San Diego
Tourism Marketing District

Report of Activities for FY 2017 – Part I

September 14, 2016

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Introduction

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

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

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

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

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

The SDTMD brings management experience from the initial district to the renewed district but will also be funding activities in accordance with the renewal Plan which articulates how those that are assessed are benefitted while ensuring that those lodging businesses which are not assessed may not benefit from the TMD-funded activities.

This FY 2017 Report of Activities – Part I reflects the updated recommended allocations of assessments for FY2017 for July 1, 2016 through October 31, 2016.

Quick Facts

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

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

Advisory Board and Contracted TMD Management Corporation:
San Diego Tourism Marketing District (SDTMD)
8880 Rio San Diego Drive, Suite 800, San Diego, CA 92108
(619) 209-6108 www.sdtmd.org

Assessment Methodology Authorized by Resolution No. R-307843:
All assessment rates are based on the privileges directly conferred and specific benefit directly received by assessed businesses from the activities provided within each category and is levied on "Assessable Rent" which is based on gross room rental revenue less exempt revenues, of those benefitting businesses.

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

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

No Changes to Boundaries or Assessment Methodology:
For FY2015, no changes are proposed to the boundaries, which encompass the entire City of San Diego, or the benefit categories, or the basis / method of assessment for the renewed District.

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

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

FY2017 – Part I Budget Total
Estimated Available Tourism Marketing District (TMD) Funds FY2017 – Part I: **$41,047,270**

Budget Summary

CALCULATION OF AVAILABLE TOURISM MARKETING DISTRICT FUNDS FOR FY2017 –Part I

Projected Assessments		
Category A	$	8,413,384
Category B	$	3,191,283
Projected Interest and Penalties	$	80,000
Projected Carryover from FY2016 –	$	29,362,603
Contributions from Other Sources:	$	0
Total FY2017 – Part I Funds Available	**$**	**41,047,270**

PROPOSED ACTIVITIES FOR FY 2017 *

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

Category A

A1.1	Hotel Meeting Sales		$	1,178,649
A1.2	Event Management and Group Sales Development		$	518,662
A1.3	Tourism Development Including Travel & Trade		$	608,444
A1.4	Group Meeting Direct Marketing		$	258,737
A1.5	Consumer Direct Sales and Marketing Program		$	4,207,565
Sub-Total A1.1-A1.5			$	6,772,057
A1.6	Multi-Year Tourism Development		$	30,000
A2	Sub-Regional Targeting		$	680,248
A3	Competitive Targeting	*Programs of the type for benefit categories A.1.1-A1.6 awarded through a competitive process.*	$	280,759
Sub-Total				**$7,763,064**
Litigation Reserve			$	22,008,746
Opportunity/Catastrophe Reserve			$	501,521
Administration			$	572,169
Total Category A			**$**	**30,845,500**

Category B

Destination Marketing with Specific Call to Action - SDTA	$	2,945,460
Litigation Reserve	$	6,991,254
Opportunity/Catastrophe Reserve	$	66,993
Administration	$	198,063
Total Category B	**$**	**10,201,770**
Total Allocations	**$**	**41,047,270**

FY2017 – Part I Allocations

The FY2017 – Part I Allocations are estimated to total $10,708,524. Per the FY2017 Application Guidelines, the deadline for the annual Applications was December 4, 2015. All submitted applications were reviewed, ranked, and allocations recommended. Ranking factors included time of year, new versus existing rooms, and potential for growth.

Category A1 & B - Destination Marketing Organization (DMO)		
San Diego Tourism Authority (SDTA)* Funding Category A1	$	6,772,057
San Diego Tourism Authority (SDTA)* Funding Category B	$	2,945,460
Category A2 - Sub-Region Promotions (DMO)		
San Diego Tourism Authority (SDTA)*	$	680,248
DMO Sub-Total	**$**	**10,397,765**
**SDTA formerly known as ConVis*		
Category A3 – General Competitive Annual Applicants		
California State Games - Summer & Winter Games	$	150,000
California State Games – USA Masters Games*	$	50,000
Craft Brewers Guild – San Diego Beer Week	$	74,900
San Diego Crew Classic	$	5,859
A3 Sub-Total	**$**	**280,759**
Category A1.6 – Multi-Year Tourism Development		
Tourism Study	$	30,000
TOTAL FY2017 FUNDING ALLOCATIONS	**$**	**10,708,524**

** New recommendation for allocation 8-26-2016*

San Diego Tourism Authority
Budget Summary

Category A	
Wages, Taxes & Employee benefits	$ 1,375,723
Advertising	$ 3,337,311
Advertising agency fees	$ 353,333
Bid fees/Attraction Ticket Sales Cost	$ 59,400
Dues/ Subscriptions/Memberships	$ 23,519
Entertainment	$ 6,191
Event registration fees	$ 62,087
Lead generation services	$ 54,880
Marketing materials and brochures	$ 3,183
Outside contractors	$ 295,685
Promotional Items	$ 23,891
Rentals – booth space	$ 2,216
Rentals – remote space office	$ 24,761
Research	$ 82,491
Special event production	$ 59,925
Sponsorships	$ 2,544
Travel	$ 139,737
Allocation of Indirect Costs	$ 865,180
Total Category A Budget	**$ 6,772,057**
Category A2	**$ 680,248**
Category B	
Wages, Taxes & Employee Benefits	$ 64,456
Advertising	$ 2.603,018
Advertising agency fees	$ 205,834
Dues/ Subscriptions/Memberships	$ 644
Event registration fees	$ 816
Outside contractors	$ 9.071
Research	$ 20.512
Travel	$ 636
Allocation of Indirect Costs	$ 40,473
Total Category B Budget	**$ 2,945,460**
Total Budget	**$10,397,765**

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

San Diego Tourism Authority
Program of Work

Overview:

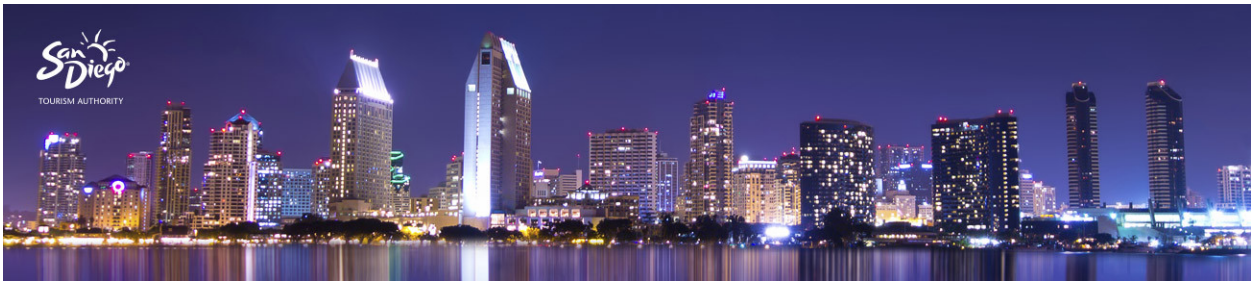
The San Diego Tourism Authority (SDTA) is the sales and marketing engine for the San Diego region. The organization is charged with monitoring the health of the tourism industry, promoting all areas of the region, and driving inbound travel.

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

Following the SDTA presentation of the FY2017 proposed budget and plan to the TMD Board of Directors on February 26, 2016, it was directed that the budget be set at $29.2 million compared to $30.2 million in the submitted application. The following summary reflects the $1 million reduction in budget and program of work.

The SDTA mission is clear: To drive visitor demand to economically benefit the San Diego community. Based on the total FY2017 budget request for Tourism Marketing District funding, the FY 2017 program of work is projected to deliver the following:

1. Deliver maximum hotel room nights to the Tourism Marketing District hotels.
2. Deliver an overall organization return on investment of $20 to $1.
3. Produce over 900 million paid advertising gross impressions.
4. Generate an estimated 9.3 million visitor inquiries through the web site, social media, e-mail and phone.
5. Deliver over $30 million in unpaid media exposure through earned media (unpaid editorial), unpaid media promotions and co-operative advertising partners.



FY2017 Key Strategies and Tactics:

The Leisure Market

1. Align San Diego marketing programs with Visit California and Brand USA, capitalizing on their respective $100 million and $200 million global marketing programs. Position San Diego as the best of everything California has to offer all in one place.
2. Generate maximum hotel/motel visitor volume for the destination by protecting existing volume markets and building opportunity markets.
3. Invest in research and database analysis to focus marketing programs, dollars and timing against the destination's best travel prospects.
    a. Conduct 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 forecast.
    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 findings from the Global Brand Research Project.
5. Build on the impact of the previous year's 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.
    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. Continue to target affinity audiences that align with the target personas.

7. Connect with travelers and communicate the depth of San Diego travel experiences through OWNED and SOCIAL media channels.
   a. Move Sandiego.org to a responsive platform (converge desktop, tablet and mobile versions) while increasing the site's storytelling appeal.
   b. Continue to build new content for all platforms, 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. Cruises—Port of San Diego
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 and m.sandiego.org—The Official Travel Resource for the San Diego Region.
    b. Visitor publications.
    c. Visitor services in the form of phone and email responses to visitor inquiries.
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 such as Southwest, Alaska and American. Develop promotions that feature air/hotel/attraction packages and provide potential visitors with a price point for the destination.

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

12. 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.
    b. Ensure a foundational layer of international development with In-Country Representation, Travel Trade Development and Public Relations.
    c. Build a layer of digital presence for San Diego through localized websites and social media.
    d. Host travel trade and media FAMS to grow education among key influencers.
    e. Seek incremental funding from the TMD to build promotional campaigns in key target markets.
13. Partner with the San Diego Regional Airport Authority to develop and support new international air service.

The Citywide Conventions Market

1. Continue to advocate for contiguous expansion of the San Diego Convention Center in order to meet customer needs and ensure growth of citywide room nights for the destination.
2. Due to the expansion delay and uncertainty, shift sales and marketing to best maximize utilization of the existing facility and generate the greatest hotel room night demand.
    a. Focus on filling open dates within the next five years (previously construction years).
    b. Capitalize on MINT, Top Medical Meetings, Tradeshow Weekly, Competitive Calendars and top 250 Trade Shows List databases to uncover new accounts.
    c. Bring prospective clients to San Diego to familiarize them with the convention center package.
    d. Secure medical citywide rotations.
3. Monitor developments in the West Coast convention centers (such as San Francisco's Moscone Convention Center, Anaheim, Los Angeles, and Seattle), 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.
    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 catering food and beverage and audiovisual contracts, and hold clients responsible for meeting expectations.

Hotel Meetings Markets

1. Evolve the new business strategy by keeping the core sales team focused on new customer acquisition and the site and conference services teams focused on maintaining and assisting annual repeat business to remain good stewards of that business.
    a. Prospects are defined as meetings that haven't met in San Diego previously and/or meetings that haven't met in San Diego in the last five years.
    b. Assists are defined as supporting hotel members as they work with a meeting planner to sell San Diego versus another destination, regardless of how the lead was generated.
    c. Repeats are defined as groups that return to San Diego annually and need our assistance in hotel consideration (e.g., Surf Cup, USMC graduation, Nomads Soccer, etc.).
2. Strategically place sales resources in key source markets in the West Coast, Midwest, Washington, D.C., and Southeast.
3. Continue to build upon the San Diego Meeting Certified program to ensure destination excellence across the hospitality community. Create a competitive selling advantage by touting the "only in San Diego" certification program.
4. Collaborate with meeting industry partners such as media companies and third-party planners to tap new audiences geographically and by industry segment.
5. Support members by broadening the responsibilities of the site services team to assist hotels and ensure we "keep it in San Diego".

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

Sub-Regional Marketing

As part of the SDTA program of work, specific efforts to support the sub-regions In the Tourism Marketing District, a benefit category has been established to develop programs that serve the needs of larger hotels (30 rooms or more) that are located in parts of the City other than Downtown. This benefit category is A2.

Overview:

From a lodging performance perspective, hotels that are located outside the Downtown core tend to realize less business travel and need more direct sales and marketing in order to drive hotel room night sales. Boosting room night demand in these areas boosts the overall San Diego lodging market performance, district lodging revenue and City TOT collections. According to Smith Travel Research, San Diego's sub-regions underperformed against the Downtown region in calendar year 2015, although the UTC area surpassed downtown in occupancy:

Sub-Region Hotel Performance

	Calendar Year 2015					
	% Occupancy	**% Occupancy YOY Growth**	**ADR**	**% ADR YOY Growth**	**RevPAR**	**RevPAR YOY Growth**
County	76.4%	2.41%	$150.64	6.02%	$115.04	8.57%
City of San Diego	78.5%	2.34%	$157.41	6.52%	$123.59	9.01%
Downtown	80.4%	0.98%	$189.17	7.79%	$152.18	8.84%
Mission Valley	77.6%	4.78%	$115.01	6.46%	$89.25	11.55%
Mission Bay	79.1%	1.39%	$179.09	5.31%	$141.75	6.78%
La Jolla Coastal	76.9%	1.28%	$225.69	7.76%	$173.46	9.14%
Pt. Loma - Airport	78.6%	1.41%	$127.29	5.21%	$100.05	6.70%
UTC	80.8%	3.04%	$170.51	5.01%	$137.74	8.20%
I-15 Corridor	72.8%	2.09%	$126.92	5.21%	$92.44	7.40%

Sub-Regional - Leisure Market

1. Advertise San Diego sub-regions through targeted regional media outlets that reach the upscale leisure and budget-conscious travel target. Alternate creative that promotes the unique nature of the sub-regions with event advertising geared to stimulate shoulder-season business.
2. Develop niche/experience OTA campaigns to focus on the luxury and budget travelers, specifically designed to drive room nights for sub-region TMD properties during need periods. Use the OTAs to provide creative allowing us to capitalize on their knowledge of the channel, change creative based on site wide themes (e.g., Fall Sale) and get into the marketplace quickly.
3. Continue with a dedicated public relations program to generate earned media exposure for sub-regions including pitches specifically matching neighborhood product offerings to media outlets.
4. Work in collaboration with the SDTA's International Marketing Manager to include sub-regions in international media pitches and hosting opportunities with Brand USA and Visit California where appropriate.
5. Expand social media campaigns that promote the sub-regions. Continue to engage hotel members from the sub-regions to participate in social campaigns and amplify messaging.
6. Continue building a library of rights-free marketing assets (photography, video and logo) that showcase the iconic beauty and vibe of each identified sub-region. Make these production assets accessible to participating lodging properties.
7. Distribute a promotional calendar of sub-region media campaigns, social media program and PR opportunities to all participating hotels and update quarterly with sub-region input.
8. Continue tour and travel development to build more sub-region opportunities in the U.S., Mexico and Latin America markets.

Sub-Regional - Group Sales Market

1. Beginning in FY 15, the SDTA hotel meetings sales team is goaled and rewarded only on finding new meetings for the destination. Meetings that are annual, repeat or may need assistance are generally handled by the site experience team and/or the conference services team, ensuring that our sales associates stay focused on finding meetings that would not have come to San Diego without their efforts.
2. We no longer duplicate leads that are sent directly to the hotels and are copied to us through Cvent and other third parties unless we can specifically demonstrate that the customer is sourcing San Diego due to our influence.
3. Continue our customer acquisition plan geared specifically to sub-regions to include more site experience programs (FAMS) and in-market presentations to non-summer, non-citywide, 35-500 peak room group meetings customers.
4. In FY 2017, we will continue to work with the expanded sub-region hotels to identify specific need dates for sales team focus.

SDTA – "Sports First San Diego" Department:

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

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

The multi-track sales strategy includes:

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

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

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

The core objective for international development is to create awareness of the San Diego brand and increase consideration to travel.

Key Strategies Overall

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

FY17 TOTAL SDTA Funding Request and Recommendation

PART I	
Funding Request A1	$6,772,057
Funding Request B	$2,945,460
Funding Request A2 – Sub-Region	$680,248
Sub-Total	**$10,397,765**
PART II	**$19,830,126**
TOTAL Funding Request & Recommendation	**$30,227,891**
Ranking:	
• Directors' Aggregate Ranking:	#1 of 16
Return on Investment (ROI) - Projected:	
• Total hotel room nights	3,377,000
• Return @ $160.11 ADR (average daily rate)	$578,932,920
• **ROI**	**20***

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

California State Games
Summer & Winter Games

The 2016 California State Games will be held in San Diego July 14-17, 2016 and will host over 9000 athletes who will be competing in 22 sports at venues throughout San Diego. Since a large majority of athletes are under the age of 18, they attend the State Games with their families and coaches. These athletes and their families are excited to come to San Diego to compete and take an extended vacation. An estimated 14,500 TMD hotel room nights will be booked in all parts of the Assessment District. The California State Game has a mandatory booking policy. Teams now have to stay at host SDTMD hotels to play in the Games.

The 2017 California Winter Games will be held in February & March 2016 and consists of Ice Hockey, Figure Skating & Gymnastics (new for 2016). The Winter Games are open to out of state competitors. Athletes are expected from Colorado, Texas, Arizona, Washington, and Utah. Exciting news this year is that San Diego now has a new ice rink in Poway. With the additional ice time, they will be able to accommodate more teams that may want to play, which means more TMD hotel rooms. Over 1,500 athletes and over 3,000 TMD hotel room nights are expected.

FY2017 TOTAL Funding Request and Recommendation
Funding to be used for Event Management & Group Sales/Consumer Direct Sales & Marketing.

Part I -Funding Request	$150,000
Funding Recommendation	**$150,000**
Ranking:	
• Directors' Aggregate Ranking:	#4 of 16
Return on Investment (ROI) - Projected:	
• Total hotel room nights	17,500
• New hotel room nights of total	3,000
• Return @ $140.00 ADR (average daily rate)	$2,450,000
• **ROI**	**16**

California State Games
USA Masters Games

The USA Masters Games is a new multi-sport event for competitive adult athletes providing 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. and other countries of the world – a Sports Festival for Masters athletes.

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. The USA Masters Games will feature Opening and Closing Ceremonies, and other events and activities showcasing San Diego amenities. California State Games will be managing the event with marketing cooperation from the San Diego Tourism Authority and San Diego Exploratory Committee. An estimated 10,000 rooms nights are expected in 2018.

FY2017 TOTAL Funding Request and Recommendation
Funding to be used for Event Management & Group Sales/Consumer Direct Sales & Marketing.

Part I	$50,000
Part II	$100,000
Funding Recommendation	**$150,000**

Ranking:

- Opportunity/Catastrophe Request: N/A

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** **14.9**

Craft Brewers Guild – SD Beer Week

San Diego Beer Week has been designed to be a tourism-oriented, ten-day signature celebration in November 2016 of craft beer. San Diego is uniquely positioned to successfully execute and benefit from a well-designed beer week. Not only is our region already a major tourist destination, unlike other cities which have started their own beer weeks, San Diego is already recognized as a Mecca for craft brewing – it has even been named the #1 Beer City in America. There are more Craft Breweries in San Diego than in most countries. San Diego's reputation incentivizes great brewers to want to live and work here in San Diego and make and produce a product that's world class. That, in turn, brings more tourists to San Diego to tour our more than 115 breweries and enjoy the diverse and numerous Beer Week events.

San Diego Beer Week leverages San Diego's existing craft brewing infrastructure advantage and the organizational power of the San Diego Brewers Guild to create the best annual Beer Week in America, and do it in a way that maximizes the benefits not just for local brewers, but also for the region's hotels. Focused promotion of San Diego Beer Week will have the ancillary benefit of increasing beer tourism to San Diego during the rest of the year, as well. The craft beer segment represents a highly desirable demographic of relatively young, educated, affluent, mobile beer enthusiasts, looking for opportunities to experience the local craft culture of San Diego for their vacations.

FY2017 TOTAL Funding Request and Recommendation
Funding for A1.4 – Group Meeting Direct Marketing and A1.5 – Consumer Direct Marketing

Funding Request	$74,900
Funding Recommendation	**$74,900**

Ranking:

- Directors' Aggregate Ranking: #3 of 16

Return on Investment (ROI) - Projected:

- Total hotel room nights 7,900
- New hotel room nights of total 1,000
- Return @ $148.97 ADR (average daily rate) $1,256,811
- **ROI** **16.7**

San Diego Crew Classic

The San Diego Crew Classic is the world's largest annual rowing regatta held primarily for eight-oared shells (boats). Occurring in the spring, the Crew Classic heralds the start of the rowing season in the United States. Since 1973, this well-regarded event, organized by a not-for-profit organization, has showcased the city of San Diego to generations of rowers and spectators, nationally and internationally. The San Diego Crew Classic is a two-day regatta in March of 120+ races and 4,000+ athletes – a marked increase since FY2009 when first receiving TMD funding. For 2017, they expect 450 boats from 76 cities, 24 states plus Canada, Mexico, Great Britain, and Hong Kong. In 2008 there were only 340 boats.

TMD funding helps the organizer broaden the scope nationally and to continue to attract the top-level college programs to their invitational races. Paramount to their success will be those efforts that grow the event's attendance, visibility and revenue 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 audiences from out-of-town with a greater ROI. They have identified the junior market as an important growth market, as well.

Another goal for 2017 is to "fill every lane" of each Master's race. The Master events have become a reunion of old teammates returning to San Diego from across the country to race against their peers. The Master competitors are the demographic that spend a significant amount of money to travel, race, and recreate in San Diego. They continue to explore ways to facilitate January winter rowing training in San Diego collegiate programs such as the University of Minnesota.

FY2017 TOTAL Funding Request and Recommendation
Funding for A1.2 – Event Management and Group Sales Development and A1.4 Group Meeting Direct Marketing.

Funding Request	$300,000
Part I – Recommendation	**$5,859**
Part II - Recommendation	**$194,141**
Total Recommendation	**$200,000**

Ranking:

- Directors' Aggregate Ranking: #5 of 16

Return on Investment (ROI) - Projected:

- Total hotel room nights 10,500
- New hotel room nights of total 1,000
- Return @ $148.97ADR (average daily rate) $1,743,525
- **ROI** **8.71**

Administration

San Diego Tourism Marketing District Corporation

	Category A	Category B	Total
Personnel			
Employee Benefits	$ 4,048	$ 1,535	$ 5,583
Executive Director Wages	54,375	20,625	75,000
Payroll tax	4,350	1,650	6,000
Workers Comp	1,088	413	1,501
Total Personnel	63,861	24,223	88,084
Contract Services			
Accounting	68,000	12,000	80,000
Audits	17,000	3,000	20,000
Legal	212,500	37,500	250,000
Research and compliance	22,667	4,000	26,667
Communications	35,258	6,222	41,480
Total Contract Services	355,425	62,722	418,147
Overhead			
Dues and subscriptions	261	99	360
Insurance	11,216	4,255	15,471
Meals, Travel & Entertainment	145	55	200
Occupancy	5,800	2,200	8,000
Office Supplies	1,208	458	1,666
Parking	97	40	137
Payroll processing	725	275	1,000
Postage and shipping	483	183	666
Printing and reproduction	483	183	666
Telephone	580	220	800
Total Overhead	20,998	7,968	28,966
Contingency	31,885	3,150	35,035
Total SDTMD Operations	**472,169**	**98,063**	**570,232**
Administration Fees to City	**100,000**	**100,000**	**200,000**
Total Administration	**$ 572,169**	**$ 198,063**	**$ 770,232**

Opportunity & Catastrophe / Litigation Reserve

Part I - Opportunity & Catastrophe Reserve by Fund: 0% of assessment revenue

	Category A	Category B	Total
Carryover from FY2016	$ 4,001,573	$ 509,242	$ 4,510,815
less $ moved to Litigation Reserve	(3,638,970)	(509,242)	(4,148,212)
Projected FY2017 Opp/Cat Allocation	138,918	66,993	205,911
Total Opportunity/Catastrophe Reserve	**$ 501,521**	**$ 66,993**	**$ 568,514**

Second Amendment Litigation Reserve

Required fixed amount, allocation by category based on current budgeted funding obligations.

	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
FY2016 Balance	**14,137,500**	**5,362,500**	**19,500,000**
Plus $ moved from FY2016 balance of Opportunity/ Catastrophe reserve	3,638,970	509,242	4,148,212
Plus $ moved from FY2016 balance of Undistributed funds/Admin interest	4,232,276	1,119,512	5,351,788
Sub-Total of FY17 Required Litigation Reserve allocations	**7,871,246**	**1,628,754**	**9,500,000**
Total FY17 Litigation Reserve	**$22,008,746**	**$ 6,991,254**	**$ 29,000,000**
Net Opportunity & Catastrophe/Litigation Reserve			**$ 29,568,514**

Administrative/Interest Income

Part I - Administrative: 5% of assessment revenue plus interest income:

	Category A	Category B	Total
Assessment Revenue	$ 420,668	$ 159,564	$ 580,232
FY2017-Part I	58,000	22,000	80,000
Legal Services (Litigation)	93,501	16,499	110,000
Total	**$ 572,169**	**$ 198,063**	**$ 770,232**

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FY2017 Report of Activities – Part I

San Diego
Tourism Marketing District

Report of Activities for FY 2017 – Part II

September 14, 2016

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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 2017 Report of Activities – Part II reflects the updated recommended allocations of assessments for FY2017 effective November 1, 2016 through June 30, 2017.

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:
Pending – to be 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

FY2017 – Part II Budget Total
Estimated Available Tourism Marketing District (TMD) Funds FY2017 – Part II: **$24,482,826**

Budget Summary

CALCULATION OF AVAILABLE TOURISM MARKETING DISTRICT FUNDS FOR FY2017 –PART II

Projected Assessments	$ 23,242,826
Projected Interest and Penalties	$ 160,000
Utilization of Original District remaining funds	$ 1,080,000
Contributions from Other Sources of Funding*:	$ 0
Total FY2017 – Part II Funds Available	**$24,482,826**

* *Please see Page 6 for required Matching Funds for funded entities*

PROPOSED ACTIVITIES FOR FY 2017 *
(Pursuant to San Diego Tourism Marketing District Management Plan August 2016)

Competitive Applications	
Targeted Marketing and Sales Programs	$ 11,634,868
Destination Marketing	$ 8,939,399
Sub-Total	**$20,574,267**
Administration	$ 1,320,466
Total Allocations	**$21,894,733**
Opportunity/Catastrophe Reserve	$ 2,588,093
Total	**$24,482,826**

FY2017 – Part II Allocations

The FY2017 – Part II Allocations are estimated to total $20,574,267. Per the FY2017 Application Guidelines, the deadline for the annual Applications was December 4, 2015. All submitted applications were reviewed, ranked, and allocations recommended. Ranking factors included time of year, new versus existing rooms, and potential for growth. The information below reflects the recommended amounts that are associated with Part II of FY2017.

ENTITY	**TMD FUNDS**	**NON-TMD FUNDS**
San Diego Tourism Authority	$ 19,830,126	$ 3,303,454
California State Games – USA Masters Games*	$ 100,000	$ 1,014,500
San Diego Bowl Games	$ 450,000	$ 9,814,320
San Diego Crew Classic	$ 194,141	$ 894,283
TOTAL	**$ 20,574,267**	**$ 15,026,557**

** New recommendation for allocation 8-26-2016*

San Diego Tourism Authority
Budget Summary

Targeted Marketing and Sales Programs	
Wages, Taxes & Employee benefits	$ 3,066,953
Advertising	$ 4,577,650
Advertising agency fees	$ 190,257
Bid fees/Attraction Ticket Sales Cost	$ 102,862
Dues/ Subscriptions/Memberships	$ 58,233
Entertainment	$ 40,636
Event registration fees	$ 131,093
Lead generation services	$ 58,653
Marketing materials and brochures	$ 5,741
Outside contractors	$ 541,501
Promotional Items	$ 31,492
Rentals – remote space office	$ 52,773
Research	$ 123,202
Special event production	$ 32,528
Sponsorships	$ 124,754
Travel	$ 236,081
Allocation of Indirect Costs	$ 1,543,318
Total Targeted Marketing and Sales Programs	**$10,917,727**
Destination Marketing	
Wages, Taxes & Employee Benefits	$ 681,836
Advertising	$ 4,672,907
Advertising agency fees	$ 1,028,418
Dues/ Subscriptions/Memberships	$ 1,069
Event registration fees	$ 43,392
Marketing Materials & Brochures	$ 5,586
Outside contractors	$ 964,310
Promotional items	$ 12,413
Rentals – booth space	$ 4,345
Research	$ 151,288
Special Event production	$ 13,716
Sponsorships	$ 3,599
Travel	$ 57,909
Allocation of Indirect Costs	$ 1,271,611
Total Destination Marketing	**$ 8,912,399**
Total	**$19,830,126**

SDTA was previously known as San Diego Convention and Visitors Bureau

San Diego Tourism Authority
Program of Work

Overview:

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

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

The SDTA mission is clear: To drive visitor demand to economically benefit the San Diego community. Based on the total FY2017 budget request for Tourism Marketing District funding, the FY 2017 program of work is projected to deliver the following:

1. Deliver maximum hotel room nights to the Tourism Marketing District hotels.
2. Deliver an overall organization return on investment of $20 to $1.
3. Produce over 900 million paid advertising gross impressions.
4. Generate an estimated 9.3 million visitor inquiries through the web site, social media, e-mail and phone.
5. Deliver over $30 million in unpaid media exposure through earned media (unpaid editorial), unpaid media promotions and co-operative advertising partners.

FY2017 Key Strategies and Tactics:

The Leisure Market

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

volume markets and building opportunity markets.

3. Invest in research and database analysis to focus marketing programs, dollars and timing against the destination's best travel prospects.
    a. Conduct 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 forecast.
    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 findings from the Global Brand Research Project.
5. Build on the impact of the previous year's 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.
    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. Continue to target affinity audiences that align with the target personas.
7. Connect with travelers and communicate the depth of San Diego travel experiences through OWNED and SOCIAL media channels.

a. Move Sandiego.org to a responsive platform (converge desktop, tablet and mobile versions) while increasing the site's storytelling appeal.
b. Continue to build new content for all platforms, 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. Cruises—Port of San Diego
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 and m.sandiego.org—The Official Travel Resource for the San Diego Region.
    b. Visitor publications.
    c. Visitor services in the form of phone and email responses to visitor inquiries.
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 such as Southwest, Alaska and American. Develop promotions that feature air/hotel/attraction packages and provide potential visitors with a price point for the destination.
    c. Industry Support—continue to participate in major travel industry shows. Continue to offer the San Diego Travel Specialist online training program to educate and certify travel agents.
12. 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.
b. Ensure a foundational layer of international development with In-Country Representation, Travel Trade Development and Public Relations.
c. Build a layer of digital presence for San Diego through localized websites and social media.
d. Host travel trade and media FAMS to grow education among key influencers.
e. Seek incremental funding from the TMD to build promotional campaigns in key target markets.

13. Partner with the San Diego Regional Airport Authority to develop and support new international air service.

The Citywide Conventions Market

1. Continue to advocate for contiguous expansion of the San Diego Convention Center in order to meet customer needs and ensure growth of citywide room nights for the destination.
2. Due to the expansion delay and uncertainty, shift sales and marketing to best maximize utilization of the existing facility and generate the greatest hotel room night demand.
   a. Focus on filling open dates within the next five years (previously construction years).
   b. Capitalize on MINT, Top Medical Meetings, Tradeshow Weekly, Competitive Calendars and top 250 Trade Shows List databases to uncover new accounts.
   c. Bring prospective clients to San Diego to familiarize them with the convention center package.
   d. Secure medical citywide rotations.
3. Monitor developments in the West Coast convention centers (such as San Francisco's Moscone Convention Center, Anaheim, Los Angeles, and Seattle), 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.
    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 catering food and beverage and audiovisual contracts, and hold clients responsible for meeting expectations.

Hotel Meetings Markets

1. Evolve the new business strategy by keeping the core sales team focused on new customer acquisition and the site and conference services teams focused on maintaining and assisting annual repeat business to remain good stewards of that business.
    a. Prospects are defined as meetings that haven't met in San Diego previously and/or meetings that haven't met in San Diego in the last five years.
    b. Assists are defined as supporting hotel members as they work with a meeting planner to sell San Diego versus another destination, regardless of how the lead was generated.
    c. Repeats are defined as groups that return to San Diego annually and need our assistance in hotel consideration (e.g., Surf Cup, USMC graduation, Nomads Soccer, etc.).
2. Strategically place sales resources in key source markets in the West Coast, Midwest, Washington, D.C., and Southeast.
3. Continue to build upon the San Diego Meeting Certified program to ensure destination excellence across the hospitality community. Create a competitive selling advantage by touting the "only in San Diego" certification program.
4. Collaborate with meeting industry partners such as media companies and third-party planners to tap new audiences geographically and by industry segment.
5. Support members by broadening the responsibilities of the site services team to assist hotels and ensure we "keep it in San Diego".
6. Reimagine customer experience programs (a/k/a FAMS) to offer more personalized and creative options to entice and convert meeting planners.
7. Fully leverage social media platforms such as LinkedIn and Twitter to prospect new customers and maximize attendance.

8. Continue direct marketing programs, including lead generation promotions, monthly email campaigns and direct mail to top accounts and prospects.

9. Hold in-market events for San Diego in primary and secondary markets to introduce San Diego to new customers.
10. Capitalize on the National Geographic Channel "World's Smart Cities" program to reposition San Diego and its business culture.

Sub-Regional Marketing

As part of the SDTA program of work, specific efforts will be undertaken to support the sub-regions within the TMD

Overview:

From a lodging performance perspective, hotels that are located outside the Downtown core tend to realize less business travel and need more direct sales and marketing in order to drive hotel room night sales. Boosting room night demand in these areas boosts the overall San Diego lodging market performance, district lodging revenue and City TOT collections. According to Smith Travel Research, San Diego's sub-regions underperformed against the Downtown region in calendar year 2015, although the UTC area surpassed downtown in occupancy:

Sub-Region Hotel Performance

	Calendar Year 2015					
	% Occupancy	**% Occupancy YOY Growth**	**ADR**	**% ADR YOY Growth**	**RevPAR**	**RevPAR YOY Growth**
County	76.4%	2.41%	$150.64	6.02%	$115.04	8.57%
City of San Diego	78.5%	2.34%	$157.41	6.52%	$123.59	9.01%
Downtown	80.4%	0.98%	$189.17	7.79%	$152.18	8.84%
Mission Valley	77.6%	4.78%	$115.01	6.46%	$89.25	11.55%
Mission Bay	79.1%	1.39%	$179.09	5.31%	$141.75	6.78%
La Jolla Coastal	76.9%	1.28%	$225.69	7.76%	$173.46	9.14%
Pt. Loma - Airport	78.6%	1.41%	$127.29	5.21%	$100.05	6.70%
UTC	80.8%	3.04%	$170.51	5.01%	$137.74	8.20%
I-15 Corridor	72.8%	2.09%	$126.92	5.21%	$92.44	7.40%

Sub-Regional - Leisure Market

1. Advertise San Diego sub-regions through targeted regional media outlets that reach the upscale leisure and budget-conscious travel target. Alternate creative that promotes the unique nature of the sub-regions with event advertising geared to stimulate shoulder-season business.
2. Develop niche/experience OTA campaigns to focus on the luxury and budget travelers, specifically designed to drive room nights for sub-region TMD properties during need periods. Use the OTAs to provide creative allowing us to capitalize on their knowledge of the

channel, change creative based on site wide themes (e.g., Fall Sale) and get into the marketplace quickly.

3. Continue with a dedicated public relations program to generate earned media exposure for sub-regions including pitches specifically matching neighborhood product offerings to media outlets.
4. Work in collaboration with the SDTA's International Marketing Manager to include sub-regions in international media pitches and hosting opportunities with Brand USA and Visit California where appropriate.
5. Expand social media campaigns that promote the sub-regions. Continue to engage hotel members from the sub-regions to participate in social campaigns and amplify messaging.
6. Continue building a library of rights-free marketing assets (photography, video and logo) that showcase the iconic beauty and vibe of each identified sub-region. Make these production assets accessible to participating lodging properties.
7. Distribute a promotional calendar of sub-region media campaigns, social media program and PR opportunities to all participating hotels and update quarterly with sub-region input.
8. Continue tour and travel development to build more sub-region opportunities in the U.S., Mexico and Latin America markets.

Sub-Regional - Group Sales Market

1. The SDTA hotel meetings sales team is goaled and rewarded only on finding new meetings for the destination. Meetings that are annual, repeat or may need assistance are generally handled by the site experience team and/or the conference services team, ensuring that our sales associates stay focused on finding meetings that would not have come to San Diego without their efforts.
2. We no longer duplicate leads that are sent directly to the hotels and are copied to us through Cvent and other third parties unless we can specifically demonstrate that the customer is sourcing San Diego due to our influence.
3. Continue our customer acquisition plan geared specifically to sub-regions to include more site experience programs (FAMS) and in-market presentations to non-summer, non-citywide, 35-500 peak room group meetings customers.

4. In FY 2017, we will continue to work with the expanded sub-region hotels to identify specific need dates for sales team focus.

SDTA – "Sports First San Diego" Department:

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

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

The multi-track sales strategy includes:

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

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

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

The core objective for international development is to create awareness of the San Diego brand and increase consideration to travel.

Key Strategies Overall

1. Identify priority markets for San Diego marketing investment
2. Align San Diego marketing programs with Visit California and Brand USA, capitalizing on their $100 million and $200 million respectively global marketing programs. Position San Diego as

the best of everything California has to offer all in one place.

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.

FY17 TOTAL SDTA Funding Request and Recommendation

PART I	**$10,397,765**
PART II	**$19,830,126**
TOTAL Funding Request & Recommendation	**$30,227,891**

Ranking:

- Directors' Aggregate Ranking: #1 of 16

Return on Investment (ROI) - Projected:

- Total hotel room nights 3,377,000
- Return @ $160.11 ADR (average daily rate) $578,932,920
- **ROI** **20***

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

California State Games
USA Masters Games

The USA Masters Games is a new multi-sport event for competitive adult athletes providing 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. and other countries of the world – a Sports Festival for Masters athletes.

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. The USA Masters Games will feature Opening and Closing Ceremonies, and other events and activities showcasing San Diego amenities. California State Games will be managing the event with marketing cooperation from the San Diego Tourism Authority and San Diego Exploratory Committee. An estimated 10,000 rooms nights are expected in 2018.

FY2017 TOTAL Funding Request and Recommendation
Funding to be used for Event Management & Group Sales/Consumer Direct Sales & Marketing.

Part I	$50,000
Part II	$100,000
Funding Recommendation	**$150,000**

Ranking:

- Opportunity/Catastrophe Request: N/A

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** **14.9**

San Diego Bowl Game Association

The San Diego Bowl Game Association produces two college football bowl games in December at Qualcomm Stadium: The Holiday Bowl and the Poinsettia Bowl. Beginning in 2014 the Holiday Bowl Game features the third selection of the eligible Pac-12 teams and fourth selection in the Big 10. The tentative dates of the 2016 Holiday Bowl are December 27th, 28th, or 29th. In the past four years, the Holiday Bowl games have generated an average of 25,543 TMD room nights.

The Holiday Bowl is televised nationally on ESPN and annually the game attracts 5 to 6 million viewers. The "beauty shots" of San Diego will again be part of the ESPN telecasts in 2016. Additionally, the game is broadcast nationally on ESPN radio and the Port of San Diego Big Bay Balloon Parade, a Holiday Bowl production, is televised nationally. The parade takes place either on game day or the day before the Holiday Bowl.

The possible date of the 2016 Poinsettia Bowl is December 20th, 21st, or 22nd. The 2016 game will feature a team from the Mountain West against a bowl-eligible Brigham Young University (BYU). In the last four years, the Poinsettia Bowl has generated an average of over 8,935 room night reservations the week before Christmas. The Poinsettia Bowl is televised nationally on ESPN and the San Diego "beauty shots" are also included in the telecast. The game is also broadcast on ESPN radio.

Funding to be used for Event Management and Group Sales Development

Funding Request	$450,000
Funding Recommendation	**$450,000**
Ranking:	
• Directors' Aggregate Ranking:	#2 of 16
Return on Investment (ROI) - Projected:	
• Total hotel room nights	34,478
• ADR	$140
• Return @ $140. ADR (average daily rate)	$4,826,920
• **ROI**	**10.7**

San Diego Crew Classic

The San Diego Crew Classic is the world's largest annual rowing regatta held primarily for eight-oared shells (boats). Occurring in the spring, the Crew Classic heralds the start of the rowing season in the United States. Since 1973, this well-regarded event, organized by a not-for-profit organization, has showcased the city of San Diego to generations of rowers and spectators, nationally and internationally. The San Diego Crew Classic is a two-day regatta in March of 120+ races and 4,000+ athletes – a marked increase since FY2009 when first receiving TMD funding. For 2017, they expect 450 boats from 76 cities, 24 states plus Canada, Mexico, Great Britain, and Hong Kong. In 2008 there were only 340 boats.

TMD funding helps the organizer broaden the scope nationally and to continue to attract the top-level college programs to their invitational races. Paramount to their success will be those efforts that grow the event's attendance, visibility and revenue 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 audiences from out-of-town with a greater ROI. They have identified the junior market as an important growth market, as well.

Another goal for 2017 is to "fill every lane" of each Master's race. The Master events have become a reunion of old teammates returning to San Diego from across the country to race against their peers. The Master competitors are the demographic that spend a significant amount of money to travel, race, and recreate in San Diego. They continue to explore ways to facilitate January winter rowing training in San Diego collegiate programs such as the University of Minnesota.

FY2017 TOTAL Funding Request and Recommendation
Funding for A1.2 – Event Management and Group Sales Development and A1.4 Group Meeting Direct Marketing.

Funding Request	$300,000
Part I – Recommendation	**$5,859**
Part II - Recommendation	**$194,141**
Total Recommendation	**$200,000**

Ranking:

- Directors' Aggregate Ranking: #5 of 16

Return on Investment (ROI) - Projected:

- Total hotel room nights 10,500
- New hotel room nights of total 1,000
- Return @ $148.97ADR (average daily rate) $1,743,525
- **ROI** **8.71**

Administration

San Diego Tourism Marketing District Corporation

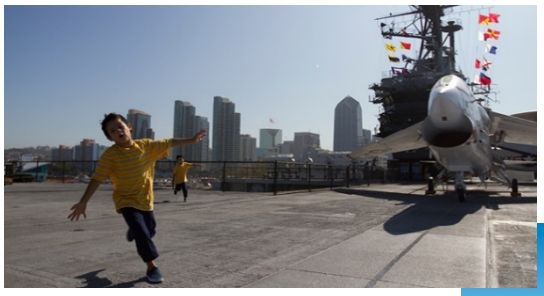
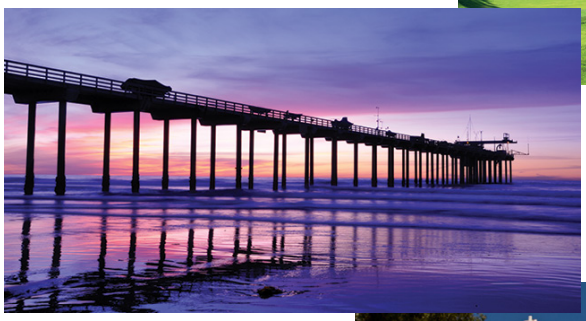
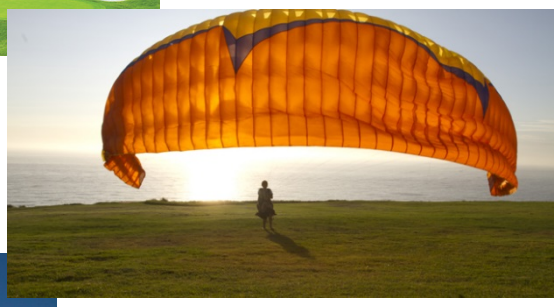
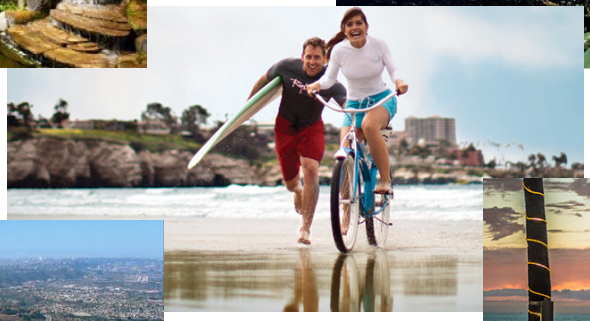
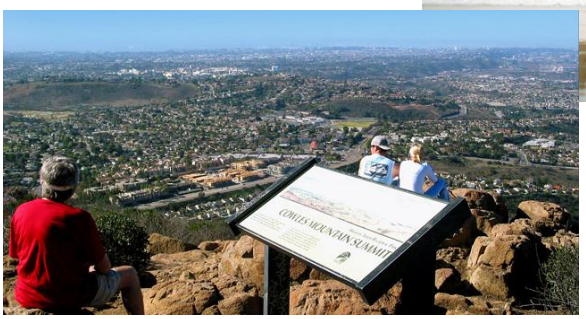
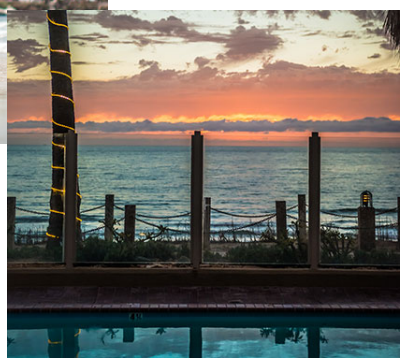
Personnel	
Employee Benefits	$ 11,166
Executive Director Wages	$ 150,000
Payroll tax	$ 12,000
Workers Comp	$ 3,001
Total Personnel	$ 176,167
Contract Services	
Accounting	$ 160,000
Legal	$ 96,667
Research and compliance	$ 53,333
Communications	$ 64,000
Total Contract Services	$ 374,000
Overhead	
Dues and subscriptions	$ 440
Meals, Travel & Entertainment	$ 400
Occupancy	$ 16,000
Office Supplies	$ 3,333
Parking	$ 267
Payroll processing	$ 2,000
Postage and shipping	$ 1,333
Printing and reproduction	$ 1,333
Telephone	$ 1,600
Total Overhead	$ 26,706
Contingency	$ 343,593
Total SDTMD Operations	**$ 920,466**
Administration Fees to the City	**$ 400,000**
Total Administration	**$ 1,320,466**

Opportunity & Catastrophe / Litigation Reserve Summary

Opportunity & Catastrophe Reserve:
5% of assessment revenue

5% Assessment revenue	$ 1,160,466
Projected unallocated funds	$ 1,427,627
Total Opportunity/Catastrophe Reserve	**$ 2,588,093**

Administrative/Interest Income

Administrative:
5% of assessment revenue plus interest income

5% Assessment revenue	$ 1,160,466
Projected interest income	$ 160,000
Total Administrative/Interest Income	**$ 1,320,466**