2021 ANNUAL PERFORMANCE REPORT

sd|tmd
SAN DIEGO TOURISM MARKETING DISTRICT

Resilience & Recovery

TABLE OF CONTENTS

Executive Message	3
How SDTMD Makes an Impact	4
SDTMD Key Milestones	4
Global Pandemic Continues to Disrupt Tourism	5
COVID-19's Impact on San Diego's Tourism Economy	7
Contractor Performance & Impact	8
San Diego Tourism Authority Program Highlights	9
Board of Directors	11
Financial Report	12

Delivering the quality service our guests have come to expect, considering the limited resources and uncertainty of staffing levels, was our largest challenge. We overcame this through leveraging both technology and the pure talent and adaptability of our most precious asset, our team.

STEVE COWAN
General Manager,
Hilton San Diego Bayfront

COVID-19 brought challenges like we've never seen before. Tourism is my livelihood. Being able to provide an awesome guest experience makes my day as well as provides an income. With fewer people traveling, it had a big financial impact on me and my family in terms of lost wages. We had to cut costs where we could. Fortunately, the vaccine was a major key in moving forward safely in this industry and getting back to work.

MARC HOLT
Doorman,
Omni Hotel San Diego

When we canceled the event in 2020, the fans were angry and disappointed. I don't believe they understood the seriousness of the ongoing pandemic or the fact we could not get permits to operate. The fact that Bayfair is an outdoor event was a huge factor in deciding to push forward with the event in 2021.

GREGG MANSFIELD
Director,
San Diego Bayfair

Resilience and Recovery in the Age of COVID-19

Message from the Board Chair and Executive Director

No other sector was more decimated by COVID-19 than tourism. During the depths of the pandemic this last year, tourism was essentially shut down except for essential workers.

Not only did San Diego witness devastating job losses, but it is estimated that transient occupancy tax (TOT) collections sustained losses of over $190 million due to hotel shutdowns caused by the pandemic. Paid by the visitor for each room night consumed, TOT generates valuable revenues for the city's general fund to support everything from homeless solutions, parks and libraries to public safety and road repair.

If there's a silver lining, it's that since reopening for leisure tourism in the spring of 2021, San Diego has been leading the nation in tourism recovery. For the people working to sustain San Diego's tourism industry and the thousands of livelihoods it supports, this rebound is no accident.

For 13 years, the San Diego Tourism Marketing District (SDTMD) has overseen dedicated tourism marketing dollars collected from its member hotels to keep our local tourism economy healthy by increasing overnight hotel stays. In Fiscal Year 2021, these dollars ensured San Diego Tourism Authority (SDTA) could continue to engage with audiences with appropriate messaging throughout the shutdown and launch a highly strategic marketing campaign upon reopening.

By contrast, other destinations like Anaheim, Los Angeles and San Francisco saw marketing dollars evaporate and were forced to go dark. As a result, San Diego not only stayed top of mind with its audiences but also maintained market share and is now a step ahead of the competition in the recovery effort.

According to STR reporting, San Diego has ranked in the top three U.S. travel destinations and the first in the western region through Labor Day 2021. July 2021 was one of San Diego's strongest months on record— ever.

Despite these positive outcomes, San Diego's tourism economy cannot fully recover until the return of group meetings, events and conventions. There is still work to be done, and, as always, SDTMD's board of directors remains steadfast in its mission to invest marketing dollars for greatest return.

For now, thanks to SDTMD's prudent planning, San Diego is at least outpacing other popular destinations and growing its market share for the benefit of the people who live and work in America's Finest City.

Sincerely,

Richard Bartell
CHAIRPERSON

Colleen Anderson
EXECUTIVE DIRECTOR

How SDTMD Makes an Impact

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 with 70 rooms or more to collectively support marketing efforts to increase tourism in the City, which in turn increases hotel room night stays and, therefore, increases transient occupancy tax (TOT) revenue back to the City. Through this model, the tourism marketing district creates a true economic engine for the City and the region as a whole.

SDTMD Key Milestones:

JANUARY 2008 — Collection of SDTMD assessments begins.

DECEMBER 2015 — SDTMD funded Destination Master Plan, Experience San Diego, complete.

AUGUST 2016 — City approves district modification to assess properties of 70 rooms or more.

JUNE 2019 — City collects a record of $249 million in TOT.

MARCH 2020 — Global coronavirus pandemic leads to tourism industry shutdown.

APRIL 2021 — San Diego reopens for leisure tourism.

How TMD Works

Overnight visitors come to the City.	They stay in a hotel.	A 2% assessment on each hotel room goes to TMD.	TMD funds San Diego Tourism Authority and other groups/ events.	That activity attracts more visitors, filling more TMD hotel rooms.	The City collects a 10.5% tax on those hotel rooms.	The tax pays for public safety, road repair and other City services.

Global Pandemic Continues to Disrupt Tourism

The coronavirus pandemic continued to disrupt tourism worldwide in FY21. With no vaccine available until second quarter of 2021, much of the world remained shut down to non-essential travel well into March 2021 and beyond. In the U.S., the country experienced a dangerous surge in virus transmission during the fall 2020 holidays that continued throughout winter. Many hotels remained closed, and a large number of employees continued to be furloughed or laid-off.

San Diego's Tourism Rebound Driven By Leisure

Welcome news arrived with the availability of approved COVID-19 vaccines in spring 2021. As vaccinations became widespread, the industry slowly reopened for leisure travel and was met with strong pent-up demand for travel from consumers.

Outdoor-oriented destinations easily accessible by car were perceived as among the safest travel options, which made San Diego especially attractive to leisure visitors. Hotel occupancy and average daily rate (ADR), particularly in the coastal areas, climbed in summer months despite no group and convention business. From reopening through Labor Day 2021, San Diego ranked third in the nation behind Oahu, HI and Norfolk, VA for hotel performance and was first in its western competitive set. July 2021 was one of San Diego's strongest months on record with a city-wide average occupancy of 78.9 percent and an ADR of $218. ADR continued to climb and, for the months of July through October 2021, finished higher than pre-pandemic levels.

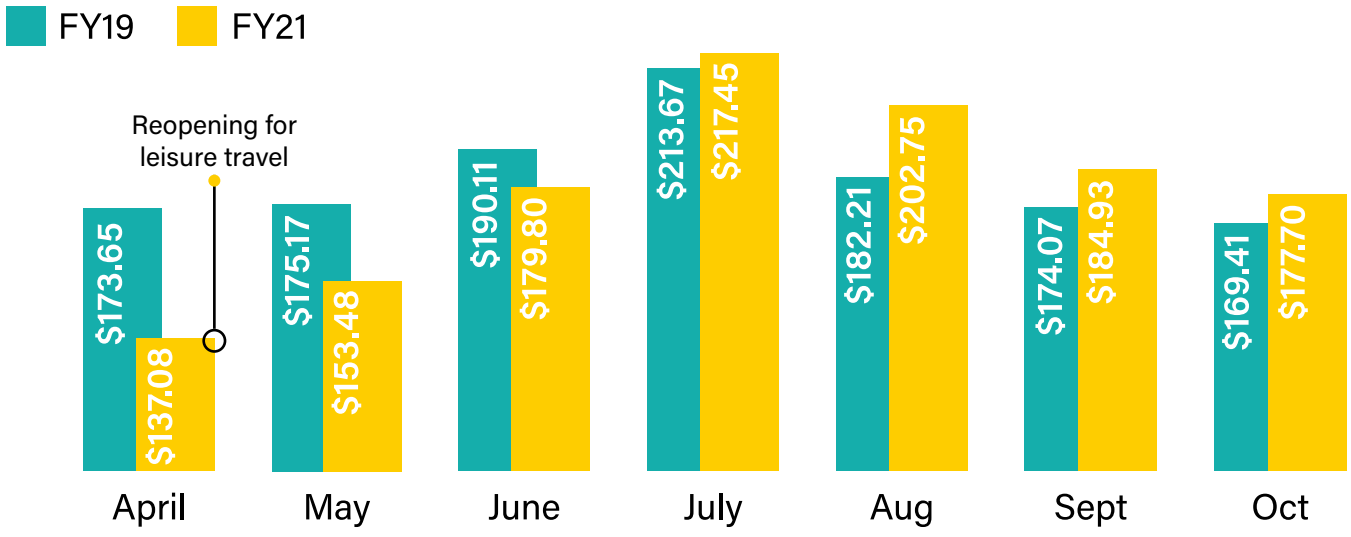
While TOT collections in FY21 were just 50 percent of FY19 collections, San Diego's market share index registered 3 percent above pre-pandemic levels, another indication that San Diego is above "fair share" when compared to key competitors.

Despite industry initiatives to demonstrate and support their safe return, in-person group meetings and events remained on pause throughout the fiscal year and prompted the cancellation or postponement of many high-profile events, such as Comic-Con, into FY22.

Overall, San Diego tourism finished FY21 with 16.3 million visitors, 37 percent below FY20 levels. Visitor spending was down 41 percent from FY20 at $5.2 billion and hotel occupancy averaged 50.9 percent, nearly 21 percent below the previous fiscal year.

ADR 2019 vs. 2021 (San Diego City Hotels)*

As leisure travel resumed in 2021, ADR quickly climbed to surpass pre-pandemic rates by July.



*as reported by SDTA

A Sunny Outlook for San Diego Tourism Predicted Post-Pandemic

Looking Ahead

While the leisure travel outlook remains strong, the return of conventions, meetings and events is crucial to San Diego's full tourism recovery especially during shoulder seasons. Fortunately, these events are slowly returning, especially events that take place outdoors such as athletic competitions and food and cultural festivals. Comic-Con held a smaller "Special Edition" version of its event in November 2021 that coincided with the opening of the new Comic-Con Museum in Balboa Park.

With more than 80 percent of eligible San Diego residents having received at least one or more doses of the coronavirus vaccine, leisure and business travelers are feeling more confident about gathering and traveling. Hotels, restaurants and other San Diego tourism businesses have aided this growing confidence by continuing to enforce protocols that emphasize safety, cleanliness, social distancing and outdoor experiences.

Despite these positive signs, recovery is predicted to be jagged due to headwinds the industry is facing. New strains of COVID-19, such as the Delta and Omicron variants, have had a negative impact on travel sentiment and encouraged many to postpone travel plans.

San Diego's hospitality businesses also continue to struggle with staffing issues, which have affected service levels, hours and available capacity. The temporary closures and furloughs that decimated the industry drove talent at all levels to seek opportunities elsewhere. What's more, the soft skills acquired through hospitality careers are in demand across many other industries from healthcare to senior living. Today, as San Diego's marketing dollars bring visitors back, the industry also needs to compete to attract and restore the passion and dedication of its tourism workforce.

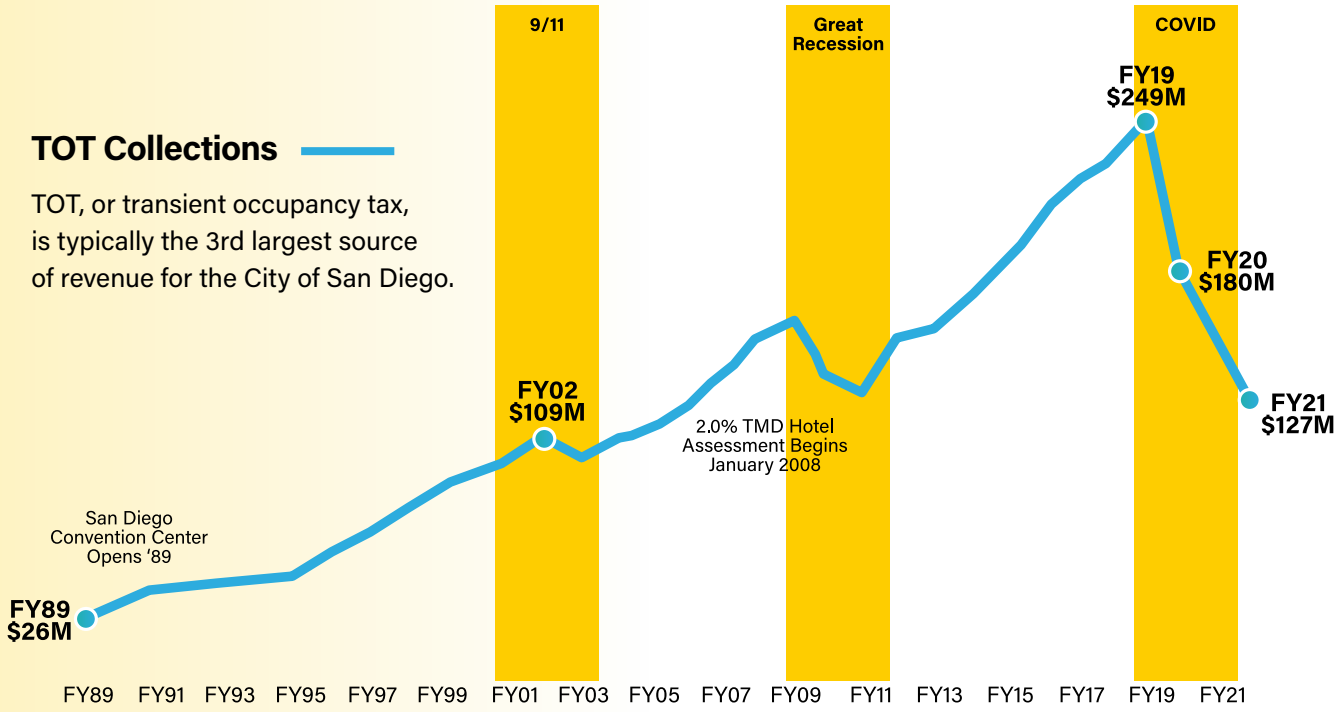
COVID-19's Impact on San Diego's Tourism Economy

Tourism Jobs

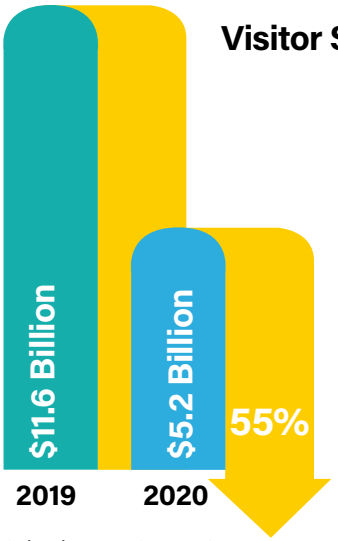
Prior to the pandemic, 1 in 8 jobs in San Diego were in tourism. In the accommodations sector alone, jobs were still down 27 percent as of August 2021.

TOT Collections

TOT, or transient occupancy tax, is typically the 3rd largest source of revenue for the City of San Diego.



Visitor Spending



Calendar Year. Source SDTA

Total Visitors

Calendar Year. Source SDTA

Contractor Performance and Impact

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 historically resulted in growth in hotel room nights and revenue, which is vital to the strength and success of the tourism industry in San Diego.

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 TMD lodging businesses of all sizes. In addition, they are required to abide by all requirements set forth in the City's Operating Agreement with SDTMD.

With the forced cancellation of group events in FY21 due to the pandemic, all available SDTMD funding was awarded to the San Diego Tourism Authority (SDTA), the City's Destination Marketing Organization of record. In a normal year, SDTA typically receives approximately 90 percent of SDTMD funding, with additional funds allocated to supporting independent events and programs that drive visitation and suggest San Diego TMD hotels.

About SDTA

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, programs are updated to best capitalize on opportunities and maximize ROI.

SDTA FY21 ROI

Total Room Revenue From SDTMD Programs:
$590,722,816

Total Funding From SDTMD:
$20,972,471

Total ROI for FY21:
28.2:1

San Diego Tourism Authority Program Highlights

SDTA's marketing programs remained nimble in response to fluctuating pandemic conditions throughout FY21. With the reopening for leisure travel in summer 2020, the SDTA continued the popular Stay Diego promotion, working with media partners such as CBS8 and Univision to encourage San Diegans to stay, eat, drink, shop and play locally. Drive market campaigns ran through fall 2020 and returned as soon as stay at home orders lifted at the end of January 2021. Happiness is Calling You Back and San Diego is Open for Meetings were the primary campaigns encouraging travel recovery for the tourism community.

Stay Diego

- Targeted local audiences in San Diego and ran July-September 2020 and again February-March 2021
- Encouraged San Diegans to come together in support of the tourism community by booking a staycation to stimulate the tourism economy
- More than 13.9 million impressions were delivered locally through custom sponsored content, in-news content mentions, network taggable creative, premium homepage takeover placements and digital display advertising

Happiness is Calling You Back

- $13.3 million media campaign targeting premium drive markets in California and Arizona including Los Angeles, San Francisco, Sacramento and Phoenix
- Campaign included digital, TV, social and native advertising
- Media partners included Travel Zoo, Pandora, Condé Nast, ABC, Facebook, YouTube, Clear Channel, Priceline, Adara, LinkedIn, Google, Trip Advisor, Verizon and others

San Diego is Open for Meetings

- Supported direct sales for conventions and hotel meetings with new "Happiness Is" group meeting campaign
- Reinforced message that San Diego is safe and open for meetings and conventions

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

La Valencia closed for two months which was very hard. When we re-opened in late May, we were amazed at the response and business volume that returned quickly. Although nothing was normal, it was heartwarming to welcome back so many loyal customers who have considered La Valencia a comforting retreat for generations.

SUMMER SHOEMAKER
General Manager,
La Valencia Hotel

We canceled the event on October 22, 2020. In the 43-year history of the bowl game, it was the hardest decision our board of directors ever had to make. It was a sad day. The time and resources we'd normally spend preparing for the bowl game were redirected to establishing plans to attract more visitors to San Diego through sports.

MARK NEVILLE
CEO,
San Diego Holiday Bowl

Canceling our event was nerve-wracking; we were anxious about the future of our organization and whether we could stay afloat. Unfortunately, we had to cut most of our staff to remain operational. We also simply felt sad that we could not put on the event for California's youth. We heard a lot of feedback from parents and coaches about the importance of youth and amateur sports for the sake of mental health.

MIKAELA NADOLSKI
Marketing/Social Media Manager,
California State Games

Board of Directors FY 2021

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

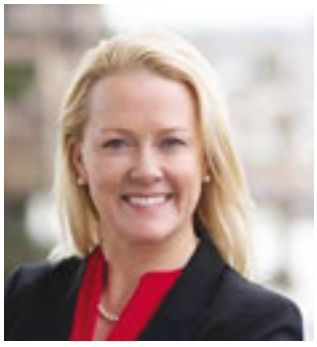
Joe Terzi

Retired CEO,
San Diego Tourism Authority

Alyssa Turowski

General Manager,
Hilton La Jolla Torrey Pines

STAFF



Colleen Anderson

Executive Director

FY 2021 Financials

Statements of Financial Position For Years Ending June 30, 2021 & 2020*

ASSETS

Current assets	2021	2020
Cash	3,039,520	2,406,901
Accounts receivable	–	4,247
City holdbacks	12,154,814	18,918,259
Prepaid expenses	33,394	75,069
Accrued interest income	2,980	2,962
Advances to contractors	–	172,136
TOTAL CURRENT ASSETS	**15,230,708**	**21,579,574**

LIABILITIES & NET ASSETS

Current liabilities		
Accounts payable	1,455,678	247
Deferred revenue	11,658,210	2,902,717
Indemnification, reserve current	–	16,861,540
Total current liabilities	**13,113,888**	**19,764,504**
Net assets		
Net assets without donor restrictions	2,116,820	1,815,070
Total net assets	**2,116,820**	**1,815,070**
TOTAL LIABILITIES & NET ASSETS	**15,230,708**	**21,579,574**

Statements of Activities For Years Ending June 30, 2021 & 2020*

REVENUE & SUPPORT

	2021	2020
Tourism Marketing District revenue	21,933,500	38,516,633
Interest income	264,530	626,920
Other income	80,362	66,691
TOTAL REVENUE & SUPPORT	**22,278,392**	**39,210,244**

EXPENSES

Program services		
Allocations to contractors	20,955,905	37,254,176
TOTAL PROGRAM EXPENSES	**20,955,905**	**37,254,176**

SUPPORT SERVICES

Management & general		
SDTMD operations	706,064	928,638
Administrative fee to the City of San Diego	314,673	429,563
TOTAL SUPPORT SERVICES EXPENSES	**1,020,737**	**1,358,201**

Increase net assets without donor restrictions	301,750	597,867
Net assets, beginning of year	1,815,070	1,217,203
Net assets, end of year	2,116,820	1,815,070

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

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**