



BOARD OF DIRECTORS MEETING
San Diego Convention Center, Board Room
111 W Harbor Drive, San Diego CA 92101
Thursday, February 26, 2009
9:00 am to 11:00 a.m.

MINUTES

Roll Call

C. Terry Brown, Chairman, called the meeting to order at 10:01 a.m.

Board members present: Terry Brown, Bill Evans, Luis Barrios, Richard Bartell, Bob Rauch, Patrick Duffy, and Mohsen Khaleghi.

Board members absent: Joe Terzi, and Ray Warren.

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

PUBLIC COMMENT: Clara Carter, President of MCCSN, gave a recap on the recommendations from their last meeting with Convis. Three members of the MCCSN met with Convis' staff to discuss the fam tour and identify future opportunities to work together and prevent any overlap. The group determined that, currently, the MCCSN and Convis have no duplication in their marketing efforts; Convis does not currently do any fam tours like the MCCSN and does not want to take on the fam tour. However Convis would like to support MCCSN and the fam tour as long as it is as a partnership and not as an administrative role.

PRESENTATION ITEMS:

1. David Peckinpaugh gave a presentation to the Board on the new organizational chart for Convis and his recent trip to meet with the U.S. Travel Industry. Mr. Peckinpaugh stated that the Association has produced a booklet to encourage travel and has issued a call to action to combat the negative effects of federal guidelines and restrictions on company events and trips. Mr. Peckinpaugh stated that the industry is being proactive about providing travel guidelines. Bill Evans asked if the new rules were being based on the pharma code. Mr. Peckinpaugh stated that they are but they do not have all of the meat that the pharma code has; just the oversight. Mr. Peckinpaugh then passed out the revised organizational chart for Convis. He stated that Convis now has 69 full time positions; they reduced 12 full-time positions and 6 part-time positions. Mr. Peckinpaugh then explained the four pillars of the organization –sales, marketing, finance and IT operations- and went into detail as to how each pillar is organized and its efficiency. Mr. Peckinpaugh stated that the organization is very efficient in its current structure. Terry Brown asked for clarification on the reduction in the sales department with regard to the loss of four sales positions. Mr. Peckinpaugh stated that they did eliminate four sales positions but that it will not impact the performance of the sales or marketing side. Convis then reviewed the return on investment study done by TNS in the

Los Angeles area. TNS is a large market research firm that Convis has been working with for eight years. TNS uses an “access panel” of consumers which they survey on a constant basis. 1 in every 75 households belongs to the TNS panel. The survey worked by allowing the campaign to run, then followed up with a survey in the market. TNS then allowed 3 months to pass, in order to allow time for travel, then went back and re-surveyed the market. The Los Angeles destination marketing campaign ran in Los Angeles, Orange County and Riverside. It was a combination of online ads and radio ads which ran from July 28th to September 7. Surveys were given during the second and third weeks of the campaign, the beginning of November and then again in January; 3,100 people were surveyed. Patrick Duffy asked for clarification with regard to the composition of the panel. Convis stated that 1 in 75 household in America are part of the TNS panel. In the LA market there are 3,100 households on the TNS Panel. Convis then explained what market the ad was targeting and the results. In the LA market, adults 21 to 65 make up 4.1 million households. Specifically, Convis focused on adults 25-54, which make \$100,000 and had stayed in a hotel during the past year; that market makes up about 1.2 million households. It was determined that their program did target the right audience and that overall that particular audience is spending more and staying longer. The study also found that Los Angeles is an extremely competitive market with many international destinations among the top market competitors. TNS recommended that LA continue to be a key market for San Diego especially in this economic environment. The study also determined that multiple mediums allow the ad penetration to go up. Convis reviewed spending habits of the market and the ad impact in spending habits. As a result of the ad campaign, the room revenue generated was \$14 million, with a return on investment of 8.3. Bill Evans asked how the ADR was determined. Convis stated that the survey asked participants how much they spent on hotel and then averaged their responses. Convis stated that room revenue and return on investment had been a bit off from their initial projections and this was probably because the ad had appealed to the more general market of adults 21-65; TNS was not sure why the ad had appealed to the more general market. Richard Bartell asked why there was lower awareness of the ad than expected. Convis explained that because the Los Angeles market had never been studied before they were not sure what level of penetration would be possible with the amount of money they had. Bill Evans asked if Convis had done a blended return on investment due to the influence in the general market. Convis stated that they had and the blended return on investment was 30. Bill Evans asked what the cost would be to implement the first and second ad campaigns for Los Angeles. Convis stated that the total program investment would cost \$1.2 million.

2. Cami Mattson, San Diego North CVB, gave a presentation to the Board on SDNCVB’s fy 2010 budget. Ms. Mattson stated that because of the reduced projection for TMD funds they had shaved various areas of the budget; there was no major hit to funds in any one area. SDNCVB has also frozen salaries and renegotiated contracts. Ms. Mattson stated that SDNCVB is very sensitive to administrative costs. Bill Evans asked what portion of the San Diego North CVB budget is made up of TMD dollars. Ms. Mattson stated that TMD dollars make up about 77% of San Diego North’s budget. Bill Evans asked if the other 23% was made up by memberships. Ms. Mattson stated that it was. Mr. Evans stated that he’d like to see what portion of the budget is from non San Diego hotels. He also stated that he would like to see what the City of San Diego is paying and a comparison of

San Diego Hotels versus non San Diego hotels. Ms. Mattson stated that their efforts are driven specifically toward San Diego due to the 77% contributed to her budget from TMD dollars, but that she would be happy to provide the board with a breakdown.

ACTION ITEMS:

1. There were no changes to the Minutes from the SDTPC Board of Directors meeting of February 5, 2009. A motion was made by Patrick Duffy to approve the minutes. There was a second from Richard Bartell. Yes 7, No 0, Abstain 0.

2. Appointment of the Nominating Committee
John Lambeth gave a review of the process for appointing a nominating committee for Board elections. Procedures for the elections and nominations is covered in three documents – the SDTPC Bylaws, the enabling ordinance and the tourism management district plan. Mr. Lambeth explained that when the Board of Directors was first appointed the terms were staggered so that 3 seats would be up for election each year. In June, the seats of Luis Barrios, Bill Evans and Joe Terzi will all be up for election. Any hotel owner paying into the assessment can be nominated or self nominate for a seat. The Board is required to call for self nominations. There can also be a slate of nominees selected by the nominating committee. All current assesses in good standing are eligible to vote and the vote is weighted by dollar of assessment. The management plan states that there may be a third party contracted to administer and count the ballots. Mr. Lambeth stated that the nominating committee could be made up of the Officers of the Board or could be appointed by the chair. Mohsen Khaleghi stated that since two of the Officers terms are up it would probably not be a good idea to use the officers as the nominating committee. Mr. Lambeth stated that they could use the officers and then nominate two other board members. Richard Bartell asked if hotels owners could nominate a representative to represent them on the Board. Mr. Lambeth stated that they could. A motion was made by Bill Evans to make the Chairman responsible for appointing the nominating committee. A second was given by Patrick Duffy. Yes 7, No 0, Abstain 0. A motion was made by Richard Bartell to create the nominating committee. A second was given by Luis Barrios. Yes 7, No 0, Abstain 0. Mr. Khaleghi asked if there are term limits for Board members. Mr. Lambeth stated that he would research if term limits apply to the Board members. Mr. Bartell asked how long the term would be for the Board members elected in June. Mr. Lambeth stated that it would be three years from now on and it was only staggered for the start of the corporation. Chairman Terry Brown stated that he will appoint the Officers who are not up for election to the Board and will appoint Bob Rauch and Mohsen Khaleghi in the place of the officers who are up for election.

3. Approval of the FY 2010 SDTPC Consolidated Annual Budget:
Lorin Stewart reviewed the FY 2010 consolidated annual budget with the Board. The projected budget for FY 2010 is \$24.8 million. As of now they have \$7,506 in incremental funds remaining in FY 2009 Budget with competitive incremental contracts and annual contracts exceeding their original projections. Jere Batten gave a review of the projected FY 2010 budget and what changed between FY 2009 and FY 2010. Ms. Batten stated the only thing that had changed was the projected carryover, which dropped to about \$4 million. Ms. Batten continued stating that assuming everything for fixed allocations and carry over will be spent, they are not projecting a carryover into the next fiscal year. Ms. Batten and Mr. Stewart then reviewed the SDTPC operational budget with

the Board. The SDTPC uses 3% of TMD funds for operational expenses – this includes escalation from the city. The SDTPC pays \$327,000 out of the 3% for accounting; this number is based on billable hours from the City. Bill Evans stated that the City's percentage is large and asked what that paid for. Meredith from the City stated that it pays for 3 people at the City in accounting departments to collect and account for the TMD dollars. Mr. Evans asked if there is a mechanism in the City to audit the amount it takes to process the TMD. Meredith stated that there is and that it has been done; after this year they will have a better idea of what it costs to process the TMD and they will share that information with the SDTPC. Ms. Batten stated that so far the amount of time that has been spent processing the TMD is significantly under what was projected. Richard Bartell asked what the procedure and time frame is to spend the 5% catastrophe fund that was set up and is held by the City. It was stated that the process is long but it is just as long as any other reimbursement. Terry Brown expressed his gratitude to the City and Jere Batten Accountancy for helping the SDTPC through the process. Mr. Brown acknowledged that the work and said that it was very much appreciated. A motion was made by Bob Rauch to approve the budget for FY 2010. Mr. Rauch also stated that although January was down this budget is very close to what was originally projected. A second was given by Patrick Duffy. Yes 7, No 0, Abstain 0.

4. Convis Los Angeles Summer Stimulus Campaign Timing:

Convis reviewed their Los Angeles Summer Campaign which was submitted as a FY 2010 program starting in July. Convis is now suggesting to the Board that the Campaign start on April 27, earlier than requested, so that they can take advantage of sweeps week. Convis stated that they are definitely willing to move forward sooner and that they would like approval from the SDTPC to do so. Lorin Stewart reviewed the action items to be taken by the Board. Bill Evans stated that he thought the Board should move forward with the campaign sooner but asked how the SDTPC might pay for the campaign. Mr. Evans stated that Los Angeles likes San Diego and the time for the campaign is now. Mr. Evans asked if Convis would spread out the campaign over time. Convis stated that the campaign would start April 27 and would run through June, but there is a possibility to move out a little farther. The total campaign will cost approximately \$2.7 million; in order to pay for the campaign the SDTPC will need to unfreeze the remaining funds for the FY 2009 incremental contracts. There is also the option to use some of the money in the catastrophe fund. Lorin Stewart stated that SDTPC will need to dip into the catastrophe fund to pay for the campaign to run earlier than originally planned. Convis also stated that no outdoor advertisement is planned at this time but we can look at various outdoor locations and opportunities. Mr. Evans stated that due to the economy it may be possible to obtain some prime outdoor locations and that it should definitely be looked at. A motion was made by Richard Bartell to unfreeze the remaining FY 2009 incremental funds and release catastrophe funds as necessary in order to move forward with the Los Angeles Summer campaign at the earlier date of April 27. A second was made by Mohsen Khaleghi. Yes 7, No 0, Abstain 0. Bob Rauch asked if Convis had a ball park figure on how much it would cost to acquire outdoor advertisement space. Convis stated that it could cost between \$400 -500,000 for outdoor advertisement. Mr. Rauch suggested that the marketing committee look into and make a recommendation regarding outdoor locations. Terry Brown asked why the February ad buy had not started. Convis stated that there was a delay in the creative production and that they wanted to get the ad right, not rush; the ad is on track for March 30. Convis stated that they had to clear up some past due bills. Bill Evans asked if Convis was using

TMD money to clear up past due bills. Convis stated that TMD money was not being used to clear up past due bills. Mr. Evans asked if all of the \$4 million was being spent on the February buy. Convis stated that the total was \$3.5 million and that it was being used on media and agency compensation. 90% was being spent on media. Mr. Evans asked if the media had been bought. Convis stated that they are in the process of buying now. Mr. Evans asked if the Board would be reviewing the media buys based on more current numbers. Convis stated buying nationally is the most efficient way to buy after California; it's an efficient one-two punch. A motion was made by Bob Rauch to amend the FY 2010 budget to reflect allocations in the catastrophe fund. A second was given by Patrick Duffy. Yes 7, No 0, Abstain 0.

Informational Items:

Chairman's Report – The next meeting is March 26th. There were no additional items reported on as part of the Chairman's report.

Treasurer's Report – There were no additional items reported on as part of the Treasurer's report.

Executive Director's Report – Lorin Stewart stated that the next Board meeting will be on March 26th and that they would be reviewing incremental applications. Mr. Stewart stated that he would be meeting with the City and finalizing the budget presentation.

Bob Rauch acknowledged the effort put into the Amgen Tour and what a success it had been. Bill Evans stated that he had lunch with Joe Terzi and Lorin Stewart to discuss the economy and they had two ideas for the Board: First, to develop an RFP to be sent to internet travel sites with a room number per night that they'd like to generate and ask the sites how they might do that and what it would cost the SDTPC. The second idea was to develop an RFP or a plan that the SDTPC would offer an additional commission to groups that book within a certain time period; the commission would be paid upon booking. Mr. Rauch stated that he would like to hear David Peckinpaugh's thoughts on the second proposal, but stated that he thought the first sounded like a great idea. David Peckinpaugh stated that in regard to the second proposal the SDTPC needed to differentiate their offer from the commission that is already being offered everywhere else. Mr. Peckinpaugh stated that the Board needs to be really cautious on differentiating and how they penetrate and communicate to the market. Richard Bartell asked if Mr. Peckinpaugh thought that the area was at a commission disadvantage. Mr. Peckinpaugh stated that he did not.

CONSENT:

5. None

6. **Motion to Adjourn**

The meeting was adjourned by Chairman Brown without objection at 10:55 a.m.

Approved _____
Luis Barrios, Secretary

Date _____