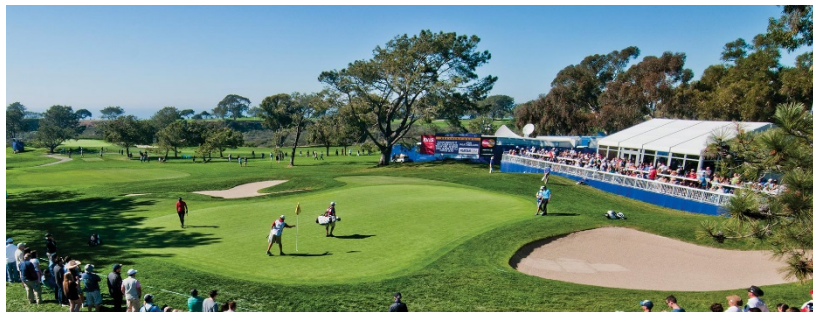
Funding Request	<u>\$350,000</u>
Funding Recommendation	\$100,000

Ranking:

· Directors' Aggregate Ranking:	#8 of 13
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Return on Investment (ROI) - Projected:

· Total hotel room nights	42,571
· New hotel room nights of total	1,710
· Return @ \$160.12 ADR (average daily rate)	\$6,816,468
· ROI	68.2:1



Extreme Sailing Series

The Extreme Sailing Series™ is a global, professional yacht racing Series that brings together some of the world's very best sailors drawn from the Olympics, America's Cup and around the world ocean racing. They sail on some of the world's most technically advanced foiling catamarans, competing in a 'Stadium' format. With up to eight races each afternoon, within feet of the shoreline, the free-to-public event showcases the sport at the very highest levels, against a backdrop of some of the world's most iconic cities including Sydney, St. Petersburg, Istanbul, Lisbon, Cardiff UK, Qingdao China and now, San Diego.

The San Diego Extreme Sailing Series will be a four-day event, October 19-22, 2017. Subject to City Council approval, funding was approved by the TMD Board on August 26, 2016. The event is conservatively projected to attract up to 40,000 attendees and 10,000 TMD room nights consisting of teams, staff, media, and spectators in its first year. Growth to 50,000 spectators and 12,500 room nights is anticipated in 2018, and growing further in future years.

Funding to be used for a sponsorship of this new event, followed by the potential for a profit share with the SDTMD.

Funding Request	<u>\$400,000</u>
Funding Recommendation	\$400,000

Ranking:

· Opportunity/Catastrophe Request:	N/A
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Return on Investment (ROI) - Projected:

· Total hotel room nights	10,000
· New hotel room nights of total	10,000
· Return @ \$160.12 ADR (average daily rate)	\$1,601,200
· ROI	4.0:1



San Diego Bayfair

Thunderboats Unlimited

San Diego Bayfair is a non-profit, 100% volunteer-based organization that was established to promote San Diego as a world-class tourism destination. Founded by famed Unlimited Hydroplane racer Bill Muncey in 1964, San Diego Bayfair is a beach festival and powerboat racing event set in the shoulder season of September each year on Mission Bay.

One of the organization's primary goals is to raise awareness of Mission Bay Park. The organization consists of a Board of Governors and more than 700 volunteers that come together each year to stage and promote the three-day festival.

The event has become a yearly tradition and has grown well beyond its regional base, with race teams throughout the country and fans across the globe attending each year. Nearly 100,000 attendees are drawn to the festival to see the fastest boats in the world, H1 Unlimited Hydroplanes.

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

Funding to be used for appearance fees charged by the H1 Unlimited teams

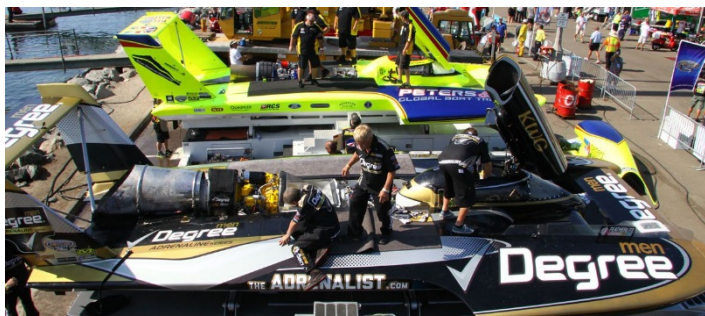
Funding Request	<u>\$95,000</u>
Funding Recommendation	\$95,000

Ranking:

· Directors' Aggregate Ranking:	#7 of 13
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Return on Investment (ROI) - Projected:

· Total hotel room nights	16,511
· New hotel room nights of total	600
· Return @ \$160.12 ADR (average daily rate)	\$2,643,741
· ROI	27.8:1



San Diego Bowl Game Association

Holiday Bowl

For more than a decade, the San Diego Bowl Game Association (SDBGA) produced two college football bowl games each year in December at Qualcomm Stadium: the Holiday Bowl and the Poinsettia Bowl. However, over the years college football bowl games were added across the country and the market became saturated. In response, the SDBGA decided to focus on one game and to ultimately eliminate the Poinsettia Bowl Game, the lesser game in attendance and economic performance. With a focus on one bowl game, the organization will put all resources into marketing the Holiday Bowl.

The Holiday Bowl Game draws over 50,000 spectators each year. The game features teams from the third selection of the eligible Pac-12 teams and the fourth selection in the Big 10. The game takes place in December every year, during hotel off-peak season. The game is televised nationally on ESPN, attracting millions of viewers, who are exposed to "beauty shots" of San Diego during the telecast. The game is also broadcasted nationally on ESPN radio. The SDBGA production, the Port of San Diego Big Bay Balloon Parade, officially deemed "America's largest balloon parade" is also televised nationally and takes place before the game on game day. In addition to the balloon parade and football game, the SDBGA will create festivals and events throughout a few day span to encourage out-of-town guests to stay in SDTMD hotels and to increase incremental room nights. Marketing efforts are focused on the location from where the teams are coming, which are determined in November.

Funding to be used for Team Payouts

Funding Request	<u>\$450,000</u>
Funding Recommendation	\$300,000

Ranking:

· Directors' Aggregate Ranking:	#2 of 13
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Return on Investment (ROI) - Projected:

· Total hotel room nights	24,572
· New hotel room nights of total	0
· Return @ \$160.12 ADR (average daily rate)	\$3,934,468
· ROI	13.1:1



San Diego Brewers Guild

Beer Week

The San Diego Brewers Guild (SDBG) is one of America's most acclaimed brewing associations. SDBG is a non-profit organization and is one of the world's most active brewing societies with 130 Brewing Company Members, 81 Applied Pub Members, and 132 Affiliate Members. SDBG takes an active role in promoting San Diego's internationally celebrated craft brewing scene, garnering national media attention for its annual Brewers Guild Festival and holds more than 500 sponsored San Diego Beer Week events. SDBG also participates in craft beer events across the county to promote local beer and beer tourism to the San Diego region.

San Diego Beer Week is a ten-day county-wide festival that attracts beer tourism, fosters knowledge of our regional brewing heritage, and serves as a showcase for San Diego's breweries, restaurants, pubs and hotels in the hotel off-peak month of November. The largest event of Beer Week is now held along the Embarcadero making access to TMD hotels a natural choice for the 1,000 or so people that come to enjoy all or part of Beer Week.



In working with the SDTMD, San Diego Beer Week has grown significantly over the years to become a destination in its own right. The SDBG solicits attendance through an extensive nationwide media blitz that targets meeting planners and groups searching for conference destinations.

Targeted and dynamic campaigns used to promote San Diego Beer Week include radio podcasts, morning talk show segments, relationships with craft beer scene writers and journalists, and ad placements in three airline flight November magazines.

Funding to be used for targeted advertising, a PR campaign, IT support & Administrative support

Funding Request	<u>\$74,900</u>
Funding Recommendation	\$74,900

Ranking:

· Directors' Aggregate Ranking:	#6 of 13
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Return on Investment (ROI) - Projected:

· Total hotel room nights	8,000
· New hotel room nights of total	1,000
· Return @ \$160.12 ADR (average daily rate)	\$1,280,960
· ROI	17.1:1

San Diego Crew Classic

The San Diego Crew Classic is a non-profit organization committed to hosting two premier rowing regattas each year on Mission Bay. The Crew Classic is celebrating its 45th year as the largest eight lane regatta in the country on the first weekend of April. The San Diego Crew Classic heralds the start of the rowing season in the United States. Since 1973 the event 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 featuring 120 races and more than 4,000 athletes, a marked increase since FY2009 when first receiving TMD funding. Since 2008 they have seen an increase of more than 100 boats, with an expected 450 boats from 76 cities, 24 states plus Canada, Mexico, Great Britain, and Hong Kong for the Spring of 2018.

Their new regatta, The Winter Classic, offers a second opportunity for competitors to travel to race on Mission Bay on the first weekend of December.

TMD funding helps the organizer broaden the field of participants nationally and to continue to attract the top-level college programs to their invitational races. Paramount to their success will be efforts that grow the event's attendance, visibility and TMD hotel use through advertising nationally as well as regionally. They plan on increasing their use of pay-per-click advertising online as it is more directed to their target audience from out-of-town with a greater ROI. They have identified the junior market as an important growth market, as well.

Another goal for 2018 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 a demographic that spend a significant amount of money to travel, race, and recreate in San Diego.

Funding to be used primarily for Team Payouts and Marketing Contractors

Funding Request	<u>\$250,000</u>
Funding Recommendation	\$200,000

Ranking:

- Directors' Aggregate Ranking: #5 of 13

Return on Investment (ROI) - Projected:

- Total hotel room nights 11,500
- New hotel room nights of total 2,000
- Return @ \$160.12 ADR (average daily rate) \$1,841,380
- **ROI 9.2:1**



Administration

San Diego Tourism Marketing District Corporation

Personnel

Employee Benefits	\$ 23,425
Executive Director Wages	247,500
Payroll tax	19,800
Workers Comp	<u>2,475</u>
Total Personnel	293,200

Contract Services

Accounting	240,000
Administrative support	15,600
Audit	25,000
Legal	620,000
Research and compliance	80,000
Communications	<u>160,000</u>
Total Contract Services	1,140,600

Overhead

Bank service fees	200
Dues and subscriptions	800
Insurance	18,000
Meals, Travel & Entertainment	600
Occupancy	24,720
Office Supplies	5,000
Parking	400
Payroll processing	3,000
Postage and shipping	2,000
Printing and reproduction	2,000
Telephone	<u>2,400</u>
Total Overhead	59,120

Contingency	<u>104,509</u>
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Total SDTMD Operations	1,597,429
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Administration Fees to the City	<u>500,000</u>
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Total Administration	\$ 2,097,429
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Opportunity & Catastrophe / Litigation Reserve Summary

Opportunity & Catastrophe Reserve:

5% of assessment revenue

5% Assessment revenue	\$ 1,842,799
Projected FY17 – Part II carryover	1,249,763
Utilization of reserve for FY18 funding requests	<u>(400,300)</u>

Total Opportunity/Catastrophe Reserve **\$ 2,692,262**

Litigation Reserve:

Required Amounts – subject to any approved supplemental funding requests.

	Category A	Category B	Total
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
Applied FY16 2 nd district carryovers			
Opportunity/Catastrophe reserve	3,060,233	1,542,200	4,602,433
Admin/distributable funds	<u>4,286,425</u>	<u>249,024</u>	<u>4,535,449</u>
Total litigation reserve funded 2 nd district	\$21,484,158	\$7,153,724	28,637,882
FY2017 – Part II funding requirement	n/a	n/a	362,118
FY2018 Funding requirement			<u>1,000,000</u>
Total Litigation Reserve			\$30,000,000

Administrative/Interest Income

Administrative:

5% of assessment revenue plus interest income

5% Assessment revenue	\$ 1,842,798
Projected FY17 – Part II carryover	94,631
Projected interest income	<u>160,000</u>

Total Administrative/Interest Income **\$ 2,097,429**

Attachments

1. San Diego Tourism Marketing District Corporation (5 pages)	Page 27
2. Management Plan Highlights (5 pages)	Page 32
3. Funding Cycle for FY2018 (1 page)	Page 37
4. Key Elements of the Application Guidelines and Requirements for FY2018 (6 pages)	Page 39
5. Sample Application for FY2018 (8 pages)	Page 46
6. FY2018 SDTMD Corp. Directors Ranking of Applications Summary (1 page)	Page 90
7. SDTMD Corp. Annual Report – FY2015 (19 pages)	Page 92
8. FY2016 Interim Report of Activities Summary (3 pages)	Page 112

Attachment 1

San Diego Tourism Marketing District Corporation

5 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:

William Evans, Chair

Richard Bartell

Scott Hermes, Vice Chair

C. Terry Brown

Matt Greene, Secretary

John Gates

Colleen Anderson, Treasurer

Vacancy

Matt Adams

Staff:

Brian Hughes, Executive Director

San Diego Tourism Marketing District Corporation

8880 Rio San Diego Drive, Suite 800

San Diego, CA 92108

(619) 209-6108

bhughes@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, 2017. 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 annually 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 the 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.

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:

William L. Evans, Chair

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, 2014, and he was elected for another term beginning on July 1, 2015.

Scott Hermes, Vice-Chair

General Manager, The Westin San Diego Gaslamp Quarter

The Westin San Diego Gaslamp Quarter represents 450 TMD rooms in the Gaslamp / Downtown region. Mr. Hermes was appointed to the Board to replace Mr. John Schafer, who relocated to New York in October 2015. Mr. Hermes will serve the remainder of Mr. Schafer's term, which expires on June 30, 2017.

Matt Greene, Secretary

General Manager, Hard Rock Hotel San Diego

Located in the vibrant Gaslamp Quarter, the San Diego Hard Rock Hotel has 420 TMD rooms. Mr. Greene was elected for a three-year term beginning on July 1, 2014.

Colleen Anderson, Treasurer

General Manager, Omni San Diego Hotel

Omni Hotels represents 511 TMD rooms in the downtown area of the City of San Diego, near Petco Park. Ms. Anderson was elected for her first three-year term beginning on July 1, 2015.

Matt Adams

Area Vice President, Manchester Grand Hyatt San Diego

The Manchester Grand Hyatt San Diego has 1,628 TMD rooms and is located in the Downtown region of the City of San Diego. Mr. Adams was elected to the SDTMD Corporation Board of Directors for a three-year term beginning on July 1, 2016.

Richard Bartell

President, Bartell Hotels

Bartell Hotels represent over 1,575 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 re-elected for a second three-year term beginning on July 1, 2011. In 2014, Mr. Bartell was re-elected for another three-year term beginning on July 1, 2014.

C. Terry Brown

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 re-elected for a term of three years beginning on July 1, 2010. In 2013, Mr. Brown was re-elected for a three-year term beginning on July 1, 2013 and again on July 1, 2016.

John Gates**Vice-President of Operations, Pinnacle Hotels USA**

Mr. Gates oversees a large portfolio of hotels in the City of San Diego, including one downtown, two in Mission Valley and one in Rancho Bernardo, with 800 TMD hotel rooms. He was elected for her first three-year term beginning on July 1, 2015.

Vacant

One vacancy exists and is expected to be appointed by the Board of Directors at an upcoming public meeting.

Attachment 2

Management Plan Highlights

5 Pages

Management Plan Highlights

Background:

On May 8, 2007, at the request of a working group comprised of lodging industry representatives, the San Diego City Council adopted an enabling Procedural Ordinance (SDMC Section 61.2501 et seq.) 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 San Diego Tourism Marketing District [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 District began on January 1, 2013.

In 2016, lodging industry representatives sought to update the District and Management Plan to address operating conditions under the renewed District. On August 2, 2016 the City Council approved the modification of the District and Management Plan to exclude lodging businesses with fewer than 70 rooms from paying and participating in the TMD effective September 1, 2016.

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 (applied to Assessable Rent of qualifying lodging businesses) are two percent (2%).

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 below. 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 categories as listed below and as further described in the modified Management Plan to benefit the assessed businesses. Funding will be allocated on the basis of competitive applications or responses to specific requests for proposals.

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.

The kinds of activities anticipated that fall within the 90% are grouped within two areas:

Targeted Marketing and Sales Programs (53.9%)

- Hotel meeting sales
- Event management & group sales development
- Consumer direct sales & marketing
- Sub-regional targeting
- Competitive targeting

Destination Marketing (36.2%)

- Tourism development, including travel & trade
- Group meeting destination marketing
- Multi-year tourism development
- Destination marketing

Although actual revenues of the Corporation will fluctuate, the proportional allocations as listed in the table above 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.

To guide District contractors and ensure direct specific benefits 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 for 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.

More information on key elements of the FY 2018 Application may be found in Attachment 4.

The Corporation shall cause to be prepared annually a report for the coming fiscal year. 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, 2052. 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 2018

1 Page

Funding Cycle for FY 2018

September – October 2016

- FY2018 applications posted online and available by request

November 2016

- Applicant workshops offered November 14 & 18, 2016

December 2016

- General applicants – FY2018 annual application deadline: December 9, 2016
- Preliminary staff review of received applications

January – February 2017

- Destination Management Organization (DMO) – San Diego Tourism Authority (SDTA) – FY2018 Annual Application Deadline: January 27, 2017
- Formal public Board presentations of qualified applicants

March – April 2017

- Formal public funding recommendations of programs by board on March 3, 2017*
- Notification of funding intention to City of San Diego
- FY2018 final budgets from approved organizations due on March 10, 2017
- SDTMD submits FY2018 budgets with R.O.I. projections and scope of work assumptions to City on or around Mid-March, 2017

May – June 2017

- FY2018 Budget presentation to City of San Diego Economic Development & Intergovernmental Relations Committee (ED&IR)/ City Council
- FY2018 contracts issued

July 2017

- FY2018 begins July 1, 2017

Note: Some dates are approximate and are subject to change

** Clarifications to recommendations to be considered/adopted by Board on March 29, 2017.*

Attachment 4

Key Elements of the Application Guidelines and Requirements for FY2018

6 Pages

Key Elements of the Application Guidelines and Requirements for FY2018

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.

The TMD contracts with a reputable third party ROI evaluator to ensure consistency, professionalism and no bias.

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 assured:

- 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 participate in the aforementioned analysis of room night generation and 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 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., and samples of marketing materials. 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 2017 - September 2017
Quarter Two: October 2017 - December 2017
Quarter Three: January 2018 - March 2018
Quarter Four: April 2018 – June 2018
FY 2018 ANNUAL REPORT

Due November 30, 2017
Due February 28, 2018
Due May 31, 2018
Due August 31, 2018
Due December 31, 2018

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 Application (form) for FY 2018

14 Pages

FY2018 SDTMD FUNDING 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 2018 Budget for Proposed Scope of Work:** For past SDTMD contractors, who received funds of \$75,000 or more, include a copy of most recent audited financial statements. All other applicants include copy of prior year internally prepared financial statements including a balance sheet/statement of financial position and profit & loss/statement of activities.
- ☐ **EXHIBIT B1: FY 2018 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.

FY 2018 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 schedule 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 full set of financial statements including a Statement of Financial Position/Balance Sheet, Statement of Activities/Profit and Loss, and a statement of cash flow; 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 2018**? ☐ 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 2018**? ☐ Yes ☐ No

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

What is your total operating budget in **FY 2018**? _____

Itemize All Projected Sources of Revenue (Private + Public): _____

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: _____

**SDTMD Contract Budget
Exhibit B**

Organization Name _____

Date _____

Total TMD Contract Funds _____

	TMD					Non-TMD	Total Organizational Budget
	Targeted Marketing and Sales Programs	Destination Marketing	Total - TMD Contract Amount	Non-assessment funded portion	Total Event Budget		
Revenue	-	-	-	-	-	-	-
Direct Expenses							
Advertising	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Advertising Agency Fees			-	-	-	-	-
Bld Fees/ Team payouts			-	-	-	-	-
Dues / Subscriptions / Memberships			-	-	-	-	-
Entertainment			-	-	-	-	-
Event Registration Fees			-	-	-	-	-
Lead Generation Services	-		-	-	-	-	-
Marketing Materials & Brochures			-	-	-	-	-
Meals			-	-	-	-	-
Outside Contractors			-	-	-	-	-
Personnel Benefits			-	-	-	-	-
Personnel Salaries and Wages			-	-	-	-	-
Promotional Items			-	-	-	-	-
Rentals - booth space			-	-	-	-	-
Rentals - remote sales office			-	-	-	-	-
Research	-		-	-	-	-	-
Sales Commissions			-	-	-	-	-
Special Event Production			-	-	-	-	-
Sponsorships			-	-	-	-	-
Trade Show Expenses			-	-	-	-	-
Training			-	-	-	-	-
Travel			-	-	-	-	-
Total Direct Expenses	-	-	-	-	-	-	-
Indirect Cost Allocation (from worksheet)	-	-	-	-	-	-	-
Total Expenses	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Net income (loss)							
Percent revenue coverage			#DIV/0!	#DIV/0!	#DIV/0!		

**SDTMD Contract Budget
Exhibit B**

Targeted Marketing and Sales programs include:

- Hotel meeting sales
- Event management & group sales development
- Consumer direct sales & marketing
- Sub-regional targeting
- Competitive targeting

Destination Marketing includes:

- Tourism Development, including travel & trade
- Group meeting destination marketing
- Multi-year tourism development
- Destination marketing

EXHIBIT B1
BUDGET NARRATIVE
FY 2018

Date: _____

ORGANIZATION NAME: _____

SDTMD FUNDS:\$ _____

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

BUDGET NARRATIVE BY CATEGORY:

Targeted Marketing and Sales Programs SDTMD FUNDS:\$ _____

Including: Hotel Meeting Sales
 Event Management & Group Sales Development
 Consumer Direct Sales & Marketing Programs
 Sub-Regional Targeting
 Competitive Targeting

NARRATIVE (of budget line items):

Destination Marketing SDTMD FUNDS:\$ _____

Including: Tourism Development, Including Travel & Trade
 Group Meeting Destination Marketing
 Multi-Year Tourism Development
 Destination Marketing

NARRATIVE (of budget line items):

DMO BUDGET NARRATIVE:

***EXPENSE BREAKDOWN:**

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

NARRATIVE (of budget line items):

EXHIBIT E
ROI FOR SDTMD FUNDS
FY 2018

ORGANIZATION/PROGRAM NAME: SAMPLE XYZ COMPANY

FY 2017 TARGETED ROI WORKSHEET

All ROI results for awarded SDTMD funds will be subject to a third-party audit.

SDTMD FUNDS REQUESTED:	A	\$ 400,000
NON-SDTMD FUNDS FOR PROGRAM:		\$ 500,000
DATES OF EVENT OR PROMOTION:		October 25-31, 2016
NUMBER OF YEARS THE EVENT/PROGRAM HAS BEEN IN OPERATION:		5 years
PROJECTED AVERAGE DAILY RATE (ADR) for EVENT OR PROMO DATES*	B	\$ 159.90
* USE SAN DIEGO CITY ADR in SDTMD HotelRoom NightRevenue from SDTA/Smith Travel/Tourism Economics		

HISTORIC Number of SDTMD Room Nights Generated by Program/Event/Promotion	C	30,000
Total Estimated HISTORIC SDTMD Room Night Revenue @ above ADR ($B \times C = D$)	D	\$ 4,790,000

Projected Number of NEW SDTMD ROOM NIGHTS generated due to proposed use of SDTMD funds (Explain in your "Scope of Work Narrative").	E	15,000
Total Estimated NEW SDTMD ROOM NIGHT REVENUE generated @ above ADR ($B \times E = F$)	F	\$ 2,398,500
RETURN ON INVESTMENT in NEW SDTMD ROOM NIGHT REVENUE: Total NEW SDTMD Room Night Revenue Generated: SDTMD Funds Requested. ($F/A : 1$)		5.9 : 1

TOTAL ESTIMATED SDTMD ROOM NIGHTS (combined) ($C+E=G$)	G	45,000
TOTAL ESTIMATED SDTMD ROOM NIGHT REVENUE (combined) ($D+F=H$)	H	\$ 7,195,500
TOTAL IMPACT RETURN ON INVESTMENT: Total SDTMD Room Night Revenue Generated: SDTMD Funds Requested ($H/A : 1$)		17.99 : 1

MEDIA IMPRESSIONS & BROADCAST EXPOSURE (If Applicable):	
Regional, National & International Broadcast Media (attach separate page if necessary)	NA
Web/Social/Digital Media (attach separate page if necessary)	See Attached Sheet
Geographical Area/Sub Region of Event if applicable	See Attached Sheet

EXHIBIT F
PERSONNEL SCHEDULE
FY 2018

The purpose of this form is to list the positions being claimed against Tourism Marketing District Funds for the Fiscal Year. An updated copy of this form must be maintained at all times and any adjustments must be reported to the SDTMD. Prior approval is required where changes will impact approved budgets for executed SDTMD agreements. Please round amounts to whole dollars. If the staffing claimed against TMD funds exceeds six employees (6), a separate spreadsheet is to be generated by the applicant that is supported by the applicant's budget and submitted as "EXHIBIT F".

	A	B	C	D	E	F	G
#	POSITION TITLE	JOB CLASSIFICATION (SALES/ MARKETING/ ADMIN, ETC.)	FOR HOURLY EMPLOYEES - AVERAGE TOTAL HRS PER MONTH (W / TMD FUNDS)	AVERAGE AMOUNT PAID PER MONTH (W / TMD FUNDS)	SALARIED EMPLOYEES - ANNUAL BASE PAY (W / TMD FUNDS)	BONUSES AND COMMISSIONS (W/TMD FUNDS)	ANNUAL AMOUNT FUNDED WITH TMD FUNDS
1							
2							
3							
4							
5							
6							
				TOTAL TMD FUNDED PAYROLL			

DRAFT 10.02.15

FY18 Funding Application

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.

Please list all interests per the requirement above:

Name, identity (job title and place of employment), nature of interest/transaction

NAME	IDENTITY (job title & place of employment)	NATURE OF INTEREST/TRANSACTION

City of San Diego Work Force Report:

<https://www.sandiego.gov/sites/default/files/legacy/eoc/pdf/2015/workforcereport150127.pdf>

Audit Compliance Acknowledgement

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.

I have read and understand the Audit Compliance Acknowledgement:

Name: Printed / Typed

Name: Signature

Date

Accounting Compliance Acknowledgement

General:

- ☐ Monthly submission of reconciliation reports and/or reimbursement packets is required.
- ☐ SDTMD has 30 business days from receipt of a **complete and correct** packet to review and reimburse.
- ☐ **Expenses incurred older than 60 days prior to the submission will not be eligible for reimbursement without prior approval and extenuating circumstance.**
- ☐ Reimbursement checks will be mailed to the Contractor.
- ☐ Copies of "Requests for reimbursement" shall be retained by contractor for no less than five years.
- ☐ Contractors are to remit reimbursement packets and budgets using SDTMD's templates and chart of accounts.
- ☐ Additional written explanation is required on any submitted item in which the invoice is not self explanatory.
- ☐ Any calculation shown on an invoice, reducing the amount requested, needs to include an explanation of methodology or rationale for determining costs.
- ☐ Unclear, unexplained, or unsubstantiated reimbursement report items will be removed from the submission packet. In some cases, these items will be allowed to be resubmitted with explanation if it falls within the time limitations established in the contract.
- ☐ Illegible receipts will not be considered for reimbursement.
- ☐ Do not use staples or special binding for your submission packet. A large paperclip or binder clip will suffice.
- ☐ Submit your packet single sided only. Double sided packets will be returned.
- ☐ Include all pages of a multipage invoice and bank statements. (Online bank activity will also be accepted.) Please reference each item.
- ☐ Verify totals and watch out for rounding errors.
- ☐ Contractors must pay for each expense (and clear the bank) before requesting reimbursement. Contact vendors with outstanding checks if checks have not cleared. It is your responsibility to keep track of this.
- ☐ No double dipping, if reimbursed by another entity, the expense becomes ineligible
- ☐ Only out of market advertising is eligible for reimbursement.

Travel:

- ☐ TMD assessment funds can only reimburse toward the equivalent of coach airfare when use of public air carrier transport is required in order to perform the Contractor's obligations under this agreement.
- ☐ GSA rates for meals & incidentals are at 100% of the rate per night stayed at hotel. .
- ☐ Please include a copy of the pertinent GSA rates for each area being visited as back-up, as well as the hotel folio
- ☐ Please include a copy of the pertinent GSA rates for each area being visited as back-up.
- ☐ Conferences require proof of registration and receipt.
- ☐ Sales missions require itinerary, location, clients visited, agenda and calendar.
- ☐ Mileage reimbursement requests require a mileage log and purpose of trip.

Signature

Date

Attachment 6

FY2018 SDTMD Corporation Directors Ranking of Applications Summary

1 Page

SDTMD Director Ranking Sheet

FY2018 Annual Funding Applications

Original recommendations made by SDTMD Board at March 3, 2017 Board Meeting.
Updates/Corrections adopted by SDTMD Board at March 29, 2017 Board Meeting.

Director's Name:	Amount Requested	Matt Adams	Colleen Anderson	Richard Bartell	Terry Brown	Bill Evans	John Gates	Matt Greene	Scott Hermes	Toni Kyi	Total	Rank Order	Recommended Amount	Corrections	As Corrected
<i>FY'18 PREVIOUSLY APPROVED ITEMS</i>															
ELITE SOCCER CHAMPIONSHIP - approved Oct '15													60,000		60,000
EXTREME SAILING - approved Aug '16													400,000		400,000
MASTER GAMES - approved Aug '16													100,000	50,000	150,000
NASC ANNUAL SYMPOSIUM - approved Aug '14													120,000	(120,000)	-
SDTMD MASTER PLAN - approved Oct '16													37,500		37,500
THANKSGIVING SOCCER - approved Oct. '15													50,000		50,000
ULTIMATE FRISBEE - approved Oct '15													29,700	(29,700)	-
US AUSTRALIAN FOOTBALL - approved Oct '15													29,700		29,700
SAN DIEGO TOURISM AUTHORITY (SDTA)	\$32,002,993	1	1	1	1	1	1	1	1	1	9	1.00	31,987,785		31,987,785
SD BOWL GAME ASSOCIATION	\$ 450,000	2	2	6	4	3	6	4	2	3	32	3.56	300,000		300,000
CA STATE GAMES	\$ 150,000	10	3	2	3	2	4	3	5	7	39	4.33	150,000		150,000
SD SPORTS ALLIANCE/SDTA/BREEDERS CUP	\$ 250,000	3	9		2		5		8	4	31	5.17	100,000		100,000
SD CREW CLASSIC	\$ 250,000	7	4	4	6	4	9	2	3	8	47	5.22	200,000		200,000
SAN DIEGO BREWERS GUILD - BEER WEEK	\$ 74,900	6	5	5	8	6	2	7	4	10	53	5.89	74,900		74,900
SD BAYFAIR - THUNDERBOATS	\$ 95,000	9	6	3	5	5	8	5	9	6	56	6.22	95,000		95,000
FARMERS INSURANCE OPEN	\$ 350,000	4	7		10	R	10	6	6	2	45	6.43	100,000		100,000
CALIFORNIA POLICE ATHLETIC FEDERATION	\$ 71,500	8	8	7	7	8	3	8	7	9	65	7.22	50,000		50,000
COMPETITOR GROUP R&R MARATHON	\$ 350,000	5		8	9				11	5	38	7.60			-
SDTA SUPPLEMENTAL	\$ 2,000,000						7		12		19	9.50			-
KOZ EVENTS	\$ 35,000			9					10	11	30	10.00			-
SD SPIRITS FEST	\$ 25,000								13	12	25	12.50			-
MKHR PRODUCTIONS/FLASHBACK	WITHDRAWN	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	0	N/A			-
	36,104,393	55	45	45	55	29	55	36	91	78	489		33,884,585	(99,700)	33,784,885

CORRECTED INFO - FY2019 Previously Approved Items

NASC Annual Symposium	Aug '14	\$ 120,000
Ultimate Frisbee	Oct '15	\$ 29,700

Attachment 7

SDTMD Corporation Annual Report for FY 2016 January 1, 2015 – June 30, 2016

42 Pages



SDTMD 2016 ANNUAL REPORT ALL IN



SDTMD.ORG

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



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& Impact

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Directors

The San Diego Tourism Marketing District (SDTMD) is a city-wide Tourism Business Improvement District encompassing all areas within the City of San Diego.

The SDTMD allows lodging businesses within the City of San Diego to amalgamate their efforts to increase tourism, which in turn increases hotel room night stays and therefore increases transient occupancy taxes (TOT). It enables the businesses to work together to achieve results that would not be possible individually.

Within the SDTMD, lodging businesses with 70 rooms or more are self-assessed, and those dollars are used to fund programs and services to increase room night stays, creating a true economic engine in the City and the region as a whole.

The SDTMD is focused on programs and services that will deliver incremental new room night sales to its assessed members, tourist promotion activities, and funding of special events and programs.

Working together through the SDTMD, the member lodging businesses continue to create strong, measurable results in bringing more visitors to San Diego.



2007

DECEMBER

Hotels vote to participate in a tourism marketing district

2008

JANUARY

Collection of assessments begins on January 1

2009

APRIL

Studies show market share up

2010

FEBRUARY

FY 2011 TMD Funding Recommendations made by SDTMD board

MARCH

FY 2009 ROI audits completed

JUNE

FY 2011 TMD Funding Recommendations approved by City Council

JULY

FY 2011 starts

2011

NOVEMBER

SDTMD Annual Meeting

2012

DECEMBER

Closeout of original tourism marketing district

TIMELINE

2013

JANUARY

SDTMD Annual Meeting

MARCH

San Diego City Council approves five-year Operating Agreement with SDTMD Corporation through November 23, 2017

NOVEMBER

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

DECEMBER

Funds released to SDTMD by the City of San Diego

2014

JANUARY

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

FEBRUARY

SDTMD recommends contractors for FY 2015

JULY

FY 2015 begins

2015

JULY

FY 2016 begins

NOVEMBER

Featured in National Geographic's Smart Cities series & selected as a top 20 "Best of the World" destination

2016

FEBRUARY

Destination Master Plan draft released

MARCH

New Executive Director

APRIL

Budget approved

SDTMD GOALS

CHAMPION DESTINATION MARKETING

1

ATTRACT tourism activity

4

COMPETE AGGRESSIVELY
with major travel markets

2

INCREASE overnight stays

5

COLLECT approximately \$35 million
in assessments annually

3

OUTPERFORM competitive markets

FY 2016 EXECUTIVE MESSAGE

There is much to celebrate about the progress the hotel industry has made in the past year — including the City of San Diego collecting Transient Occupancy Tax (TOT) revenues of \$203 million in FY 2016, representing an 9.1% increase over the previous year. As the second largest traded economy in the City, we recognize that a healthy tourism marketing district (TMD) helps fuel a vibrant San Diego.

Now as we move forward, let's use such successes as a viable springboard from which to make further inroads into the competitive business of promoting "America's Finest City" to the nation and the world. While we have great reason to be optimistic about the days ahead, we must also remain constantly vigilant and innovative in our mission. We realize that our competitors are also working hard and strategically to convince the traveling public that their destination is more compelling than ours. Therefore, a weighted focus is on fabricating new demand over need periods and incremental TOT revenue.

For all of these reasons, we remain dedicated to the foundational goal of the SDTMD that has stood the test of time and continues to guide our work: deploying resources to their best and most efficient use to stimulate demand for overnight hotel stays in the City of San Diego. We speak on behalf of the Board of Directors to underscore the underlying guiding principle of our responsibility, which is to respect and deploy TMD assessment revenue to gain the largest return on investment (ROI) on those dollars.

FY 2016 marked a time of transition in the leadership of the organization with the appointment of a new Board Chairperson and Executive Director. Since the corporation's inception in 2007, it has been ably and consistently led by two dedicated, hardworking community leaders: Terry Brown as the Chairman of the Board of Directors and Lorin Stewart as the Executive Director. We recognize and salute Terry and Lorin for their work, dedication, and stewardship of the SDTMD, and we aspire to serve with the same commitment and effectiveness as they have done.

Finally, on August 2, 2016, the San Diego City Council approved a resolution to modify the existing Tourism Marketing District. The operating agreement between the City of San Diego and the SDTMD Corporation was extended five years.

We are optimistic but taking nothing for granted as the District nears ten years of operation.

Very sincerely,



William L. Evans
Chairman, FY 2016



Brian Hughes
Executive Director

MARKETASSESSMENT

After the challenging economic downturn of recent years, the hotel and travel industry in San Diego is again vibrant and thriving. Throughout our City, and most of the nation, our industry is experiencing good economic times — whether you are an owner, a manager, a front-line service provider, or a local government that relies upon tax revenue to provide vital community services.

This is a welcome climate after the very difficult economic downturn of six or so years ago. The hotel industry is today registering record occupancy levels, and a growing ADR, which has increased to \$159.21.

While we should be proud of this positive climate and turnaround, it is increasingly clear that headwinds lie ahead making the work of marketing and selling San Diego as a travel destination more important than ever. We must be reminded that national economic health does not guarantee local economic health in our industry as we compete vociferously with thousands of other travel destinations within North America and indeed the entire world. These challenges not only threaten our local business interests, but should also inspire and motivate us collectively to explore and implement strategies that ensure a positive outcome. To this end, here are some key factors to consider in our plan of action going forward:

1. Hotel Supply Pipeline

More guestrooms are being added to the hotel supply pipeline than at any point in the past 20 years. Hence, in order to keep existing hotels at historic occupancy highs, we will also need to simultaneously fill newly opened hotels.

2. *The Los Angeles/Orange County Threat:* The competitive bar rises as new hotel rooms are added in these markets and new theme park attractions are upgraded and added. They continue to exceed the growth rates of San Diego, which is why San Diego must go “all in”. Examples include: The Wizarding World of Harry Potter™, Star Wars Land, and The Lucas Museum of Narrative Art.

3. Reaching Occupancy Potential:

We are close to reaching our full potential in occupancy in San Diego hotels, which is generally considered to be approximately 80%. Revenue growth will come through ADR growth. Having hotels ask guests to pay more for the same product and services appears to be the only path forward to growth now. As a result, targeted, effective marketing will be paramount in convincing people to pay more to visit San Diego.

Peak occupancy levels leave little room for growth. Most growth will come through ADR increases. And therefore, with ADR pushing us forward rather than the dual power of ADR and occupancy growth, we will experience a leveling off of revenue while expenses continue to grow. We are under threat as a travel destination for all of these reasons. The importance and value of marketing work that our funded contractors perform becomes more vital than ever.



TOURISMECONOMICIMPACT

FY2016SAN DIEGO CITY AND COUNTY

AVERAGEDAILYRATE (ADR) \$159.21
REVENUEPER AVAILABLE ROOM (REVPAR) \$124.46
FY 2016 City of San Diego

\$16.6 BILLION NEW DOLLARS
TOTALECONOMICIMPACTTOSAN DIEGO REGION

183,000 TOURISM-RELATED JOBS
*As of January 2016



\$10.1 BILLION
TOTAL VISITOR SPENDING



\$203 MILLION [+9.1% YOY]
TRANSIENT OCCUPANCY TAX
COLLECTION IN THE CITY OF SAN DIEGO



34.3 MILLION
TOTAL VISITORS
SAN DIEGO COUNTY



17.2 MILLION
OVERNIGHT VISITORS TO SAN DIEGO
SAN DIEGO COUNTY



9.6 MILLION
HOTEL VISITORS
SAN DIEGO COUNTY



78.2%
AVERAGED OCCUPANCY RATE
CITY OF SAN DIEGO



\$27.6 MILLION/DAY, \$1.2 MILLION/HOUR, \$19.2K/MINUTE AND \$319/SECOND
TOTAL AVERAGE VISITOR SPENDING

*Source: San Diego Tourism Authority: <https://www.sandiego.org/about/industry-research.aspx>

FY 2016 LODGING PERFORMANCE & IMPACT

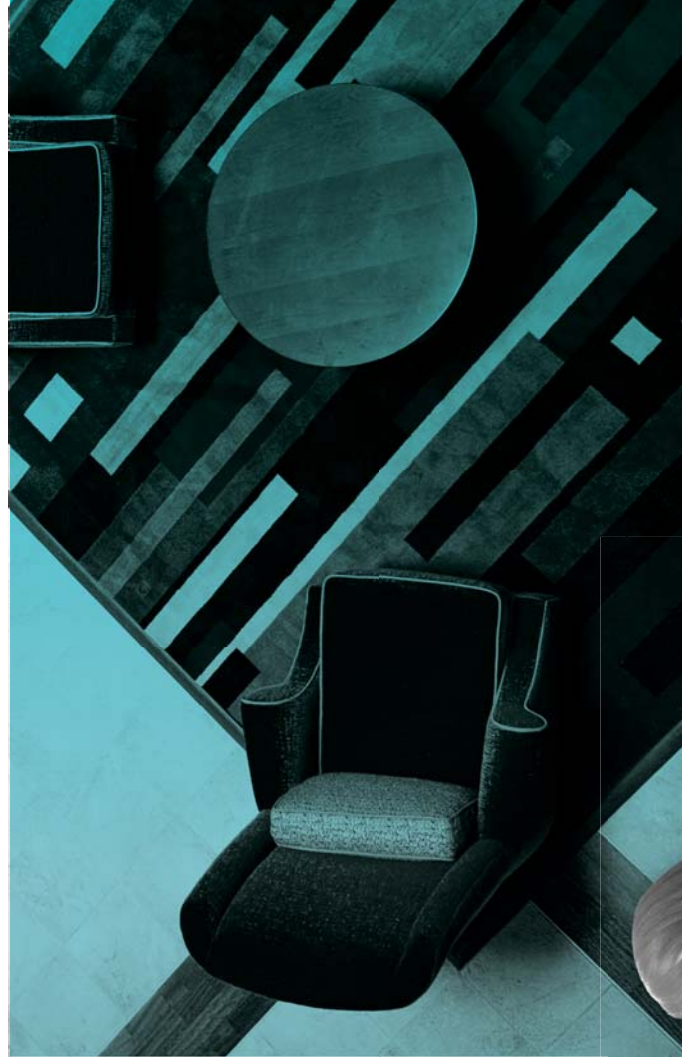
Tourism is the third-largest economic driver in San Diego, generating \$16.4 billion in regional economic impact. The industry contributes more than \$650 million in transient occupancy taxes, sales taxes, and property taxes to government entities.

Other salient impact results from FY 2016

- The City of San Diego collected \$203 million in transient occupancy taxes.
- Visitors to the region provide an economic boost that supports more than 183,000 jobs in San Diego County, a 4.62% increase from last year.
- The strong demand for hotel rooms in the City of San Diego reached 78.2%, an increase of 0.08% over last year.
- The average daily room rate increased by 4.11% to \$159.21 per night.

9.1% FY 2016
Increase in TOT collected

FY 2015	\$186 million
FY 2016	\$203 million



FY 2016 CONTRACTORS

By providing marketing and promotional support and funding to a wide variety of organizations and contractors in San Diego, SDTMD helps the City maintain its status as a competitive, first-tier visitor destination with compelling events and programming throughout the year. Funding decisions by the SDTMD Board affecting these

competitively selected local organizations has consistently resulted in growth in hotel room nights and revenue that strengthen the vitally important tourism industry in San Diego.

For FY 2016, approximately 90% of SDTMD's contractor funding was awarded to the San Diego Tourism Authority (SDTA), the City's Destination Marketing Organization of record. Remaining awarded funds are allocated to a variety of other local organizations that demonstrate a proven or potential promotional track record for inducing incremental overnight stay demand.

All contractors supported by the SDTMD must have clearly defined marketing strategies and activities that complement and enhance San Diego's tourism brand through unique attractions and events that help fill TMD lodging businesses of all sizes. In addition, they are required to abide by all requirements set forth in the City's Operating Agreement with the SDTMD.

Contractor Funding Distributions for FY 2016

Contractor	Funding
San Diego Tourism Authority	\$27,526,119
Amgen Tour of California	\$100,000
California State Games	\$150,000
California Police Athletic Federation – Police & Fire Games	\$53,785
Competitor Group – Rock 'n' Roll Marathon	\$253,184
San Diego Brewers Guild – Beer Week	\$73,168
Century Club of San Diego – Farmers Insurance Open	\$190,299
Gaslamp Quarter Historical Foundation	\$5,000
KOZ Events	\$29,195
LGBT Pride	\$17,114
San Diego Padres – Fanfest / MLB All-Star Game	\$400,000
San Diego Bayfair Boat Races	\$95,000
San Diego Bowl Game Association	\$450,000
San Diego Crew Classic	\$121,500
Surf Cup	\$20,000
World Beach Games	\$393,860
Total Reimbursed FY 2016	\$29,878,224

SANDIEGO TOURISMAUTHORITY

The San Diego Tourism Authority (SDTA) is the primary sales and marketing engine for the San Diego region. As a sales and marketing organization, the main objective of the SDTA is to promote and market San Diego as a preferred vacation and meeting destination for leisure and business travelers from around the world.

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, and as market conditions shift, programs are updated in order to best capitalize on opportunities and maximize ROI.

Investment of marketing funds from SDTMD has helped fuel SDTA efforts to promote San Diego as a diverse tourism market appealing to leisure and group travelers, and domestic and international visitors.

21.2:1 ROI

FY 2016 Funding Amount	\$27,526,119
Hotel Room Nights	3,777,429
x Average Daily Rate	\$154.78
Total Room Night Revenue	\$584,670,461

* Source: <https://www.sandiego.org/about.aspx>

Sales Highlights

- Booked 369,979 new group room nights
- Booked 1,092,889 citywide room nights and 73 citywide conventions for the destination
- Hosted 259 customers throughout the year and conducted 975 site visits of various hotels
- Site inspection conversion rate reached 93% in FY 2016, resulting in the booking of 178,128 new group room nights for San Diego
- Held 23 customer events with a total of 795 new clients for San Diego in attendance
- Attended 66 trade shows throughout the year that generated 257 leads representing 282,002 new room nights for San Diego

Marketing Highlights

- Generated more than 1.3 billion paid advertising gross impressions nationally and internationally through campaigns that utilized TV, digital, out-of-home, and print mediums
- Generated \$30.9 million in public relations unpaid media value
- Generated 9.3 million visitor inquiries as a result of all marketing efforts

Program Highlights

KIDS FREE SAN DIEGO

SDTA continued the highly successful Kids Free San Diego campaign in the Los Angeles and Phoenix markets during the month of October. The promotion was supported by over 115 partners and drew more than 242,000 unique visitors to sandiego.org. Hotel room demand for the month increased 4.2% and the average daily rate was up 72% over the previous year. Kids Free was followed by the launch of a fall brand advertising campaign in the Western United States. Investment in both campaigns was more than \$2.1 million and generated more than 189 million impressions over the fall and winter period.

SUMMER TRAVEL SEASON

To capture travel during peak spring and summer travel seasons, an \$8.3 million investment was made in the key markets of Los Angeles, Phoenix, Seattle, San Francisco, and Sacramento. New York, Chicago, and Dallas were added as new markets to grow consideration and intent to travel from longer haul markets. The "Happiness Is Calling" campaign ran on spot TV, with digital, social, print, and out-of-home media rounding out the layered campaign that generated 605 million impressions leading into the peak travel season.

SOCIAL MEDIA

The social media marketing layers included highly focused campaigns and live video within Facebook, YouTube, and Instagram. These digital platforms alone generated over 2 million visitor inquiries.

INTERNATIONAL CAMPAIGN

The SDTA launched a \$1.4 million co-op advertising program with Brand USA in Canada and the United Kingdom, and expanded Asia Pacific reach by hiring the Gate 9 firm to represent San Diego via travel trade and public relations in Australia. Additionally, the SDTA worked with the San Diego Regional Airport Authority to bring two new direct flights to San Diego. Direct seasonal service will begin in May 2017 on Condor Airlines from Frankfurt, Germany and in June 2017 on Edelweiss Airlines from Zurich, Switzerland.

SUB-REGION CAMPAIGN

Luxury and value print, digital and OTA advertising campaigns promoting sub-region product and experiences delivered more than 56.2 million gross impressions. Print and advertorial ran in Conde Nast Travel and leisure magazines. Quarterly win-a-trip sweepstakes reached 13.5 million social media users generating 67,000 entries and 20 dedicated sub-region media promotions generated more than \$838K in unpaid media value.

Working with CONNECT Media, a customer acquisition plan was executed using sub-regional dollars to expand SDTA's reach to bring new customers to San Diego so that they can experience it first-hand. Six familiarization visits were conducted in FY 2016 that showcased the San Diego meeting experience.

NEW GROUP SALES

The hotel sales team continued to focus on booking new group business and organizations not having booked in the last five years or at all and booked 369,979 new group room nights for TMD hotels. To support that effort, "San Diego - A Smart City" programs were held around the US for 795 clients who had new potential group business for San Diego.

The Meetings Certified training programs continued for the hotel sales community that focused on training all San Diego sellers to understand customer needs. More than 300 sellers from San Diego hotels, venues, and attractions have completed this program.

Capitalizing on signature events, the team hosted 21 potential clients at events in conjunction with the All-Star Game, and 20 potential customers in conjunction with the Farmers Insurance Golf Tournament.

INDUSTRY AWARDS

The "Happiness Is Calling" campaign was recognized with two prestigious awards, the Poppy Award from Visit California, and the Destiny Award from US Travel Association. Additionally, the SDTA received the Distinctive Achievement Award from Association Conventions & Facilities Magazine.

San Diego achieved national recognition through a number of outlets including being ranked number one for Best in Travel by Money Magazine in 2016 and as one of the most dynamic cities in the United States by Worth Magazine.

NATIONAL GEOGRAPHIC

In November 2015, National Geographic Traveler Magazine selected San Diego/Tijuana as one of 20 "Best of the World" destinations. "The Best of the World list reflects the travel expertise and global knowledge of National Geographic," said features editor Amy Alipio. "The destinations represent what's superlative, timely, and richly authentic in the world of travel today."

CALIFORNIA STATE GAMES & WINTER GAMES

The California State Games is a multi-sport, Olympic style series of events that took place in July, February, and March 2016 in San Diego. Ranging from archery to taekwondo in the summer and hockey and skating in the winter, the events took place at dozens of locations during the weekend.

Highlights

- The events connected to the California State Games bring tens of thousands of families, spectators, and players to San Diego during both the summer and winter months
- Over 10,000 athletes participated in the winter and summer California State games, each bringing a median of four family and friends
- The opening ceremonies for the Summer Games are the most attended with some 20,000 athletes and family members
- The Summer Games included greater participation from San Francisco teams including soccer and track as a result of marketing efforts

24.8:1 ROI

FY 2016 Funding Amount	\$150,000
Hotel Room Nights	23,723
x Average Daily Rate	\$156.93*
= Total Room Night Revenue	\$3,722,850

* Combined average of summer and winter events

CALIFORNIA POLICE ATHLETIC FEDERATION POLICE & FIRE GAMES

The first California Police Olympics were held in San Diego, California in 1967, and were founded by San Diego Police Lieutenant Veon "Duke" Nyhus who recognized the need to promote physical fitness and camaraderie among members of the law enforcement community. After inclusion of firefighters in 2000, and the addition of several western states into the competition, the name changed to the Western States Police and Fire Games. Since 2012, the Games have been known as the United States Police and Fire Championships.

Highlights

- The number of athletes competing in 2016 increased 19% from previous years, with out-of-state attendees increasing by 137%
- The Games held the Inaugural Chiefs, Sheriffs, and Special Agents in Charge (SAC) Bean Bag Toss Tournament, Sheriff Bill Gore challenged Chiefs around the nation to a bean bag toss competition; Chiefs attended representing 17 Agencies across the nation
- A direct mail piece was sent to all previous competitors. Some competitors don't use email, so this was a unique opportunity to reconnect with athletes from year's past
- More than 3,000 medals in more than 5,000 divisions, age classes, and weight categories were awarded in 2016

22.8:1 ROI

FY 2016 Funding Amount	\$53,785
Hotel Room Nights	8,718
x Average Daily Rate	\$140.86
= Total Room Night Revenue	\$1,228,017

COMPETITORGROUP ROCK'N'ROLL MARATHON

Competitor Group is a media and event organization which hosts the Suja Rock 'n' Roll Marathon which took place on Sunday June 5, 2016. The event includes a full marathon, a half marathon, live local bands, a headliner concert, and a health and fitness expo. The race originated in San Diego in 1998 and has spread to over 25 locations across the US and Europe.



12.0:1 ROI

FY 2016 Funding Amount	\$253,184
Hotel Room Nights	16,502
x Average Daily Rate	\$184.32
= Total Room Night Revenue	\$3,041,648

Highlights

- There were over 33,000 race participants from 50 states and 42 countries as reported by Competitor Group
- This was the largest marathon crowd since 2011
- Beautiful new finish venues were created at Waterfront Park and a new course was created through Mission Hills with new parts of North Park
- New and creative online media was produced that highlighted both the event and San Diego

SANDIEGO BREWERS GUILD BEER WEEK

San Diego Beer Week (SDBW) has become the premier, extended craft beer festival. Over 600 events helped to promote San Diego's thriving craft beer culture. The November 2015 celebration included some 60 breweries who participated in beer dinners, tours, classes, bottle tastings, and a variety of festivals.

Highlights

- For the first time ever, our San Diego City Council officially declared November 5 through 15, 2015 as San Diego Beer Week in the City of San Diego, marking the 10-day "week" and ensuring its place in San Diego history
- The San Diego Brewers Guild Festival sold out for the second year in a row with over 4,000 attendees from 28 states and 8 countries including Great Britain, Finland, and Brazil
- The social media presence of Beer Week improved with Facebook fans increasing some 1,000 and Twitter fans increasing over 1,800
- In addition to listing all SDTMD hotels on SDBW.org Lodging Page, Beer Week partnered with 21 hotels to offer SDBW lodging packages
- Beer Week secured some 100,000,000 media impressions through TV, radio, print/online features, blogs and podcasts

3.5:1 ROI

FY 2016 Funding Amount	\$73,168
Hotel Room Nights	1,397
x Average Daily Rate	\$185.23
= Total Room Night Revenue	\$258,766

CENTURY CLUB OF SANDIEGO FARMERS INSURANCE OPEN

Century Club of San Diego has been engaged in charitable efforts since 1961. The goal of the organization is to promote the Farmers Insurance Open golf tournament in addition to the City of San Diego. To date, almost \$30 million has been generated for noble causes in San Diego.



29.7:1 ROI

FY 2016 Funding Amount	\$190,299
Hotel Room Nights	32,282
x Average Daily Rate	\$175.35
= Total Room Night Revenue	\$5,660,648

Highlights

- Over 50,000 spectators attended this year's Farmers Insurance Open. Approximately half of those attendees were non-locals
- A concerted marketing effort was made to promote Thursday as the kick-off day essentially creating a four-day event
- The entire event was expanded this year with new groups spaces, expanded concert venues, larger viewing areas, and a new Surf Club venue
- Targeted promotion using Facebook ads was part of the 2016 marketing campaign and was found to be one of the most successful platforms in terms of ROI

KOZEVENTS

KOZ Events is a full-service special events company providing race management in San Diego County specializing in multi-sport events including: triathlon, duathlon, aquabike, run, walk, and cycling. KOZ Events held three special sporting events during FY 2016, including The Xterra Mission Bay Triathlon, The Campagnolo GranFondo San Diego, and the Spring Sprint Triathlon.

Highlights

- 2,269,123 Facebook impression were received across all events
- The Campagnolo GranFondo was advertised nationally and internationally in printed magazine ads in three different magazines and promoted to all of California, Arizona and Nevada's main bicycle shops
- The Spring Sprint was advertised Nationally in LAY Magazine
- The Xterra Mission Bay Triathlon and the Spring Sprint Triathlon were USAT Sanctioned for the first time to attract more participants from outside of San Diego

16:7 ROI

FY 2016 Funding Amount	\$29,195
Hotel Room Nights	2,804*
x Average Daily Rate	\$174.20
= Total Room Night Revenue	\$488,457

* Combined average of all three events

SANDIEGO PRIDE OUT AT THE PARK

San Diego Pride is an organization whose mission is to foster pride in and respect for all lesbian, gay, bisexual, and transgender communities, locally, nationally, and globally. OUT at the Park was an event held in May 2016 at Petco Park when the San Diego Padres played the Los Angeles Dodgers.



3.2:1* ROI

FY 2016 Funding Amount	\$17,114
Hotel Room Nights	396
x Average Daily Rate	\$140.00
= Total Room Night Revenue	\$55,440

* The results presented here may not accurately reflect the impact of the Pride event. The tragedy at Pulse Nightclub in Orlando occurred just days after their event when participants would normally be surveyed. The response rate was understandably lower than normal, and may negatively skew the results.

Highlights

- 40% of the tickets sold for the event were sold to visitors from other cities in California, other states, Mexico, and Canada. Ticket buyers came from as far as Winnipeg, Canada and from states including Hawaii, Virginia, New Jersey, Pennsylvania, and Texas
- The San Diego Pride Facebook event page reached 34,000 people, and our targeted out-of-town social media ad buys reached 482,000 users
- The Out at the Park & Stonewall Athlete Awards webpage had 16,000 page views and the Stonewall Athlete Awards received over 40 nominations and more than 700 unique votes

SANDIEGOPADRES FANFEST

All-Star FanFest is the single most attended event as part of MLB's All-Star Game and related activities. 400,000 people attended the 2016 All-Star activities between July 8 and July 12, 2016.

Highlights

- The San Diego Padres report that over 117,000 attendees enjoyed FanFest in 2016
- FanFest and All-Star related activities including the game garnered some 21.3 million spectators which was telecast on FOX
- The 2016 game was the most watched All-Star Game ever in Canada where 3.15 million people watched
- Over 80 million video views of All-Star Game content on MLB's digital platforms which is a 50% increase

7.4:1 ROI

FY 2016 Funding Amount	\$400,000
Hotel Room Nights	14,805
x Average Daily Rate	\$200.12
= Total Room Night Revenue	\$2,962,777

SANDIEGO BAYFAIR THUNDERBOATS

San Diego Bayfair is a three-day festival held in Mission Bay Park with powerboat racing as its centerpiece. Bayfair had 83 teams compete on Mission Bay from September 18-20, 2015. Many of the teams participating come from Arizona, Indiana, and Washington. The event is family oriented offering live music, beer gardens, kids' activities, food booths, and a variety of other attractions.



29.5:1 ROI

FY 2016 Funding Amount	\$95,000
Hotel Room Nights	15,911
x Average Daily Rate	\$175.84
= Total Room Night Revenue	\$2,797,790

Highlights

- Coverage of a boat flip on "Good Morning America" and the "Today Show" with an estimated 10 million impressions
- 20% increase in the number of race teams participating (a team has four to 10 members)
- Live music was moved within the paid venue and took place in the afternoon and evening
- H1 Unlimited, the main draw for Bayfair, decided its national championship in San Diego with Jimmy Shane capturing the Bill Muncy Cup
- Fox Sports 1 filmed and aired profile on racer Jimmy Shane

SANDIEGO BOWL GAME ASSOCIATION

The San Diego Bowl Game Association hosts both the Holiday and Poinsettia Bowls each year. The Holiday Bowl is a San Diego institution consistently drawing over 50,000 spectators each year. A significant number of these spectators are non-locals who come to San Diego specifically to attend the game. The Poinsettia Bowl is the newer of the bowl games, but has slowly gained popularity over the last several years.

Highlights

- The San Diego Bowl Games have generated an average of 33,000 hotel room nights in the month of December for the past five years
- Expanded marketing efforts included partnering with schools and an aggressive digital and media outreach campaign
- Since 1978, resulting economic impact on San Diego has totaled over \$750 million
- Millions of households see San Diego in December as a result of game coverage by ESPN for both the games and the parade. This media exposure showcases San Diego as a destination while much of the country is experiencing Winter conditions

6.3:1 ROI

FY 2016 Funding Amount	\$450,000
Hotel Room Nights	22,025
x Average Daily Rate	\$128.43*
= Total Room Night Revenue	\$2,828,670

* Combined average of both events

SAN DIEGO CREW CLASSIC

After 43 years, the San Diego Crew Classic is viewed as the premier Spring rowing event. Some 35 events took place with 4,500 athletes participating in over 120 races along the shores of Mission Bay Park. The event includes retail kiosks, a variety of foods, and a Jumbotron viewing area as its center point.



10.7:1 ROI

FY 2016 Funding Amount	\$121,501
Hotel Room Nights	7,720
x Average Daily Rate	\$167.79*
= Total Room Night Revenue	\$1,295,338

* Actual Reimbursement

SURF CUP THANKSGIVING SOCCER CHALLENGE

San Diego Surf Cup is the premier youth soccer club established in 1980 and headquartered in San Diego, California. Their mission is to build competitive soccer players with superior soccer skills, teamwork, and sportsmanship to compete at the highest levels of the sport. The Surf Thanksgiving Challenge is played each November in North San Diego.

Highlights

- The College Cup event was moved to the Oceanside facility and brought an additional 308 teams to San Diego for the Surf Thanksgiving event
- Some 166 of the 308 teams came from a distance of greater than 100 miles resulting in additional room nights
- SurfCup marketed directly to East Coast teams, increasing the East Coast travel teams from 14 to 36
- The number of college coaches attending this year was at an all-time high of 475
- This year's event also drew two international clubs (Guatemala and Philippines) which brought another four teams each and added to the overall event impact

43.1:1 ROI

FY 2016 Funding Amount	\$20,000
Hotel Room Nights	5,483
x Average Daily Rate	\$157.38
= Total Room Night Revenue	\$862,914

OTHER EVENTS

WORLD BEACH GAMES 2019 \$393,860

Funding was awarded to the San Diego Tourism Authority to support San Diego's bid to host the first World Beach Games, sanctioned by the Association of National Olympic Committees World Games (ANOC). The event is planned for the Summer of 2019. The bid was successful. 6,000 athletes from 204 countries are expected to compete in a total of 26 beach and water sports over a twelve-day period with a projected total audience of 1.2M people. The ROI study will be conducted when the event occurs.

AMGEN TOUR OF CALIFORNIA \$100,000

The Amgen Tour of California is a Tour de France-style cycling road race that challenges the world's top professional cycling teams to compete along a demanding course that traverses hundreds of miles of California's iconic highways, byways and coastlines each spring. In May 2016, the race began in San Diego. Amgen used TMD funding to promote the races with advertising to racers and their families to come to San Diego to see the kick-off of the race. This was a sponsorship relationship through the San Diego Tourism Authority.

GASLAMP QUARTER HISTORICAL FOUNDATION \$5,000

The SDTMD awarded \$5,000 to sponsor the ShamROCK Downtown St. Patrick's Day Street Party. The funding was used to advertise the event in Orange County, Los Angeles and San Francisco.

STATEMENTS OF FINANCIAL POSITION

For the Years Ended June 30, 2016, 2015, AND 2014*

As Shown	2016	2015	2014
Current assets			
Cash	\$ 1,131,041	\$ 7,434,971	\$ 7,557,879
Accounts receivable	13,930,761	11,301,675	8,814,421
Prepaid expenses	93,991	100,226	261,434
Accrued interest income	693,852	685,500	679,725
Advances to contractors	2,000,000	2,000,000	2,000,000
Total current assets	17,849,645	21,522,372	19,313,459
Other assets			
Security deposits	1,362	1,362	1,362
City holdbacks	19,500,000	12,282,177	5,732,416
Total other assets	19,501,362	12,283,539	5,733,778
Total assets	\$ 37,351,007	\$ 33,805,911	\$ 25,047,237
LIABILITIES AND NET ASSETS			
Current liabilities			
Accounts payable	\$ 6,965,921	\$ 6,953,691	\$ 4,962,821
Accrued expenses	171	8,856	7,583
Deferred revenue	9,672,183	13,636,075	13,319,625
Total current liabilities	16,638,275	20,598,622	18,290,029
Long-term debt			
Deferred revenue	-	282,177	232,416
Indemnification reserve	19,500,000	12,000,000	5,500,000
Total long-term debt	19,500,000	12,282,177	5,732,416
Total liabilities	36,138,275	32,880,799	24,022,445
Net assets			
Unrestricted	1,212,732	925,112	1,024,792
Total net assets	1,212,732	925,112	1,024,792
Total liabilities and net assets	\$ 37,351,007	\$ 33,805,911	\$ 25,047,237

STATEMENTS OF ACTIVITIES

For the Years Ended June 30, 2016, 2015, AND 2014*

	2016	2015	2014
Revenue and support			
Tourism Marketing District revenue	\$33,005,359	\$26,918,042	\$ 18,885,223
Other income	7,900	2,500	-
Interest income	279,720	151,619	74,616
Total revenue and support	33,292,979	27,072,161	18,959,839
Expenses			
Program services			
Allocations to contractors	29,878,224	24,299,828	17,693,459
Tourism Development	700,000	500,000	-
Total program expenses	30,578,224	24,799,828	17,693,459
Support services			
Management and general	1,999,909	1,970,912	1,048,206
SDTMD operations	427,226	401,101	332,905
Administrative fee to the City of San Diego	-	-	60,000
Start-up costs - contract renewal	-	-	-
Total support services expenses	2,427,135	2,372,013	1,441,111
Increase (decrease) in unrestricted net assets	287,620	(99,680)	(174,731)
Net assets, beginning of year	925,112	1,024,792	1,199,523
Net assets, end of year	\$ 1,212,732	\$ 925,112	\$ 1,024,792

*Further detail on the SDTMD Corporation's audited FY 2014, FY 2015, and FY 2016 financials can be obtained from our website at sdtdmd.org/reports

BOARD OF DIRECTORS

William L. Evans, Chairman
Partner Evans Hotels

Scott Hermanson, Vice Chairman
General Manager,
The Westin San Diego Gaslamp Quarter

Matt Greene, Secretary
General Manager,
Hard Rock Hotel San Diego

Colleen Anderson, Treasurer
General Manager,
Omni San Diego Hotel

Matt Adams
Area Vice President,
Manchestergate Hyatt San Diego

Richard Bartel
President Bartel Hotels

C. Terry Brown
President Atlas Hotels

John Gates
Vice-President Operations,
Pinnacle Hotel USA

Toni Kyi
Marriott International



Attachment 8

FY 2017 Interim Report of Activities Summary

5 Pages

San Diego Tourism Marketing District

FY 2017 Interim Report of Activities

(July 1- 2016 – February 28, 2017)

Establishment

Established by Resolution R-307843, date of final passage November 27, 2012 with District effective from January 1, 2013 through June 30, 2052 (a term of 39 ½ years) District and Plan modified by Resolution R-310664, effective September 1, 2016.

Agreement between City and SDTMD

Approved by Resolution R-310731; effective November 1, 2016 through October 31, 2021; superseding previous Agreement and Amendments.

Previous Resolutions: R-307844 Effective Nov 26, 2012 through Nov 25, 2017 [Agreement]
R-308065 (Dated Apr 23, 2013) [First Amendment]
R-308588 (Dated Dec 9, 2013) [Second Amendment]
R-310482 (Dated Jun 1, 2016) [Third Amendment]

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

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:

Part I (July 1- October 31, 2016)

Benefit Category A Rate: 1.45% & Benefit Category B Rate: 0.55% of Assessable Rent; such that, lodging businesses with 30 or more rooms assessed at a total rate of 2% (Category A + Category B). Lodging businesses with 29 or fewer rooms assessed at a total rate of 0.55% (Category B only).

Part II (November 1, 2016 – February 28, 2017)

Applied to Assessable Rent of qualifying lodging businesses.

Lodging businesses with 70 or more rooms assessed at a total rate of 2%

FY 2017 TMD Budget Summary

Pursuant to San Diego Tourism Marketing District Management Plan

Available Tourism Marketing District (TMD) Funds for FY 2017:

	FY17 – Part I	FY17 – Part II	Total
Projected Assessments	\$11,518,381	25,101,953	\$36,620,334
Projected Interest	80,000	160,000	240,000
FY 2016 Carryover	28,871,451	----	28,871,451
Utilization of Original district funds	<u> </u>	<u>1,080,000</u>	<u>1,080,000</u>
Total FY 2017 Funds Available	<u>\$40,469,832</u>	<u>\$26,341,953</u>	<u>\$66,811,785</u>

Expenditures for FY 2017:

Allocations *	\$10,313,886	\$21,275,761	\$31,589,647
SDTMD Master plan	59,900	<u>150,000</u>	<u>209,900</u>
Administration	<u>1,458,164</u>	<u>1,495,466</u>	<u>2,953,630</u>
Total FY 2017 Projected Expenditures	<u>11,831,950</u>	<u>22,921,227</u>	<u>34,753,177</u>

Reserve Allocations for FY 2017:

Litigation reserve	28,637,882	362,118	29,000,000
Opportunity/Catastrophe	--	1,249,763	1,249,763
Distributable funds carryover	<u>--</u>	<u>1,808,845</u>	<u>1,808,845</u>
Total FY 2017 Projected Reserves	<u>28,637,882</u>	<u>3,420,726</u>	<u>32,058,608</u>
Total Expenditures and reserves	<u>\$40,469,832</u>	<u>\$26,341,953</u>	<u>\$66,811,785</u>

***Specific FY 2017 Allocations:**

San Diego Tourism Authority	\$10,045,871	\$20,481,620	\$30,527,491
CA State Games - Master Games	50,000	100,000	150,000
SD Brewer's Guild – Beer Week	63,586	--	63,586
California State Games	150,000	--	150,000
SD Crew Classic	4,429	194,141	198,570
Amgen	--	50,000	50,000
SD Bowl Game Association	<u>--</u>	<u>450,000</u>	<u>450,000</u>
	<u>\$10,313,886</u>	<u>\$21,275,761</u>	<u>\$31,589,647</u>

FY 2017 Funding ROI and Ranking Detail

*NOTE: As of submittal date, only Q1 and Q2 ROI reports have been received
(Q3 ROI reports are due on May 31, 2017)*

a. San Diego Tourism Authority (SDTA): \$30,527,491

i. Score Ranking:

- Directors' Aggregate Score: #1 of 16

ii. Return on Investment (ROI)-projected:

- 3,777,000 total hotel room nights
- \$643,411,950 @ \$170.35
- 21.1:1

iii. Actual FY 2017 ROI Q1 & Q2:

- Campaigns run through Q4 of FY 2017
- Citywide Group Sales @ 84% to FYTD goal (79% STLY)
- Hotel Sales Division @ 115% to FYTD goal (106% STLY)

b. S.D. Bowl Game Association Holiday & Poinsettia Bowls: \$450,000

i. Score Ranking:

- Directors' Aggregate Score: #2 of 16

ii. Return on Investment (ROI)-projected:

- 34,478 total hotel room nights
- \$4,826,920 @ \$140.00 ADR
- 10.7:1

iii. Actual FY 2017 ROI:

- 26,219 total hotel room nights
- \$3,665,416 @ \$139.80 ADR
- 8.2:1

c. Craft Brewers Guild SD Beer Week: \$63,586

i. Score Ranking:

- Directors' Aggregate Score: #3 of 16

ii. Return on Investment (ROI)-projected:

- 7,900 total hotel room nights
- \$1,256,811 @ \$159.09 ADR
- 19.8:1

iii. Actual FY 2017 ROI Q1 & Q2:

- 984 total hotel room nights
- \$159,132 @ \$161.72 ADR
- 2.5:1

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

i. Score Ranking:

- Directors' Aggregate Score: #4 of 15

ii. Return on Investment (ROI)-projected:

- 17,500 total hotel room nights
- \$ 2,450,000 @ \$140.00 ADR
- 16:3

iii. Actual FY 2017 ROI Q1 &Q2:

- The Winter Games portion of the events are held in Q3 FY 2017 so total results will be reported at fiscal year-end.

e. SD Crew Classic: \$198,570

i. Score Ranking:

- Directors' Aggregate Score: #5 of 15

ii. Return on Investment (ROI)-projected:

- 10,500 total hotel room nights
- \$1,743,525 @ \$166.05 ADR
- 8.8:1

iii. Actual FY 2017 ROI Q1 &Q2:

- This program occurs in Q4 FY 17

f. Amgen – Tour of California: \$50,000

i. Score Ranking:

- This was a supplemental funding request approved by the Board of Directors on October 28, 2016

ii. Return on Investment (ROI)-projected:

- While the race will be held May 11-20, 2017, it will not have a San Diego leg. Therefore, no direct ROI is projected in FY17. The purpose of this funding is to sustain the local organizing committee through to a San Diego event in FY18 or FY19

g. California State Games – USA Masters Games:

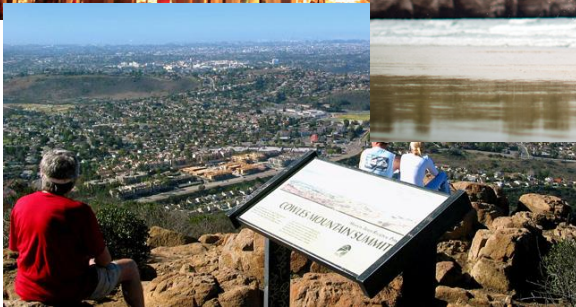
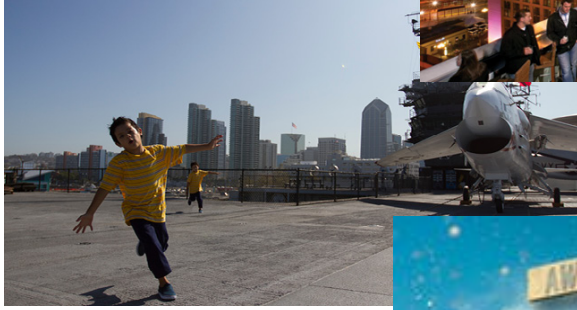
\$150,000

i. Score Ranking:

- This was a supplemental funding request approved by the Board of Directors on October 28, 2016

ii. Return on Investment (ROI)-projected:

- The first USA Masters Games will be held in FY2018, July 12-16, 2017. The objective is to secure a multi-year commitment for San Diego as the host. As such, on August 26, 2016 the Board approved a total of \$400,000 over the next three years: \$150,000 FY2017, \$150,000 FY2018 and \$100,000 FY2019. The projected ROI on the \$400,000 investment is 11.8:1



San Diego Tourism Marketing District



Report of Activities for FY 2018 Supplemental Request – Use Of Litigation Reserve Funds

April 5, 2017

SDTMD FY2018 SUPPLEMENTAL REQUEST – USE OF LITIGATION RESERVE FUNDS

TOTAL REQUEST: \$3,000,000

OVERVIEW

On Wednesday, March 29th, 2017, the San Diego Tourism Marketing District (SDTMD) Board of Directors took action in response to a three-part request from the San Diego Tourism Authority (SDTA) to fund critical demand-inducing initiatives that reflect both conventional wisdom and key recommendations from the Destination Master Plan Steering Committee. The SDTMD Board is recommending consideration to release \$3 million from the City's existing \$29 million TMD Litigation Reserve to fund the following:

China Market Development

\$1,000,000

China is already California's top overseas market for visitation and spending and growth is projected to be exponential. While San Diego's share of this California visitor volume was only 9% in 2015, this represented the second largest overseas market for San Diego behind the UK. However, awareness of San Diego (48%) is markedly lower than San Francisco (68%) and Los Angeles (69%). There are 124 weekly non-stop flights to California from China and none to San Diego.

San Diego's destination attributes (with the exception of shopping) are in line with what appeals to Chinese visitors. The SDTMD Board agreed with the SDTA, that enhanced marketing and promotion would assist San Diego in realizing the eventual significant value of the Chinese market.

Los Angeles Leisure Market Stimulation

\$1,000,000

The number of visitors from the greater Los Angeles area has declined over the years as: marketing from other destinations has increased, attractions elsewhere in Southern California have proliferated, and as SeaWorld has curtailed their marketing budget.

In 2008, 2.3 million visitors came to San Diego from the Los Angeles area. In 2015, that number had fallen to 1.9 million, a very concerning drop from the City's largest source of overnight visitors.

The SDTA has proposed a robust three to four week television advertising campaign in Spring 2018 to this very expensive media market; something the SDTMD Board agreed is necessary to restore San Diego's lost business. This investment is projected to return an additional \$48 million in visitor spending and an impressive 48:1 Return on Investment.

Balboa Park Co-Op Program

\$1,000,000

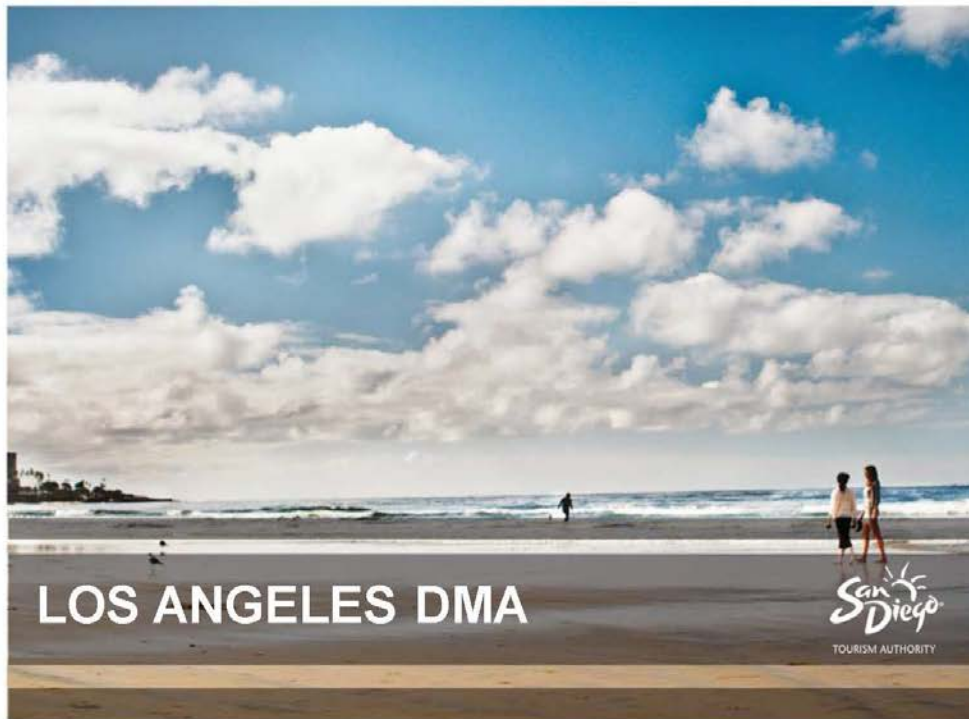
This recommendation is another outcome of the Destination Master Plan Steering Committee. The SDTMD Board agrees that Balboa Park is either unknown or a mystery to non-San Diegans. The Legler-Benbough Foundation has committed \$1 million over five years to fund two staff marketing positions at the SDTA solely dedicated to the promotion of the park. In conjunction, a three-year/\$1 million per year, SDTA plan has been created to make the park a “must see” visitor experience.

The SDTA proposes to manage a collaboration with the City of San Diego, Balboa Park Cultural Partnership, Balboa Park Conservancy, Friends of Balboa Park and the individual institutions in the park including the San Diego Zoo and the new Comic-Con Museum of Popular Culture. It would encompass advertising with media partnerships, public relations, social media, web and content management.

DETAILED BACKGROUND & PROPOSED ACTIVITIES

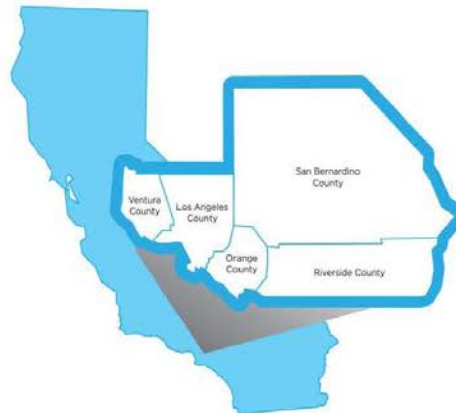
Please see the following pages for more information.

China Market Development.....	Page 4
Los Angeles Leisure Market Stimulation	Page 12
Balboa Park Co-Op Program	Page 15
Appendix	Page 22



Los Angeles Designated Market Area (DMA)

- Los Angeles DMA consists of Ventura, Los Angeles, Orange County, San Bernardino and Riverside Counties
- 2nd largest in the nation
- Over 17 million population and 5.8 million households
- Southern California is the largest source market for San Diego hotel visitors



LA DMA Room Night Production **NET LOSS of 387K Room Nights (across business and leisure)**



Hotel Room Nights Estimate from CIC Research, San Diego County Visitor Profile Studies



LA DMA Insights Issues Driving Visitor Loss

Uneven Economic Recovery

- Recession combined with “two-speed” recovery since 2008
 - Higher income households (\$100K+) recovered faster and now traveling again.
 - Exchange rate and better economic conditions driving outside US travel option as well as long-haul trips (Hawaii, Florida, Mexico)
 - Middle Income households did not recover, and still struggling
 - Fewer trips
 - Staycations in LA and Anaheim have grown
 - Lower income (<\$60K) mostly flat

Lower Frequency of Travel to San Diego

- Prior to recession more than half of Los Angeles visitors travelled to San Diego more than once per year. That fell to only 25% in 2015.



LA DMA Insights continued

Local Attractions Have Faced Obstacles

- Disney opened the \$1.1B Cars Land in June 2012
- Documentary “Blackfish” released in July 2013
- Universal Studios opened the \$1.6B Harry Potter in April 2016
- Visitation to SeaWorld, Zoo and Safari Park has been impacted

Seeing Fewer Children in Visitor Groups

- More 2 Adults traveling (both <Age 45 and >Age 45)

Additional Challenges include:

- Traffic patterns
- “Been there, done that”
 - Seeing growth in other reasons for why they visited San Diego including Gaslamp Quarter, Little Italy, Sporting Events



Outbound Overnight Market Share

Los Angeles and Anaheim Share of Los Angeles DMA Travel has trended up indicating a staycation trend. Santa Barbara has grown. Mountain areas impacted by weather conditions.



Source: TNS Travel Americas Outbound Travel Study



TNS ROI Study, Fall 2016

**San Diego ranks #2 among top competitors in
“Intent to Visit in Next 6 Months”**

1. Las Vegas
2. **San Diego**
3. Los Angeles
4. Hawaii
5. San Francisco
6. Anaheim
7. Mexico
8. Florida
9. Caribbean

TNS Recommendation:
Continue to target the large nearby Los Angeles market as the leading source of leisure overnight visitors (SF #2 and Phoenix #3)

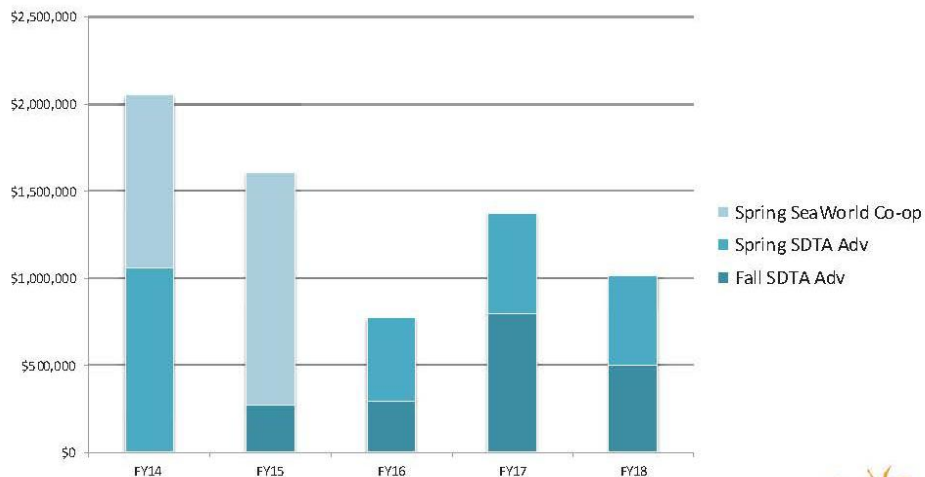


LA DMA Media Investment

- LA DMA Targeted in both Fall and Spring
- Budget challenges and loss of SeaWorld Co-op investment impacted spending levels over past years
- LA DMA now reached through National and Regional Digital Campaigns with an Overlay of Spot Media
- There has been a heavier emphasis in the Fall with more reliance on other San Diego advertisers to spend in the Spring. DMO to invest in new market development.
 - The Attractions report however that they have shifted to become more focused on the local market with less spending in LA and further out markets



LA DMA Overview of SDTA Media Investment



FY14 & FY15 Include SeaWorld Co-op Funds
FY16 Starts Loss of SeaWorld Co-op Funds



FY 2018 INCREMENTAL REQUEST \$1 Million Spring Advertising

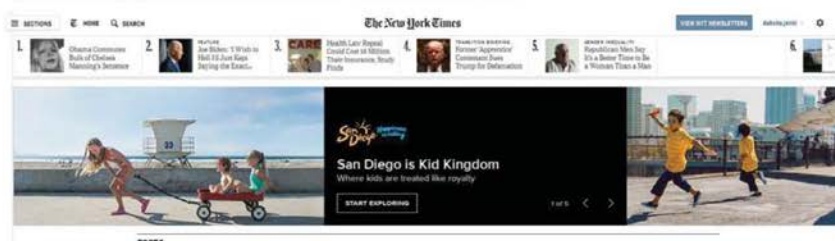
- Already have dollars planned for National and Western Region Digital Campaigns that will reach LA, SF, PHX and all top feeder markets – Great Baseline of Awareness
- LA Spring Campaign currently has \$500K in the budget for Digital Out of Home Boards in High Traffic Locations including Sunset Blvd, Venice Beach and Main Freeways
- Requesting \$1M for Spot Television to Layer into LA DMA
 - 3-4 Week Campaign
 - 75% Reach and 4.7x Frequency
 - TNS Advertising ROI Study shows that TV delivers the greatest awareness and impact on travel of all mediums
 - TNS also shows TV + Digital +OOH increases visitation



SAMPLE: DIGITAL ADVERTISING SPRING 2017 NATIONAL



SAMPLE: DIGITAL ADVERTISING SPRING 2017 NATIONAL



SAMPLE: DIGITAL OOH SPRING 2017 CAMPAIGN IN LA



Freeway Locations, Sunset Blvd, Venice Beach Area



SAMPLE: TELEVISION SPOTS INCREMENTAL REQUEST 2018



PROJECTED ADVERTISING ROI Based On Past Similar Campaigns

TNS Advertising ROI Projections	
Budget (\$500K + \$1M Incremental)	\$1.5 Million
Projected Hotel Room Nights	460,000
ADR (based on ad ROI study)	\$151
Room Revenue	\$70 million
ROI	\$48

REQUEST:

\$1 million incremental funding for FY 2018 LA Spring Campaign
Media





Explosive Growth Out of China

- Population nearing 1.4 billion
- China is forecasted to become the largest overseas market for the U.S. by 2021
 - Currently the 3rd largest overseas market behind the UK & Japan
- California's top overseas market for visitation and spending
 - 45.5% market share in 2015
 - 1.3 million visitors and \$2.9 billion in spending in 2016
- San Diego's share of Chinese visitor volume to California was 9% in 2015
 - Now San Diego's second largest overseas market behind the UK



China Market Insights

Issues:

- The high number of group tours prevents exploration beyond major gateway cities
 - More than 30% of travel to CA is booked through tour operators and travel agencies
- No direct air service to San Diego
 - 124 weekly nonstop flights to three CA cities: San Francisco, Los Angeles and San Jose

Opportunities:

- 80% of Chinese visitors to the U.S. are now FIT or on skeleton air/hotel packages
 - FIT visitors are young, affluent, well-educated, well traveled (5.5 int'l trips on average)
 - Tremendous growth in travel booked with OTAs and direct with airlines



China Market Insights

Issues:

- Awareness of San Diego is low compared to our California competitors
 - Compared to 68% for San Francisco and 69% for Los Angeles, 48% know a lot or a fair amount about San Diego

Opportunities:

- With the exception of shopping, San Diego's destination attributes are in line with what appeals to Chinese visitors to the U.S.



FY 2018 INCREMENTAL REQUEST China Market Development

- SDTA's works with Aviareps China to execute its foundational program of work including trade development, media relations and owned channel management.
- SDTA partners with Brand USA to do co-op programs internationally. Brand USA contributes 15-20% to extend program of work through a Letter of Agreement and working with their established media partners.
- Requesting \$1M to partner with Brand USA
 - Expand San Diego's digital presence and content
 - Build momentum with consumer direct advertising



FY 2018 Brand USA Letter of Agreement, China Initiative

LOA Program Elements	Cost
Custom Travel Videos (4-5 produced) with Native Host	\$50,000
Social Media Agency (Hylink Group) Annual Fee to Promote San Diego	\$120,000
GoUSA China San Diego Campaign Pages	\$20,000
Media Partnerships (2 travel planning periods, 4 months total)	\$300,000
Multi-Channel Promotion, California Campaign	\$50,000
Multi-Channel Promotion, San Diego Only Campaign	\$50,000
Affinity Partnership, C-Trip and Expedia	<u>\$300,000</u>
SUBTOTAL	\$890,000
Contingency - WeChat Promotion, California Co-op, Promotional Sweepstakes, Paid Social	\$110,000
TOTAL FY 2018 Incremental Request LOA with Brand USA	\$1,000,000



FY18 – FY20 BALBOA PARK CO-OP PROGRAM

20-Year Master Plan: Leisure Assets

- Developing new reasons to visit San Diego or to extend your stay in San Diego was identified as a key strategic initiative in the 20-Year Master Plan
- Balboa Park has been identified as an underutilized leisure asset for San Diego Tourism
- The Legler-Benbough Foundation has committed \$1 million over 5 years to partner with San Diego Tourism to promote Balboa Park as a iconic tourism asset
- The request is for the TMD to allocated \$1 million per year for 3 years to co-op with LB Foundation to market the park





Ever changing. Always amazing. Where culture, science, and nature collide, Balboa Park is home to more than 17 museums, multiple performing arts venues, lovely gardens, trails, and many other creative and recreational attractions, including the San Diego Zoo. With a variety of cultural institutions among its 1,200 beautiful and lushly planted acres, there is something for everyone.



Travelers' Sentiments: A Discovery Worth a Visit

"You've got to see Balboa Park! It's a fantastic location with plenty of museums to get lost in and gorgeous grounds to relax in. It's right in the heart of San Diego and a convenient place to stop when visiting the area."

13

"I felt such a sense of wonder as I wandered around the park. I was in awe of the stunning architecture and landscaping..."



"I have never been to another park that is comparable to BP, it is different in its architecture, variety and culture altogether."



ACCOLADES FOR BALBOA PARK

- Top Zoo in the World, Tripadvisor.com
- #2 Best City Park in America, Thrill List
- "Great Places in America: Public Parks", American Planning Association
- #7 Top U.S. Parks, Trip Advisor Travelers' Choice Awards



TravelZoo Editorial:
"Central Park + Smithsonian = Balboa Park"



TOP ACTIVITIES: 9.6M Hotel Visitors

- **TOP 5 Activities**
 - 65% Relax at Beach and Bay
 - 58% Attractions
 - 44% Shopping
 - 39% Urban City Nightlife
 - 20% Arts and Culture
- **BALBOA PARK VISITATION (not including the Zoo)**
 - 8% visited the Museums or Park – 771,000 visitors
 - One more reason to Visit or Extend your stay



PROGRAM OF WORK

Legler-Benbough Foundation - \$1 million over 5 Years

- **2 Staff Positions**
 - Director Cultural Tourism-Balboa Park
 - Marketing Coordinator, Cultural Tourism-Balboa Park

Tourism Marketing District - \$1 million per year for 3 Years

- Advertising – Media Partnerships
- Public Relations, Social Media and Influencers Program
- Web and Content Management
- Creative Asset Development



PROGRAM OBJECTIVE:
**Capitalize on Balboa Park as one of
America's favorite parks to drive
visitation to San Diego.**



MARKETING THE PARK: \$750K Media Partnerships



National Media Partnership

- RFP to National Geographic Traveler, Smithsonian and others
- Multi-channel editorial, content and promotion of the park
- Reach an affluent audience
- Taps into 3rd party endorsement and recognition

San Diego Magazine

- Custom Balboa Park Magazine and content initiative
- Publication, editorial, photography, social media
- Designed for visitors and locals
- Opportunity for park-wide participation



MARKETING THE PARK: \$150K Search & Paid Social

- Search engine marketing for San Diego's Balboa Park as a must-see destination
- Paid social media advertising on Facebook and Instagram



MARKETING THE PARK: \$50K Public Relations, Social Media, Influencers

- Dedicated media pitching and hosting nationally and internationally
- Amplification of Balboa Park messaging across the SDTA and Balboa Park media outlets
- Dedicated programs with bloggers and influencers to share their Balboa Park story



MARKETING THE PARK: \$50K WEB AND CREATIVE ASSETS

- Web site enhancements including new content
- Videos
- Photography



SDTA TO MANAGE PROGRAM

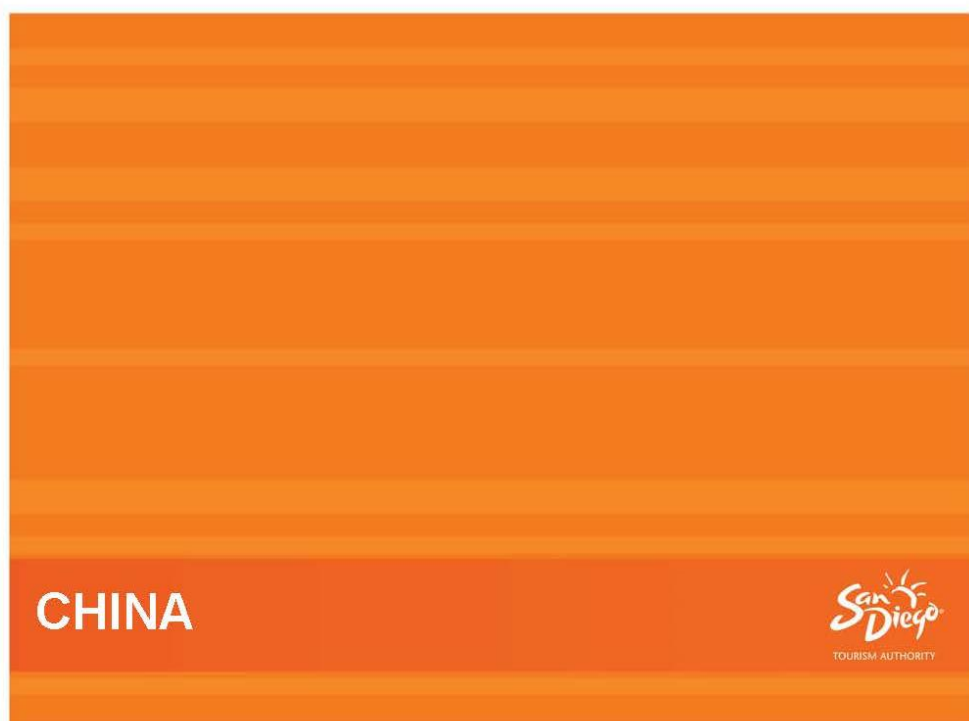
- SDTA collaboration with the City of San Diego, Balboa Park Cultural Partnership, Balboa Park Conservancy, Friends of Balboa Park and the individual institutions in the park including the San Diego Zoo and the new Comic-Con Museum of Popular Culture



TMD FUNDING RECAP FY 2018, FY 2019, FY 2020

- Partnership funds from Legler-Benbough for \$1 million over 5 years for Staffing and Administrative
- REQUEST: Total of \$3 million at \$1 million per year for 3 fiscal years from the Tourism Marketing District to market the park as a “must see” visitor experience





CURRENT SAN DIEGO PROGRAMS IN CHINA

SDTA TRADE DEVELOPMENT MANAGER

- Riki Suzuki

EARNED MEDIA

- PR Managers in Beijing and Shanghai

TRADE REPRESENTATION

- Offices in Shanghai and Beijing

See International Plan,
China for More
Information

MEDIA CHANNELS

- San Diego Chinese Web Site
- Weibo
- YouKu Video Channel



FY 2018 INCREMENTAL REQUEST China Market Development

Expand San Diego's Digital Presence in China

1. In-language content and videos
 - Custom and/or buy-in to existing series such as "Road Trips"
2. Social Media Agency (Hylink Group) for localized social community management
3. Enhance San Diego's presence within GoUSA.cn and Brand USA's social channels
4. Explore WeChat cooperative opportunities with Visit California



China Market Investment Strategies

Build Momentum with Consumer Direct Advertising

1. Add retail OTA programs to reach growing FIT market
2. Participate in multi-channel co-op programs to efficiently develop and distribute content across leading digital platforms in China (i.e. Toudou, Weibo, C-Trip, World Traveller)
3. Expand reach during key planning windows with digital video, display and social content on top China media channels (i.e. PPTV, Sina, Sohu.com)
4. Hone geography to markets with greatest FIT potential: Guangdong, Shanghai, Sichuan, Beijing and Jiangsu

Brand USA Deadline:
Budget Commitment Needed by April 7, 2017
for August – October 2017 Programs



BALBOA PARK



ARTS PROGRAM EXAMPLE WITH SAN DIEGO MAGAZINE & TRAVEL+LEISURE

#FINDARTSHAREART

Organic Instagram posting
Contest component
Dedicated URL
Print advertising
Paid social media promotion
Email marketing



Share a photo

by November 30 for a chance to win a San Diego staycation and be featured in an upcoming issue of San Diego Magazine.

San Diego's arts and culture scene is big, bold, eclectic and accessible—and we want to see the stuff you love. It's simpler find art, share art.

Find what artists are doing in your neighborhood and share the experiential life: street murals, sculptures, posters, glass art, design, fashion, musicians, performers, exhibits—all kinds of art in San Diego.

Visit FindArtShareArt.com for photo inspiration and full contest rules.

San Diego Commission for Arts and Culture

San Diego Magazine

San Diego

HOW TO ENTER

Upload your image to Instagram or Twitter using a public account. If private, use Option 2.

Include #FindArtShareArt in the caption.

Include the location of the image in the caption or via geotag.

OPTION 2

Upload your image and complete the form at FindArtShareArt.com. Include the location of the image. We'll take care of the rest!

San Diego Magazine



GRAND PRIZE WINNER:
Stacy Kark, 34
Resident of Mission Hills
Artist: Ruken Orksoo,
Watching, Waiting,
Contemplating, 2010.



CONGRATULATIONS TO THE

#FIND ART SHARE ART

WINNERS!

San Diego Tourism Authority, City of San Diego Commission for Arts and Culture, and San Diego Magazine partnered last November to host the #FindArtShareArt contest to celebrate San Diego's bold and eclectic arts scene.

Thousands of images were shared, ranging from murals and musicians to street art and sculptures, and three winners were selected. The grand prize winner, Stacy Kark, caught judges' eyes with her photo of a reflective moment at the MCAASO. Joey Loren and Barbara Smith were selected as runners-up for their images capturing two vibrant San Diego murals.

San Diego Commission for Arts and Culture

Example – Influencer Program

The New York Times

What a Child Actually Sees on Vacation | Family Lodging for Part-Time Nature Seekers | Essay: Security Lines and Flight Delays? This Kid's in Paradise | NCAA: Designating Mental Health Issues in College Sports | EARLY TRAVEL: No Nighttime, No Rules: Summertime Above the Arctic Circle

Fun for the Whole Family

LEARN MORE

Explore San Diego with Blogger La Jolla Mom

Former mom and current San Diego resident La Jolla Mom is a blogger and luxury travel writer who writes about the best events, events, dining, beaches and all things family-friendly in the heart of San Diego. She is the author of the book "San Diego: A Family-Friendly Guide" and has been featured in various media outlets.

San Diego TOURISM AUTHORITY

Example – Paid Social

Visit San Diego

Hear yel yel yel San Diego is Kid Kingdom, a land of epic adventures and a legendary kind of awesomeness.

Explore 70 miles of coastline

Get up-close animal encounters

Coose get the royal treatment

mommyshorts Sponsored

Click Learn More to find out about the USS Midway Museum and other kid-friendly San Diego activities! #VisitSanDiego #VisitSD

San Diego TOURISM AUTHORITY

ORIGINAL

**AGREEMENT FOR THE OPERATION OF
THE SAN DIEGO TOURISM MARKETING DISTRICT**

This Agreement [Agreement] is made between the City of San Diego, a municipal corporation [City], and the San Diego Tourism Marketing District Corporation [Corporation], a non-profit mutual benefit corporation registered with the Secretary of State of the State of California, hereinafter collectively referred to as the "Parties."

RECITALS

WHEREAS, on May 22, 2007, the Council of the City of San Diego adopted Ordinance Number 0-19622 N. S. [Ordinance], an ordinance amending Chapter 6, Article 1 of the San Diego Municipal Code [Code] by adding Division 25, the San Diego Tourism Marketing District Procedural Ordinance; and

WHEREAS, on October 6, 2011, the Council adopted Ordinance Number 0-20096, an ordinance amending Chapter 6, Article 1, Division 25, of the Code; and

WHEREAS, following the procedures included in the Ordinance, the Council initiated renewal of the Tourism Marketing District [District] and held a public hearing on November 26, 2012, wherein a weighted majority of the proposed business assesses were verified as not casting ballots in opposition to the establishment of the District; and

WHEREAS, the Council of the City of San Diego ordered: 1) the renewal of the District; 2) the levying of assessments on assessed businesses; and 3) authorized the Mayor to enter into a contract with a non-profit corporation for the operation of the District; and

WHEREAS, in 2007 the tourism industry formed the San Diego Tourism Marketing District Corporation (formerly the San Diego Tourism Promotion Corporation), a non-profit mutual benefit corporation, for the purpose, among other things, of contracting with the City to operate the District;

WHEREAS, on August 2, 2016, the Council of the City of San Diego adopted Resolution Number R-310664 modifying the District Management Plan, eliminating the A and B funding categories, and defining lodging business as those with seventy (70) or more rooms;

NOW, THEREFORE, in consideration of the above recitals and the mutual covenants and conditions set forth in this Agreement, and for good and valuable consideration, the sufficiency of which is hereby acknowledged, the Parties agree as follows:

ARTICLE I

DEFINITIONS

For the purposes of this Agreement, the terms listed below are defined as follows:

- 1.1 **Plan** - The Tourism Marketing District Management Plan, prepared by the industry proponents of the District pursuant to San Diego Municipal Code section 61.2507, outlining the anticipated operations of the District and establishing a set of budgetary guidelines, including proposed budget line items, for the thirty-nine-and-one-half year duration of the

District. The Plan was approved by the San Diego City Council on November 26, 2012, by Resolution Number R-307843. The Plan was modified by the San Diego City Council on August 2, 2016, by Resolution Number R-310664.

- 1.2 **Tourism Marketing District or District** - The San Diego Tourism Marketing District, as renewed by City Council Resolution No. R-307843.
- 1.3 **Annual Report of Activities** - A prospective report, as defined in the Plan, due for submission to the City each year during operation of the District, detailing the proposed activities and budget for the following fiscal year, submitted by Corporation and approved by the City Council. This Report of Activities shall be accompanied by an Interim Performance Report detailing performance up through the quarter immediately preceding the date on which the Interim Report is submitted to the City.
- 1.4 **Annual Performance Report** - Report prepared by the Corporation, which summarizes the Corporation's goals, accomplishments, returns on investment, and expenditures for the preceding fiscal year or part thereof. Separate due dates for a preliminary version of the report and a final version of the report shall annually be established in accordance with Sections 3.5.1 (i) and (j).
- 1.5 **Subcontractor** - Any entity or contractor to the Corporation, other than the City, that furnishes supplies and/or services (other than office space, standard commercial supplies, or printing services) to Corporation in connection with this Agreement. It is anticipated that the Corporation will engage subcontractors for the marketing, promotional and outreach activities undertaken in furtherance of the goals of the District. Subcontractor goods and services may be solicited either through a competitive application process or through an open procurement process in accordance with SDMC §22,3203 et. seq. and as specified in Exhibit B.
- 1.6 **District Fund** - A City of San Diego fund, established and administered by the City for the receipt of District revenue (assessments, penalties and interest) and from which revenue may be disbursed to the Corporation for activities and to the City for eligible City oversight and administrative functions.
- 1.7 **Funding Allocations** - Funding Allocations are delineated in the Plan's Budget Guidelines. Funding allocations may only be adjusted as provided for in the Plan.
- 1.8 **Milestone Report** - A retroactive and prospective report to be prepared by the Corporation every five fiscal years. The Milestone Report shall be inclusive of the required annual report for the immediately preceding fiscal year. The report shall include any proposed changes to benefit categories; general activities to be provided for the next five years; an estimate of the cost of providing activities over the next five years; the method and basis of levying the assessment; the estimated amount of any surplus or deficit revenues to be carried over from one report to the next; and the estimated amount of contributions from sources other than the assessment. The due date for Milestone Reports shall be agreed upon by the Corporation and City, and shall provide sufficient time for review and submission to city committees. Separate due dates for a preliminary version of the report and a final version of the report may be established.
- 1.9 **Reconciliation Report** - A report accounting for the use of District revenue, described in Exhibit A. Reconciliation Reports shall be submitted to the City no less than 45 days after the first disbursement and on no less than a monthly basis thereafter.

ARTICLE II

EFFECTIVE DATE; TERM OF AGREEMENT

- 2.1 Upon the execution of this Agreement by the Parties and approval of this Agreement by the City Attorney in accordance with Charter Section 40, this Agreement shall be effective as of November 1, 2016 [Effective Date] and continue for five years until October 31, 2021[Term], unless terminated earlier in accordance with the terms of this Agreement.
- 2.2 The Parties hereby agree to terminate the Operating Agreement dated November 26, 2012.

ARTICLE III

OBLIGATIONS OF CORPORATION

- 3.1 **General Obligations**
 - 3.1.1 Corporation shall perform all services necessary for the proper management of the District. Specifically, Corporation shall perform in a professional and prudent manner, and in accordance with the provisions of this Agreement, the Plan (attached hereto as Exhibit C and incorporated herein) and the Annual Report of Activities and Milestone Report, under the direction of the Board of Directors of Corporation.
 - 3.1.2 The total amount that may be disbursed to Corporation by City under this Agreement shall not exceed the amount of District assessments collected plus penalties collected on delinquent assessments by City and interest earned in the City's pooled investment fund on assessments held by the City less recovery of City Administration costs and any required litigation reserve, and shall conform with the Plan's Budget Guidelines.
 - 3.1.3 Any request for modifications to the Plan shall be submitted to the San Diego City Council for consideration in accordance with San Diego Municipal Code section 61.2501, et.seq, as amended from time to time.
 - 3.1.4. Corporation shall follow the Budget Guidelines set forth in the Plan.
- 3.2 **Funding Allocations.** Corporation shall make Funding Allocations in accordance with the Plan. Administrative costs to be recovered by City shall be billed directly to the District Fund administered by the City. City shall provide Corporation a summary of and accounting for the administrative costs billed to District on a monthly basis. Any modification of these Funding Allocations may only be accomplished as provided for in the Plan. Any modification of the Plan may only be accomplished pursuant to San Diego Municipal Code sections 61.2519 and 61.2520, as amended from time to time.
- 3.3 **Funding Exclusions.** Corporation shall not fund any acquisition, construction, maintenance or installation of any tangible property, facilities, equipment, programs, or any other items specifically prohibited in the Plan. Notwithstanding any other provision of this Agreement, Corporation shall not be obligated to provide services nor make payments to relieve the City of obligations that are not expressly covered by this Agreement and the Plan. Corporation's obligations are solely to provide the services enumerated in the Plan, and under this Agreement, and such obligations exist solely to the extent District assessment revenues are fully available for expenditure for those purposes.

- 3.4 **Renewal / Modification Costs.** Corporation shall allow City to recover renewal and modification costs from the District Fund for mutually agreed upon costs justified by a business case analysis by allowing the City or Corporation to be reimbursed from the District assessments. Such reimbursement shall be completed no later than six months after the effective date of the renewal or modification. Litigation costs pertaining to the defense of the District may be paid from District funds in addition to the recovery of administration and oversight costs.

3.5 **Specific Obligations**

3.5.1 Notwithstanding any and all obligations in the Plan or elsewhere in this Agreement, Corporation shall do the following to the reasonable satisfaction of City:

- a) Establish measurable target outcomes for marketing programs and services, including return-on-investment and other criteria;
- b) Establish and regularly update a clearly defined process to be used in soliciting written applications or proposals from, and awarding funds to, various entities for marketing and sales promotions to increase hotel room night consumption and market District lodging businesses as tourist, meeting, and event destinations. The process will articulate the required qualifications of applicants or proposers, the targeted return-on-investment, and the measurement of results, among other criteria. All funding requests must be submitted in writing using a standard form which incorporates the required process information;
- c) Establish a clearly defined process for reviewing and evaluating the success of marketing programs and services and the degree to which these programs and services are of benefit to all assessed businesses;
- d) Make available on at least a quarterly basis, reports to City on the target and actual outcomes for the period to date (by type of activities, specific marketing initiative, entity funded, and detailing the way in which assessed businesses are benefited) along with details of funds expended;
- e) Allocate assessment revenue on an annualized basis in accordance with the Plan and as outlined herein;
- f) Allocate, on an annualized basis in accordance with the Plan, all other revenue (interest and penalties deposited by the City into the District Fund, and Incidental Revenue, as defined in section 4.7 of this Agreement, generated by Corporation on disbursed District funds)
- g) Distribute an electronic or other form of communication, at least quarterly to every business assessed in the District announcing news, reports and other documents available on the Corporation's website, and include on the website, among other things, a directory of Corporation's current Board Members. If requested by an assessed business, the communication shall be made available in appropriate alternative formats.

- h) Hold no fewer than six regularly scheduled open meetings each year, noticed and conducted in compliance with the Ralph M. Brown Act, that afford assessed businesses an opportunity to provide input to the Board. Such meetings shall include one meeting at which the election of officers is held and one meeting at which results of Board elections are ratified;
- i) Prepare an Annual Performance Report, summarizing Corporation's goals, accomplishments, return-on-investments, and expenditures for the preceding fiscal year or part thereof, to be distributed to each assessed business in the District, by December 31 (or as otherwise mutually agreed upon annually by the Corporation and City but providing sufficient time to meet Council/Committee docketing deadlines) for each year following the District's first full fiscal year of operations. Every fifth year a Milestone Report is to be prepared and submitted in lieu of the Annual Performance Report;
- j) Prepare a prospective Report of Activities, as required under the San Diego Municipal Code section 61.2521 as amended from time to time, to be delivered to the City by March 1 each year (or as otherwise mutually agreed upon annually by the Corporation and City but providing sufficient time to meet Council/Committee docketing and budgeting deadlines) during the duration of the Agreement, along with an Interim Performance Report in keeping with the Corporation's obligations to District assessed businesses and the City. Every fifth year a Milestone Report is to be prepared in lieu of the Report of Activities;
- k) 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.
- l) Ensure that District funds are applied only toward the equivalent of coach airfare, and only when use of public air carrier transport is required in order to perform the Corporation's obligations under the Plan and this Agreement. District funds may not be applied toward any upgrades;
- m) Ensure that District funds are applied using the Federal Travel Regulation (FTR) and U.S General Services Administration rates (GSA rates) per day, per person, for meals, incidentals, and lodging while on official travel (when the provision for travel is required in order to perform the Corporation's obligations under the Plan and this Agreement. District funds may not be used to pay for any alcoholic beverages. These same limitations shall apply when lodging in San Diego is provided for out-of-town visitors on District business.
- n) Ensure that in the event meals are provided to hosted individuals within the scope of business development, or sales and marketing, documentation of the following shall be included with the reconciliation report provided to City:
 - (i) the purpose of the meeting, (ii) conformance to the Plan, (iii) the benefit or

anticipated benefit to assessed businesses and (iv) a list of hosted individuals. All expenditures for meals shall comply with the approved cost allocation methodology.

- o) Ensure that should Corporation or Corporation's subcontractors decide to provide financial sponsorship of events, Corporation's Board makes a determination of the need for the sponsorship, that the amount of the sponsorship is a just and reasonable expenditure of District funds at the time it is authorized, approved or ratified, that the expenditure is in conformance with the Plan, and that the benefit or anticipated benefit to assessed businesses is identified and documented. However, if the financial sponsorship is \$10,000 or less and subcontractor funding has already been approved by Corporation's Board in subcontractor's budget, no separate Board approval, authorization, or ratification will be required; but the written determination and justification by the subcontractor shall be maintained with the proof of expenditure. If alcoholic beverages are consumed during event sponsorships, they may not be paid for with District assessment funds; and
- p) Ensure that should Corporation's subcontractors request reimbursement from District funds for travel, meals, the hosting of meals, out-of-town and in-town lodging and sponsorships, as discussed herein, these costs shall have been anticipated in any scope of work, statement of activities or budget materials submitted to Corporation prior to the execution of a subcontract. All pre-authorized subcontractor expenditures are limited in the same manner as Corporation's expenditures are limited herein.
- q) Ensure that Corporation adheres to the Operating Manual for Economic Development Programs, produced by the City of San Diego administering department (e.g. Economic Development Department), as amended from time to time. However, Contractor is authorized to expend district funds on gratuities in an amount not to exceed twenty percent (20%).

3.5.2 Promotional Materials And Obligations

3.5.2.1 **Promotion Material Requirements.** Corporation 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 but not items where such attribution is impractical e.g. pens, flash drives): "Funded in part with City of San Diego Tourism Marketing District Assessment Funds." Such acknowledgment shall be prominently displayed on all such promotional materials. A copy of page or pages, of promotional material displaying required language, or other equivalent proof, is required to be included in reconciliation report.

3.5.2.2 **Product Endorsements.** To the extent applicable, Corporation shall comply with the provisions of City Administrative Regulation 95.65, as amended from time to time regarding product endorsements. Corporation shall not create any advertisement or writing that identifies or refers to the City as the user of a product or service, without first obtaining the prior written approval of the City.

3.5.2.3 **City's Promotional Obligations.** City shall make available an annual statement of TOT revenues consistent and in compliance with San Diego Municipal Code section 35.0128 and shall provide monthly reports on TOT revenue to Corporation.

3.6 **Obligations Regarding Budget Preparation**

- 3.6.1 City and Corporation agree to timely carry out all actions reasonably necessary to process the annual budget for the Corporation's operations. The Parties shall also cooperate on an ongoing basis to ensure that the functions of the Corporation, as identified in this Agreement, are timely and adequately funded, so as to avoid disruption in programs and services.
- 3.6.2 Pursuant to the Plan, the Board shall develop and adopt annually a budget for the Corporation for all TMD funds and Incidental Revenue proposed to be expended during the fiscal year(s), including amounts proposed to be provided to sub-contractors and amounts reserved for opportunity/catastrophe, reserves and contingencies. Said budget shall be adopted by the Board and annually incorporated into the Annual Report of Activities or Milestone Report, for consideration by the San Diego City Council. The budget shall be filed with the City in accordance with section 3.5.1 (j) of this Agreement. The City fiscal year begins on July 1st of each calendar year.
- 3.6.3. Prior to adoption by the Board and submission to the City for City Council consideration, Corporation shall consult with City to ensure that appropriate amounts are budgeted for City administration and any required reserves. Nothing in this section shall prevent the Parties from agreeing to subsequent modifications to the individual line items in each category within the District budget in any given year, as long as the parties mutually agree to such modification in writing, and so long as the modifications do not require a modification of the Plan pursuant to San Diego Municipal Code sections 61.2521 and 61.2522, as amended from time to time, and so long as the City, at its sole discretion, does not consider such an adjustment an amendment to the Report of Activities and require City Council authorization for approval.

ARTICLE IV

REVENUES, DISBURSEMENTS, ADVANCES, RECONCILIATION INELIGIBLE EXPENDITURES

- 4.1 **Revenues.** All funds collected pursuant to the District Resolution shall be timely deposited and appropriately credited by City to the District Fund.
- 4.1.1 City shall provide, on a mutually agreed upon monthly cycle, reports of District activity processed by the City. Reports shall include the following: assessment revenues collected by month; assessment revenues earned by month; penalty revenues collected, interest earned on District fund through City's pooled investments, detailed breakdown of City administrative expenses; any advances or transfers from District Fund; any adjustments posted to the District Fund; and reconciliation of funds held by City to Fund balance. Information provided by City shall be adequate to allow for an independent calculation and estimate of the District's monthly earnings.

- 4.1.2 The total assessment revenues from the District will vary depending upon the gross room revenues, minus exempt revenues, collected by hotel businesses subject to the District assessment. Assessment revenues are projected under the Plan throughout the term of the Agreement.
- 4.1.3 City shall provide no less than annually a report of revenue audit outcomes including the number of businesses audited and the amounts of deficiencies and overpayments, along with the number of accounts and amounts referred to Collections and the outcomes.

4.2 **Disbursements.**

- 4.2.1 City will disburse District funds to Corporation on a monthly basis and with a payment term of no more than Net 20. On the first business day after the 15th of each month, the City will determine the revenue posted during the preceding month from assessments, penalties, and interest in the District fund. The City will disburse that amount from the District Fund less: the City's monthly administrative expenses pro-rated (or reasonable estimate thereof), any specified withholding amount for a Litigation Reserve required to be held in the TMD Fund(s) at the City as specified in Exhibit D; and all other budgeted contingency or reserve amounts as required or authorized by City Council through the Annual Report of Activities or Milestone Report as applicable. The disbursement shall occur no later than the end of the month. At fiscal year end June revenue shall be estimated no later than the first Friday after July 4 in order to meet City year-end payment processing deadlines.
 - 4.2.1.1 Prior to disbursement to Corporation, the District assessment funds to be disbursed must be part of a City Council approved District budget, detailing Corporation's proposed expenditure of those District assessment funds. To the extent known, the District budget should include any anticipated implementation dates of the programs proposed to be funded. The District budget will be prepared and submitted to Council for approval following the procedures set forth in Section 3.6 of this Agreement.
- 4.2.2 Any expenditures by Corporation which are not within the prescribed limitations of this Agreement, the Plan, San Diego Municipal Code sections 61.2501, et seq., and applicable laws, rules, and regulations governing this Agreement, as amended from time to time, are not chargeable to the District Fund and shall be borne solely by Corporation.
- 4.2.3 Upon written request from Corporation, the City may make additional disbursements of District funds to Corporation for up to 100% of a documented expense to implement any activity specified within the approved Report of Activities or for an eligible activity under Opportunity / Catastrophe utilizing assessments withheld for that purpose, subject to availability of funds. The written request for use of Opportunity / Catastrophe funds shall indicate a vote in the affirmative by the Board to allocate such funding. All requests for such an additional disbursement must include detail of the amount, timing, and proposed use of such funds. Any such disbursement will be based on available cash at the time of the request, subject to certification of funds availability by the City Comptroller.

- 4.2.4 Corporation shall submit a Reconciliation Report accounting for the use of the additional disbursement, as described in Exhibit A within 45 days of the receipt of the additional disbursement. If the Reconciliation Report is not submitted within this timeframe then the disbursed funds must be returned to the City in the form of a check marked payable to the City Treasurer, noting the District's name in the memo line, and City staff will deposit the check back into the District Fund. If neither the Reconciliation Report nor the repayment check is received by the City then the monthly disbursements may be suspended upon notice by email pending receipt of the required Reconciliation Report or repayment check. In the case of an extraordinary event or circumstance beyond the control of the Parties, such as an act of God, then City may, at its sole discretion, establish a new timeline and/or repayment process.
- 4.2.5 Corporation may advance District funds to recipient organizations subject to City's receipt of the funding agreement which shall provide for each of the following:
- a) Language specifying the permitted use of such advances, and any other language required by this Agreement;
 - b) Authorization by Corporation and recipient organization for the City to audit the use of any advanced funds;
 - c) Receipt by the Corporation and City of a full accounting by recipient organization and verified by Corporation of any District funds previously advanced to recipient organization; and
 - d) Advances to recipient organizations shall be returned or accounted for annually but no later than on or before the expiration of this Agreement or the expiration of the agreement between the Corporation and the recipient organization, whichever comes sooner, (or upon termination, if earlier), either as a reduction of the final request for reimbursement, or as a transfer of funds from recipient organization to the City.
- 4.2.6 All disbursements to Corporation shall be accounted for annually and any non-reconciled or unexpended funds shall be returned to City on or before the expiration of this Agreement (or upon termination, if earlier).

4.3 **Reconciliation**

- 4.3.1 Corporation shall submit to the City Reconciliation Report(s) accounting for the use of the District assessment funds, as described in Exhibit A, The Reconciliation Report(s) shall be submitted to the City within 45 days of the disbursement of funds and no less than monthly thereafter. Failure to timely submit Reconciliation Report(s) may result in, among other things, cessation of future disbursements, upon notice by email, until such time as the overdue report is received and reviewed by City staff, and deemed to be in compliance with the requirements of this Agreement.
- 4.3.2 District assessment funds may only be used for activities as authorized and approved by City Council in the Annual Report of Activities. Any expenditure that is not consistent with the Annual Report of Activities, or is not supported with proper documentation described herein and in Exhibit A, shall be considered an ineligible expenditure and may result in, among other things, cessation of future disbursements,

reduction of future disbursements, or termination of this Agreement. Nothing in this section shall waive or deny any right or remedy, at law or in equity, existing as of the date of this Agreement or hereinafter enacted or established, that may be available to the City against Corporation.

4.3.3 Corporation shall not use District funds in its operations, directly or indirectly, during any period of federal, state, or local debarment, suspension, or ineligibility of Corporation, when Corporation has been noticed, or should have known of such debarment, suspension, or ineligibility.

4.3.4 In the event that Corporation is holding District funds at the end of the preceding fiscal year, then Corporation may use such funds only for activities as authorized and approved by City Council in the Report of Activities. Corporation shall submit to the City a Reconciliation Report detailing the actual amount of carry forward District Funds held by Corporation at June 30, as described in Exhibit A, by September 30. Corporation shall submit to the City a Reconciliation Report accounting for the use of these carry forward Assessment Funds held by Corporation, as described in Exhibit A, by December 31. If the documentation is not submitted within this timeframe then the District funds held as of June 30 must be returned to the City in the form of a check marked payable to the City Treasurer and noting the District's name in the memo line and City staff will deposit the check back into the District Fund. If neither the Reconciliation Report nor the repayment check is received by the City then the monthly disbursements may be suspended pending receipt of the required Reconciliation Report or repayment check.

4.3.5 All Reconciliation Reports shall be accompanied by the following statement: "(Corporation's Name) hereby certifies that all staff time expended and reimbursements requested are for services performed in accordance with the Agreement between The City of San Diego and (Corporation's Name) for the management of the District". All Reconciliation Reports shall be signed by an officer of Corporation (not the Executive Director).

4.3.6 The final disbursement to Corporation may be withheld until all outstanding reports are received. Once the final disbursement to Corporation has been made under this Agreement, Contractor shall have 180 days to submit the Final Expenditure Report to City which accounts for all previously unreconciled disbursements plus the final disbursement and shall include a summary of the activities Corporation has performed pursuant to this Agreement.

4.3.7 Within 60 days of receipt of Reconciliation Reports, City shall approve the report or request additional information.

4.4 **Ineligible Expenses for District Reconciliation /Reimbursement**

4.4.1 Corporation and Corporation's subcontractors shall not use District funds for alcoholic beverages. Corporation's subcontractors shall not use District funds for travel, meals, lodging, or entertainment expenses, unless directly attributable to providing District programs and authorized by Corporation in advance, as provided for elsewhere in this Agreement.

- 4.4.2 If Corporation receives (or has received) additional funding for its activities from a source or sources other than through the City's allocation of District funds, and the use of said additional funds requires that Corporation make an accounting to, or be subject to, an audit by such other source, then Corporation shall charge those cost of such audit to the appropriate non-District funding source at the time incurred. Any cost incurred in connection with the Corporation which is properly chargeable to, and actually claimed for compensation under, a funding source other than the City, shall not be allowed as a chargeable cost under this Agreement.
- 4.4.3 Corporation shall not request reimbursement for, or submit as part of a Reconciliation Report, any expenditure that has been or may be properly charged to a funding source other than District assessment funds.
- 4.4.4 Corporation shall not request reimbursement for, or submit as part of a Reconciliation Report, any expenditure that has been or may be properly charged to a funding agency other than the City.
- 4.4.5 Corporation and Corporation's subcontractors shall not be paid for any expenditure that has been (or should be) properly charged to a funding source other than the District assessment fund, nor paid for expenditures which are ineligible under applicable City policies, the Plan, or this Agreement, unless approved, in writing, by the City. A payment request that is not consistent with the Corporation's budget or the Corporation's prospective Annual Report of Activities or Milestone Report, except as provided in this Section, or that is not supported with proper documentation as required herein, shall be considered an ineligible expenditure.
- 4.5 **Adjustments Between Budgetary Category Items.** Any Corporation requests for adjustments between category items (e.g. from Targeted Marketing and Sales to Destination Marketing) that exceed fifteen percent (15 %) of budgeted category item, as described in the Annual Report of Activities approved by City Council, shall be submitted to City in writing. Corporation's expenditure of additional funds in that budgetary category item may only occur if City provides written approval. City, at its sole discretion, may consider such an adjustment an amendment to the Annual Report of Activities and require City Council authorization for approval.
- 4.6 **Partial Performance.** In the event Corporation performs less than all services required under this Agreement in a proper and timely manner, the City will reimburse Corporation only the reasonable costs of those services actually performed by Corporation during that payment period, as determined by the City.
- 4.7 **Incidental Revenue.** Should Corporation use District funds to generate Incidental Revenue, Corporation may only use such revenue to improve the services performed by Corporation under this Agreement. "Incidental Revenue" means revenues generated by Corporation from receipt or use of District funds, including, but not limited to interest income earned by Corporation on District funds deposited into an interest bearing account. Corporation shall separately account for any and all Incidental Revenue accrued and/or used by Corporation. Corporation shall also submit to the City an Annual Incidental Revenue Report accounting for the receipt and use of all Incidental Revenue during the preceding fiscal year, as described in Exhibit A, with the annual audit.

ARTICLE V

SUSPENSION AND TERMINATION

5.1 Suspension or Disallowance of Payments

5.1.1 Notwithstanding any other provision of this Agreement, if Corporation fails to comply with any material term or condition of this Agreement, City's remedies include, without limitation, each of the following:

- a) Suspending one or more payments to Corporation, pending correction of the activity or action not in compliance; and/or
- b) Disallowing funds for all or part of the cost of the activity or action not in compliance.

5.1.2 If City notifies Corporation that City has suspended payments or disallowed funds, Corporation shall not expend any funds related to, or connected with, any area of controversy or conflict that resulted in the suspension or disallowance of funding.

5.1.3 Notwithstanding any other provision of this Agreement, if the validity of the District, District activities, District establishment, District renewal, or this agreement becomes the subject of litigation or a claim under the Government Claims Act, California Government Code section 810, *et seq.*, City may, at its sole discretion and upon written notice to Corporation, suspend or reduce one or more payments to Corporation, pending final adjudication of the litigation or claim. The written notice from the City shall include the total anticipated amount of District revenue available to be disbursed to Corporation during the period of litigation or resolution of the claim, including the amount of District revenue available for defense of the litigation or claim, if any, so that Corporation may adjust its budget and Funding Allocations accordingly. During such litigation or claim resolution all District revenue that is collected by the City and not disbursed to Corporation shall remain in the District Fund.

5.2 **Termination for Curable Default.** City may send written notice (delivered in accordance with the provisions of the Notice section herein) to Corporation if Corporation fails to comply with any term or condition of this Agreement. The written notice shall include a description of Corporation's default. If Corporation fails to cure the default within sixty (60) calendar days of the date Corporation receives the written notice, the City may immediately terminate this Agreement. City may suspend one or more payments to Corporation during the sixty (60) calendar day notice period.

5.3 **Termination for Incurable Default.** The City may immediately terminate this Agreement upon written notice (delivered in accordance with the notice provisions herein) to Corporation if:

- a) Corporation makes material misrepresentations in regard to information furnished to City pursuant to this Agreement, regardless of whether Corporation had knowledge or intent with respect to the misrepresentation;

- b) Corporation, or any of its officers or directors, engages in conduct that results in Corporation, or any of its officers or directors, being convicted of a felony that materially and adversely affects Corporation's performance of its obligations under this Agreement;
- c) Corporation misappropriates funds;
- d) Corporation files a voluntary petition in bankruptcy, is adjudicated bankrupt, or makes a general assignment for the benefit of creditors; and/or
- e) Corporation is unable or unwilling to comply with any additional terms or conditions concerning the operation of the District that may be required by newly enacted (or amended) federal, state, and/or local laws.

5.4 Continuing Responsibilities

5.4.1 In the event this Agreement is terminated, Corporation shall complete any and all additional work necessary for the orderly filing of documents and closing of Corporation's performance of its obligations and duties under this Agreement. For services rendered in completing the work, Corporation shall be entitled to fair and reasonable compensation for the services performed by Corporation before the effective date of termination. After filing of documents and completion of performance, Corporation shall deliver to the City all data and records (including, but not limited to, all documents and/or work product) prepared and/or completed directly in connection with, or related to, Corporation's performance under this Agreement. By accepting payment for completion, as well as filing and delivering documents as called for in this Section, Corporation discharges the City of all of the City's payment obligations and liabilities under this Agreement.

5.4.2 Upon the expiration or termination of this Agreement, Corporation shall transfer to City any District assessment funds on hand at the time of the expiration or termination, and any accounts receivable attributable to Corporation's use of District assessment funds.

5.5 **Rights and Remedies.** City's termination of this Agreement shall terminate each and every right of Corporation, and any person claiming any rights by or through Corporation under this Agreement. The rights and remedies of City enumerated in this Article are cumulative and shall not limit, waive, or deny any of City's rights under any other provision of this Agreement. Nor does this Article otherwise waive or deny any right or remedy, at law or in equity, existing as of the Effective Date of this Agreement or hereinafter enacted or established, that may be available to City against Corporation.

ARTICLE VI

INDEMNIFICATION

6.1 Indemnification and Hold Harmless Agreement.

6.1.1 To the fullest extent permitted by law, Corporation shall defend, indemnify, protect, and hold harmless the City, and all of the City's officers, agents, and employees, from

and against any and all "Indemnified Claims" as defined herein. The "Indemnified Claims" shall refer collectively to: (i) actions, suits, proceedings, or claims, including but not limited to any and all administrative, constitutional, or any other challenges to the validity, establishment, or renewal of the District; (ii) any and all liability, damages, injuries, losses, costs, or expenses, including, without limitation, consultants' and attorneys' fees arising out of or related to, in full or in part, or in any respect whatsoever the District, its formation, this Agreement, or by the acts or omissions of Corporation, its officers, employees, representatives, agents, and/or Subcontractors in performing work or services whether or not such work and/or services are required or authorized herein; and (iii) all expenses of investigating and defending against same, including, without limitation, attorney fees and costs. City may, at its own election, conduct the defense or participate in the defense of any Indemnified Claim. If City elects to conduct its own defense, participate in its own defense, or obtain independent legal counsel in defense of any Indemnified Claim, Corporation shall pay the City for all costs related thereto, including, without limitation, reasonable fees and costs.

- 6.1.2 The Corporation's obligation to indemnify and hold harmless the City pursuant to paragraph 6.1.1 above shall not include liability, damages (including, without limitation, penalties, fines, and monetary sanctions), injuries, losses, costs, or expenses (including, without limitation, consultants' and attorneys' fees) due to errors or problems with assessment amounts.
- 6.3 **City to Control Defense.** City shall control the defense (including the selection of qualified legal counsel) of any proceeding which gives rise to a right of defense and indemnification under this Article.
- 6.4 **Settlement.** Corporation shall notify City in writing of any settlement or compromise discussion associated with any proceeding covered by this Article and shall provide the City an opportunity to participate in such discussion. Corporation shall not settle or compromise any proceeding covered by this Article without first obtaining written consent to such settlement or compromise from the City.
- 6.5 **District Revenue to Pay Costs of Defense.** The cost of defense of any actions, suits, proceedings, or claims which challenge the validity, establishment, or renewal of the District may be paid for with District revenue, subject to the limitations of section 5.1.3 of this Agreement.
- 6.6 **Enforcement Costs.** Corporation shall pay City any and all costs City incurs enforcing the indemnity and defense provisions set forth herein.

ARTICLE VII

INSURANCE

- 7.1 **Corporation's Duty to Maintain Insurance.** At all times during this Agreement, Corporation shall maintain and comply with the insurance requirements set forth in this Article VII. Corporation shall provide to City insurance certificates reflecting evidence of all insurance coverage required under this article. Notwithstanding any provision of this Agreement to the contrary, Corporation's failure or refusal to obtain, maintain or renew

insurance as required by this Agreement, or failure to provide proof of insurance, shall be a default of this Agreement. If a default under this Article occurs, City shall be permitted to suspend payments during such default period, and Corporation shall be permitted to cure the default, pursuant to Article V herein.

- 7.2. **Types of insurance.** At all times during the term of this Agreement, the Corporation shall maintain insurance coverage as follows:

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.

Commercial Automobile Liability. For all of the Corporation's automobiles including owned, hired and non-owned automobiles, the Corporation shall keep in full force and effect, automobile insurance written on an ISO form CA 00 01 12 90 or a later version of this form or an equivalent form providing coverage at least as broad for bodily injury and property damage for a combined single limit of \$1 million per occurrence. Insurance certificate shall reflect coverage for any automobile (any auto).

Workers' Compensation. For all of the Corporation's employees who are subject to this Agreement and to the extent required by the applicable state or federal law, the Corporation shall keep in full force and effect, a Workers' Compensation policy. That policy shall provide a minimum of \$1 million of employers' liability coverage, and the Corporation shall provide an endorsement that the insurer waives the right of subrogation against the City and its respective elected officials, officers, employees, agents and representatives.

- 7.3. **Deductibles.** All deductibles on any policy shall be the responsibility of the Corporation and shall be disclosed to the City at the time the evidence of insurance is provided.
- 7.4. **Acceptability of Insurers.** Except for the State Compensation Insurance Fund, all insurance required by this Agreement shall only be carried by insurance companies with a rating of at least "A-, VI" by A.M. Best Company, that are authorized by the California Insurance Commissioner to do business in the State of California, and that have been approved by the City. The City will accept insurance provided by non-admitted, "surplus lines" carriers only if the carrier is authorized to do business in the State of California and is included on the List of Eligible Surplus Lines Insurers (LESLI list). All policies of insurance carried by non-admitted carriers are subject to all of the requirements for policies of insurance provided by admitted carriers described herein.
- 7.5. **Required Endorsements.** The following endorsements to the policies of insurance are required to be provided to the City before any work is initiated under this Agreement.

Commercial General Liability Insurance Endorsements:

ADDITIONAL INSURED. To the fullest extent allowed by law including but not limited to California Insurance Code Section 11580.04, the policy or policies must be endorsed to include as an Insured the City of San Diego and its respective elected officials, officers, employees, agents and representatives with respect to liability arising out of (a) ongoing

- 7.8. **Additional Insurance.** The Corporation may obtain additional insurance not required by this Agreement.
- 7.9. **Excess Insurance.** All policies providing excess coverage to the City shall follow the form of the primary policy or policies including but not limited to all endorsements.
- 7.10. **Bonding Requirements for Corporation Employees and Officers.** Corporation shall carry a Fidelity Bond that includes, but is not limited to, Employee Dishonesty, Theft, Forgery, and Computer Related Crime. All officers, agents, and employees of the Corporation who handle funds of the Corporation in any manner, and any other officers, agents, and employees of the Corporation specifically designated by the Board of Directors, shall execute fidelity bonds in favor of the Corporation in the penal sums as established by the Board of Directors. Each fidelity bond shall be executed by the officer, agent, or employee as principal and by a corporate surety company approved by the Board of Directors for Corporation, provided, however, that blanket bonds may be employed in lieu of individual bonds in the case of employees.

ARTICLE VIII

COMPLIANCE WITH LAWS AND POLICIES

8.1 Conflicts of Interest

- 8.1.1 Under San Diego Municipal Code [Code] section 61.2504, and in keeping with state law codified in California Streets and Highways Code section 36614.5, the Corporation 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. Nothing in this Section shall be construed to create any additional duties or obligations, on the part of Corporation or City, beyond those obligations to follow existing law, as updated from time to time during the course of this Agreement. Obligations and duties assumed by Corporation under the Plan, including those related to planning of District activities and allocation of District funds, shall not create in Corporation officials the obligations of a "consultant" as defined in the California Code of Regulations, Title 2, section 18701(a)(2).
- 8.1.2 Corporation shall at all times comply with all federal, state, and local laws, including conflict of interest laws, statutes, ordinances, regulations, and policies of City related to public contracts and procurement practices to the extent applicable.
- 8.1.3 The Parties are unaware of any financial or economic interest of any public officer or employee of City relating to this Agreement. If such a financial and/or economic interest is determined to exist, the City shall immediately notify Corporation. Corporation and City shall investigate the nature of the interest and Corporation or City shall take all necessary actions to clear the conflict, including initiating action against the officer, employee or Corporation.
- 8.1.4 Corporation shall establish, and make known to its agents and employees, appropriate safeguards to prohibit employees from using their positions for a purpose that is, or that gives the appearance of being, motivated by the desire for private gain for themselves or others, particularly those with whom they have family, business, and/or other relationships.

- 8.1.5 Corporation Board members and officers are intended and understood to represent and further the economic interest of City's lodging industry and have a fundamental duty to advance the general welfare of the lodging industry in a manner which may incidentally or indirectly benefit themselves or their business interests. Such incidental or indirect benefits shall not be considered to violate the duties assigned to the Corporation, its Board or officers under the terms of this Agreement.
- 8.1.6 Corporation's personnel, employed in performing the obligations and duties under this Agreement, shall not accept gratuities, or any other favors, from any Subcontractor or potential Subcontractor. Corporation shall not recommend or specify any product, supplier, or Corporation with whom Corporation has a direct or indirect financial or organizational interest or relationship that would violate conflict of interest laws, regulations, or policies.
- 8.1.7 If Corporation violates any conflict of interest law, or any of the provisions of this Section, City shall issue a notice to cure. City and Corporation shall then take actions to cure said violation. Should the Corporation fail to adequately cure the violation, then the City may immediately terminate this Agreement. Further, any such violation shall subject Corporation to liability to the City for attorney's fees and all damages sustained as a result of the violation.

ARTICLE IX

DATA AND RECORDS

- 9.1 **General.** Corporation shall maintain, and require its Subcontractors to maintain, all administrative and financial records required in connection with the operations of the District (including, but not limited to, all books, accounting records, financial statements, invoices, receipts, payroll records, personnel records, and any other data and records pertaining to all matters covered in this Agreement) during the term of this Agreement.
- 9.2 **Accounting Records**
 - 9.2.1 Corporation shall maintain, keep or cause to be kept and require its Subcontractors to maintain, keep or cause to be kept true, complete and accurate accounting records, books, and financial statements in accordance with Generally Accepted Accounting Practices [GAAP] in the industry. The financial statements must be audited by an independent Certified Public Accountant in accordance with Generally Accepted Auditing Standards. The Corporation shall provide the City with full annual audited financial statements within six months after the end of each Fiscal Year.
 - 9.2.2 Within thirty (30) calendar days of any written request by the City for accounting records, Corporation shall at its sole cost and expense make available to the City, for review and audit, all Project-related accounting records, documents, and any other financial data and records. Upon the City's request, Corporation shall submit exact duplicates of the originals for all requested records to the City.
 - 9.2.3 All auditing records and statements must include a statement of expenditures of Corporation funds, certified by an independent Certified Public Accountant, identified in

the same expenditure classifications as contained in the Corporation's approved budget and shall comport to the extent possible with the budget amounts as set forth in the Plan and annual budgets. All statements must also include a statement of compliance with the terms of this Agreement and must be signed by the executive officer of Corporation.

- 9.2.4 Failure to comply with the requirements of this section could result in suspension of any payments or possible future funding; provided, however, that the City shall not suspend any current or future payments until it has first given the Corporation written notice in accordance with the Termination for Curable Default section.
- 9.3 **Inspection and Photocopying.** At any time during normal business hours and as often as the City deems necessary, Corporation shall permit, and require its Subcontractors to permit, the City, or its authorized agents, to inspect and photocopy, at a reasonable location within the County of San Diego (e.g., the offices of Corporation), all books, accounting records, invoices, receipts, payroll records, personnel records, and any other Project data and records pertaining to all matters covered in this Agreement, for the purposes of auditing, monitoring, and/or evaluating Corporation's performance of its obligations and/or duties in connection with the Agreement and Plan. The City may retain copies of the same, with appropriate safeguards, if such retention is deemed necessary by the City in its sole discretion.
- 9.4 **Storage Period.** Corporation shall store, and require its Subcontractors to store, all Project data and records for a period of not less than five years after submission of the final expenditure report for the contract period, or five years after submission of the final expenditure report upon earlier termination of this Agreement, or until all audit findings have been resolved, whichever is longest. All such data and records shall be kept at Corporation's (or relevant Subcontractor's) regular place of business. At any time during the storage period, Corporation shall permit, and require each of its Subcontractors to permit, the City, or their authorized agents to examine all such data and records, for the purposes described herein. After the storage period has expired, or all audit findings have been resolved, whichever is later, Corporation shall provide City with thirty (30) calendar days written notice of its intent to dispose of any Project data and records. Corporation shall not take any action to dispose of such data and records without the prior written consent of the City.
- 9.5 **Original Documents.** Notwithstanding the foregoing, upon the termination of this Agreement for any reason, the City may request that Corporation deliver, and Corporation shall deliver, within fifteen (15) calendar days of any such request by the City, the originals of all such data and records to the City. Corporation may retain copies of all data and records delivered to the City.
- 9.6 **Ownership of Documents.** Once Corporation has received any reimbursement from the City for Corporation's performance of its obligations and/or duties under this Agreement, all data and records (including, but not limited to, all documents prepared and/or work product completed directly in connection with, or related to, Corporation's performance under this Agreement) shall be the property of the City. The City's ownership of such documents includes the use, reproduction, and/or reuse of such documents, as well as all incidental rights, whether or not the work for which the documents were prepared has been performed. This Section shall apply whether the Agreement is terminated by the completion of the Project, the expiration of this Agreement, or upon termination of this Agreement, if earlier, in accordance with the terms of this Agreement. Nothing in this Section shall limit Corporation's ability to retain copies of any documents over which City claims ownership, nor shall this Section be applied to original copies

of Corporation's articles of incorporation, bylaws, or any Corporation documents that are not related to Corporation's performance of obligations and duties under this Agreement and the Plan.

ARTICLE X

CITY POLICY PROVISIONS

- 10.1. **Nondiscrimination.** Corporation shall not discriminate in any manner against any person or persons on account of race, color, religion, gender, sexual orientation, medical status, national origin, age, marital status, or physical disability in Corporation's activities pursuant to this Agreement, including but not limited to the providing of goods, services, facilities, privileges, advantages, and accommodations, and the obtaining and holding of employment.
- 10.2. **Compliance with City's Equal Opportunity Contracting Program.** Corporation shall comply with City Council Ordinance No. 18173 (San Diego Municipal Code sections 22.2701 through 22.2708, as amended), EQUAL EMPLOYMENT OPPORTUNITY OUTREACH PROGRAM, a copy of which is on file in the Office of the City Clerk and by this reference is incorporated into this Agreement. Corporation and all of its subcontractors are individually responsible to abide by its contents. Corporation shall comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Act; and any other applicable federal and state laws and regulations hereafter enacted. Corporation shall not discriminate against any employee or applicant for employment on any basis prohibited by law. On or before the Effective Date, Corporation shall submit a current Work Force Report or a current Equal Employment Opportunity (EEO) Plan as required by Section 22.2705 of the San Diego Municipal Code, which sets forth the actions Corporation will take to achieve City's commitment to equal employment opportunities. Corporation shall insert the foregoing provisions in all contracts and subcontracts for any work covered by this Agreement so the provisions will be binding upon each Corporation and subcontractor. Compliance with EEO provisions will be implemented, monitored, and reviewed by City's Equal Opportunity Contracting Program staff. Corporation's failure to comply with the requirements of this section and/or submitting false information in response to these requirements shall be a default of this Agreement, and City may bar Corporation from participating in City contracts for a period of not less than one (1) year.
- 10.3. **Local Business and Employment.** Corporation acknowledges that City seeks to promote employment and business opportunities for local residents and firms in all City contracts. Corporation shall, to the extent legally possible, solicit applications for employment, and bids and proposals for contracts and subcontracts, for work associated with this Agreement from local residents and firms as opportunities occur. Corporation shall hire qualified local residents and firms whenever feasible.
- 10.4. **City Employee Participation Policy.** Corporation shall be in default of this Agreement if Corporation employs an individual who, within the twelve months immediately preceding the employment, did in his/her capacity as a City officer or employee participate in negotiations with or otherwise have an influence on the recommendation made to the City Council in connection with the Corporation's selection for this Agreement. This provision does not apply to members of the City Council.

- 10.5. **Drug-free Workplace.** Corporation shall be required to abide by the omnibus drug legislation passed by Congress on November 18, 1988, by adopting and enforcing a policy to maintain a drug-free workplace by doing all of the following:
- 10.5.1. Publish a statement notifying employees that the unlawful manufacture, distribution, dispensation, possession, or use of controlled substances are prohibited in the workplace and specifying the actions that will be taken against employees for violations of the prohibition; and
 - 10.5.2. Establish a drug-free awareness program to inform employees about all of the following:
 - a) The dangers of drug abuse in the workplace;
 - b) Corporation's policy of maintaining a drug-free workplace;
 - c) Any available drug counseling, rehabilitation, and employee-assistance programs; and
 - d) The penalties that may be imposed upon employees for drug abuse violations.
 - 10.5.3. Corporation shall include in each of its contracts related to this Agreement language obligating each subcontractor to comply with the provisions of this section to maintain a drug-free workplace. Corporation, and each of its subcontractors, shall be individually responsible for their own drug-free workplace program.
- 10.6. **Disabled Access Compliance.** Corporation shall at all times comply with the 1990 Americans with Disabilities Act ("ADA") and Title 24 of the California Code of Regulations (commonly known as the "building code") as defined in Section 18910 of the California Health and Safety Code and any other applicable federal, state, or local regulations hereafter enacted protecting the rights of people with disabilities.
- 10.7. **Living Wage Ordinance.** Corporation may be required to comply, and require each of its Subcontractors to comply, with the provisions of the City's Living Wage Ordinance, codified in San Diego Municipal Code [Code] sections 22.4201, et seq., in performing its obligations and/or duties under this Agreement. To the extent Corporation believes that it or its Subcontractors may be exempt from compliance pursuant to Code section 22.4215(b)(1), or any other exemption, Corporation may apply to City's Living Wage Administrator for determination of exemption.

ARTICLE XI

GENERAL PROVISIONS

- 11.1. **Compliance with Law.** Corporation shall at all times comply with all applicable laws, statutes, ordinances, and regulations of City, county, state, and federal governments. Corporation shall comply with all notices issued by City under the authority of all current or future laws, statutes, ordinances, or regulations.

- 11.2. **Mandatory Disclosure of Business Interests.** Pursuant to section 225 of The City Charter of the City of San Diego, California ("Charter"), Corporation and each of its 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 pursuant to this Agreement and the precise nature of all interests of all persons therein. Corporation's failure to fully disclose all of the information required by Charter section 225, or Corporation's failure to require each of its subcontractors to fully disclose such information, shall be a default of this Agreement. Exhibit B attached hereto and incorporated herein delineates the obligations of Corporation pursuant to Charter section 225.
- 11.3. **No Political Activity.** Corporation shall not use, and shall 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 this 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.
- 11.4. **Open Meetings and Brown Act Compliance.** The Corporation shall comply with the Ralph M. Brown Act, California Government Code section 54950, *et. seq.* All meetings of a majority of the members of the Corporation's board of directors and of standing committees shall be open and public. An agenda containing the date, time, and location of the meeting, and a general description of each item of business to be discussed or transacted, shall be posted in a place freely accessible to the public at least 72 hours prior to the meeting. The agenda shall also be sent to each member of the Corporation's board, and every member of the public requesting notification of the meetings, by facsimile, via the United States Postal Service, or electronic mail, at the time of the posting of the agenda.
- 11.5. **California Public Records Act.** Corporation shall comply with the provisions of the California Public Records Act, codified in California Government Code sections 6250- 6270, for all documents and records pertaining to all matters in connection with this Agreement.
- 11.6. **Notices.** Any notice required or permitted to be given under this Agreement shall be in writing and may be served personally or sent via the United States Postal Service, postage prepaid, or reliable overnight courier, addressed to the parties as follows:

If to Corporation:

San Diego Tourism Marketing District Corporation
8880 Rio San Diego Drive, Suite 800
San Diego, CA 92108

With a copy by First Class Mail to:

Civitas Advisors Inc.
1102 Corporate Way, Suite 140
Sacramento, CA 95831

If to City:

City of San Diego
Attn: Economic Development Division
1200 Third Avenue, Suite 1400
San Diego, CA 92101

With a copy by First Class Mail to: San Diego City Attorney
Attn: Real Property Section
1200 Third Avenue, Suite 1100
San Diego, California 92101-4106

Any party entitled or required to receive notice under this Agreement may, by like notice, designate a different address to which notices shall be sent. Notice shall be effective upon personal service or five (5) days after deposit with the United States Postal Service.

- 11.7. **Severability.** If any term, covenant, condition, or provision of this Agreement is found invalid, void, or unenforceable by a court of competent jurisdiction, the remaining provisions shall remain in full force and effect.
- 11.8. **Unavoidable Delay.** If the performance of any act required of City or Corporation is directly prevented or delayed by reason of strikes, lockouts, labor disputes, unusual governmental delays, acts of God, fire, floods, epidemics, freight embargoes, or other causes beyond the reasonable control of the party required to perform the act, the obligated party shall be excused from performing that act for the period equal to the period of the prevention or delay. If Corporation or City claims the existence of a delay, the party claiming the delay shall notify the other party in writing of the fact within ten (10) days after the beginning of the claimed delay.
- 11.9. **Legal Proceedings.** If any party brings an action or proceeding against another party under this Agreement, the prevailing party shall be entitled to recover from the nonprevailing party all reasonable costs and expenses thereof, including without limitation reasonable attorney fees and costs. The "prevailing party" shall be that party who obtains substantially the result sought, whether by settlement, dismissal, or judgment.
- 11.10. **Number and Gender.** Words of any gender used in this Agreement shall include any other gender, and words in the singular number shall include the plural, when the tense requires.
- 11.11. **Captions.** The section headings, and captions for various articles and paragraphs shall not be held to define, limit, augment, or describe the scope, content, or intent of any or all parts of this Agreement. The numbers of the paragraphs and pages of this Agreement may not be consecutive. The lack of consecutive numbers shall have no effect on the enforceability of this Agreement.
- 11.12. **Entire Understanding.** This Agreement contains the entire understanding of the parties. City and Corporation, by signing this Agreement, agree that there is no other written or oral understanding between them with respect to the subject matter of this Agreement. Each party has relied on its own advice from its own attorneys, and the terms, covenants, and conditions of the Agreement itself. Each party to this Agreement agrees that no other party, agent, or attorney of any other party has made any promise, representation, or warranty whatsoever which is not contained in this Agreement. The failure or refusal of any party to read the Agreement or other documents and obtain legal or other advice relevant to this transaction constitutes a waiver of any objection, contention, or claim that might have been based on such actions.
- 11.13. **Drafting Ambiguities.** This Agreement is, in all respects, intended by each party hereto to be deemed and construed to have been jointly prepared by the Parties. The Parties hereby expressly agree that any uncertainty or ambiguity existing in this Agreement shall not be

interpreted against either of them. Except as expressly limited by this paragraph, all other applicable rules of contract interpretation intended by law shall apply in full to this Agreement.

- 11.14. **Modifications.** This Agreement shall not be modified, altered or amended unless the modification, alteration or amendment is in writing and signed by all parties to this Agreement. Any and all amendments to this Agreement require City Council approval.
- 11.15. **Time is of Essence; Provisions Binding on Successors.** Time is of the essence of all of the terms, covenants, and conditions of this Agreement. Except as otherwise provided in this Agreement, all of the terms, covenants, and conditions of this Agreement shall apply to, benefit, and bind the successors and assigns of the respective parties, jointly and individually.
- 11.16. **Waiver.** City's failure to insist upon the strict performance of any of Corporation's obligations under this Agreement, in one or more instance(s), shall not be construed as a waiver of any such obligation, and the same shall remain in full force and effect. City's waiver of a default shall not be a waiver of any other default. Any waiver of a default must be in a writing executed by City to constitute a valid and binding waiver. City's delay or failure to exercise a right or seek a remedy shall not be deemed a waiver of that or any other right or remedy under this Agreement. The exercise of any particular right or the use of any particular remedy for any default shall not waive the use of any other right or remedy for the same default or for another or later default. City's failure to discover a default or take prompt action to require the cure of any default shall not result in an equitable estoppel, but City may at any and all times require the cure of the default.
- 11.17. **Survival.** Any obligation which accrues under this Agreement prior to its expiration or termination shall survive the expiration or earlier termination of this Agreement.
- 11.18. **Governing Law.** This Agreement shall be governed, construed, and enforced in accordance with the laws of the State of California.
- 11.19. **Counterparts.** This Agreement may be executed in any number of counterparts, each of which when executed shall be deemed an original, but all of which together shall constitute one and the same instrument.
- 11.20. **Consents, Approvals.** Neither City nor Corporation may unreasonably withhold or unreasonably delay any consent or approval required by this Agreement.
- 11.21. **City's Consent, Discretion.** Whenever required under this Agreement, City's consent or approval shall mean the written consent or approval of the San Diego City Manager, or his or her designee ("City Manager"), unless otherwise expressly provided, without need for further resolution by the City Council. City's discretionary acts hereunder shall be made in the City Manager's discretion, unless otherwise expressly provided. All references to "City Manager" herein shall be deemed to refer to the Mayor of San Diego or his or her designee for the duration City operates under the mayor-council (commonly referred to as "strong mayor") form of governance pursuant to Article XV of the City of San Diego City Charter.
- 11.22. **Authority.** Each individual executing this Agreement on behalf of another person or legal entity represents and warrants that he/she is authorized to execute and deliver this Agreement on behalf of such person or entity in accordance with duly adopted resolutions or other authorizing actions necessary and proper and under such legal entity's articles, charter,

bylaws, or other written rules of conduct or governing agreement, and that this Agreement is binding upon such person or entity in accordance with its terms. Each person executing this Agreement on behalf of another person or legal entity shall provide City with evidence, satisfactory to City, that such authority is valid, and such entity is a valid, qualified corporation, limited liability company, partnership, or other unincorporated association in good standing in its home state and that such entity is qualified to do business in California.

IN WITNESS WHEREOF, this Agreement is executed to be effective as of the Effective Date:

Date: 10/24/16

SAN DIEGO TOURISM MARKETING DISTRICT CORPORATION, a California non-profit corporation

BY: William L. Evans

Name: William Evans

Title: Chair of the Board

Date: _____

THE CITY OF SAN DIEGO, a California municipal corporation

BY: Kevin Faulconer, DCOC Per

Name: Kevin Faulconer

Title: Mayor

APPROVED AS TO FORM AND LEGALITY:

Date: 11/9/2016

JAN GOLDSMITH, City Attorney

BY: Adam Wander

Name: Adam Wander

Title: Deputy City Attorney

EXHIBIT A

DISTRICT DISBURSEMENTS AND DISTRICT ASSESSMENT FUNDS RECONCILIATION PROCEDURES

Disbursements in advance of City receipt of required documentation will be provided monthly in accordance with Section 4.2.

The required reports and documents to be submitted with each Reconciliation Report shall be updated annually by City as needed but generally will include the following:

- Cover letter/signed form indicating the amount of eligible District expenses during the period, and any disbursement accrued for a future purpose.
- Banks Statement(s) - include all pages.
- Bank Reconciliation Report.
- A copy of the check and invoice or receipt (or reference to contract for periodic payments of ongoing same amount, e.g. rent) detailing the services/products for each expense must be submitted. All invoices shall itemize the eligible expenditures and include the names and rates of pay for contracted personnel who have performed services on behalf of the District, the hours worked or standard hours if salaried, and details of any reasonable and necessary out-of-pocket expenses. Statements alone are not acceptable, but may be submitted in addition to the invoice or receipt.
- When past due expenses are being submitted then the prior invoice(s) reflecting the amount owed must also be included since only fully documented expenses may be accepted.
- Include payroll statements that detail all withholdings and taxes.
- Proof of payments to State and Federal agencies are required if the taxes/fringe benefits are to be considered as eligible expenses.
- For reimbursement of refreshment expenses for public board/committee/taskforce meetings, submit an agenda and the sign-in sheet for each meeting.
- For mileage, include a log that has the starting and ending mileage and the destination for each trip.
- Please note that late fees, finance charges (for late payments), citations, other penalties, nonsufficient fund bank fees, gifts, donations, gift cards, and alcohol purchases are deemed as ineligible expenses (but does not include approved sponsorships or promotional items).
- Board Meeting Agenda and Minutes
- Monthly Profit and Loss Reports.

EXHIBIT B

CONFLICT OF INTEREST AND PROCUREMENT POLICY FOR NONPROFIT CORPORATIONS CONTRACTING WITH THE CITY OF SAN DIEGO FOR ADMINISTRATION OF A BUSINESS IMPROVEMENT DISTRICT

Purpose

It is important for the City and its citizens to have confidence in the integrity of nonprofit corporations which contract with the City to administer programs, and which receive funding from or through the City.

This policy is not intended to supersede, negate or otherwise invalidate any statute, ordinance or policy, but is intended to supplement existing authorities governing these subjects.

Board Roster

Corporation shall provide, within 30 days of execution of an agreement, a list of the names of all board members and their business affiliations. In the event that the board membership changes, the Corporation shall provide the City with an updated list.

Procedures for Procurement of Goods and Services

All procurement of goods and services by nonprofit associations contracting with the City for administration of a Business Improvement District shall comply with Divisions 30-36 of Article 2, Chapter 2, of the San Diego Municipal Code, and all other laws and policies applicable to the City's procurement of such goods and services except as specified below:

When a *contract* provides for an expenditure greater than \$5,000, but equal to or less than \$10,000, the Nonprofit Corporation may award the *contract* but shall seek shall solicit written price quotations from at least two potential sources

When a *contract* provides for an expenditure greater than \$10,000 but equal to or less than \$50,000, the Nonprofit Corporation may award the *contract* but shall solicit written price quotations from at least five potential sources.

When a *contract* provides for an expenditure greater than \$50,000 but equal to or less than \$1,000,000, the Nonprofit Corporation may award the *contract* only after advertising it for a minimum of one day in the City Official Newspaper at least 10 days before the response is due.

Remedies

A violation of any provision of this policy shall be grounds for termination of the corporation's contract with the City, after notice and opportunity to cure pursuant to Article V Section 5.2. A contract or transaction entered into in violation of the conflict of interest and procurement provisions of this policy shall be void and unenforceable, and shall not entitle the corporation or the Corporation to any reimbursement or payment for goods or services provided pursuant to the void contract.

EXHIBIT C

SAN DIEGO TOURISM MARKETING DISTRICT MANAGEMENT PLAN

The San Diego Tourism Marketing District Management Plan, recorded as Document RR-310664 on file in the Office of the City Clerk, is incorporated herein by reference.

EXHIBIT D

DISTRICT LITIGATION RESERVE AND WITHHOLDING SCHEDULE

<u>Fiscal</u> <u>Year</u>	<u>Specified</u> <u>\$ Reserve</u>
FY 2017 Opening	\$ 29,000,000
FY2018	\$ 30,000,000

RESOLUTION NUMBER R- 310731DATE OF FINAL PASSAGE NOV 01 2016

A RESOLUTION OF THE COUNCIL OF THE CITY OF SAN DIEGO APPROVING THE UPDATED FISCAL YEAR 2017 – PART I REPORT OF ACTIVITIES AND THE FISCAL YEAR 2017 – PART II REPORT OF ACTIVITIES FOR THE TOURISM MARKETING DISTRICT, AUTHORIZING THE RELATED EXPENDITURE OF FUNDS, AND AUTHORIZING THE EXECUTION OF A NEW FIVE-YEAR TOURISM MARKETING DISTRICT OPERATING AGREEMENT.

WHEREAS, on November 26, 2012, in Resolution No. R-307843, the City Council renewed the San Diego Tourism Marketing District (TMD) for a period of thirty-nine and one-half (39 ½) years commencing January 1, 2013 (Resolution of Formation); and

WHEREAS, on or about December 19, 2012, petitioners Melvin Shapiro and San Diegans for Open Government initiated separate lawsuits in San Diego Superior Court challenging the validity of the TMD and associated assessment, styled *Shapiro v. City of San Diego et al.*, Case No. 37-2012-00087765-CU-MC-CTL, and *San Diegans for Open Government v. City of San Diego et al.*, Case No. 37-2012-00088065-CU-MC-CTL, and on February 25, 2013, Brigitte Browning, Sergio Gonzales, and UNITE HERE Local 30 filed a similar lawsuit styled *Browning et al. v. San Diego City Council*, Case No. 37-2013-00036413-CU-WM-CTL, and other similar lawsuits could be filed (collectively, the Initial District Litigation); and

WHEREAS, the City Council approved an initial five-year operating agreement with the San Diego Tourism Marketing District Corporation (TMD Corporation) in Resolution No. R-308062, effective March 26, 2013 and with a term ending November 25, 2017 (Initial Operating Agreement), a First Amendment to the Initial Operating Agreement in Resolution No. R-308065, effective April 23, 2013 (First Amendment), and a Second Amendment to the Initial

Operating Agreement in Resolution No. R-308588, effective December 9, 2013 (Second Amendment); and

WHEREAS, in May 2016, the City Council received and approved the FY 2017 Report of Activities for the TMD and approved a Third Amendment to the Initial Operating Agreement in Resolution No. R-310482, effective June 1, 2016; and

WHEREAS, since the time that the City Council approved the FY 2017 Report of Activities, the City Council has approved a modification of the TMD and Management Plan effective September 1, 2016, eliminating lodging businesses with fewer than 70 rooms from the TMD and the assessment; and

WHEREAS, the remaining TMD lodging businesses with 70 rooms or more continue to be assessed at two percent (2%) in total of assessable rent; and

WHEREAS, given the modification to assessed businesses and slightly lower anticipated assessments, the TMD Corporation has submitted an updated budget for FY 2017 broken into Part I and Part II.; and

WHEREAS, the proposed FY 2017 Report of Activities – Part I, covers the use of the assessments levied and available for expenditure from July 1, 2016 through October 31, 2016, and reflects updated revenue and expenditure estimates and anticipated reserves; and

WHEREAS, the proposed FY 2017 Report of Activities – Part II, covers the use of the assessments levied and available for the remainder of the fiscal year under the modified TMD and Management Plan; and

WHEREAS, the last remaining lawsuit from the Initial District Litigation has been dismissed but a new lawsuit challenging the District was filed on September 1, 2016, styled

California Taxpayers Action Network v. City of San Diego et al., Case No. 37-2016-00030603-CU-MC-CTL; and

WHEREAS, the City and the TMD Corporation now desire to enter into a new five-year operating agreement to address the modification to the TMD, a copy of which is attached as Document No. RR- 310731 and included in the backup materials for the City Council agenda item adopting this Resolution (New Operating Agreement); and

WHEREAS, the Initial Operating Agreement will be terminated upon the New Operating Agreement becoming effective; and

WHEREAS, approximately \$41,047,270 of TMD assessments, interest, and fund balance is projected to be available during the period of July 1, 2016 through October 31, 2016 (FY 2017 – Part I) and approximately \$24,482,826 of TMD assessments, interest, and fund balance is projected to be available during the period of November 1, 2016 through June 30, 2017 (FY 2017 – Part II); NOW, THEREFORE,

BE IT RESOLVED, by the Council of the City of San Diego, as follows:

1. The updated FY 2017 – Part I Report of Activities for the renewed TMD is approved with an anticipated budget of \$41,047,270 that reflects updated revenue and expenditure estimates and anticipated reserves in order to close out the current activities. The Chief Financial Officer is authorized to appropriate and expend TMD assessments, interest, and fund balance, contingent upon the Chief Financial Officer certifying that the funds necessary for expenditure are, or will be, on deposit in the City Treasury.

2. The updated FY 2017 – Part II Report of Activities for the TMD is approved with an anticipated budget of \$24,482,826 anticipated to be available from TMD Assessments, interest, and fund balance which will be matched with estimated non-TMD assessment funds

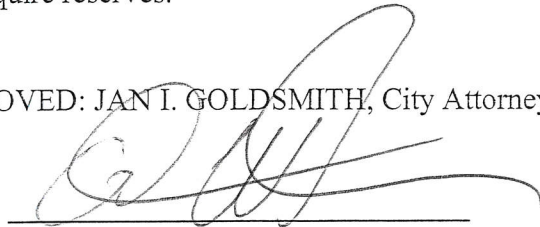
of \$15,026,557 is approved. The Chief Financial Officer is authorized to appropriate and expend TMD assessments, interest, and fund balance, contingent upon the Chief Financial Officer certifying that the funds necessary for expenditure are, or will be, on deposit in the City Treasury.

3. The Mayor or his designee is authorized to execute the new five-year operating agreement with the San Diego Tourism Marketing District Corporation for administration of the TMD with a term of November 1, 2016 through October 31, 2021, a copy of which is on file with the Office of the City Clerk as Document No. RR - 310731 (New Operating Agreement). The existing Initial Operating Agreement (with amendments) shall terminate upon the effective date of the New Operating Agreement.

4. The Chief Financial Officer is authorized to appropriate and expend the TMD Fund Balance and TMD Interest Fund Balance from FY 2016 at year end closing (less the estimated TMD assessments and TMD interest carryover included with the FY 2017 – Part I budget) for FY 2016 expenditures anticipated to be processed in FY 2017. Such appropriation and expenditure is 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 require reserves.

APPROVED: JAN I. GOLDSMITH, City Attorney

By


Adam R. Wander
Deputy City Attorney

ARW:mcm
October 20, 2016
Or.Dept: Econ. Dev.
Doc. No.: 1377735

I certify that the foregoing Resolution was passed by the Council of the City of San Diego, at this meeting of OCT 24 2016.

ELIZABETH S. MALAND
City Clerk

By Atty Brady
Deputy City Clerk

Approved: 10/31/16
(date)

Kevin L. Faulconer
KEVIN L. FAULCONER, Mayor

Vetoed: _____
(date)

KEVIN L. FAULCONER, Mayor

Passed by the Council of The City of San Diego on OCT 24 2016, by the following vote:

Councilmembers	Yeas	Nays	Not Present	Recused
Sherri Lightner	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Lorie Zapf	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Todd Gloria	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Myrtle Cole	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Mark Kersey	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Chris Cate	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Scott Sherman	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
David Alvarez	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
Marti Emerald	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

Date of final passage NOV 01 2016

(Please note: When a resolution is approved by the Mayor, the date of final passage is the date the approved resolution was returned to the Office of the City Clerk.)

AUTHENTICATED BY:

KEVIN L. FAULCONER
Mayor of The City of San Diego, California.

(Seal)

ELIZABETH S. MALAND
City Clerk of The City of San Diego, California.

By , Deputy

Office of the City Clerk, San Diego, California

Resolution Number R- 310731

Passed by the Council of The City of San Diego on October 24, 2016, by the following vote:

YEAS: **LIGHTNER, ZAPF, GLORIA, COLE, KERSEY, CATE, ALVAREZ, EMERALD.**

NAYS: **NONE.**

NOT PRESENT: **SHERMAN.**

RECUSED: **NONE.**

AUTHENTICATED BY:

KEVIN L. FAULCONER

Mayor of The City of San Diego, California

ELIZABETH S. MALAND

City Clerk of The City of San Diego, California

(Seal)

By: **Jeannette I. Santos**, Deputy

I HEREBY CERTIFY that the above and foregoing is a full, true and correct copy of
RESOLUTION NO. **R-310731**, approved on **October 31, 2016**. The date of final
passage is **November 1, 2016**.

ELIZABETH S. MALAND

City Clerk of The City of San Diego, California

(Seal)

By:  Jeannette I. Santos, Deputy