SDTMD CONTRACTING MANUAL

Purpose:

A manual for San Diego Tourism Marketing District Corporation (SDTMD) and its Contractors (Subcontractors), approved by the City of San Diego, that addresses appropriate use of District funds, such as for necessary travel, meals, lodging, incidentals, entertainment, and cost allocations, generally consistent with City requirements, and that incorporates certain requirements for SDTMD and its Contractors (Subcontractors) as specified in the TMD Operating Agreement.

This contracting manual includes other required best practices for Contractors (Subcontractors) as determined by SDTMD and provides assistance to Contractors (Subcontractors) in the preparation and submission of reconciliation reports and budget revisions and highlights other items necessary for contract compliance.

Limitation:

Any expenditures by SDTMD and Contractors (Subcontractors) which are not within the prescribed limitations of this Contracting Manual and underlying TMD formation and operating documents, are not chargeable to the District Fund and shall be borne solely by SDTMD and/or Contractors (Subcontractors) respectively.

Definitions:

Contractor/Subcontractor: Business or non-profit Organization approved and funded by the San Diego Tourism Marketing District (SDTMD) to provide marketing, promotional, outreach, and other activities described in the district management plan for the purpose of producing hotel room nights for the benefit of assessed businesses of the SDTMD.

Reconciliation Reports: Requests for reimbursement of authorized, budgeted, expenditures which report the accounting for the use of District revenue.

Performance Reports: Reports prepared quarterly by Contractor, due for submission to SDTMD's Executive Director. Reports must be submitted by applicable subcontractors on the target and actual outcomes for the period to date (by types of activities, specific marketing initiatives, entity funded, and detailing the way in which assessed businesses are benefited) along with details of funds expended and images of activities for use in SDTMD annual reports.

Reconciliation Reports:

Due dates: Reconciliation Reports shall be submitted to the SDTMD within forty-five (45) days after the first disbursement and on no less than a monthly basis thereafter, until the final reconciliation report is submitted. Reconciliation Reports shall be submitted by SDTMD to the City of San Diego within 45 days after the first disbursement and on no less than a monthly basis thereafter. In addition, Annual Incidental Revenue Reports for advanced funding shall be submitted by Contractors (Subcontractors) to SDTMD and by SDTMD to the City of San Diego with the annual audit and prepared consistent with requirements of the TMD Operating Agreement and this manual.

Required documentation: Contractors are to remit reconciliation packets using SDTMD's template. Electronic files are available on the website at SDTMD.org.

Templates provided by the SDTMD:

- Compliance Letter
- Request for Reimbursement Summary
- Expenditure Detail

Supporting Documentation:

- Bank Statements or online banking activity showing the cleared transactions (note the online banking activity must be properly labeled and traceable back to the Contractor).
- Check Stub/Cancelled Check, Payroll Reports, or EFT (provide transaction detail from online banking).
- Invoices and/or receipts (e-mails and reservation confirmations are not typically accepted as proof of payment). Previous balances reflected on an invoice will not be reimbursed without original invoice.
- Copies of advertisements prominently displaying the TMD tagline: **Funded in part with City of San Diego Tourism Marketing District Assessment Funds.**

Documentation specifics:

- All supporting documentation is required to be numbered and referenced to the Expenditure Detail report.
- Additional explanation/description is required on any and all submitted items in which the invoice is not self-explanatory.

Reconciliation Reports (continued)

Documentation specifics (continued):

- Any calculation shown on an invoice reducing the amount requested needs to include an explanation of methodology or rationale for determining cost.
- Ensure that all documents are legible with clear dates, descriptions, and that all pages are included.
- For disbursements paid by credit card, provide the credit card statement showing the charge as well as proof that the credit card has been paid.
- For payroll disbursements provide the following: payroll journal by person, payroll cash summary page, proof of other withholdings if applicable.
- For invoices for outside contractors include time logs (if applicable), copies of contracts, receipts, etc.
- For mileage include purpose of mileage.
- Per Diem Travel: SDTMD funds are applied using the US General Services Administration rates (GSA rates) per day per person, for meals, incidentals, and lodging while on official travel (when the provision for travel is required in order to perform obligations under the agreement).

  Modifications to GSA guidelines:

  - When employee is a conference attendee or attending working sales/lunches/dinners, contractor is not required to reduce the per diem amount of attending employee.
  - Contractor will be reimbursed 1.5x per diem for lodging, (M&I) meals & incidental using the corresponding GSA rates per night stayed of business-related travel.
  - Substantiation of incurred travel costs:
    - Document supporting number of nights stayed and location such as conference registration, sales mission itinerary/agenda, or flight information. GSA rate print out for the correct period and location.

Reconciliation Reports (continued)

Documentation specifics (continued):

- FAMS and Site Visits: car rental receipts, list of clients and agenda, site visit itinerary, airline receipts/itineraries if applicable for reimbursement.

Submission specifics:

- Do not use staples or special binding for your reimbursement request. A large paperclip or binder clip will suffice.
- Submit your request single sided. Double sided packets will not be processed and will need to be resubmitted in the correct format.
- PDF documents can be submitted electronically.
- No double dipping. If reimbursed by another entity, the expense becomes ineligible.
- Unclear, unexplained, or unsubstantiated reimbursement items will be removed from submission and allowed (if eligible) to be resubmitted within the time period established in the contract.
- Expenses incurred older than 60 days are not considered eligible for reimbursement without prior approval and extenuating circumstances.
- Checks will be mailed unless the administrator has been otherwise notified.
- The SDTMD has 30 business days from receipt of a complete and correct packet to review and reimburse. Please plan accordingly. Packets received after 12 noon will be marked received the next business day.

Budget Revisions:

- Under no circumstances can the contractor exceed the total approved budgeted amount. As such, an increase in a budget line-item must be accompanied by a decrease in another line-item or items.
- Contractor's expenditures may exceed a budget line-item by less than $10,000 ($50,000 for DMO) and less than fifteen percent (15%) without seeking additional approval.
- All budget line adjustments of $10,000 or more OR fifteen percent (15%) or more must be submitted to SDTMD Corporation for approval prior to such overbudget expenditures being incurred. Consideration of such request will occur at either the Board level or Executive Director level as described below:

Budget Revisions (continued):

- The SDTMD Board will consider DMO line-item adjustment requests of $50,000 or more and all other Contractor line-item adjustment requests of $10,000 or more. The results will be memorialized in the meeting minutes. Further, the Executive Director shall notify the requesting entity of the Board's decision within 30 days of the Board's action with a copy of the written notice also being provided to the SDTMD's accounting contractor.

- Remaining line-item adjustment requests not considered by the Board will be considered by the SDTMD Executive Director. The Executive Director shall notify the requesting entity of his/her decision within 30 days of that decision with a copy of the written notice also being provided to the SDTMD's accounting contractor.

Budgeted Category Adjustments:

Adjustments between budgetary categories (e.g., Targeted Marketing and Sales and Destination Marketing) that exceed 15% of budgeted category, as described in the Annual Report of Activities approved by City Council, shall be submitted to the SDTMD Board of Directors for consideration and approval and to the City in writing. Corporation's expenditure of additional funds in that budgetary category may only occur if City provides written approval. City, at its sole discretion, may consider such an adjustment an amendment to the Annual Report of Activities and require City Council authorization for approval.

Budgeting: General Accounting Clarifications

Direct Costs (Part One of Budget Worksheet)

Direct costs are those that can be identified specifically with a particular final cost objective. Direct costs are charged directly to programs/events and would not necessarily be incurred without the occurrence of the program/event and do not include general and administrative expenses (indirect costs) that support the Organization as a whole.

Allowable direct costs that can be allocated to more than one program are to be prorated individually as direct costs using a base most appropriate to the particular cost being prorated. These costs are considered to be joint costs and only the portion of the cost that is attributable to SDTMD program objectives and SDTMD hotels can be charged to SDTMD. The portion of a joint cost that benefits other members or non-SDTMD properties cannot be charged to SDTMD.

Costs associated with the organizations' non-administrative direct labor costs can be charged as direct program expenses proportional to time spent directly on SDTMD programs. Costs considered to be part of the overall employee compensation package include the following:

Budgeting: General Accounting Clarifications (continued)

Direct Costs (Part One of Budget Worksheet) (continued)

a. Gross pay.
b. Payroll tax.
c. Workers' compensation insurance.
d. Health insurance for employees.
e. Contributions to qualified retirement plans.

Cost Allocation for indirect costs (Part Two of Budget Worksheet)

A cost allocation methodology shall be approved periodically by the SDTMD and made known to its contractors to be used in determining eligible direct, indirect, and general & administrative expenses and appropriate per diem, travel, and overhead rates. The cost allocation methodology approved by the SDTMD shall be modeled on OMB Circular A-122 (or successor document) currently 2CRF Part 230.

SDTMD requires general and administrative costs and other indirect costs to be pooled for allocation for contractors requesting assessment funds to support indirect costs.

Overhead pool: basis of allocation is modified total direct cost base. This methodology requires overhead costs to be pooled and allocated to program costs based on total program direct costs modified by removing certain direct costs from the denominator such as subcontractor and media buys, that if not removed would result in an inequitable allocation of overhead to programs; overhead supports direct labor.

1. Overhead pool/G&A includes costs associated with facility and costs associated with corporate governance. Such items are to be accumulated in the overhead cost pool. Overhead costs include:

    a. Facility costs including but not limited to rent, utilities, repair & maintenance, and telephone. Excluding rent/facility costs directly related to satellite offices that do not support the organization as a whole.
    b. Professional services including legal, accounting and business consultants.
    c. Executive compensation for CEO, CFO.
    d. Administrative compensation.
    e. Depreciation.
    f. Corporate compliance expenditures: licenses, fees, income taxes.
    g. Office supplies.
    h. Liability insurance.
    i. Hospitality supplies/kitchen supplies provided for the benefit of employees.
    j. Employee morale/entertainment.
    k. Training.
    l. Supervision.
    m. Recruitment.

Budgeting: General Accounting Clarifications (continued)

2. Modifications/exclusions/unallowable costs:
   a. Idle facility costs.
   b. Compensation package in excess of standard industry practice.
   c. Late fees, interest, citations, penalties.
   d. Donations/Charitable contributions.
   e. Tangible personal property such as furniture and equipment.
   f. Political contributions.
   g. Alcohol.
   h. Sponsorships, travel, meals, lodging, or entertainment expenses unless directly attributable to providing district programs and authorized by Corporation in advance.
   i. Any expenditure that has been or may be properly charged to a funding source other than District assessment funds.
   j. Local advertising/marketing unless there are extenuating circumstances and sufficient rationale is provided as to the necessity and the amount, program and rationale are approved in writing by the SDTMD Board and the City of San Diego prior to any such expenditures.
   k. Airfare in excess of coach rates and seat upgrades.
   l. Any promotional materials that do not properly include the following language: **Funded in part with City of San Diego Tourism Marketing District Assessment Funds**.
   m. Expenses incurred older than 60 days are not considered eligible for reimbursement without prior approval and extenuating circumstances.
   n. Any other unallowable expenses as defined in the contract agreement.

Contract Requirements for Subcontractors per SDTMD's Agreement with the City of San Diego

9.2.1 Corporation shall maintain, keep, or cause to be kept and require its Subcontractors to maintain, keep, or cause to be kept true, complete, and accurate accounting records, books, and financial statements in accordance with Generally Accepted Accounting Practices [GAAP] in the industry. Corporation's subcontractors receiving $75,000 or more shall provide SDTMD with full annual audited financial statements within five (5) months after the end of each fiscal year and audits must include cost allocation of SDTMD funds as a separate statement. Corporation's

Contract Requirements for Subcontractors per SDTMD's Agreement with the City of San Diego (Continued)

subcontractors receiving $10,000 or more, but less than $75,000 shall provide SDTMD a statement of expenditure of SDTMD funds by program, a Statement of Revenues and Expenditures (Statement of Activities – non-profit) and a Balance Sheet (Statement of Financial Position – non-profit) within ninety calendar days of the end of the subcontractor's last complete fiscal year.

9.3 Inspection and Photocopying. At any time during normal business hours and as often as the City deems necessary, Corporation shall permit, and require its Subcontractors to permit, the City, or its authorized agents, to inspect and photocopy, at a reasonable location within the County of San Diego (e.g., the offices of Corporation), all books, accounting records, invoices, receipts, payroll records, personnel records, and any other Project data and records pertaining to all matters covered in this Agreement, for the purposes of auditing, monitoring, and/or evaluating Corporation's performance of its obligations and/or duties in connection with the Agreement and Plan. The City may retain copies of the same, with appropriate safeguards, if such retention is deemed necessary by the City in its sole discretion.

9.4 Storage Period. Corporation shall store, and require its Subcontractors to store, all Project data and records for a period of not less than ten years after submission of the final expenditure report for the contract period, or ten years after submission of the final expenditure report upon earlier termination of this Agreement, or until all audit findings have been resolved, whichever is longest. All such data and records shall be kept at Corporation's (or relevant Subcontractor's) regular place of business. At any time during the storage period, Corporation shall permit, and require each of its Subcontractors to permit, the City, or their authorized agents, to examine all such data and records, for the purposes described herein. After the storage period has expired, or all audit findings have been resolved, whichever is later, Corporation shall provide City with thirty (30) calendar days written notice of its intent to dispose of any Project data and records. Corporation shall not take any action to dispose of such data and records without the prior written consent of the City.

10.2 Compliance with City's Equal Opportunity Contracting Program. Corporation shall comply with City Council Ordinance No. 18173 (San Diego Municipal Code sections 22.2701 through 22.2708, as amended), EQUAL EMPLOYMENT OPPORTUNITY OUTREACH PROGRAM, a copy of which is on file in the Office of the City Clerk and by this reference is incorporated into this Agreement. Corporation and all its Subcontractors are individually responsible to abide by its contents. Corporation shall comply with Title VII of the Civil Rights Act of 1964, as amended; Executive Orders 11246, 11375, and 12086; the California Fair Employment Practices Act; and any other applicable federal and state laws and regulations hereafter enacted. Corporation shall not discriminate against any employee or applicant for employment on any basis prohibited by law. On or before the Effective Date, Corporation shall submit a current Work Force Report or a current Equal Employment Opportunity (EEO) Plan as required by Section 22.2705 of the San Diego Municipal Code, which sets forth the actions Corporation will take to achieve

Contract Requirements for Subcontractors per SDTMD's Agreement with the City of San Diego (Continued)

City's commitment to equal employment opportunities. Corporation shall insert the foregoing provisions in all contracts and subcontracts for any work covered by this Agreement so the provisions will be binding upon each Subcontractor.

10.5.3 Corporation shall include in each of its contracts related to this Agreement language obligating each Subcontractor to comply with the provisions of this section to maintain a drug-free workplace. Corporation, and each of its Subcontractors, shall be individually responsible for their own drug-free workplace program.

10.7 Living Wage Ordinance. Corporation may be required to comply, and require each of its Subcontractors to comply, with the provisions of the City's Living Wage Ordinance, codified in San Diego Municipal Code [Code] sections 22.4201, et seq., in performing its obligations and/or duties under this Agreement. To the extent Corporation believes that it or its Subcontractors may be exempt from compliance pursuant to Code section 22.4215(b)(1), or any other exemption, Corporation may apply to City's Living Wage Administrator for determination of exemption.

11.2 Mandatory Disclosure of Business Interests. Pursuant to section 225 of The City Charter of the City of San Diego, California ("Charter"), Corporation and each of its Subcontractors shall make a full and complete disclosure of the name and identity of any and all persons directly or indirectly involved in any transaction pursuant to this Agreement and the precise nature of all interests of all persons therein. Corporation's failure to fully disclose all the information required by Charter section 225, or Corporation's failure to require each of its Subcontractors to fully disclose such information, shall be a default of this Agreement. Exhibit A attached hereto and incorporated herein delineates the obligations of Corporation pursuant to Charter section 225.

11.3. No Political Activity. Corporation shall not use, and shall require its Subcontractors not to use, any of the funds received pursuant to this Agreement, or any personnel or material paid for with funds pursuant to this agreement, for political activity. The term "political - activity" shall mean a communication made to any electorate in support of, or in opposition to, a ballot measure or candidate in any federal, state, or local government election.