

San Diego Tourism Marketing District



An Amendment to the Report of Activities for FY 2021

Dated May 12, 2020

**Amendment
October 6, 2020**

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Contents above marked "N/A" may be viewed in the original SDTMD Report of Activities for FY 2021 (dated May 12, 2020), approved by Resolution Number R-313083 and on file in the Office of the City Clerk as Document Number RR-313083.

Introduction

About the San Diego Tourism Marketing District

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.

Background to this Amendment:

The original SDTMD Report of Activities for FY 2021 (dated May 12, 2020) was approved by City Council at the meeting on June 9, 2020. At that meeting, due to COVID-19 impacts on other funding opportunities, City Council strongly encouraged local arts and cultural institutions to apply through the open and competitive application process for \$3,000,000 of previous Litigation Reserve that was approved as part of the FY2021 Opportunity/ Catastrophe allocation.

SDTMD Corporation held two special out-of-cycle application workshops on July 13 and July 14, 2020. While any interested parties could participate, the targeted and invited attendees were the membership database of the Commission on Arts & Culture. Over 80 attendees registered over the two days to better understand the TMD, the application criteria and funding requirements. As restrictions around COVID-19 precautions continue to prevent local arts & culture organizations from reopening or operating in FY21, the focus of the workshops was guidance around creating a compelling application for the FY22 cycle which begins October 13, 2020.

Additionally, City Council directed the SDTMD Corporation to return to City Council with an updated FY 2021 Report of Activities which, among other things, reflects an appropriation of the remaining balance of the Litigation Reserve to increase the TMD Opportunity/

Catastrophe allocation for funding future competitive applications.

The on-going devastation of COVID-19 has had a far more severe impact to TMD assessments than originally projected. Opportunity/Catastrophe funds will be needed by San Diego Tourism Authority (SDTA) in FY2021 to stimulate broader demand for TMD hotel room nights than would be generated by the smaller events and activities implemented by competitive applicants.

Based on the ongoing closures of hotel meetings and citywide conventions, SDTA has been marketing San Diego as a leisure travel destination in close-in drive markets. Currently, Leisure Travel is the only category of travel business allowed at district hotels and it is anticipated that could continue until second quarter of 2021. The SDTMD Corporation Board will continue to evaluate the assessment projections over the coming months and will consider accepting supplemental/out of cycle competitive applications if funds are available.

Consistent with this City Council direction pursuant to Resolution Number R-313083, this Amended FY 2021 Report of Activities reflects a revision to the budget to incorporate the balance of the Litigation Reserve of \$5,361,540 for FY2021.

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:

A ten-year operating agreement effective July 1, 2020 through June 30, 2030 was approved by City Council with the introduction and subsequent adoption of Ordinance Number O-21202 with a date of final passage of June 24, 2020.

Advisory Board and Contracted TMD Management Corporation:

San Diego Tourism Marketing District (SDTMD)

750 B Street, Suite 1500, San Diego, CA 92101

(619) 557-2854

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. Only those lodging businesses with 70 or more rooms are assessed.

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

FY2021 Amended Budget Total

Original SDTMD Approved Allocation of Tourism Marketing District Funds:	\$38,525,695
Reduction of FY2021 projected Assessments	(\$ 8,027,435)
Addition of balance of Litigation Reserve	\$ 5,361,540
Amended Budget Total	\$35,859,800

Amended Budget Summary

AMENDED CALCULATION OF AVAILABLE TOURISM MARKETING DISTRICT FUNDS FOR FY2021

Projected Assessments	\$ 24,928,250
Projected carryover –prior years	1,990,445
Projected carryover – previous Litigation Reserve, Modified District*	1,000,000
Projected carryover – previous Litigation Reserve, Renewed District*	10,500,000
Projected carryover – City Administration, Renewed District	57,000
Projected Interest and Penalties	50,000
Contributions from Other Sources of Funding:	<u>0</u>
Original Total FY2021 Funds Available	\$ 38,525,695

Reduction of FY2021 projected Assessments	(\$ 8,027,435)
Addition of balance of Litigation Reserve	<u>\$ 5,361,540</u>
Amended Total FY2021 Funds Available	\$ 35,859,800

AMENDED PROPOSED ACTIVITIES FOR FY 2021

(Pursuant to San Diego Tourism Marketing District Management Plan August 2016)

Original Targeted Marketing and Sales Programs	\$ 22,741,219
Reduction	(\$ 9,955,025)
Original Destination Marketing	9,605,776
Increase	<u>\$ 2,730,334</u>
Amended Sub-Total Marketing and Sales	\$ 25,122,304

SDTMD Administration & Operations	\$ 1,411,359
Reduction	(\$ 240,823)
City Administration	<u>\$ 308,000</u>
Amended Sub-Total Administration	\$ 1,478,536

Original Opportunity/Catastrophe Reserve	\$ 4,459,341
Reduction	(\$ 561,921)
Addition of balance of Litigation Reserve	<u>\$ 5,361,540</u>
Amended Sub-Total Opportunity/Catastrophe Reserve	\$ 9,258,960

Original Total for Proposed Activities	\$ 38,525,695
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Amended Total for Proposed Activities	\$ 35,859,800
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Amended FY2021 Allocations

The FY2021 recommended allocations to other entities total \$25,122,304. Per the FY2021 Application Guidelines, the deadline for the annual Applications was November 15, 2019. All submitted applications were reviewed, ranked, and allocations recommended. Ranking factors included time of year, new versus existing rooms, and potential for growth. Incremental applications were also considered, and prior year recommendations were also included in the final recommendation. The information below reflects the Amended final recommended amounts for FY2021, along with the Original amounts approved previously by City Council along with the Initial SDTMD Corporation recommendations developed prior to COVID-19 impacts that were not submitted to the City.

ENTITY/EVENT	AMENDED	ORIGINAL	INITIAL	NON-TMD
San Diego Tourism Authority	\$ 25,122,304	\$32,346,995	\$40,723,936	\$ 3,245,291
Best Coast Beer - Fest	\$ 0	\$ 0	\$ 70,000	\$ --
Cal. Police Athletic Federation – U.S. Championships	\$ 0	\$ 0	\$ 74,000	\$ --
California State Games – Summer	\$ 0	\$ 0	\$ 100,000	\$ --
California State Games - Winter	\$ 0	\$ 0	\$ 85,000	\$ --
Old Town Chamber of Commerce – Lucha Libre	\$ 0	\$ 0	\$ 22,750	\$ --
San Diego Bay Wine and Food Festival	\$ 0	\$ 0	\$ 74,500	\$ --
San Diego Bayfair - Thunderboats	\$ 0	\$ 0	\$ 95,000	\$ --
San Diego Bowl Game Association – Holiday Bowl	\$ 0	\$ 0	\$ 435,000	\$ --
San Diego Crew Classic - Spring	\$ 0	\$ 0	\$ 150,000	\$ --
San Diego Surf Cup ECNL Girls	\$ 0	\$ 0	\$ 80,000	\$ --
Sub-Total Other Applications	\$ 0	\$ 0	\$ 1,186,250	\$ --
TOTAL	\$25,122,304	\$32,346,995	\$41,910,186	\$ 3,245,291

Non-TMD Fund portion to be submitted by contractor. Amounts reported are estimated based on original budget submission.

Competitive applications tentatively recommended on March 6, 2020 by the SDTMD Corporation Board were subsequently defunded on March 20, 2020 by the Board due to the impact of Covid-19 on revenue projections.

Information on these defunded entities/events can be found on pages 16-25 of the original SDTMD Report of Activities for FY 2021 approved by Resolution Number R-313083 and on file in the Office of the City Clerk as Document Number RR-313083.

San Diego Tourism Authority

Amended Budget Summary

Targeted Marketing and Sales Programs

Wages, Taxes & Employee benefits	\$ 1,978,680
Advertising	8,576,046
Dues/ Subscriptions/Memberships	55,906
Event registration fees	15,643
Lead generation services	83,386
Outside contractors	119,924
Rentals – remote space office	9,678
Research	199,875
Special event production	4,874
Sponsorships	109,750
Allocation of Indirect Costs	<u>1,632,433</u>
Total Targeted Marketing and Sales Programs	\$12,786,195

Destination Marketing

Wages, Taxes & Employee Benefits	1,116,663
Advertising	7,016,766
Advertising agency fees	1,715,209
Dues/ Subscriptions/Memberships	45,045
Event registration fees	5,947
Marketing materials/promotional items	4,875
Outside contractors	618,637
Research	219,376
Special Event production	18,622
Allocation of Indirect Costs	<u>1,574,969</u>
Total Destination Marketing	\$12,336,109

Total	\$25,122,304
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UPDATED

San Diego Tourism Authority

Program of Work



General Program of Work

The San Diego Tourism Authority (SDTA) is San Diego's umbrella destination marketing organization, charged with driving visitor demand and monitoring the health of the tourism industry. SDTA develops sales and marketing programs that promote San Diego as a preferred leisure and meetings destination. In collaboration with San Diego's tourism industry partners, SDTA serves as the collective voice of the destination and aims to keep San Diego top-of-mind.

Incorporated in 1954, SDTA is a private nonprofit 501c6 corporation that is governed by a 15-member board of directors composed of industry and non-industry representatives. Funding comes from the City of San Diego Tourism Marketing District, City of Coronado Tourism Improvement District and private source revenues (membership dues, advertising and events).

Investment by SDTA in sales and marketing of the San Diego brand has resulted in San Diego becoming one of the nation's top travel destinations.

Strategic Imperatives

- Grow visitor demand for San Diego.
- Grow awareness and preference for the San Diego brand domestically and internationally.
- Deliver consistent value for our customers and stakeholders.
- Actively inform, advocate and educate on behalf of the visitor industry.
- Reinforce and support a culture of excellence.

In January 2020, the SDTA submitted its San Diego Destination Sales and Marketing Plan. The plan was prepared as a two-year roadmap to guide sales and marketing initiatives that would grow inbound travel demand and visitation revenues. Detailed plans were submitted for boosting brand awareness, developing new markets and converting more customers to choose San Diego. The strategic plan was developed with the San Diego Tourism Marketing District's "Experience San Diego: Destination 2040" Master Plan in mind.

Eight Guiding Principles Used in the Development of the Strategic Plan

- Drive the maximum hotel room nights for Tourism Marketing District hotels.
- Act as the collective voice of the destination and do what individual organizations can't do by themselves.
- Elevate the San Diego brand and broaden context of San Diego's diverse travel product.
- Leverage all SDTA's marketing assets across Bought + Earned + Owned in order to increase San Diego's share of voice.

- Focus on developing new markets and customers for the destination.
- Align programs with Visit California and Brand USA in order to maximize efficiency.
- Deliver strong return on investment for all major programs.
- Support the membership by providing value and opportunity to effectively reach the marketplace.

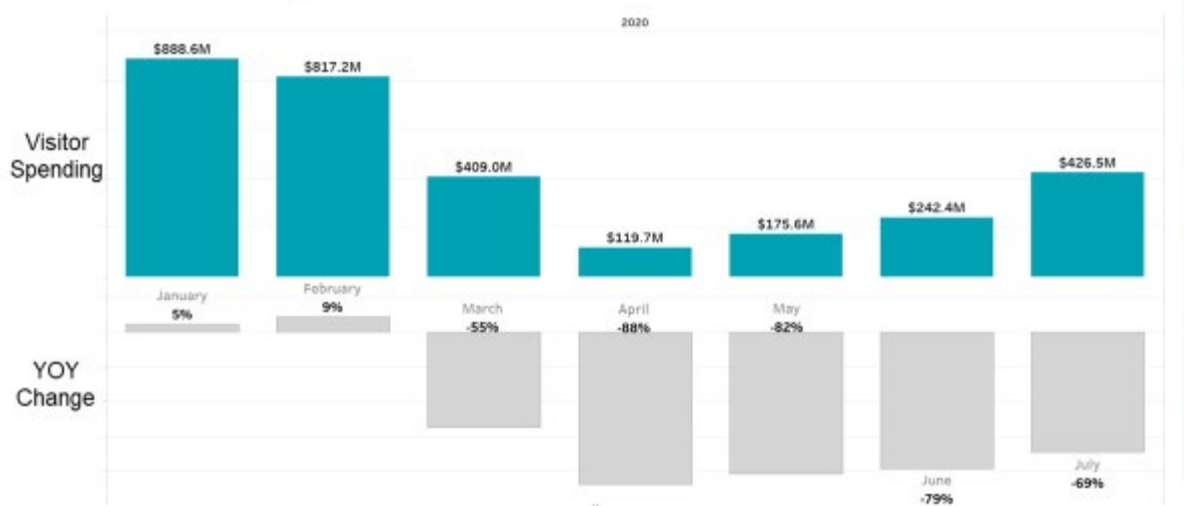
Since submission of the 2020-2021 Strategic Plan, the Coronavirus pandemic struck our community in March 2020 and created widespread tourism industry closures.

Prior to COVID-19, the outlook for San Diego’s tourism economy was optimistic heading into FY2021. Overall visitation was projected to grow 2.1 percent and overall visitor spending up 4.3 percent. San Diego was projected to continue its strong hotel performance as one of the leading destinations in the country. A healthy hotel occupancy was projected to maintain at 77 percent even with new supply coming online thanks to good demand growth (1.9 percent). With strong demand on meetings, conventions and leisure travel, the projected Average Daily Rate was projected at \$172.51 in FY2021.

In May 2020, the SDTA and TMD reported to City Council on the initial impacts of the pandemic and the devastating impacts to tourism businesses, jobs and tax revenues. There is no doubt that the Leisure and Hospitality sector has been the hardest hit industry during this crisis (more so than Retail or Education). Widespread business closures combined with a lack of clear re-opening guidelines and timelines have negatively impacted every type of activity from leisure travel to meetings to events to conventions to recreation to sightseeing.

From March – July 2020, San Diego’s visitor industry lost \$4 billion in visitor spending per CIC Research.

**Fewer Visitors, Less Tourism Business Revenue
March - July Loss Totals \$4.0 Billion**



Prior to the pandemic, 1 in 8 San Diegans were employed in the Leisure and Hospitality sector. On October 2, 2020, SANDAG reported that the sector has lost 78,000 jobs (a 37% decline) with the largest impacts to Amusements Parks, Drinking Places, Accommodations and Spectator Sports.

SAN DIEGO COUNTY Tourism Sector Employment Prior to Pandemic

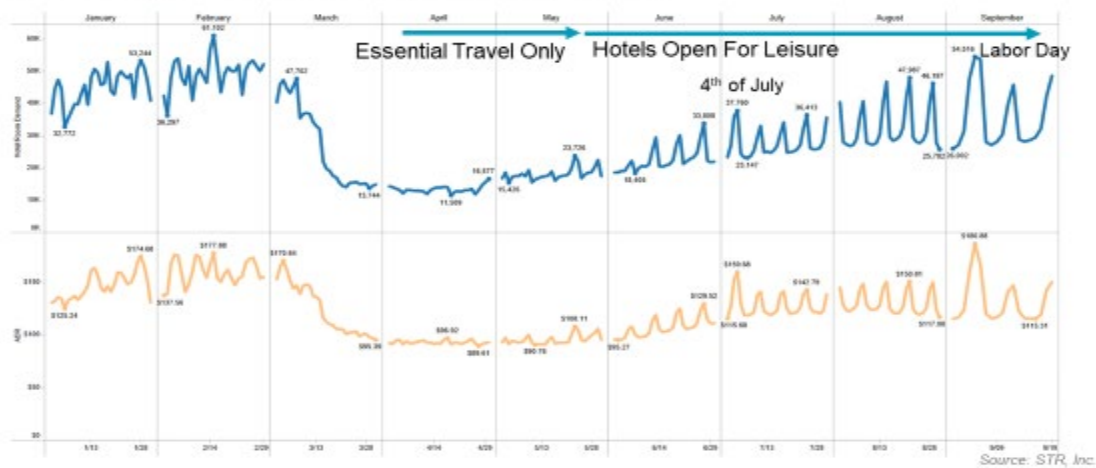
Leisure & Hospitality	March 2020 Employment Prelim
Food Services and Drinking Places	137,500
Accommodations	31,500
Arts, Entertainment, and Recreation	29,700
Total	198,700

Does not include Retail and Transportation categories generated by tourism

Source: State of CA EDD

Since the beginning of the pandemic, hotels have been allowed to stay open for essential workers. This summer, hotels were then allowed to also start taking leisure travelers. As of this writing, meetings and conventions are still not allowed. Unfortunately, with only the ability to host leisure travelers, San Diego hotels are running on average 54% occupancy (down 37% YOY) and have seen large losses in revenue (down 30% YOY).

Daily Hotel Room Night Demand and ADR Through September 23, 2020



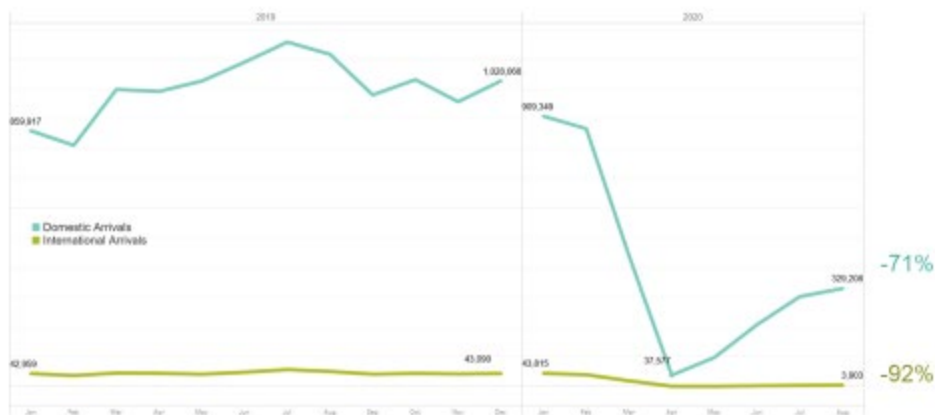
The lack of business travel, and consumer fears, have led to drops across the tourism sectors including a drop of 71% of arrivals to San Diego International Airport.

SAN Air Arrivals

Domestic starting to improve but Very Few International Arrivals

Non-Stops reduced from 70 to 54

NEW Ops – Santa Barbara, Norfolk, Newark, Cancun, Ft. Lauderdale, Missoula



Source: SDRAA

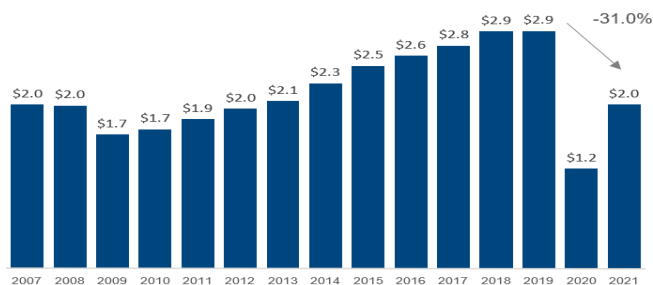
As the State of California and the County of San Diego continue to work on safely re-opening, there are many unknowns in terms of when tourism businesses will be able to resume operations. In April and July 2020, Tourism Economics provided San Diego Lodging Forecasts. An updated forecast will be released later in October, but as of the July Forecast it was projected that lodging revenue would be down 31% below 2019 – a worsening forecast than April due to the uncertainty of the virus and ongoing shutdowns of the economy.

KEY RESULTS

Comparison to 2019 as a base year

Room revenue

In billions



Source: STR, Tourism Economics

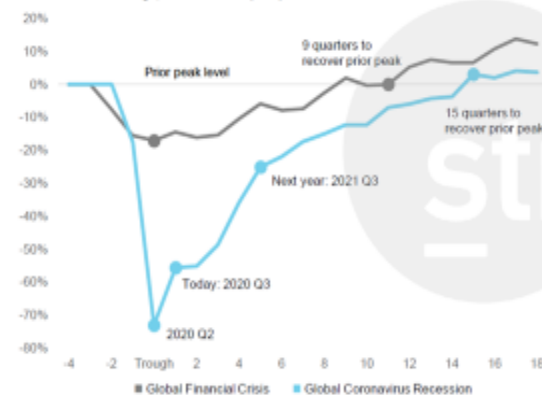
- Room revenue decline of 58.0% expected for 2020, but then 64.2% growth in 2021.
- Recovery in 2021 to room revenue 31.0% below 2019. This would be a similar level as nine years ago.
- April forecast anticipated room revenue in 2021 would be 22.7% below 2019.

It is a long road to recovery for the Leisure and Hospitality sector. Tourism Economics' July Forecast estimates five years for lodging revenue to return to pre-COVID levels.

It's a Long Road Back - US Hotel Room Revenue Recovery nearly 15 quarters (2024Q1) to peak return

Room revenue: US

Quarters relative to trough, level relative to prior peak



Compares to 9 quarters after GFC...

2021 will recover to 68% of 2019 levels

Source: STR, Tourism Economics

TOURISM ECONOMICS

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Recovery Planning

Given the current fluidity of the situation, the re-forecasting of the FY2021 budget continues. With significant budget cuts, the SDTA has had to rethink its operations and focus. Based on the crisis, the SDTA built a framework for Response and Recovery to help guide efforts through 2020-2021.

COVID-19 Crisis Marketing Framework: Response & Recovery

	RESPONSE		RECOVERY		
	PHASE 1	PHASE 2	WAVE 1 Hyper-Local	WAVE 2 Regional	WAVE 3 National
Marketing Strategy	Cancel paid media. Owned channel communications. Provide a message of optimism and unity in a period of uncertainty.	Owned channel communication. Infuse more of the San Diego Brand into message of optimism.	Owned and paid media. Rally San Diegans to stay, dine and play in their hometown.	Owned and paid media. Invite regional visitors to return to San Diego and enjoy all our destination has on offer.	Owned and paid media. Invite US travelers to visit San Diego and enjoy all our destination has on offer.
Messaging	"We'll keep San Diego warm for you" and #WithLoveSanDiego	Add Virtual Sunshine and Bliss Breaks	Stay Diego Dine Diego Play Diego	Happiness is Calling You Back	Happiness is Calling

Based on the ongoing closures of hotel meetings and citywide conventions, the SDTA has been marketing San Diego as a leisure travel destination in close-in drive markets. Currently, Leisure Travel is the only category of travel business allowed at district hotels and it is anticipated that could continue until second quarter of 2021.

Given the ongoing COVID-19-related impacts, San Diego Tourism Authority has continued with implementation of near-term and longer-term strategies. Current market conditions dictate a focus on Leisure Travel Advertising to generate hotel room night demand for district hotels. The SDTA began advertising San Diego Vacations and safety protocols to the local market on June 29, 2020 and to the drive markets of Southern California and Arizona starting July 27, 2020.

The local campaign, "Stay Diego", has been widely embraced by the local community with San Diegans choosing to staycation in their hometown this summer. The local business community has embraced this effort as well including the restaurant association which renamed their annual Restaurant Week promotion to "Dine Diego" in order to align with the TMD hotel community.

"Happiness is Calling You Back" and "Kids Free San Diego" advertising campaigns are currently running in Southern California and Arizona. With the loss of meetings and conventions, district hotels have little demand for Sunday-Wednesdays. The SDTA has quickly put together a new promotion "Yay for the Weekday" which launches October 4, 2020 to encourage travelers to work remote, school remote or just get away at a time when hotels are less busy and offering good values. These advertising campaigns are running until December 2020.

For 2021, the SDTA is planning to continue Western Region advertising campaigns based on the pandemic and community needs. Based on the investment of TMD advertising dollars, San Diego hotels are currently running 54% occupancy with an Average Daily Rate of \$129 per Smith Travel Research (as of September 19, 2020). While this performance ranks San Diego in the top performing markets in the country, it should be noted that occupancy is down 37% YOY and rate is down 26% YOY. Leisure advertising is working to support the district hotels, visitor spending and tax revenues during an unprecedented downturn.

As of the July 2020 TMD revenue projections, the SDTA is currently operating with 46% less in operating revenue to drive demand for the district. With the reduction in revenues, the SDTA has gone through extensive budget cuts including staff layoffs (from 82 employees to 54 FTEs currently), frozen new positions, reduced employee benefits, implemented salary cuts, terminated contracts with international representation firms (Mexico, United Kingdom, Germany, Japan, China) and cut outside services including upgrades to the sandiego.org web site and social media platforms.

These efforts have been done to ensure as much media dollars are maintained as possible while also continuing to work with group customers to rebook San Diego in the future once meetings and conventions are allowed. Consumer media is highly effective in reaching and converting potential travelers to choose San Diego versus other destinations. Media advertising in any form, whether social, digital or video, is expensive. Thus, the SDTA is investing as much as possible to consistently reach the leisure travel audience while waiting for meetings and conventions to resume.

The SDTA is working with Tourism Economics on an update to the travel forecast later this fall. The outlook continues to be grim. The SDTA advertising programs have shown that business can be generated for the district hotels by investing in leisure travel advertising. With the end of

summer, the challenge is does the SDTA have the resources needed to continue driving leisure travel demand for the district up until summer of 2021 when hopefully meetings, conventions and events are once again allowed in California?

Immediate and Mid-Term Recovery Strategies

1. Launch San Diego Tourism’s Recovery Campaign advertising on July 6, 2020 if the community is ready:
 - a. Start the recovery campaign with a Stay Local initiative encouraging San Diegans to stay, play, dine and shop in San Diego.
 - b. As conditions improve, begin advertising to the top drive markets of California, Arizona and Nevada with a combined population of nearly 50 million people. Communicate the “Happiness is Calling You Back” in San Diego
 - c. Expand advertising to other Western Region markets in the Fall as conditions improve.
2. Retool International Programs based on global travel conditions and available resources. Support the San Diego Regional Airport Authority and international direct air service if budget is available.
3. Continue to aggressively sell San Diego as a premier Meeting and Conventions destination.
 - a. Work with customers to move canceled events into open dates and space.
 - b. Continue to develop leads for new group business on behalf of the destination.
 - c. Provide customers with site visits – in person or virtual – to help them choose San Diego.
4. Work with event organizers, especially sporting groups, on booking San Diego. Continue planning with booked events such as Farmer’s Insurance Open, Surf Cup and the 2021 US Open. Adjust programs based on market conditions.
5. Invest in research and data analysis to aid in recovery efforts.
 - a. Update the five-year San Diego Tourism forecasting model.
 - b. 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.
 - c. Continue program measurement tracking, including OmniTrak Advertising Return on Investment Studies.
 - d. Integrate digital data to drive insights for improved conversion across the OWNED and SHARED media channels (search, website, e-mail, social media).
6. Increase San Diego’s share of voice and leverage the paid media budget through unpaid EARNED media and OWNED media channels.
 - a. Media Relations – Secure editorial coverage of travel to San Diego in tier 1 media outlets with high consumer influence within target markets.
 - b. Social and Web Site - Connect with customers and communicate the depth of San Diego travel experiences to the 25 million users of the SDTA’s owned media channels.
7. Continue alliances with community partners to support recovery across sectors:
 - a. Arts and Culture – City of San Diego Commission for Arts and Culture and Balboa Park organizations

- b. Craft Beer – San Diego Brewer’s Guild
 - c. Food – California Restaurant Association, San Diego Chapter
 - d. Attractions – Major attraction partners
 - e. Major events – Community and event organizers
 - f. Neighborhoods – Community groups and City Council offices
8. Work in collaboration with travel partners including Online Travel Agencies and top producing Travel Agencies to secure product and promotion for the destination.
9. Partner with the San Diego Regional Airport Authority to develop and support new air service, especially international routes.

Long Range - Citywide Conventions Strategies (subject to change based on market conditions and resources)

1. Focus on the open dates within the next ten years. The success of each year is largely dependent upon the groups that book between the large Citywide conventions.
 - a. Use our database of accounts to find the accounts that book within the timeframe of the open holes.
 - b. Focus on the short-term open dates, evaluating the holds associated with definite business, including setup times in the halls and breakouts.
2. Develop new accounts that will book into the San Diego Convention Center.
 - a. Use the tradeshow and events to familiarize new clients about how much San Diego has to offer a Citywide convention and their attendees.
 - b. Utilize resources including the MINT database, Top Medical Meetings and Tradeshow Executive.
3. Secure Medical Citywide Rotations. The SDCC is a leader in servicing the lucrative Medical Citywide group market. The Sales Team continues to have excellent relationships with these clients.
 - a. Continue signature events in the Midwest and DC/VA/MD regions targeting the Medical Citywide clients.
 - b. Target premium large Medical Citywides for multi-year contracts.
4. Leverage the combination of the Hotel Meetings and Citywide Sales Teams to generate more market intelligence and a stronger presence at tradeshow, sales trips, and industry and partner events, thus ensuring SDTA uncovers all the opportunities for San Diego.
 - a. Utilize the Hotel Meetings Team to generate opportunities for the SDCC.
 - b. Collaborate with the Hotel Meetings team to increase coverage at the events and tradeshow.

Long-Range Hotel Meetings Sales Strategies (subject to change based on new market conditions and resources)

1. Continue our Customer Acquisition Program which focuses on finding a new meeting for San Diego or one that hasn't been here in 5 years.
 - a. Determine additional trusted partners and vendors to vet potential customers for San Diego.
 - b. Schedule and execute 4 FAMs of 15–20 new customers each throughout the year with the assistance of CONNECT.
 - c. Host sourcing groups from key meetings and incentive companies ie: Maritz.
 - d. Continue outreach with Road Shows/customer events to specific feeder markets.
 - e. Schedule 4 - 6 focus groups in cities that have more potential to book San Diego.
2. Expand San Diego Meeting Certified.
 - a) Schedule classes in 2021 and encourage senior leadership to attend, with focus on both DOSM's and general managers. Reduce time of the classes to the specific audiences ie: four-hour overview sessions for leadership and one full day for sales managers.
 - b) Create sessions focused on attractions/venues and other non-Hotel salespeople and continuing education classes for refreshers throughout the year for all previous attendees.
3. Continue to support and expand usage of our first ever Group Tool Kit based on our Smile Campaign for all hotels to use in soliciting group business – extending our brand with one voice and one message.
 - c) Include tools for branded ads, welcome signage, thank you notes, sales collateral, presentations.
 - d) Provide "Smile you're in San Diego" promotional material for planners to use.
 - e) Include "Stay One More Night" messaging to entice meeting attendees to come in early or stay after their meeting to enjoy San Diego.
4. Finalize and activate mentorship program. Work with key sales leadership from our hotel community to develop a mentoring program that builds sales manager bench strength. Include Carl Winston from the SDSU School of Hospitality.

Amended Funding Recommendation

\$25,122,304

Ranking:

- Directors' Aggregate Ranking:

#1 of 10

ROI cannot be estimated at this time due to the unprecedented nature of the pandemic. SDTA has a history of delivering exceptional (and audited) ROI each year since the inception of the TMD. The SDTA and SDTMD Board agreed to a 6-month program measurement from OmniTrak with an update to the board upon completion of the study covering the July – December 2020 campaign period along with ongoing updates from STR (weekly hotel performance data) and group sales performance (monthly data)

Amended Administration Budget

San Diego Tourism Marketing District Corporation

Personnel	
Employee Benefits	\$ 20,412
Executive Director Wages	230,500
Payroll tax	19,709
Workers Comp	<u>2,295</u>
Total Personnel	272,916
Contract Services	
Accounting	253,331
Audit	21,600
Communications	213,375
Legal	120,000
Research and compliance	<u>105,000</u>
Total Contract Services	713,306
Overhead	
Bank service fees	200
Dues and subscriptions	8,400
Insurance	26,589
Meals, Travel & Entertainment	1,200
Occupancy	10,108
Office Supplies	4,000
Parking	400
Payroll processing	3,392
Postage and shipping	2,000
Printing and reproduction	<u>3,000</u>
Total Overhead	59,289
Original Contingency	365,848
Reduction	<u>(240,823)</u>
Amended Total SDTMD Operations	1,170,536
Administration Fees to the City	<u>308,000</u>
Amended Total Administration	\$ 1,478,536

Amended Opportunity & Catastrophe / Unallocated Funds Summary

Opportunity & Catastrophe Reserve:	Total
7% Amended Assessment revenue	\$ 1,183,057
Projected carryover – Modified District prior years	1,125,933
Utilization of assessments and carryover for contractor allocations	(1,411,570)
Projected carryover – Modified District previously reserved for Litigation	*1,000,000
Projected carryover – Renewed District previously reserved for Litigation	*2,000,000
Add balance of Litigation Reserve	5,361,540
Amended Total Opportunity/Catastrophe Reserve	\$ 9,258,960

Unallocated Funds (previous Litigation Reserve*):	Total
FY2020 Original Balance (All TMD Funds)	\$ 15,000,668
Add: FY2019 carryover - unexpended from \$5M allocation	\$ 53,796
Plus: FY2020 COVID-19 reduction to original \$6.999M allocation	1,807,076
Sub-Total Modified FY2020 Projected Unallocated Funds*	\$ 16,861,540
Less: FY2021 Request for Contractor Allocations (TMD A)	*(10,500,000)
Less: FY2021 Request for Opportunity/Catastrophe (Modified District)	(1,000,000)
Original Total Projected Unallocated Funds*	\$ 5,146,464

Less: This Amendment to Report of Activities allocating balance of Litigation Reserve to Opportunity/ Catastrophe Reserve (5,361,540)

Modified Total Projected Unallocated Funds **\$ 0**

*Notes:

- *Original Litigation Reserve requirement was \$30,000,000 less: FY18 allocation of \$3,000,000; FY19 allocation of \$5,000,000; FY20 allocation of \$6,999,332.*
- *Original FY2021 request for contractor allocation utilizes \$10.5 million from second district litigation reserve and \$1 million from modified district litigation reserve.*
- *Total Projected Unallocated Funds does not include anticipated City administration expenses for TMD A and B of \$112,000 for FY2020 and \$57,000 for FY2021 as listed below in Administration.*

Administration/Interest Income

Administration: (<i>% of assessment revenue plus interest income</i>)	
3% Amended Assessment revenue	\$ 507,025
Projected carryover – Modified District prior years	864,511
Allocation of prior years' TMD A & B (for City Admin)	57,000
Projected interest and penalties	50,000
Total Administrative/Interest Income	\$ 1,478,536

Attachments

1. San Diego Tourism Marketing District Corporation – Updated (4 pages) Page 21
3. Funding Cycle for FY2021 – Updated (2 pages) Page 27

For other Attachments please see the pages noted below in the original SDTMD Report of Activities for FY 2021 approved by Resolution Number R-313083 and on file in the Office of the City Clerk as Document Number RR-313083

2. Management Plan Highlights (4 pages) Page 34
4. Key Elements of the Application Guidelines and Requirements for FY2021 (4 pages) Page 42
5. Sample Application for FY2021 (10 pages) Page 47
6. FY2021 SDTMD Corp. Directors Ranking of Applications Summary (1 page) Page 59
7. SDTMD Corp. Annual Report – FY2019 (32 pages) Page 61
8. FY2020 Interim Report of Activities Summary (3 pages) Page 90

Attachment 1

San Diego Tourism Marketing District Corporation Update

4 Pages

SDTMD Corporation Update

Mission:

The San Diego Tourism Marketing District Corporation (SDTMD), formerly known as the San Diego Promotion Tourism Corporation, is a nonprofit mutual benefit corporation dedicated to improving lodging room night consumption in the City of San Diego.

Purpose:

The specific purpose of this private, non-profit corporation is to provide a private, nonprofit, funding vehicle to stimulate City of San Diego lodging room demand through tourism sales, marketing and advertising programs. The judicious allocation of these resources creates a positive economic, fiscal and employment impact on lodging businesses in the City of San Diego.

Board of Directors

Richard Bartell, Chair
C. Terry Brown, Vice Chair
Tim Herrmann, Secretary
Vikram Sood, Treasurer
Summer Shoemaker
Steve Cowan
Ilsa Butler
Alyssa Turowski
Joe Terzi

Staff:

Colleen Anderson, Executive Director
Email: canderson@SDTMD.org

San Diego Tourism Marketing District Corporation

750 B Street, Suite 1500
San Diego, CA 92101
Tel: (619) 557-2854
Web: www.SDTMD.org

Management & Oversight:

The implementation of the TMD Management Plan is the responsibility of the Board of Directors of the San Diego Tourism Marketing District Corporation (SDTMD), formerly the San Diego Tourism Promotion Corporation, a private non-profit entity composed exclusively of the assessed lodging businesses.

General Powers:

Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law and any other applicable laws, and subject to any limitations of the articles of incorporation or bylaws, the corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors.

Board of Directors:

Only business owners or business owner's representatives paying the tourism marketing district assessment have the right to vote in annual elections of the association. And only business owners or business owner's representatives paying the tourism marketing district assessment have the right to seek nomination or election to the board of directors of the association. The Board of Directors shall consist of nine (9) directors unless changed by amendment to the bylaws of the corporation.

Initial Directors:

The initial Board of Directors was appointed by the Incorporator of the Corporation, with individuals to serve for staggered terms of one, two or three years. At the first duly constituted meeting of the Board of Directors, the initial Board members drew lots to determine their individual term.

Board Nominations & Elections:

Elections to the Board of Directors are held annually. A call for self-nominations occurs annually and all self-nominees are listed on the ballot for Board elections. In addition to, or in the absence of, self-nominations, the Nominations Committee of the Board may put forth a slate of nominees at each election.

The procedure for nominations and elections, including the timing for nominations, and the protocol for the distribution and collection of ballots, is defined in the Bylaws of the Corporation. SDTMD retains a third-party contractor to administer, count and report the results of the balloting for Board elections.

Board Officers:

Officers of the Board of Directors are elected annually by a majority vote of the Board at the first regularly scheduled meeting of the Board, following the seating of new Board members.

Board Standards and Conduct:

The SDTMD is organized as a 501(c) 6, mutual benefit corporation, and has as its purpose the management of the resources of the San Diego Tourism Marketing District. The primary measure of the success of the Corporation is the benefit it delivers to the assessed businesses.

Board members, officers and members of the association are intended and understood to represent and further the economic interest of the City's tourism industry. Board members or officers have a fundamental duty to advance the general welfare of the tourism industry in San Diego. Because the delivery of a measurable benefit to the assessed businesses is required by law, and is the primary legal purpose of the Corporation, it is recognized that members of the

Board of Directors, through their assessed businesses, will receive benefit from the activities of the SDTMD.

In addition, State law provides, and the City's enabling Procedural Ordinance recognizes, that SDTMD is a "private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose."

However, SDTMD shall comply with the Ralph M. Brown Act, California Government Code section 54950 *et. seq.*, at all times when matters within the subject matter of the District are heard, discussed, or deliberated, and with the California Public Records Act, California Government Code section 6250 *et. seq.*, for all documents relating to activities of the district.

Furthermore, the SDTMD Board of Directors shall comply with the California Corporations Code and shall develop internal policies defining standards, responsibilities and conduct for the Board of Directors.

Specifically, any member of the Board of the corporation, whether they are an owner, officer, or employee of an assessed business, shall disclose the material facts of their interest in a transaction, and shall recuse themselves from any discussion and decision on the transaction, when they have a material financial interest in the transaction.

A Volunteer Board of Directors:

The members and officers of the Board of Directors of the SDTMD serve as volunteers. They receive no monetary compensation or remuneration for their service individually or collectively. They are not entitled to nor may they make a claim for reimbursement of any personal or professional expenses attributed to their service. Other than Directors and Officers Liability Insurance no benefits such as, but not limited to, health insurance, workman's compensation insurance, disability insurance, or paid vacation, is provided.

Marketing Support Programs Application Guidelines & Criteria:

The Board of Directors annually allocates a portion of the annual revenue from the District to marketing support programs and services that can deliver a measurable return on investment.

The SDTMD will solicit and/or receive applications for funding from numerous, diverse organizations, and entities. The guidelines, criteria and application will be created/updated annually at the sole discretion of the Board of Directors.

Limiting Contact Between Applicants and the Board of Directors:

It is vital that the application and allocation process for funding from the SDTMD be open, fair and efficient. To this end, the written submission of the application and supporting materials as well as any public presentation that may be required from applicants will be the foundation for Board discussion and deliberations. Board members are encouraged to limit their contact and communication with applicants regarding their applications or proposed application, and to disclose any such contact or communication prior to participating in the consideration of that applicant's submission.

Current Board Member Information:

Richard Bartell, Chair
President, Bartell Hotels

Bartell Hotels represent over 1,575 TMD rooms in the Harbor, Mission Valley, Mission Bay and La Jolla (SD North) regions of the City of San Diego. Mr. Bartell's initial three-year term expired on June 30, 2011. Mr. Bartell was re-elected July 1, 2011, again July 1, 2014 and for another three-year term beginning July 1, 2017.

C. Terry Brown, Vice Chair
President, Atlas Hotels

Atlas Hotels represent over 950 TMD rooms in the Mission Valley region of the City of San Diego. Mr. Brown's initial two-year term expired June 30, 2010, and he was re-elected for a term of three years beginning on July 1, 2010. In 2013, Mr. Brown was re-elected for a three-year term beginning on July 1, 2013, again on July 1, 2016 and was re-elected in 2020.

Vikram Sood, Treasurer
Senior Vice-President of Operations, RAR Hospitality

RAR Hospitality represents over 300 TMD hotel rooms in Downtown, Sorrento Valley and Del Mar regions of the City of San Diego. Mr. Sood was appointed to the board on December 8, 2017 and was elected for a three-year term beginning July 1, 2018.

Tim Herrmann, Secretary
General Manager, Marriott Marquis

Mr. Herrmann represents the Marriott Marquis Hotel representing 1360 TMD rooms in the Downtown and Harbor regions of the City of San Diego. Mr. Herrmann replaced Chris Ostopovich and served the remainder of Mr. Tuni Kyi's term, which expired on June 30, 2019. Mr. Herrmann was elected for a three-year term beginning July 1, 2019.

Steve Cowan
General Manager, Hilton Hotels

Mr. Cowan represents the Hilton Bayfront Hotel representing 1190 TMD rooms in the Downtown and Harbor regions of the City of San Diego. Mr. Cowan replaced Mr. Matt Adams and was elected for a three-year term beginning July 1, 2019.

Ilsa Butler,
Senior Vice President, Sales & Marketing, Evans Hotels

Ms. Butler represents Evans Hotels representing 793 TMD rooms in the Mission Bay and La Jolla regions of the City of San Diego. Ms. Butler was elected for a three-year term beginning July 1, 2018.

**Alyssa Turowski,
General Manager, Westin San Diego**

Mrs. Turowski represents the Westin San Diego Hotel representing 436 TMD rooms in the Downtown region of the City of San Diego. Ms. Turowski replaced Ms. Colleen Anderson and will serve the remainder of her term, which expires June 30, 2021.

**Summer Shoemaker,
General Manager, La Valencia Hotel**

Mrs. Shoemaker represents Pacific Hotel Group and the La Valencia Hotel representing 114 TMD rooms in the Village of La Jolla region of the City of San Diego. Mrs. Shoemaker replaced Mr. Scott Hermes and will serve the remainder of his term, which expires June 30, 2020.

**Joe Terzi.
Retired Hotel Executive**

Mr. Terzi was a founding member of the San Diego Tourism Marketing District and serves on the Board of Directors for the U.S. Travel Association, California Travel Association, Visit California and several other local organizations. He was the President and CEO of the San Diego Tourism Authority from 2009-2020.

Attachment 3

Updated Funding Cycle for FY 2021

2 Pages

Funding Cycle for FY 2021

October/November 2019:

FY 2021 Applications available on October 11 via www.sdtmd.org/applications

Two Applicant Workshops offered:

- October 17 from 10 a.m.-12 p.m. and October 22 from 2 to 4 p.m.
- GENERAL FY 2021 Annual Application Deadline: Friday, November 15, 2019

December 2019:

- Preliminary staff review of received applications
- 3rd party contractor generates initial analysis and report

January 2020:

- Committee comprised of TMD Board Members, SDTA Executives, 3rd party contractor and SDTMD Executive Director meet to evaluate the applications and 3rd party analysis.
- DMO FY 2021 Annual Application Deadline: Friday, January 24, 2020
- General Applicant oral presentations to Board of Directors

February 2020:

DMO presentations to Board of Directors

February - March 2020:

- Formal public board review of qualified applications
- Funding recommendations of programs by board
- FY21 revised budgets from approved organizations due on March 16, 2020 (if applicable, based on Board funding recommendation differing from original \$ request)

April 2020:

- Notification of funding intention to the City of San Diego

May 2020:

- SDTMD submits FY20 Budget with ROI projections and Scope of Work assumptions to San Diego City Council for consideration and request for approval

June 2020:

- FY21 Contracts Issued

July 1, 2020:

- FY21 Begins

July 2020:

FY 2021 Supplemental Applications available via www.sdtmd.org/applications

Deadline: Ongoing acceptance of applications

November 30, 2020:

- Q1 Progress Recap due. Quarterly reports are required to be submitted 60 days following the end of each quarter. Activities, changes, accomplishments, challenges, etc. are detailed, in addition to event outcomes in the applicable quarter

February 28, 2021:

- Q2 Recap due.

May 31, 2021:

- Q3 Progress Recap due.

August 31, 2021:

- Q4 & Annual Progress Recap due.

*Dates are approximate and may change without notice.

