

DATE ISSUED: September 8, 2004

REPORT NO. 04-171

ATTENTION: Honorable Mayor and City Council
Docket of September 13, 2004

SUBJECT: Multi-year Transient Occupancy Tax Funding for the San Diego Bowl
Game Association/Holiday Bowl

SUMMARY

Issue: Should the Mayor and City Council approve a resolution expressing the intent to provide Transient Occupancy Tax (TOT) funding to the San Diego Bowl Game Association/Holiday Bowl for Fiscal Years 2006 through 2011?

Manager's Recommendation: Approve a resolution expressing the intent to provide TOT funding to the San Diego Bowl Game Association/Holiday Bowl for Fiscal Years 2006 through 2011.

Other Recommendations: None.

Fiscal Impact: In Fiscal Year 2005, the City is funding the San Diego Bowl Game Association at \$434,597 for the 2004 Holiday Bowl. The recommendation includes an intent to increase the contract annually by \$25,000. The resolution would specify that these funding intentions are subject to:

1. Availability of funds in a given year;
2. Discretionary prerogatives of the City Council to annually adopt a budget and annual appropriation ordinance for the City pursuant to the City Charter; and
3. The City Auditor certifying the availability of funds by issuing an auditor's certificate prior to any contractual commitment.

BACKGROUND

Through Transient Occupancy Tax (TOT) funding, Special Promotional Programs seeks to advance the City's economic health by promoting the City of San Diego as a visitor destination in the national and international marketplace; support programs that increase hotel occupancy and attract industry resulting in the generation of Transient Occupancy Tax and other revenue; develop, enhance and maintain visitor-related facilities and support the City's cultural amenities and natural attractions.

The Holiday Bowl has been a San Diego tradition since 1978 and the City has provided TOT funding to the San Diego Bowl Game Association for the annual Holiday Bowl since Fiscal Year 1988. Using the common yardstick by which college bowl games are measured, team payout, the Holiday Bowl ranks 8th among the 28 national college bowl games, and is one of the most prestigious post season games in college football. Over 1,500 citizens volunteer on various committees each year and it is managed by a board of directors composed of 33 local executives representing our diverse community. The Holiday Bowl brings thousands of tourists to San Diego annually and, through media exposure, San Diego is represented to the nation as an ideal location for tourism and conventions. The Holiday Bowl consistently supports the mission of Special Promotional Programs as described above.

DISCUSSION

As in previous years, the 2003 Holiday Bowl had a significant impact on the local economy. Approximately 36,946 out-of-county visitors traveled to San Diego for the game, accounting for 28,900 room nights. Over the life of the Holiday Bowl, the annual event has contributed over \$300 million in direct and indirect spending. This does not include potential benefit derived from the television exposure for San Diego from the telecasts of games on ESPN. In 2003, the Holiday Bowl was the highest rated college football game on the entire ESPN schedule, reaching over 9 million viewers. The economic impact of the past five years' games has averaged \$23.28 million per year. The 2003 event contributed over \$15.7 million in direct economic impact to San Diego and over \$14.6 million in indirect impact for a total economic impact in excess of \$30 million, the largest number in Holiday Bowl history.

In Fiscal Year 2004, the City investment in the Holiday Bowl was \$482,886 while the direct return to the City was \$972,554. That return was generated through TOT and sales tax, stadium rental, parking and concession income, and bowl office rental. The City's net of \$489,668 was a 200 percent return on investment in the Holiday Bowl.

In the same fiscal year, the Holiday Bowl also received financial support from the County of San Diego (\$53,332), Unified Port District (\$155,000) and the San Diego Convention and Visitor's Bureau (\$25,000). However, the largest source of support comes from the private sector in the form of sponsorship revenue totaling approximately \$2 million.

By virtue of agreements with the Pacific 10 and Big 12 Conferences, the Holiday Bowl Game is assured of high quality teams on an annual basis. To guarantee the annual highly ranked teams, the Holiday Bowl is required to maintain a team payout of a minimum of \$2 million to each

participating institution. As is evident, financial support is vital to the maintenance of a high profile event, and sponsorship revenue is the most critical component of this support. By securing evidence of continued support from the City, the Bowl Game Association expects to be in a significantly stronger position to obtain key sponsorships and ensure the continued financial stability of this prestigious game. In addition, the increase each year will be used to help fund the minimum \$2 million team payouts and the increasing business costs of promoting the Holiday Bowl and San Diego to the team and nationally on ESPN.

The following proposed funding schedule allows the Bowl Game Association to achieve its goals, as mentioned above, and will continue to have a significant positive impact on the San Diego economy.

Proposed Schedule of Funding

FY 2006	FY 2007	FY 2008	FY 2009	FY 2010	FY 2011
\$434,597	\$459,597	\$484,597	\$509,597	\$534,597	\$559,597

The City is able to protect its interests and modify funding if it becomes necessary based on the fiscal situation at the time by including in the resolution a statement that funding intentions are subject to:

1. Availability of funds in a given year;
2. Discretionary prerogatives of the City Council to annually adopt a budget and annual appropriation ordinance for the City pursuant to the City Charter; and
3. The City Auditor certifying the availability of funds by issuing an auditor's certificate prior to any contractual commitment.

This allows the Mayor and City Council to provide the utmost support to this valuable local event, while retaining the authority to prioritize funding and services to citizens.

The Bowl Game Association has historically been in compliance with the funding agreement with the City, providing required documentation such as audited financial statements, performance measure tracking and statements of compliance with the procedures in Council Policy 100-03, the governing policy on Transient Occupancy Tax. Currently, proposals for modification to Council Policy 100-03 are before the Rules Committee and are being researched by the City Manager's Office. Potential modifications include a requirement for the reporting of job classes, salary ranges and executive compensation packages, at certain funding levels. The Bowl Game Association would be responsible, under any modifications of Council Policy 100-03, to comply with these requirements.

CONCLUSION

Based on the Holiday Bowl's significant positive impact on the tourism industry in San Diego and the regional economy as a whole, the Holiday Bowl warrants the continued financial support of the City of San Diego. Given the Bowl Game Association's particular requirements to demonstrate long term stability, it would be mutually beneficial to provide the Association with an intent to continue TOT funding, at an annual increase of \$25,000, through Fiscal Year 2010.

By including the caveat that this funding is subject to the availability of funds, the City will have the ability to protect itself and its fiscal interests. Based on these findings, it is recommended that the City Council approves a resolution expressing the intent to provide TOT funding to the San Diego Bowl Game Association/Holiday Bowl for Fiscal Years 2005 through 2010.

Respectfully submitted,

Lisa Irvine
Financial Management Director

APPROVED: Bruce Herring
Deputy City Manager

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