



BOARD OF DIRECTORS MEETING

San Diego Convention Center Corporation, Board Room
111 W. Harbor Drive, San Diego, CA
Thursday, January 22, 2009
10:00 am to 12:30 p.m.

MINUTES

Roll Call

C. Terry Brown, Chairman, called the meeting to order at 10:02 a.m.

Board members present: Joe Terzi, Terry Brown, Richard Bartell, Patrick Duffy, Bob Rauch, Ray Warren, and Mohsen Khaleghi.

Board members absent: Luis Barrios, and Bill Evans.

Also in attendance: Lorin Stewart, Executive Director, Jere Batten, Batten Accountancy Inc., and John Lambeth, legal counsel.

PUBLIC COMMENT: None.

ACTION ITEMS:

1. There were no changes to the Minutes from the SDTPC Board of Directors meeting of January 15, 2009. A motion was made by Joe Terzi to approve the minutes. There was a second from Patrick Duffy. Yes 7, No 0, Abstain 0.
2. FY 2010: San Diego Convention and Visitors Bureau (Convis): Revised Proposed Scope of Work and Budget for Fixed "Base" Funding.
David Peckinpaugh gave a presentation to the Board on the Convis Budget. Convis budget assumes that for the FY 2010 there will be \$12.5 million in fixed funding. In addition Convis anticipates \$4.6 million in private source income and \$125,000 from the County. Board members asked questions about the FY 2010 performance goals. Joe Terzi asked if they were going to hit the goal of 875,000 room nights for FY 2009. Convis said it will be difficult to hit the 875,000 goal, but they are keeping the goal and working hard to get there. Convis reviewed the staffing organizational chart. Mr. Terzi requested more detail regarding the sales staff and the staff reporting to the Executive Vice President. Mr. Peckinpaugh stated that Convis will layoff some and reduce benefits and bonuses. Mr. Terzi expressed concern about reducing salaries and benefits. Ray Warren stated that the SDTPC Board should be careful about getting involved in the management of the Convis. Terry Brown stated that the

Board does need information about the decisions but that the Board should not manage Convis. Jim Oddo said that the Convis Board has done outreach to organizations and developed a plan that balances making cuts in hotel membership costs versus reducing the Convis budget. Kerri Verbeke Kapich from Convis presented the media flow chart to the Board. Convis stated the total return on investment for the fixed allocation is 15.87:1. The total room nights Convis expects to generate is 1,795,892; room nights attributed to TMD revenue is about 80 percent, or 1,436,714. The average daily rate is \$138.05 and total revenue is estimated to be \$198,338,365.

Convis reviewed for the Board the possible initiatives for incremental funding for FY 2010. Lorin Stewart stated that the Board will review the three FY 2010 incremental funding applications that have been submitted by Convis and the Board will score each of the incremental applications individually. Mr. Brown asked about the prior \$1.7 million supplemental for the stimulus campaign, versus the \$2.6 million now being requested. The new request is for more money for less room nights. Convis stated that the markets have changed. Also, Convis has been more deliberate about identifying incremental room nights as opposed to total room nights. Mr. Terzi asked about market share. Kerri Verbeke Kapich stated that Convis continues to track market share (i.e. room nights sold, supply in marketplace, average daily rate, and RevPar). San Francisco is doing well. Los Angeles and Anaheim are not doing as well. Las Vegas is advertising heavily.

3. **FY 2010 Incremental Funding Application Review and Score:**

Convis: FY 201 Los Angeles Market Stimulus Campaign

Convis presented 3 options for the Los Angeles stimulus campaign: Option 1 is a summer campaign, which would cost \$1.4 million. Convis estimates option 1 would generate 68,247 incremental room nights, at an average daily rate of \$143. The return on investment for option 1 is 6.6:1. Option 2 is a campaign for fall 2009 through spring 2010, which would cost \$1.1 million. Convis estimates option 2 would generate 45,232 incremental room nights, at an average daily rate of \$135. The return on investment for option 2 is 5.2:1. Option 3 is to do a combination of both option 1 and option 2 at a cost of \$2.6 million. Convis estimates option 3 would generate 113,479 incremental room nights, at an average daily rate of \$135. The return on investment for option 3 would be 5.9:1. Joe Terzi asked about more direct retail marketing instead of image marketing. Bob Rauch stated that he preferred to do something in the April/May timeframe. Kerri said these activities could be done earlier if the Board desires. Mr. Terzi expressed a concern about appreciating the difference between Los Angeles and Orange County visitors and visitors from the East Coast. The Los Angeles visitor knows San Diego and is looking for a deal. Ray Warren asked why option 3 was a combination of options 1 and 2. Mr. Warren stated that he thinks it makes sense to continue into the fall but that he is unsure about the spring. Mr. Warren stated that many people are making vacation decisions in early June and that the Board needs to make sure to start early enough to reach those travelers. Richard Bartell asked if there is enough money in the combination option to run the program April through November. Convis stated that yes there would be. The Board then voted on the combined plan: Mohsen Khaleghi scored the application a 4. Richard Bartell scored the application a 4. Ray Warren scored the application a 4. Bob Rauch scored the application a 3. Joe Terzi scored the application a 4. Patrick Duffy scored the application a 3. Terry Brown scored the application a 4. The average score on the application was a 3.71.

4. **FY 2010 Incremental Funding Application Review and Score:**
Convis: FY 2010 National Cable Advertising Campaign
Convis and Mering Associates explained to the Board that savings can be experienced through up-front media buys instead of buying in the scatter market. It costs \$4.2 million for six weeks of advertising. Mering explained that it doesn't run continuously, so that it expands awareness over a longer period of time. The request is for \$4.294 million. Convis estimates that it generates 224,000 incremental room nights, at an average daily rate of \$138. The return on investment is 7.23:1. The Board then scored the application: Patrick Duffy scored the application a 3. Terry Brown scored the application a 4. Mohsen Khaleghi scored the application a 3. Richard Bartell scored the application a 4. Ray Warren scored the application a 4. Bob Rauch scored the application a 4. Joe Terzi scored the application a 3. The average score on the application was a 3.57.

5. **FY 2010 Incremental Funding Application Review and Score:**
Convis: Online Travel Agency Advertising Campaign
Convis stated that an estimated 26.6% of all room nights are sold via the internet. There are various providers, including Expedia, Travelocity, Orbitz, and ARES. So far, the program has been highly successful. For example, on Expedia, San Diego has moved from number 9 to number 7. Convis stated that they have seen a 15.5% increase in Online Travel Agency numbers. The current program goes through March. Convis is now recommending that this be expanded to a year round program and that it include Orbitz. The funding request is for \$600,000. Convis estimates 35,000 incremental room nights would be generated, at an average daily rate of \$120. The estimated room revenue generated would be \$4.2 million; the return on investment would be 7:1. The Board then scored the application: Mohsen Khaleghi scored the application a 2. Richard Bartell scored the application a 4. Ray Warren scored the application a 4. Bob Rauch scored the application a 2. Joe Terzi scored the application a 3. Patrick Duffy scored the application a 4. Terry Brown scored the application a 3. The average score for the application was a 3.14

Joe Terzi asked for an update on the Convis contracts. Accessible San Diego is working with Convis on research. Meetings Database Institute finalized the contract and will be starting on February 1st. Convis is still waiting on answers from the Online Program and will be meeting with them next week.

Informational Items:

Chairman's Report – Terry Brown asked about the upcoming meeting schedule. Lorin Stewart recommended a meeting on the 5th and the 26th of February, but not on the 19th. A motion was made by Ray Warren in support of the purposed meeting schedule. A second was given by Joe Terzi. Yes 7, No 0, Abstain 0.

Treasurer's Report – Joe Terzi reviewed the budget overview. Ray Warren asked about the RevPar. Bob Rauch responded, stating there was an 11.5% RevPar decrease in the first half of 2009. Total revenue has also declined. There is approximately \$4.1 million remaining in incremental allocations and the opportunity/catastrophe fund for FY 2009. For FY 2010, a conservative projection is approximately \$25 million. This would allow about \$8 million in incremental funds for FY 2010.

Executive Director's Report – There were no additional items reported on as

part of the Executive Directors report.

CONSENT:

5. None

6. Motion to Adjourn

The meeting was adjourned by Chairman Brown without objection at 12:32 p.m.

**Approved _____
Luis Barrios, Secretary**

Date _____