sdtmd
SAN DIEGO TOURISM MARKETING DISTRICT

FY 2020

SDTMD ANNUAL REPORT

NAVIGATING TOURISM IN THE AGE OF COVID-19

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Reviving Our Tourism Economy After a Global Pandemic

A MESSAGE FROM THE CHAIRMAN AND EXECUTIVE DIRECTOR

The importance of tourism to the San Diego economy has never been more evident than today. As our City continues to navigate challenges due to the global coronavirus pandemic, we can't deny the harsh realities. Thousands of valued and loyal tourism professionals are out of work. Hundreds of meetings, events and conventions remain cancelled. Hotel rooms sit empty.

And the losses go deeper. Hotel tax (TOT) generated from room nights has also fallen, leaving our City facing a budget deficit currently at $80 million and expected to climb higher. Typically, TOT is the city's third largest tax revenue source and supports essential services San Diego residents rely on, such as public safety, road repairs, homeless services, sanitation, libraries and more.

Travel experts estimate that COVID-19's impact on the tourism economy will be nine times greater than that of the 9/11 attacks. Unfortunately, a swift rebound isn't predicted. While research tells us that people want to travel again, the reality is that they won't be able to participate at normal levels until a vaccine is widely available.

As we navigate the long road to recovery, San Diego is fortunate to have the San Diego Tourism Marketing District (SDTMD), which ensures that our destination has the tourism marketing dollars necessary to remain competitive in the marketplace. Although COVID-19 has impacted our budget and shifted our marketing priorities, tourism marketing continues to remain essential, and we know that it works.

Prior to the pandemic, the average return on investment from our funded contractors in Fiscal Year 2020 was $15 in room night revenue for every $1 invested. These programs also produced important tax revenues for our City, supported thousands of tourism jobs and attracted billions in visitor spending.

Despite an uncertain future, our dedicated board of directors remains committed to our mission: investing marketing dollars for the greatest return. We'll stay nimble and continue to pivot as circumstances change and opportunities arise.

We are also fortunate to have both government and industry stakeholders aligned behind rebuilding the health and competitiveness of the San Diego tourism economy. Smart tourism marketing is imperative for our recovery and for making progress toward regaining lost jobs and vital City tax dollars.

Thank you for taking the time to read this report.

Sincerely,

Richard Bartell
Chairperson

Colleen Anderson
Executive Director

SDTMD:

Supporting A Strong Tourism Economy

Established in 2008, the San Diego Tourism Marketing District (SDTMD) is a Tourism Improvement District serving all areas within the City of San Diego. SDTMD allows lodging businesses within the City of San Diego to support efforts to increase tourism in the City, which in turn increases hotel room night stays and, therefore, increases transient occupancy tax (TOT) for the City. Through this model, the tourism marketing district creates a true economic engine for the City and the region as a whole.

San Diego lodging businesses with 70 rooms or more are charged a two percent assessment on each room night. SDTMD uses these dollars to fund programs, services and special events that will deliver room night sales to its assessed members. Working together through SDTMD, the member lodging businesses continue to create strong, measurable results as they work to attract tourism activity, increasing overnight stays and increasing San Diego's tourism market share.

How TMD Makes an Impact

Timeline of Tourism Stewardship

2007

DECEMBER
Hotels vote to participate in a tourism marketing district.

2008

JANUARY
Collection of assessments begins.

2015

DECEMBER
SDTMD funded Destination Master Plan complete. Plan is eventually renamed Experience San Diego.

2016

APRIL
SDTMD presents its five-year milestone report to the City.

AUGUST
City approves both a five-year contract with SDTMD and a district modification to assess properties of 70 rooms or more.

2018

JULY
Responsibility for activation of Experience San Diego transfers to SDTA.

2019

JUNE
City collects a record of $249 million in TOT.

2020

MARCH
Global coronavirus pandemic devastates tourism industry worldwide.

JUNE
SDTMD operating agreement with the City renewed for 10 years.

Tourism Economic Impact

Tourism produces jobs, visitor spending and tax revenues that benefit the City of San Diego and its residents.

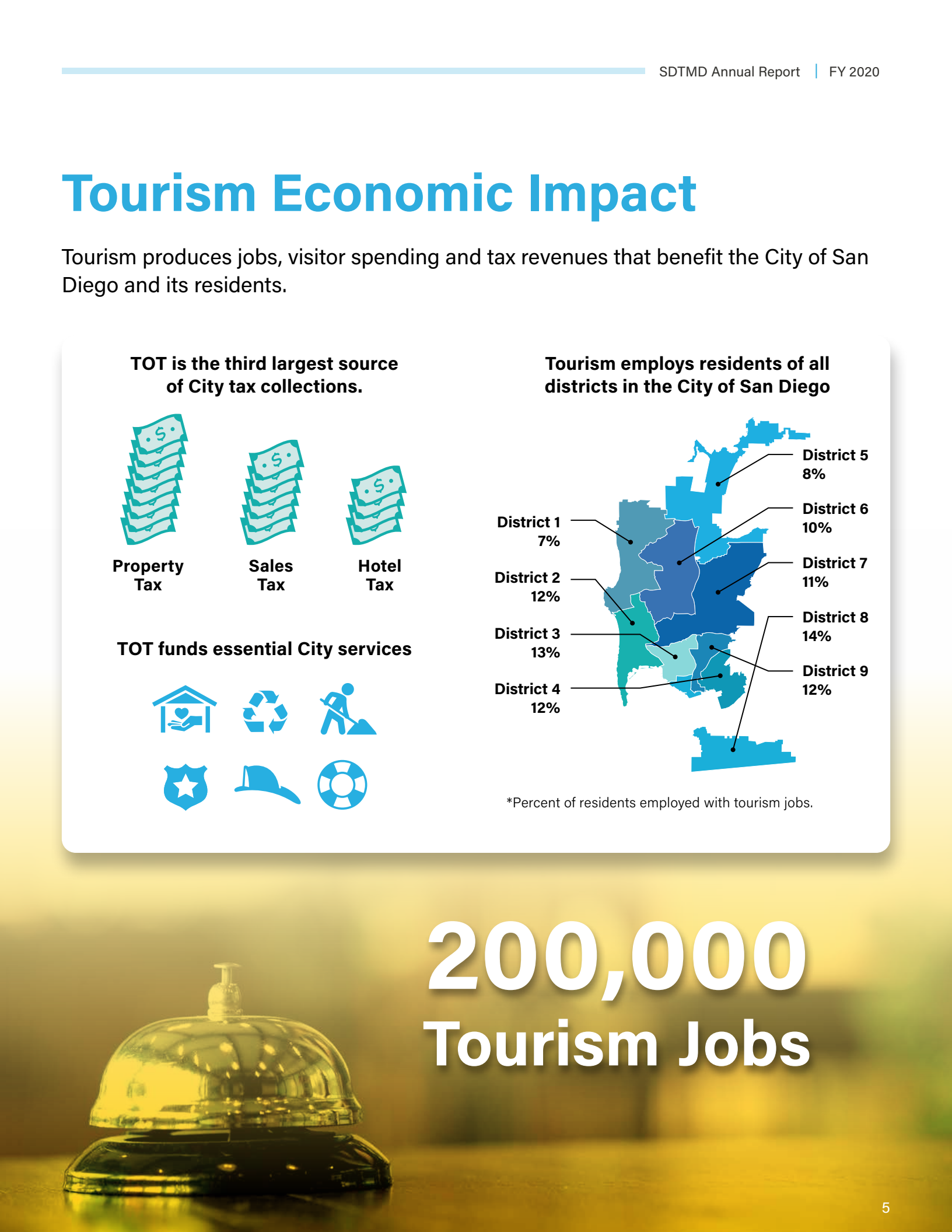
TOT is the third largest source of City tax collections.

Property Tax | Sales Tax | Hotel Tax

TOT funds essential City services

Tourism employs residents of all districts in the City of San Diego

*Percent of residents employed with tourism jobs.



200,000
Tourism Jobs

Tourism & COVID-19

Prior to COVID-19, San Diego tourism was on pace for another record-setting year in FY 2020. Through February 2020, average daily rate (ADR) was a healthy $172, and hotel occupancy hovered around 77 percent.

Coronavirus Disrupts U.S. Travel Industry

In March, the travel industry experienced a near shutdown due to stay at home orders mandated by state and federal governments in response to the coronavirus pandemic. Flights and events were cancelled, attractions shut down, restaurants reduced to take-out only and hotel guests limited to essential workers and first responders. As a result, many hotels and other tourism-related businesses in San Diego and across the country were forced to close their doors entirely and furlough or lay off many employees.

The U.S. Travel Association (USTA) estimates that COVID-19's impact on the tourism economy will be nine times greater than that of the 9/11 attacks. According to data released in April by the USTA and the analytics firm Tourism Economics, declines in travel resulted in the loss of 8 million U.S. jobs and a 45 percent decline in travel spending nationwide.

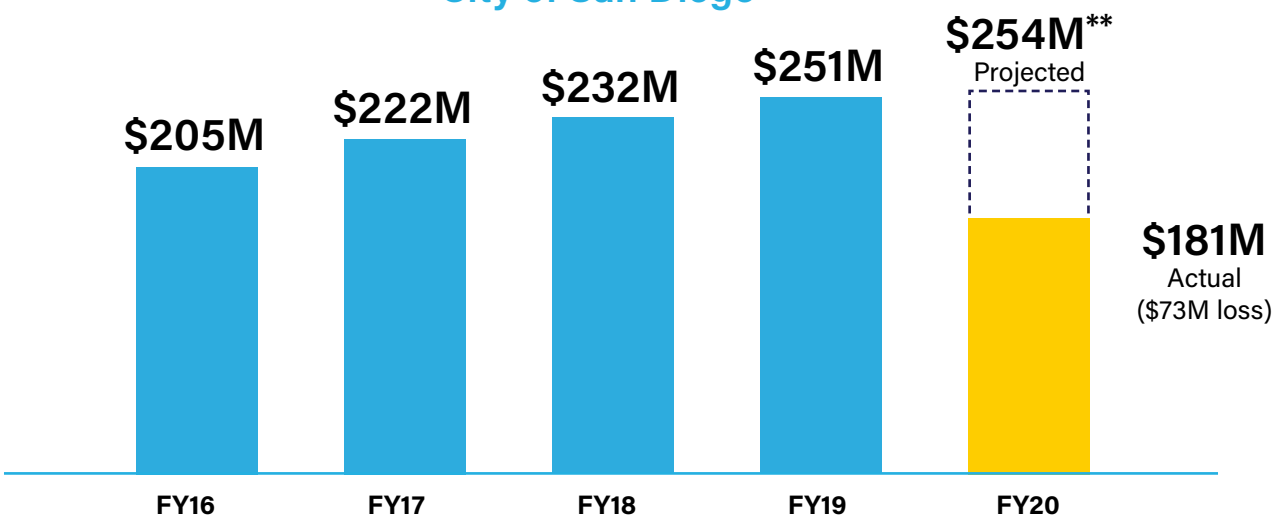
Cancellations Devastate San Diego Industry

On a local level, San Diego tourism experienced unprecedented declines between March and the end of the SDTMD fiscal year, June 30, 2020. Hotel occupancy declined 90 percent in April and May and slowly began to improve in June as businesses reopened for leisure guests. However, leisure could not make up for the loss of all group and convention business, including major events such as Comic-Con and the American Society of Hematology. The continued pause on all meetings, social events and conventions continues to influence bleak tourism projections for well into FY 2021.

San Diego tourism finished FY 2020 with 25.9 million visitors, 27 percent below FY 2019. Visitor spending was down 25 percent from the previous year at $8.7 billion, and hotel occupancy averaged 64 percent, nearly 19 percent below the previous year.

Annual TOT Collections*

City of San Diego



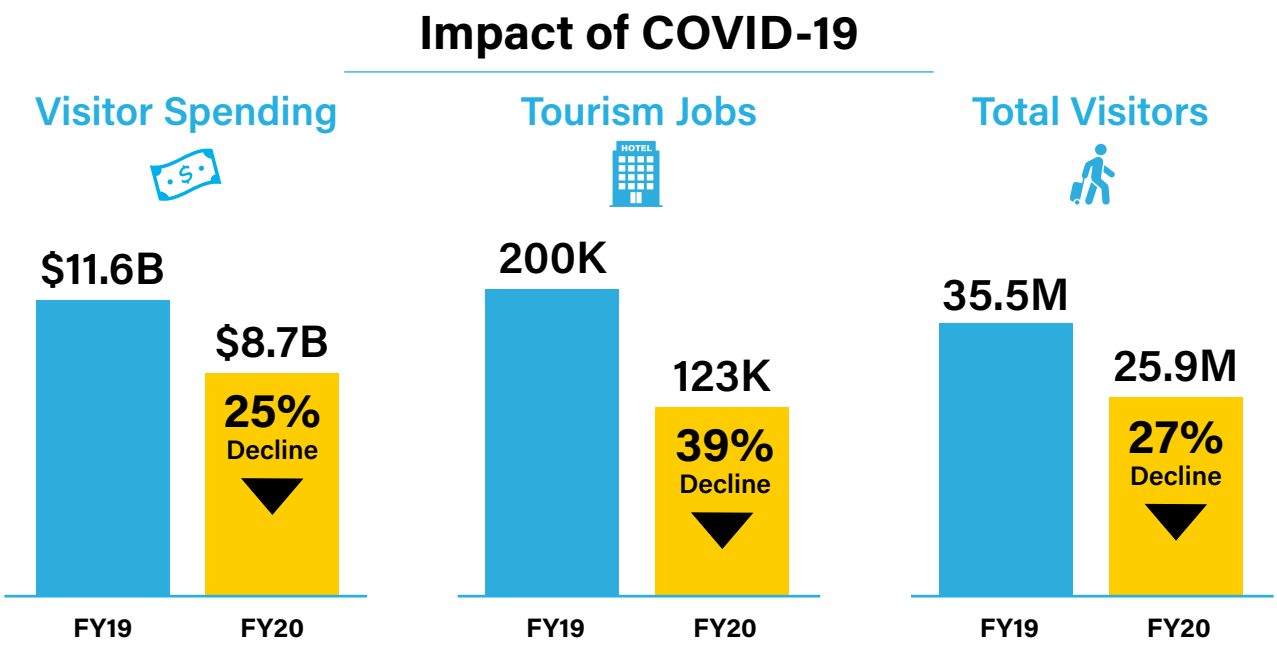
*TOT amounts rounded to the nearest whole number | **Mid-year report projection
(Source: City of San Diego)

San Diego's Tourism Community Adapts

Moving into FY 2021, the San Diego tourism industry remains focused on recovery, which is expected to be jagged until a vaccine is widely available. Hotels, restaurants and other tourism businesses have adopted new protocols that emphasize safety, cleanliness, social distancing and outdoor experiences. Many continue to operate at a reduced capacity and with reduced staff.

With events still unable to resume, tourism businesses are focused on leisure guests, particularly in the local and drive markets. Hotel occupancy has climbed through the summer months with leisure demand strongest for hotels in coastal regions. Data from the week ending September 12 noted an average occupancy of 58 percent, ranking San Diego second among top 25 U.S. markets, but still well below normal levels for the time period. La Jolla and Mission Bay had the highest ADRs, at $245 and $221 respectively, and averaged double the revenue per available room (RevPAR) of other regions.

While the recovery continues to be slow and uncertain for well into 2021, there are some positive tourism developments on the horizon for San Diego. Comic-Con Museum at Balboa Park remains on track for a 2021 opening. Torrey Pines will host the U.S. open in June 2021, and Transplant Games of America has selected San Diego as the host site for its 2022 event. Due to recent legal rulings, the Convention Center Expansion Plan may be resuscitated, which will be critical for helping San Diego remain competitive for new convention business.



Contractor Performance & Impact

Total Room Revenue

$559,062,054

Total SDTMD Funding

$37,254,176

TOTAL ROI

15.0:1

FY 2020 All Events Combined*

SDTMD provides funding to support the marketing and promotional efforts of a variety of organizations that help the City of San Diego maintain its status as a competitive, first-tier visitor destination with compelling events and programming. The funding of these competitively-selected organizations by SDTMD has consistently resulted in growth in hotel room nights and revenue, which is vital to the strength and success of the tourism industry in San Diego.

The majority of SDTMD's funding is awarded to the San Diego Tourism Authority (SDTA), the City's Destination Marketing Organization of record. Remaining funds are allocated to organizations, events and programs that can demonstrate a projected increase in room nights at SDTMD assessed hotels and a measurable return on investment.

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

SDTMD's initial contractor budget approved by the City for FY 2020 totaled $48.4 million. Due to the impact of the coronavirus on hotel stays and events, the budget was revised in spring 2020 to reflect reduced assessment projections. The revised budget included a reduction of funds for the SDTA as well as the defunding of several event contractors due to forced cancellations caused by the health crisis.

*SDTMD contracts with Real World Academics (RWA) to provide a consistent benchmark for SDTMD to compare event performance. Through a combination of electronic surveys and face-to-face interviews, RWA provides SDTMD with an analysis of each event that focuses on non-local attendees that stay in SDTMD assessed hotels. RWA calculates room revenue generated and divides by SDTMD investment to arrive at the ROI figures.

Contractor Funding FY 2020

CONTRACTOR	FUNDING
San Diego Tourism Authority	$ 35,614,292
California State Games (Summer & Winter)	$ 175,000
ProAm Beach Soccer	$ 27,000
San Diego Bay Wine + Food Festival	$ 70,910
San Diego Bayfair	$ 95,000
San Diego Beer Week	$ 30,972
San Diego Bowl Game Association: Holiday Bowl	$ 410,000
Surf Cup Thanksgiving Challenge	$ 40,000
USA Ultimate Frisbee National Championship	$ 23,980
USTA Billie Jean King Girls Tennis Championships	$ 50,000
Wonderfront	$ 500,000
Cancelled events costs*	$ 217,022
TOTAL	**$ 37,254,176**

Cancelled Events Due to COVID-19* (No ROI)	Reimbursed Costs
Spartan Race	-
Best Coast Beer Fest	$60,000
San Diego Spring Crew Classic	$25,892
US Police & Fire Championship	$15,728
San Diego Diplomacy Council	$28,836
US Summer Soccer Showcase	-
La Jolla Concours D'Elegance	$51,787
Gator by the Bay	$34,779
	$217,022

SDTMD FY 2020 Contractor Budget

$48.4M Pre-COVID-19

$37.3M Post-COVID-19

SAN DIEGO TOURISM AUTHORITY

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

Incorporated in 1954, SDTA is a private not-for-profit 501(C)(6) organization and is governed by a 15-member board of directors. The SDTA is nimble in the marketplace, and as market conditions shift, it updates its programs in order to best capitalize on opportunities and maximize ROI.

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

ROI 15.3:1

FY 2020 TMD Funding Amount	$35,614,292
Hotel Room Nights*	3,035,693
Average Daily Rate (ADR)	$179.94
Total Room Night Revenue	$546,242,598

*Does not include citywide convention room nights

Fiscal Year 2020

Group Sales Highlights Pre-COVID

- Booked 33 conventions representing 608,316 total room nights, 68 percent of annual goal.
- Booked 340,935 new hotel meeting room nights, 76 percent of annual goal.
- Sports Sales booked 71,500 new room nights, 79 percent of annual goal.
- Citywide events booked in FY 2020 for future years will produce over $5.4 million dollars in room rental income for the Convention Center and over $16.4 million in additional revenue associated with food & beverage, AV and other income streams.

Marketing Highlights Pre-COVID

- Ran consumer direct advertising in six countries: United States, Canada, United Kingdom, China, Japan and Mexico.
- Delivered 2.37 billion paid advertising gross impressions through April 2020.
- Generated 20 million in audience engagements with digital platforms.
- For the first year under a new quality-based scoring system, PR coverage was 75 out of 100, exceeding the goal of 70 out of 100 set for the year.
- Balboa Park marketing programs garnered over 14 million impressions in the three weeks the program was live.
- The Cultural Tourism team developed a local marketing plan that aligns with SDTA's national and international marketing efforts.

Q4 COVID-19 Marketing & Sales Strategies

- Welcomed new President & CEO Julie Coker and revamped executive report to include recovery resources.
- Focused marketing efforts on recovery planning, including monitoring travel sentiments and trends, messaging and creative development as well as media planning and buying for late-summer and fall advertising plans.
- Developed and promoted Safe Traveler and Safe Destination Pledges initiatives and communications programs.
- Held virtual meetings and webinars for members and industry partners to stay informed and connected.
- Created web, interactive and social campaigns for the domestic leisure market focusing on #WithLoveSanDiego and "Happiness is Calling You Back".
- Pivoted editorial outreach to focus on virtual experiences from San Diego.
- Created a virtual site experience program for meeting planners.
- Worked with planners and hotels to rebook meetings into future dates.
- Booked three new sports events— West Coast Nationals (2022), Transplant Games of America (2022), and US Open (2021) for a total of 22,000 room nights.
- Continued with cultural tourism projects, including videos featuring each City district that also cataloged murals and outdoor art.

More details about SDTA programs can be found at ***www.sandiego.org/about***

California State Games

ROI 15.0:1

July 2019 | February & March 2020

The California State Games is a multi-sport, Olympic style series of events held in summer and winter. The events bring thousands of athletes, families and spectators to San Diego and take place at numerous locations throughout the City. Events range from archery and taekwondo in the summer to hockey and skating in the winter.

FY 2020 Funding Amount	$175,000
Hotel Room Nights*	14,264
Average Daily Rate (ADR)	$183.61
Total Room Night Revenue	$2,619,013

*Combined average of summer and winter events

USTA Billie Jean King Girls National Tennis Championship

ROI 16.3:1

August 3-11, 2019

The USTA Billie Jean King Girls National Championship is the premier hard-court tennis tournament for amateur and professional American girls ages 18 and under. The event draws participants from all 50 states, with the winner receiving an entry to the U.S. Open. The tournament is televised nationwide.

FY 2020 Funding Amount	$50,000
Hotel Room Nights	3,727
Average Daily Rate (ADR)	$218.04
Total Room Night Revenue	$812,635

San Diego Bayfair

ROI 22.7:1

September 13-15, 2019

Organized by a group of volunteers, San Diego Bayfair is a long-standing, three-day festival held in Mission Bay Park with powerboat racing as its centerpiece. The event is family oriented, offering live music, beer gardens, kids' activities, food booths and a variety of other attractions. The event also includes the America's Finest BBQ State Championship, which is officially sanctioned by the Kansas City Barbecue Society.

FY 2020 Funding Amount	$95,000
Hotel Room Nights	11,394
Average Daily Rate (ADR)	$189.28
Total Room Night Revenue	$2,156,656

USA Ultimate Frisbee National Championship

ROI 15.6:1

October 24-26, 2019

The USA Ultimate Frisbee National Championship brings together the best teams from across North America. The top 16 teams in each division— men's, women's and mixed— compete in the tournament and bring an estimated 1,350 participants including players and coaches. Ultimate Frisbee combines the athletic endurance of soccer and the passing skills of football.

FY 2020 Funding Amount	$23,980
Hotel Room Nights	2,398
Average Daily Rate (ADR)	$156.49
Total Room Night Revenue	$375,263

San Diego Beer Week

8.6:1

November 1-10, 2019

San Diego Beer Week (SDBW) has become a premier, extended craft beer festival with over 600 events promoting San Diego's thriving craft beer culture. The 2019 celebration included over 50 breweries that participated in beer dinners, tours, classes, bottle tastings and a variety of festivals, including Guild Fest.

FY 2020 Funding Amount	$30,972
Hotel Room Nights	1,614
Average Daily Rate (ADR)	$165.03
Total Room Night Revenue	$266,358

San Diego Bay Wine + Food Festival

19.5:1

November 10-17, 2019

The San Diego Bay Wine + Food Festival is one of the nation's largest luxury culinary events and draws over ten thousand attendees, with more than a third from outside San Diego. Ranked by USA Today as the #1 Wine and Food event in the United States, SDBWFF culminates in a Grand Tasting at Embarcadero Park. The festival also includes a three-day educational conference for wine professionals called SommCon.

FY 2020 Funding Amount	$70,910
Hotel Room Nights	6,605
Average Daily Rate (ADR)	$209
Total Room Night Revenue	$1,380,445

Wonderfront

ROI 3.6:1

November 22-24, 2019

In its inaugural year, Wonderfront brought an estimated 20,000 people to San Diego's downtown waterfront for an integrated music, culinary and arts festival. The event featured diverse attractions, including musical performances, yacht parties, water sports, art installations, after-parties and a craft beer village.

FY 2020 Funding Amount	$500,000
Hotel Room Nights	10,211
Average Daily Rate (ADR)	$177.59
Total Room Night Revenue	$1,813,372

ProAm Beach Soccer

ROI 1.0:1

December 6-8, 2019

The US Beach Soccer National Championship (USBSNC) brings the top teams from around the country to compete on the sandy shoreline of Mission Beach. The tournament includes 18 divisions— 13u-19u for both boys and girls as well as Men's Open, Women's Open, Adult Coed and College Club. Teams in the Men's and Women's Open divisions compete for a cash prize of $10,000.

FY 2020 Funding Amount	$27,000
Hotel Room Nights	175
Average Daily Rate (ADR)	$159
Total Room Night Revenue	$27,825

Surf Cup Thanksgiving Challenge

24.8:1

November 29-December 1, 2019

Established in 1980, San Diego Surf is the City's premier youth soccer club. The Surf Challenge is played each November over Thanksgiving week in North San Diego. The event attracts hundreds of teams and college coaches who use the event as a scouting opportunity.

FY 2020 Funding Amount	$40,000
Hotel Room Nights	5,820
Average Daily Rate (ADR)	$170.29
Total Room Night Revenue	$991,088

Holiday Bowl

5.8:1

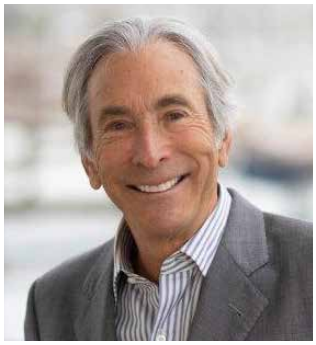
December 27, 2019

Produced by the San Diego Bowl Game Association, the Holiday Bowl features the top teams from the Pac-12 and Big Ten Conferences. This San Diego institution consistently draws over 50,000 spectators, many of whom are non-local, each year. What's more, an estimated six million viewers, many living in areas experiencing winter conditions, see sunny San Diego in December as a result of game coverage by Fox Sports. The 2019 game featured the USC Trojans and the Iowa Hawkeyes.

FY 2020 Funding Amount	$410,000
Hotel Room Nights	14,749
Average Daily Rate (ADR)	$161.15
Total Room Night Revenue	$2,376,801

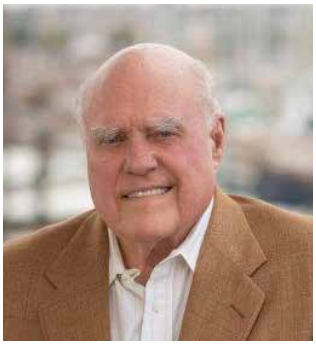
Board of Directors FY 2020

EXECUTIVE OFFICERS



Richard Bartell | **Chair**

President,
Bartell Hotels

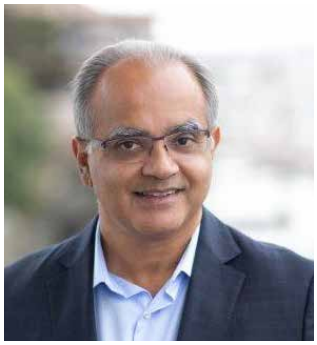


C. Terry Brown | **Vice-Chair**

President,
Atlas Hotels

Tim Herrmann | **Secretary**

General Manager,
Marriott Marquis San Diego



Vikram Sood | **Treasurer**

SVP Operations,
Hostmark Hospitality Group

BOARD MEMBERS

Ilsa Butler

SVP Sales & Marketing,
Evans Hotels

Steve Cowan

General Manager,
Hilton San Diego Bayfront

Summer Shoemaker

General Manager,
La Valencia Hotel

Joe Terzi

Retired CEO,
San Diego Tourism Authority

Alyssa Turowski

General Manager,
Westin San Diego

STAFF

Colleen Anderson

Executive Director

FY 2020 Financials

Statements of Position For Years Ending June 30, 2020 & 2019*

ASSETS

Current assets	2020	2019
Cash	2,406,901	5,652,213
Accounts receivable	4,247	2,209,582
City holdbacks, current	18,918,259	11,934,732
Prepaid expenses	75,069	60,147
Accrued interest income	2,962	2,800
Advances to contractors	172,136	3,000,000
Total current assets	21,579,574	22,859,474
Other assets		
City holdbacks, net of current portion	-	14,942,464
Total other assets	-	14,942,464
TOTAL ASSETS	**21,579,574**	**37,801,938**

LIABILITIES & NET ASSETS

Current liabilities		
Accounts payable	247	9,553,975
Deferred revenue	2,902,717	4,976,964
Indemnification, reserve current	16,861,540	7,111,332
Total current liabilities	19,764,504	21,642,271
Long-term debt		
Indemnification reserve, net of current portion	-	14,942,464
Total long-term debt	-	14,942,464
Total liabilities	19,764,504	36,584,735
Net assets		
Net assets without donor restrictions	1,815,070	1,217,203
Total net assets	1,815,070	1,217,203
TOTAL LIABILITIES & NET ASSETS	**21,579,574**	**37,801,938**

Statements of Activities For Years Ending June 30, 2020 & 2019*

REVENUE & SUPPORT

	2020	2019
Tourism Marketing District revenue	38,516,633	44,917,468
Interest income	626,920	663,188
Other income	66,691	69,741
TOTAL REVENUE & SUPPORT	**39,210,244**	**45,650,397**

EXPENSES

Program services		
Allocations to contractors	37,254,176	43,583,953
TOTAL PROGRAM EXPENSES	**37,254,176**	**43,583,953**

SUPPORT SERVICES

Management & general		
SDTMD operations	928,638	987,149
Administrative fee to the City of San Diego	429,563	534,678
TOTAL SUPPORT SERVICES EXPENSES	**1,358,201**	**1,521,827**

Increase net assets without donor restrictions	597,867	544,617
Net assets, beginning of year	1,217,203	672,586
Net assets, end of year	1,815,070	1,217,203

* Further detail on the SDTMD Corporation's audited financials can be obtained from our website at sdtmd.org.

sd|tmd

SAN DIEGO TOURISM
MARKETING DISTRICT

sdtmd
SAN DIEGO TOURISM MARKETING DISTRICT

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

This report was funded by the San Diego Tourism Marketing District Corporation with City of San Diego Tourism Marketing District assessment funds.

San Diego Tourism Marketing District
750 B Street, Suite 1500
San Diego, CA 92101
619.557.2854

www.sdtmd.org