ANNUAL PERFORMANCE REPORT

FISCAL YEAR 2022

sd|tmd
SAN DIEGO TOURISM MARKETING DISTRICT

REBUILDING A

Vibrant Tourism Economy

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MESSAGE FROM THE
Board Chair and Executive Director

San Diego's tourism economy lost 20 years of economic gains in visitor spending, tax revenues and employment due to the pandemic. While forecasts indicate that the region will not fully recover until 2024-2025, our recovery over the past year has been encouraging — outpacing predictions and outperforming many competitors.

For the second consecutive year, San Diego has outperformed every domestic destination except for Oahu Island during summer months.

The swift pace of recovery would not have been possible without the support of San Diego Tourism Marketing District's dedicated marketing funds. These funds support strategic marketing campaigns that have stimulated travel demand and allowed the region to gain market share.

In fact, for the second consecutive year, San Diego outperformed every domestic destination except for Oahu Island during summer months. July 2022 once again set records for average daily rate (ADR) and hotel revenue, resulting in increased transient occupancy tax (TOT) collections for our city. These revenues generated from tourism not only support our local workforce but also our city government's ability to maintain the enviable quality of life we experience in San Diego.

It has been fulfilling to see tourism return to our city, especially in the form of treasured events and conventions that were among the most severely impacted by the pandemic and have been slowest to return. While the pace of recovery, especially with respect to business travel, events and conventions, continues to be dependent on many factors such as virus variants, inflation and competitive pressures, San Diego is fortunate to be in such a strong position.

Buoyed by a robust appetite for travel worldwide, the SDTMD board is optimistic that San Diego's tourism economy will continue to make progress in the next year. As always, we remain committed to supporting recovery by investing marketing dollars for maximum return on investment to benefit the people who live, work and play in San Diego.

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 industry.

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.

JUNE 2022 — TOT collections rebound to $257 million, 3.3% above pre-pandemic levels.

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.

SAN DIEGO TOURISM BOUNCES BACK,

Exceeds Predictions

It was mostly good news for San Diego tourism in FY22. The lifting of nearly all pandemic restrictions by July 2021, paved the way for continued leisure travel and the resumption of large events as well as group meetings and conventions. By November 2021, the land borders between Canada and Mexico reopened allowing a return to travel and commerce within North America.

Primarily leaning into domestic travel, San Diego's tourism recovery in FY22 outpaced predictions and in many areas exceeded pre-pandemic benchmarks set in 2019. Leisure travel demand continued to be the biggest tourism driver and was buoyed by the return of many high-profile San Diego events including music and culinary festivals and sports events. Group, business and convention travel continued to lag behind leisure travel but still made gains toward recovery. According to Tourism Economics, group demand in the second quarter of 2022 is estimated to have been only 2.9% below 2019 levels.

While staffing shortages, supply chain disruptions, inflation and periodic variant flare ups continued to provide challenges, the pace of travel remained steady and aligned with traditional seasonal fluctuations for leisure travel. For the second year in a row, July 2022 was one of San Diego's strongest on record with the city ranking second among the top 25 domestic markets for occupancy, average daily rate (ADR) and revenue per available room (RevPar). For calendar year 2022 through July, San Diego ranked fifth among domestic markets for travel performance. Another milestone for travel recovery was set at San Diego's airport, which registered a record two million passengers in June 2022.

Although total visitor numbers remained 36 percent below 2019 levels, visitors stayed longer and spent more while they were in San Diego. Visitor spending combined with record ADR due to elevated leisure demand helped the recovery of transient occupancy tax (TOT) to benefit the city's general fund and support essential services such as public safety, homeless outreach, parks, libraries and street repair.

Anatomy of San Diego's Tourism Recovery*

*2022 vs. 2019

Looking Ahead

San Diego's tourism recovery is predicted to continue, although the pace is expected to slow over the next year. Potential trends and challenges to keep an eye on include:

- Increased competition from places like Europe where the value of the dollar is high, and which is attractive to visitors desiring to travel to places they haven't been in the last two years due to pandemic restrictions.
- Domestic and drive market fatigue driving visitors to seek out new and different destinations.
- Reduced trips due to Inflation and the high cost of travel as well as the possibility of recession.
- The gradual return of business, meeting and convention travel as California seeks to recapture business lost to other states such as Florida and Arizona that reopened much sooner.
- Business travel remaining below pre-pandemic levels as more companies have become accustomed to virtual meetings and more closely weigh the costs and benefits of face-to-face meetings.
- Omicron and other new strains disrupting travel activity and decisions.
- Inbound International travel continuing to lag with uneven recovery due to travel restrictions and air service restraints.

Visitor Spending

Visitor spending remains 36% lower than 2019 primarily due to slow recovery of business travel.

19	20	21	22**
$11.6B	$5.2B	$7.5B	$11.1B

Source SDTA

Total Visitors*

Despite fewer visitors than 2019, those visiting are staying longer and spending more.

19	20	21	22**
35.1M	14.3M	23.8M	32.2M

Source SDTA

Hotel Average Daily Rate (ADR)*

Strong leisure demand has helped push ADR above pre-pandemic levels which has helped drive the recovery of TOT.

19	20	21	22**
$166.44	$130.61	$164.63	$190.98

Source: STR, Tourism Economics

Calendar year. *San Diego County **Projections for CY 2022

Tourism's Economic Rebound

Tourism Jobs

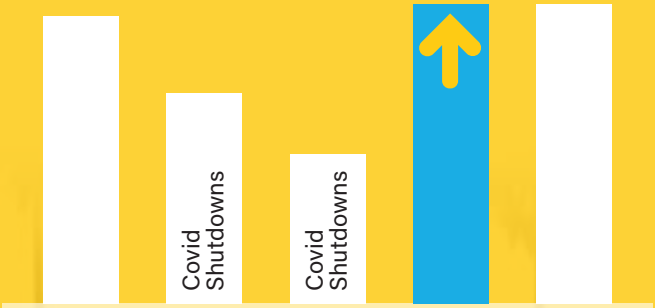
182,600*

people employed by tourism, down just 6% from pre-pandemic levels

*2021 calendar year, San Diego County

TOT Trends

City of San Diego



*Projected, per city budget

TOT Collections Support Essential Services

TOT, or transient occupancy tax, is one of the four main sources of revenue for the City of San Diego's General Fund. The General Fund helps support essential services including:

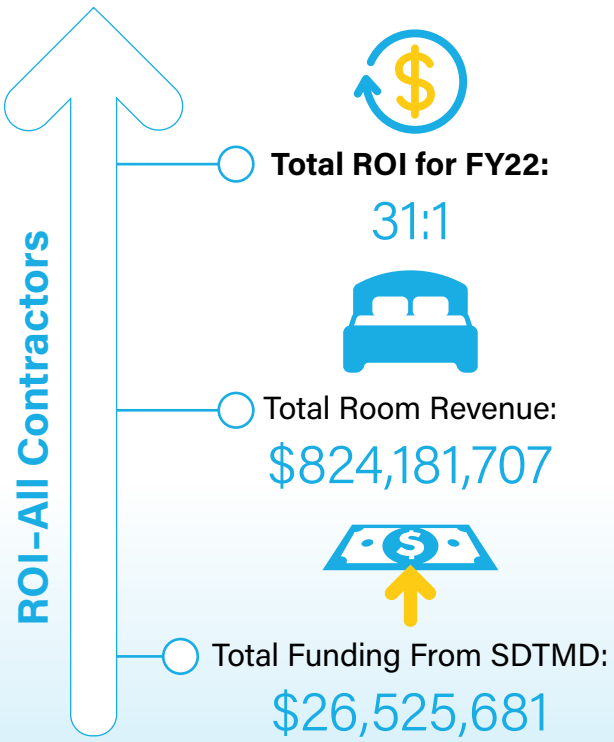
CONTRACTOR

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 70 rooms or more. In addition, they are required to abide by all requirements set forth in the City's Operating Agreement with SDTMD.

The SDTA receives approximately 90 percent of SDTMD funding, with additional funds allocated to supporting independent events and programs that drive visitation and fill San Diego hotels.



FY 2022 Contractors

San Diego Tourism Authority	$25,462,611
Sports San Diego	$184,654
California State Games: Winter	$50,000
California State Games: Summer	$80,000
San Diego Bayfair	$95,000
ECNL Boys Fall Showcase	$74,500
San Diego Bay Wine + Food Festival	$48,074
ECNL Girls Fall Showcase	$74,500
December Youngers Surf Cup Soccer	$45,000
San Diego Holiday Bowl	$230,000
San Diego Crew Classic	$94,374
La Jolla Concours D'Elegance	$44,350
US Police & Fire Championships	$42,618
TOTAL:	**$26,525,681**

Events defunded due to cancellation:

- Best Coast Beer Fest
- ECNL Playoffs
- Wonderfront Music and Arts Festival

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 meetings 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 an 18-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.

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

ROI-SDTA

ROI:
31.8:1

Total Room Night Revenue:
$809,021,312

Average Daily Rate (ADR):
$168.63

Hotel Room Nights:
4,797,612

FY22 Funding Amount:
$25,462,611

SDTA Program Highlights

Annually, the SDTA develops the Destination Sales & Marketing Plan with the San Diego Tourism Marketing District's "Experience San Diego: Destination 2040" Master Plan as the strategic foundation. The goal has been to grow inbound travel demand and visitor revenues by boosting brand awareness, developing new markets and converting more travelers to choose San Diego. Sales and marketing plans account for current market conditions, tourism industry forecasts, SDTA funding resources, Visit California opportunities and Brand USA developments. Annual work plans are then developed to match funding resources to strategic initiatives.

FY22 Initiatives

San Diego is Open for Meetings

- SDTA launched advertising campaigns designed to support director sales for the San Diego Convention Center and Hotel Meetings, touting "San Diego is Open for Meetings".
- SDTA began to rebuild its sales team to restore the pipeline of sales leads to support San Diego's economic recovery.
- SDTA focused on selling San Diego as a premier and safe meetings and convention destination with best-in-class DMO service.

Happy and You Know It

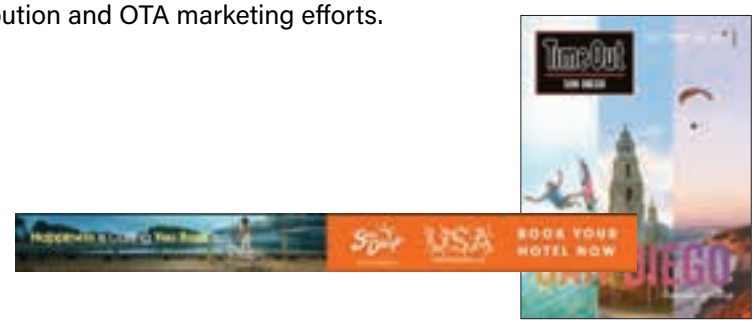
- In January 2022, SDTA launched a new Brand campaign highlighting San Diego's diversity, Cali-Baja influences, wide-open spaces and coastal activities that generated more than 1 billion impressions.
- Brand advertising was focused on the western regional drive markets with small layer of national markets.
- Continued a multi-layered advertising approach that included traditional and digital media tactics including brand awareness, always-on content and search distribution and OTA marketing efforts.

Digital Content

- SDTA owned media channels continue to show growth in audience engagement, including website, blogs, email marketing and social media. Combined, content across these channels engages millions of travelers and supports both the brand advertising and earned media efforts.
- Audience engagement tallied 19.8 million in FY22, a 14% improvement over FY21.

International

- Tapped into Brand USA and Visit California partnerships to restart campaign to capture international travelers - focusing on Canada and UK based on air service.
- SDTA began to rebuild its Tourism Development team by hiring a manager to focus on the Americas markets.
- Partnered with the San Diego International Airport to assist in the successful launch of new non-stop flights from Edmonton and Montreal.



FISCAL YEAR 2022

Contractors

Sports San Diego

Sports San Diego launched in January 2022 to serve as the primary organization responsible for marketing San Diego as a sports destination. The organization's goal is to drive visitor demand through recruiting, supporting and hosting world-class sports events. Sports San Diego is strategically aligned with the San Diego Bowl Game Association, also known as the Holiday Bowl, as the region's longest standing annual tourism-driving sports event. Events that Sports San Diego has secured since its founding include Donate Life Transplant Games 2022, World Lacrosse Championships, USA Ultimate Club National Championships, Virtus Cross Country Championships, The X Winter Invitational and U.S. Soccer Annual General Meeting.

*FY22 was the inaugural year for Sports San Diego. The SDTMD's investment will support the organization's mission to recruit, support and host world-class sports events.

ROI*:
0:0

ROI Projected on Future Rooms:
22:1

Future Room Nights Booked:
20,000

FY22 Investment Amount:
$184,654

California State Games Winter and Summer

July 2021; February & March 2022

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 takes place at numerous locations throughout the City. Events range from archery and taekwondo in the summer to hockey and skating in the winter.

*Combined Average of Summer and Winter Events

ROI:
12.7:1

Total Room Night Revenue:
$1,655,597

Average Daily Rate (ADR)*:
$205.18

Hotel Room Nights*:
8,069

FY22 Funding Amount:
$130,000

Contractors

San Diego Bayfair

September 17-19, 2021

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 holds an official state sanctioning from the Kansas City Barbecue Society.

ROI:
25.4:1

Total Room Night Revenue:
$2,412,650

Average Daily Rate (ADR):
$178.20

Hotel Room Nights:
13,539

FY22 Funding Amount:
$95,000

ECNL Boys Fall Showcase

October 8-11, 2021

The Boys Elite Clubs National League (ECNL) was founded to improve the daily environment for boy youth soccer players through collaborative club-based development programs featuring competition, player identification and coaching platforms.
The Boys ECNL Fall Showcase features teams in U12-U14 age divisions with competition comprised of regional conferences and tiered levels of national competition to allow the best matchups across the league.

ROI:
6.5:1

Total Room Night Revenue:
$487,634

Average Daily Rate (ADR):
$170.80

Hotel Room Nights:
2,855

FY22 Funding Amount:
$74,500

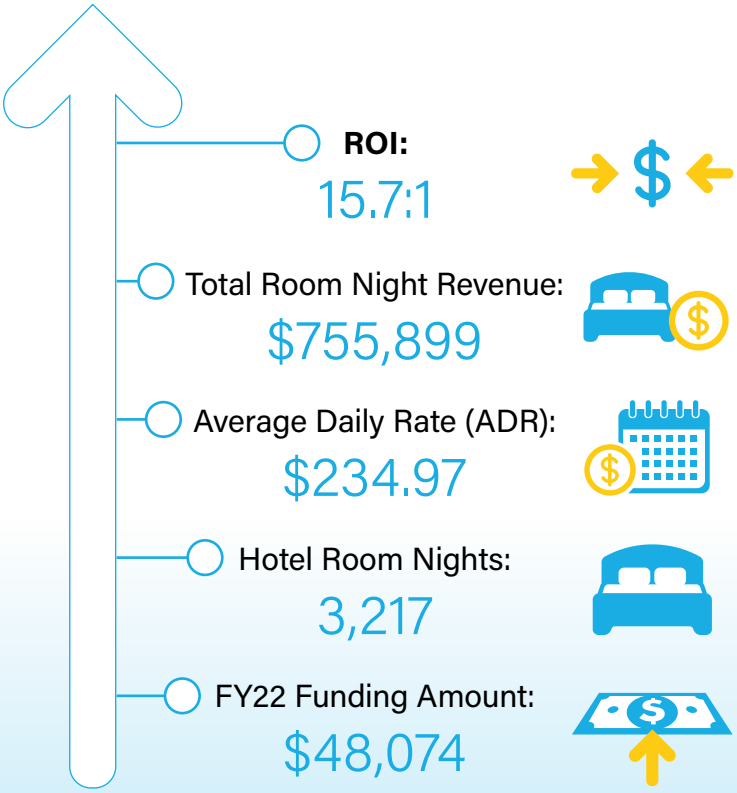
SUNTRUST

Contractors

San Diego Bay Wine + Food Festival

November 11-14, 2021

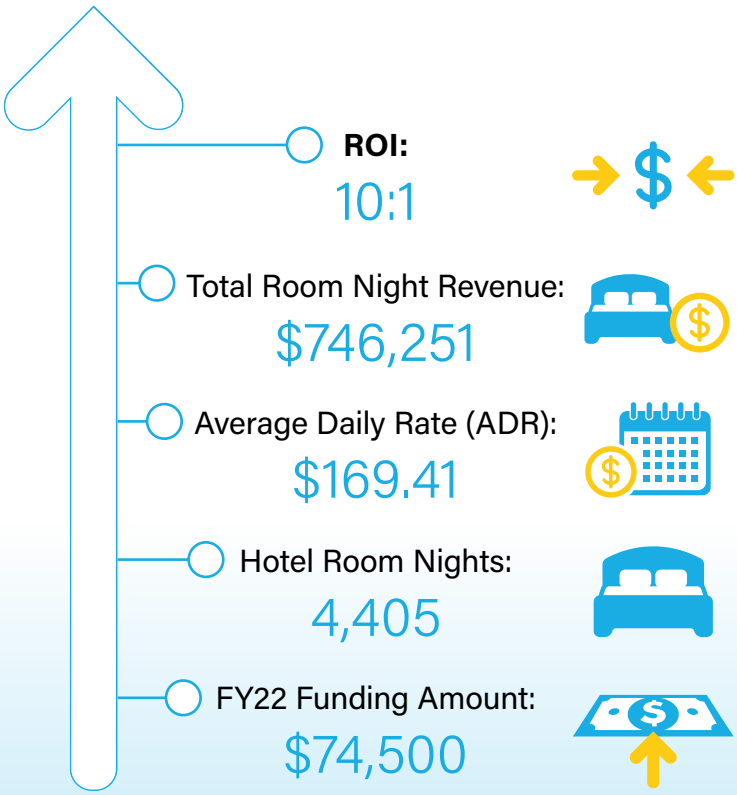
The San Diego Bay Wine + Food Festival is one of the nation's largest luxury culinary events and draws over ten thousand attendees, with more than a third from outside San Diego. The event features dozens of events, hundreds of domestic and international wineries, the celebration of craft beer and spirits, local culinary legends and nationally recognized celebrities, and a Grand Tasting Finale on the stunning Embarcadero. The festival also includes a three-day educational conference for wine professionals called SommCon.



ECNL Girls Fall Showcase

November 11-14, 2021

The Girls Elite Clubs National League (ECNL) was founded to improve the daily environment for girl youth soccer players through collaborative club-based development programs featuring competition, player identification and coaching platforms. The Girls ECNL Fall Showcase features more than 100 teams with competition comprised of regional conferences and tiered levels of national competition to allow the best matchups across the league.



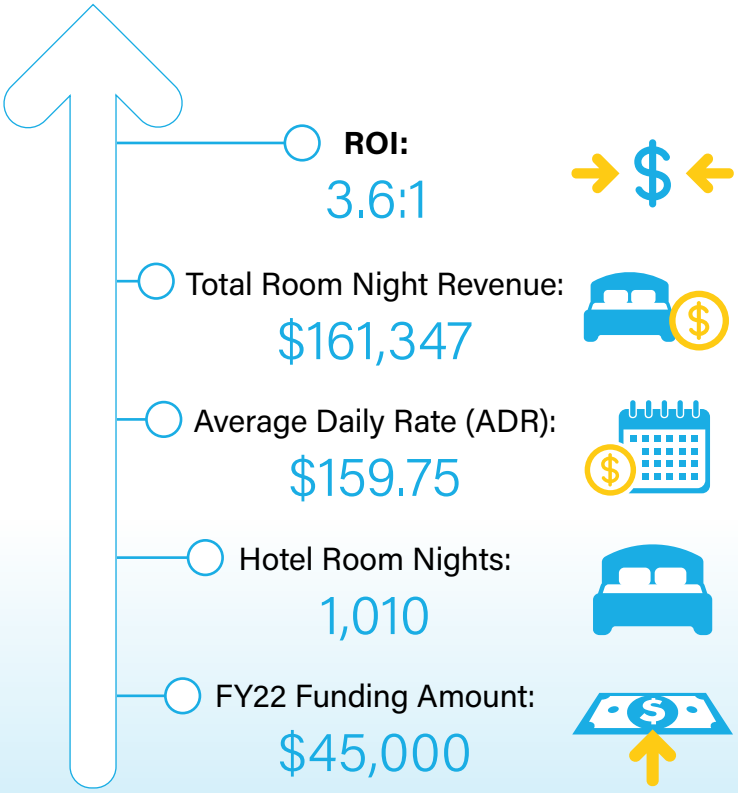
MOM

Contractors

December Youngers Surf Cup Soccer

December 3-5, 2021

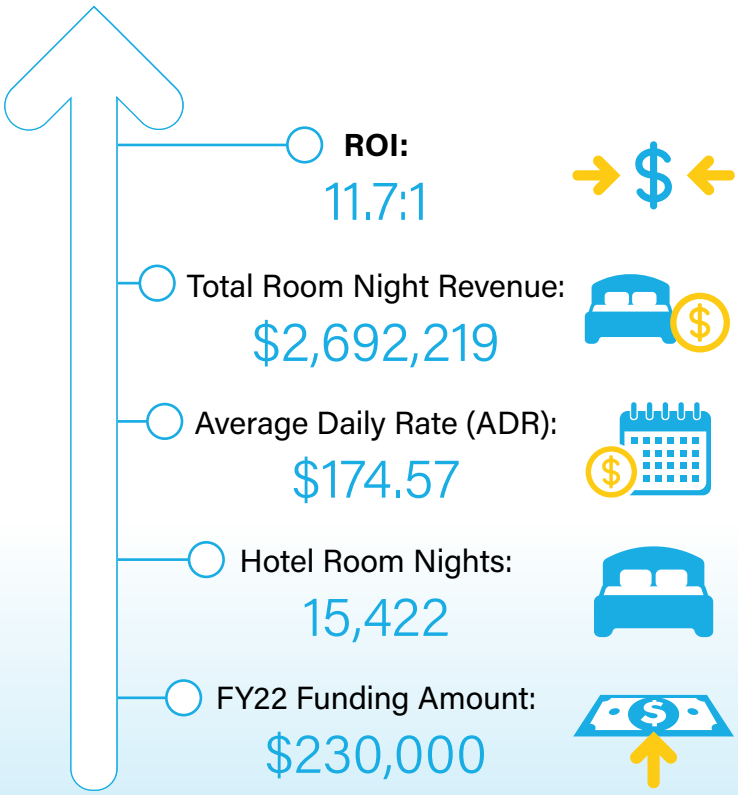
Hosted by Surf Cup Sports, the December Younger's tournament is a Class 1 tournament open to USYS, US Club Soccer, USSSA and FIFA affiliated teams. The event is sanctioned by US Club Soccer and features U8-U14 girls and boys age group soccer teams.



San Diego Holiday Bowl

December 28, 2021

Produced by the San Diego Bowl Game Association, the Holiday Bowl features the top teams from the Pac-12 and Big Ten Conferences. The event typically draws nearly 50,000 spectators, including non-local families, friends and fans from each team. Broadcast nationwide, the event puts sunny San Diego on display for an estimated six million viewers, many who live in areas experiencing snowy conditions. Due to COVID-19 cases within the UCLA football program, the 2021 game between UCLA and North Carolina State was cancelled just hours before kick-off. The game was scheduled to take place for the first time at Petco Park.



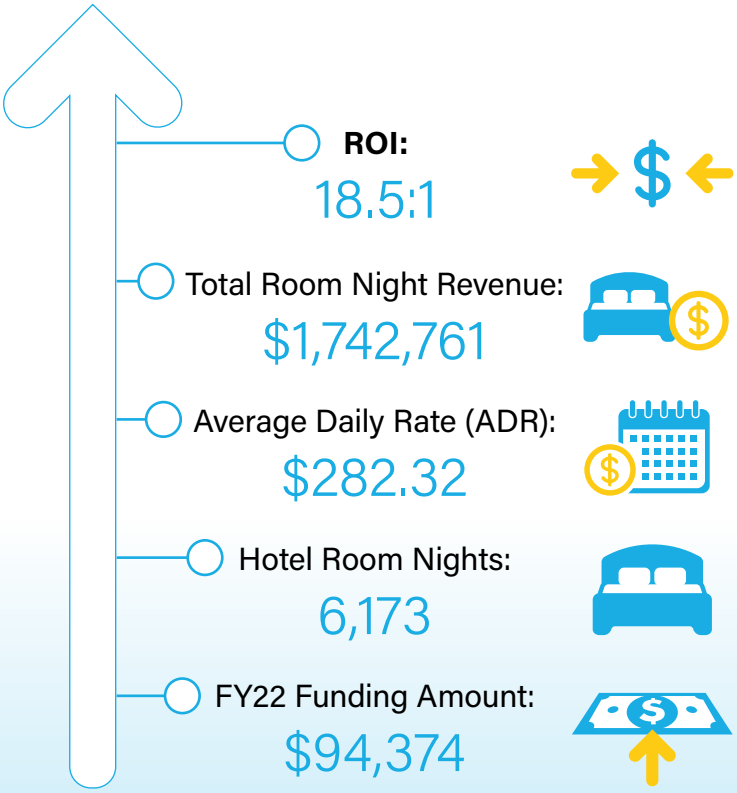
SURFCUPSPORTS.com

Contractors

San Diego Crew Classic

March 25-27, 2022

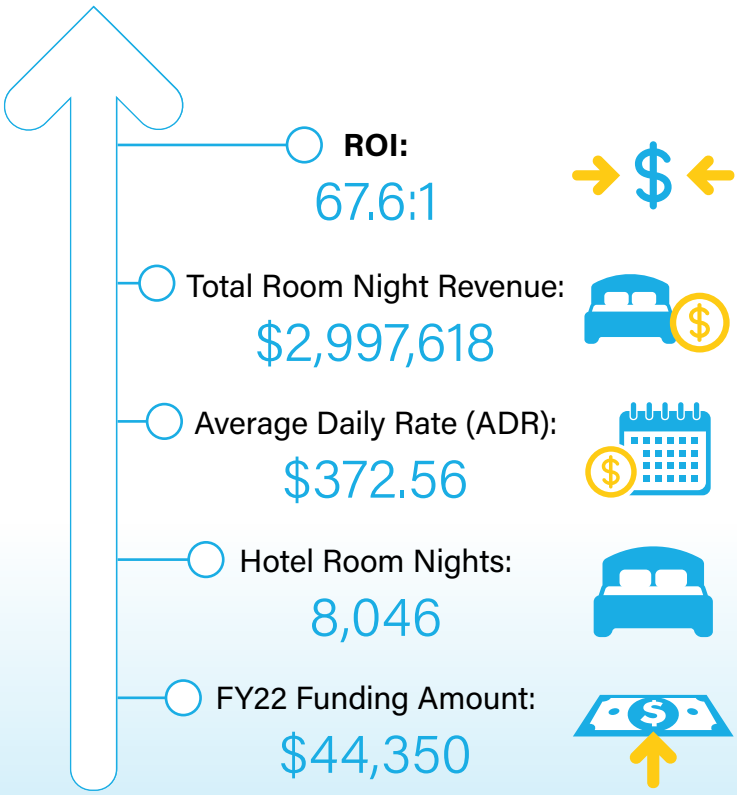
The San Diego Crew Classic is viewed as the premier Spring rowing event in the nation. The three-day event, with live-stream coverage viewed world-wide, features 3,500 athletes from across North America participating in 120 races along the shores of Mission Bay Park. The event includes retail kiosks, a variety of foods and a Jumbotron viewing area as its center point. A highlight of the event is Freedom Rows, which includes competitions with wounded warrior athletes from around the country. The California SwimRun on Sunday helps to encourage participants to stay through the weekend and brings new competitors, vendors and fans.



La Jolla Concours D'Elegance

April 2022

Set along the breathtaking oceanfront cliffs of La Jolla Cove, the La Jolla Concours d'Elegance features world-class and classic automobiles, live music, an awards ceremony, an elegant tasting and champagne gardens, and the stunning backdrop of the Pacific Ocean. Proceeds benefit the La Jolla Historical Society, a non-profit dedicated to preserving and celebrating La Jolla's diverse past.



Contractors

U.S. Police & Fire Championships

June 2022

The first California Police Olympics were founded in 1967 to promote physical fitness and camaraderie among members of the law enforcement community. After inclusion of firefighters in 2000 and the addition of several western states into the competition, organizers changed the name of the competition to the Western States Police and Fire Games. Since 2012, the Games have been known as the United States Police and Fire Championships. Athletes from around the country compete in 50 different sports in 35 venues around San Diego county.

ROI:
35.4:1

Total Room Night Revenue:
$1,508,419

Average Daily Rate (ADR):
$174.95

Hotel Room Nights:
8,622

FY22 Funding Amount:
$42,618

FISCAL YEAR 2022

Board of Directors

Executive Officers

Richard Bartell | **Chair**

President,
Bartell Hotels

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

President,
Atlas Hotels

Ilsa Butler | **Secretary**

SVP Sales & Marketing,
Evans Hotels

Vikram Sood | **Treasurer**

SVP Operations,
RAR Hospitality

Board Members

Steve Cowan

General Manager,
Hilton San Diego Bayfront

Scott Hermes

Consultant,
San Diego Hotelier

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

FISCAL YEAR 2022

Financials

Statements of Financial Position June 30, 2022 & 2021*

Assets

Current assets	2022	2021
Cash	4,188,809	3,039,520
City holdbacks	21,161,399	12,154,814
Prepaid expenses	30,283	33,394
Accrued interest income	2,921	2,980
Advances to contractors	4,561	–
TOTAL CURRENT ASSETS	**25,387,973**	**15,230,708**

Liabilities & Net Assets

Current liabilities		
Accounts payable	2,612,504	1,455,678
Deferred revenue	20,083,718	11,658,210
Advances from City of San Diego	419,780	–
Total current liabilities	**23,116,002**	**13,113,888**
Net assets		
Net assets without donor restrictions	2,271,971	2,116,820
Total net assets	**2,271,971**	**2,116,820**
TOTAL LIABILITIES & NET ASSETS	**25,387,973**	**15,230,708**

Statements of Activities For Years Ended June 30, 2022 & 2021*

Revenue & Support

	2022	2021
Tourism Marketing District revenue	27,616,984	21,933,500
Interest income	117,964	264,530
Other income	50,038	80,362
TOTAL REVENUE & SUPPORT	**27,784,986**	**22,278,392**

Expenses

Program services		
Allocations to contractors	26,525,681	20,955,905
TOTAL PROGRAM EXPENSES	**26,525,681**	**20,955,905**

Support Services

Management & general		
SDTMD operations	861,979	706,064
Administrative fee to the City of San Diego	242,175	314,673
TOTAL SUPPORT SERVICES EXPENSES	**1,104,154**	**1,020,737**

Increase net assets without donor restrictions	155,151	301,750
Net assets, beginning of year	2,116,820	1,815,070
Net assets, end of year	2,271,971	2,116,820

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

FISCAL YEAR 2022

Financials

Statement of Functional Expenses for the Year Ended June 30, 2022

Expenses

	Program Services	SDTMD Operations	Administrative Fee to the City of San Diego	Total
Advertising	15,746,317	–	–	15,746,317
Advertising agency fees	1,753,500	–	–	1,753,500
Bank service fees	–	17	–	17
Bid fees/team payouts	404,762	–	–	404,762
City administration fee	–	–	242,175	242,175
Dues/subscriptions/memberships	95,633	8,021	–	103,654
Event registration fees	68,258	–	–	68,258
Insurance	–	31,244	–	31,244
Insurance - workers compensation	–	1,282	–	1,282
Lead generation services	78,438	–	–	78,438
Marketing materials/promotional items	15,414	–	–	15,414
Occupancy	–	7,456	–	7,456
Office supplies	–	474	–	474
Outside contractors	1,754,150	520,290	–	2,274,440
Parking	–	42	–	42
Payroll processing	–	3,562	–	3,562
Payroll tax	–	13,265	–	13,265
Personnel benefits	428,644	18,319	–	446,963
Personnel salaries and wages	2,828,925	255,150	–	3,084,075
Postage and shipping	–	826	–	826
Printing and reproduction	–	2,031	–	2,031
Rentals - remote sales office	4,217	–	–	4,217
Research	391,978	–	–	391,978
Sales commissions	10,342	–	–	10,342
Special event production	129,613	–	–	129,613
Sponsorships	152,661	–	–	152,661
Allocated contractor overhead	2,662,829	–	–	2,662,829
TOTAL EXPENSES	**26,525,681**	**861,979**	**242,175**	**27,629,835**

Statement of Functional Expenses for the Year Ended June 30, 2021

Expenses

	Program Services	SDTMD Operations	Administrative Fee to the City of San Diego	Total
Advertising	13,399,182	–	–	13,399,182
Advertising agency fees	1,741,825	–	–	1,741,825
Bank service fees	–	–	–	–
Bid fees/team payouts	–	–	–	–
City administration fee	–	–	314,673	314,673
Dues/subscriptions/memberships	78,162	7,223	–	85,385
Event registration fees	975	–	–	975
Insurance	–	27,531	–	27,531
Insurance - workers compensation	–	1,037	–	1,037
Lead generation services	78,472	–	–	78,472
Marketing materials/promotional items	–	–	–	–
Occupancy	–	–	–	–
Office supplies	–	152	–	152
Outside contractors	598,809	413,995	–	1,012,804
Parking	–	27	–	27
Payroll processing	–	3,506	–	3,506
Payroll tax	–	11,753	–	11,753
Personnel benefits	370,411	17,308	–	387,719
Personnel salaries and wages	1,528,757	220,725	–	1,749,482
Postage and shipping	–	630	–	630
Printing and reproduction	–	2,177	–	2,177
Rentals - remote sales office	7,183	–	–	7,183
Research	349,049	–	–	349,049
Sales commissions	–	–	–	–
Special event production	–	–	–	–
Sponsorships	9,750	–	–	9,750
Allocated contractor overhead	2,793,330	–	–	2,793,330
TOTAL EXPENSES	**20,955,905**	**706,064**	**314,673**	**21,976,642**

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

sdtmd
SAN DIEGO TOURISM MARKETING DISTRICT