

# **San Diego Tourism Marketing District**



## **Report of Activities for FY 2014**

June 19, 2013

# Table of Contents

<b>Introduction</b> .....	<b>Page 3</b>
<b>Quick Facts</b> .....	<b>Page 4</b>
<b>Budget Summary</b> .....	<b>Page 5</b>
<b>Tourism Forecast</b> .....	<b>Page 6</b>
<b>San Diego Tourism Authority Budget Summary</b> .....	<b>Page 8</b>
<b>San Diego Tourism Authority Program of Work</b> .....	<b>Page 9</b>
<b>Balboa Park Celebration, Inc. Budget Summary</b> .....	<b>Page 11</b>
<b>Balboa Park Celebration, Inc. Program of Work and Funding</b> .....	<b>Page 12</b>
<b>Administration</b> .....	<b>Page 14</b>
<b>Opportunity/Catastrophe/Liability Reserve</b> .....	<b>Page 15</b>
<b>Attachments</b>	
<b>1. San Diego Tourism Marketing District Corporation</b> .....	<b>Page 17</b>
<b>2. Management Plan Highlights</b> .....	<b>Page 22</b>
<b>3. Funding Cycle for FY2014</b> .....	<b>Page 27</b>
<b>4. Key Elements of the Application Guidelines and Requirements for FY2014</b> .....	<b>Page 29</b>
<b>5. Return on Investment (ROI) Measurement Policy</b> .....	<b>Page 35</b>
<b>6. A. San Diego Tourism Authority FY2014 Budget Detail</b> .....	<b>Page 37</b>
<b>B. San Diego Tourism Authority Funding Application FY2014</b> .....	<b>Page 41</b>
<b>7. A. Balboa Park Celebration, Inc. FY2014 Budget Detail</b> .....	<b>Page 106</b>
<b>B. Balboa Park Celebration, Inc. Funding Application FY2014</b> .....	<b>Page 111</b>

# Introduction



The recently renewed 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 renewed TMD coincide with the City boundaries and all lodging businesses within the City are assessed: effective January 1, 2013, those with 30 or more rooms are assessed two percent (2%) of eligible gross room revenues while those with 29 or fewer rooms are assessed 0.55% of eligible gross room revenues.



The guiding document for the renewed TMD is the Tourism Marketing District Management Plan (Plan) created by the assessed businesses and approved by City Council in September 2012. The Plan specifies how the assessments may be used and the general funding procedures and criteria. These uses are categorized as "A" and "B" according to activity type and benefit to assessed lodging businesses.



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) is the non-profit organization representing the assessed businesses which is under a five-year agreement with the City through November 2017 to administer the renewed TMD.



The SDTMD brings management experience from the initial district to the renewed district but will also be funding activities in accordance with the new Plan which articulates how those that are assessed are benefitted while ensuring that those lodging businesses which are not assessed may not benefit from the TMD-funded activities.

This FY 2014 Report of Activities reflects the recommended allocations of assessments levied for FY2014.

# Quick Facts

## San Diego Tourism Marketing District:

Renewed by Resolution: R-307843 with Date of final passage November 27, 2012  
Effective January 1, 2013 through June 30, 2052 (a term of 39 ½ years)

## Agreement between City and TMD Management Corporation:

Approved by Resolutions: R-307844, R-308062, and amended by Resolution R-308065 with  
Date of Final Passage of April 23, 2013  
Effective November 26, 2012 through November 25, 2017

## Advisory Board and Contracted TMD Management Corporation:

San Diego Tourism Marketing District (SDTMD)  
8880 Rio San Diego Drive, Suite 800  
San Diego, CA 92108  
(619) 209-6108  
www.sdtmd.org

## Assessment Methodology Authorized by Resolution No. R-307843:

All assessment rates are based on the privileges directly conferred and specific benefit directly received by assessed businesses from the activities provided within each category and is levied on "Assessable Rent" which is based on gross room rental revenue less exempt revenues, of those benefitting businesses.

Annual assessment rates are as follows:

- Benefit Category A Rate: 1.45% - applied to Assessable Rent of qualifying lodging businesses.
- Benefit Category B Rate: 0.55% - applied to Assessable Rent of qualifying lodging businesses.

In summary, lodging businesses with 30 or more rooms will be assessed at a total rate of 2% (Category A + Category B). Lodging businesses with 29 or fewer rooms will be assessed at a total rate of 0.55% (Category B only).

## No Changes to Boundaries or Assessment Methodology:

For FY2014, no changes are proposed to the boundaries or benefit categories or the basis / method of assessment for the renewed District. The TMD encompasses the entire City of San Diego.

## Benefit Zones:

There are two (2) benefit categories in the District. Each benefit category is designed so that the activities provided in connection with that category will confer exclusive privileges and a specific benefit directly to assessed businesses.

Lodging businesses benefitting under category A include all lodging businesses in the District with thirty (30) or more rooms. Lodging businesses benefitting under category B include all lodging businesses in the District, regardless of size.

## FY2014 Budget Total

Estimated Available Tourism Marketing District (TMD) Funds for FY2014:

**\$ 31,818,748**

# Budget Summary

**Calculation of Available Tourism Marketing District (TMD) Funds for FY2014 of \$31,818,748**

	<u>CATEGORY A</u>	<u>CATEGORY B</u>
Projected Assessments	\$ 20,662,500	\$ 7,837,500
Projected Interest and Penalties	\$ 29,000	\$ 11,000
Contributions from Other Sources:	\$ 0	\$ 0
Projected Carryover from FY2013 – Part II of \$3,278,748		
Unexpended	\$ 1,871,898	\$ 711,850
Opportunity/Catastrophe	\$ 387,875	\$ 147,125
SDTMD Admin	<u>\$ 116,000</u>	<u>\$ 44,000</u>
<b>Sub-Totals</b>	<b>\$ 23,067,273</b>	<b>\$ 8,751,475</b>

## PROPOSED ACTIVITIES FOR FY2014

**(Pursuant to San Diego Tourism Marketing District Management Plan September 2012)**

	<u>CATEGORY A</u>	<u>CATEGORY B</u>
<b>CATEGORY A</b>		
A1.1– Hotel Meeting Sales	\$ 4,477,691	
A1.2– Event Management and Group Sales Development	\$ 1,024,120	
A1.3– Tourism Development Including Travel & Trade	\$ 1,517,130	
A1.4 – Group Meeting Direct Marketing	\$ 1,035,933	
A1.5 – Consumer Direct Sales and Marketing Program	\$ 6,641,277	
A1.6 – Multi-Year Tourism Development	<u>\$ 0</u>	
<b>Sub-Total A1</b>	<b>\$ 15,735,875</b>	
A2 – Sub-Regional Targeting	\$ 1,039,723	
A3 – Competitive Targeting		
Balboa Park Celebration, Inc. ( <b>BPCI</b> )	<u>\$ 1,692,875</u>	
<i>Programs of the type detailed in benefit category A.1</i>		
<i>(i.e. A1.1 through A1.6) competitive process allocation.</i>		
<b>Sub-Total Category A</b>	<b>\$ 17,428,749</b>	
<b>CATEGORY B</b>		
Destination Marketing with Specific Call to Action - SDTA		\$ 6,279,125
Destination Marketing with Specific Call to Action - <b>BPCI</b>		<u>\$ 642,125</u>
<b>Sub-Total Category B</b>		<b>\$ 6,921,250</b>
Indemnification Reserve (Total of \$2.3M)	\$ 1,667,500	\$ 632,500
Opportunity/Catastrophe Reserve (incl add'l waiver reserve)	\$ 2,792,899	\$ 750,850
Administration (incl. Interest/Penalties)	<u>\$ 1,178,125</u>	<u>\$ 446,875</u>
<b>Sub-Totals</b>	<b>\$ 5,638,524</b>	<b>\$ 1,830,225</b>
<b>Totals</b>	<b>\$ 23,067,273</b>	<b>\$ 8,751,475</b>

# FY2014 Tourism Forecast

The 2013 (calendar year) forecast for the United States is for gradual recovery in growth, strengthening as the year progresses. By the third quarter of 2013, GDP growth is expected to reach 3% on an annualized basis, and this pace of growth will be maintained into 2014, when the forecast calls for GDP growth at a robust 3.1%.

However, economic growth will vary across the regions in the US with the Western region poised to lead the economy in 2013 with 2.5% growth in GDP, which is welcome news for San Diego since the majority of our visitors travel from the Western U.S. The fastest rates of employment growth are expected in the West and South, but all regions are forecast to add new jobs at a pace close to the US average of 1.7% in 2013. Yet the unemployment rate in the West will be the highest in the US and is expected to average above 10% for the year. Further, incomes in the West are expected to advance 1.7% bringing per capita income to just below the national average.

Growth in visits to San Diego year over year is expected to slow to around 2% in 2013. The first half of the year is expected to be markedly slower than the second half with year-over-year growth in the 1% to 1.5% range and picking up to the 2.5% to 3% range in the second half of 2013. Day visits are forecast to lead visitor growth while overnight visitation is forecast to slow to 1.1% for the coming year. Longer term, visitor growth is forecast to peak above 3% in 2014 before steadying above 2.5% in 2015 and 2016.

The combination of slower demand and increasing room supply will moderate prices in the near term, keeping the occupancy rate below 72% for 2013. ADR growth is forecast to slow to 3.3% with RevPAR rising 4.2% in 2013. Growth in all metrics is forecast to accelerate in 2014 when ADR is expected to overtake the previous peak of \$142 set in 2008. The fiscal year 2014 forecast calls for slightly higher growth rates in room demand and the average daily rate compared to FY13, but occupancy growth is expected to slow due to additional supply growth. Hotel room demand is forecasted to grow 2.3% to 72.4% and the average daily rate up 4.7% to \$138.76. The 0.8% growth in supply will slow occupancy growth to 1.4% for the year.

While San Diego typically performs in the top tier of destinations nationwide, there are key challenges facing this destination:

- California tourism domestic market share has levelled off over the past five years and international market share has been declining since 2007.
- The "Great Recession" has forever changed American consumer values with greater emphasis now placed on savings, living within one's means, and increased shopping for value.
- Corporate America has generated profits mostly through cost-cutting and many analysts predict that recent cost controls affecting travel will stay in place for years to come.
- The meetings and conventions marketplace has become even more competitive. As the supply of exhibit space in the United States has expanded steadily, the demand for convention and tradeshow exhibit space, and the attendees these events bring to a city has plummeted during this down business cycle.

- The TMD renewal setbacks prevented the deployment of the 2013 Spring advertising campaign. Competitive destinations such as LA, Anaheim, and San Francisco were able to take advantage of our lack of presence in the marketplace.
- The US Navy / Marine operations and defence contracting business are significant contributors to the San Diego economy, and also to the business sector of the San Diego lodging businesses. The deep cuts caused by sequestration will continue to negatively affect the hotel bookings in San Diego, both in rate and room night volume.

While the challenges are great, San Diego tourism has several advantages that bode well for the destination in the short-term:

- Foundation of Success and Growing Investment: With San Diego as one of the first tourism marketing districts to form in 2008, The SDTA has been building up a strong program of work over the last four years (since TMD inception). Past learning is applied to future program of work to more effectively reach the meeting, conventions and leisure travel markets. Continued investment and growing resources will ensure San Diego stays top-of-mind with potential buyers.
- New International Air Service: The June 2011 launch of the new British Airways daily non-stop between London and San Diego has been very successful with the flight operating at over 90 percent load factor. Additionally, new air service has been added from Mexico, Canada, and most recently Japan / Asia (JAL).

\*From San Diego Tourism Authority analysis for FY2013-2014 SDTMD



# San Diego Tourism Authority Budget Summary

**San Diego Tourism Authority previously known as San Diego Convention and Visitors Bureau**

**Category A**

Wages	\$ 3,584,931
Taxes & Employee Benefits	\$ 1,043,147
Distribution	\$ 11,400
Dues and Subscriptions	\$ 99,803
Equipment Rental	\$ 55,527
Events & Sponsorships	\$ 452,962
Media	\$ 5,217,987
Outside Services	\$ 1,418,957
Printing & Reproduction	\$ 276,105
Promotional Items	\$ 76,229
Rent & Utilities	\$ 347,155
Research	\$ 322,463
Software Maintenance & Hosting	\$ 235,502
Travel & Entertainment	\$ 267,168
Allocation of Indirect Costs	<u>\$ 2,326,540</u>
<b>Total Category A Budget</b>	<b>\$ 15,735,875</b>

**Category B**

Wages	\$ 246,759
Taxes & Employee Benefits	\$ 71,813
Dues and Subscriptions	\$ 3,083
Equipment Rental	\$ 3,580
Events & Sponsorships	\$ 6,544
Media	\$ 4,666,076
Outside Services	\$ 686,537
Printing & Reproduction	\$ 285,900
Promotional Items	\$ 473
Rent & Utilities	\$ 26,770
Research	\$ 90,666
Software Maintenance & Hosting	\$ 58,358
Travel & Entertainment	\$ 6,016
Allocation of Indirect Costs	<u>\$ 126,551</u>
<b>Total Category B Budget</b>	<b>\$ 6,279,125</b>

**Total Budget** **\$ 22,015,000**

*If the SDTMD Corporation receives less than projected funds, San Diego Tourism Authority (SDTA / CONVIS) will receive its pro rata share of the total allocation of disburseable funds.*

# San Diego Tourism Authority

## Program of Work

### Overview:

The San Diego Tourism Authority (SDTA) is the sales and marketing engine for the San Diego region. The organization is charged with monitoring the health of the tourism industry, promoting all areas of the region, and driving inbound travel.

Incorporated in 1954, SDTA is a private not-for-profit 501(C)(6) organization governed by a 30-member board of directors. Redirection of certain programs due to the economic climate along with new marketing funds from the TMD have helped SDTA in its efforts to win market share and tout San Diego as a diverse tourism market, appealing to leisure and group travelers, and international, domestic and drive market visitors. ConVis highlights San Diego as preferred destination brand, known for delivering a great experience and value.

SDTA will continue to be nimble in the marketplace. As market conditions shift, programs will be updated in order to best capitalize on opportunities and maximize ROI.

The SDTA mission is clear: To drive visitor demand to economically benefit the San Diego community. Based on the total budget request of \$22 million (\$21 million in FY 2014 funds plus \$1 million in FY 2013 carryover) in Tourism Marketing District funding, the FY 2014 program of work is projected to deliver the following:

1. Deliver a minimum overall organization return on investment of \$20 to \$1.
2. Produce over 800 million paid advertising gross impressions.
3. Deliver over \$21 million in unpaid media exposure through earned media (unpaid editorial), unpaid media promotions and co-operative advertising partners.
4. Generate an estimated 8 million visitor inquiries through the web site, social media, e-mail and phone.
5. Increase definite meetings group room nights including 760,000 in non-citywide hotel meeting room nights.
6. Increase Market Share of Hotel Room Nights Sold in the Western Region Competitive Set to 15.96%.

### FY 2014 Key Strategies:

1. Stimulate growth in single property hotel meetings by deploying group sales and direct marketing campaigns against existing accounts, high-value lost accounts, high-value turned-down accounts and new accounts that have not yet met in San Diego.
2. Maximize utilization of the San Diego Convention Center by targeting existing and potential new accounts that fit within open booking windows over the next five years.
3. Grow leisure travel demand by protecting existing volume markets (Los Angeles and Phoenix) and building more opportunity source markets through paid advertising, public relations, promotions, social, interactive and co-operative campaigns.

4. Communicate San Diego's events, experiences and travel products to attract new visitors and grow length of stay.
5. Capitalize on the new web site, mobile web site and social media interactive programs to reach, engage and convert a broader audience of leisure travelers and meeting planners.
6. Continue to manage the Online Travel Agencies (OTA) channel to grow room night production, length of stay and lodging revenues.
7. Align marketing and travel trade development programs with Visit California and Brand USA, capitalizing on their \$50 million and \$200 million (respectively) domestic and international program budgets.
8. Provide members with relevant sales and marketing opportunities to cost effectively reach the marketplace and grow potential business for the destination.



# Balboa Park Celebration, Inc.

## Budget Summary

### Category A

Advertising	\$ 550,318
Advertising Agency Fees	\$ 110,273
Marketing Materials & Brochures	\$ 326,911
Personnel Salaries and Wages	\$ 447,650
Research	\$ 27,212
Special Event Production	\$ 135,594
Sponsorships	\$ 75,000
Trade Show Expenses	\$ 19,917
<b>Total Category A Budget</b>	<b>\$ 1,692,875</b>

### Category B

Advertising	\$ 496,500
Advertising Agency Fees	\$ 145,625
Marketing Materials & Brochures	\$ 0
Personnel Salaries and Wages	\$ 0
Research	\$ 0
Special Event Production	\$ 0
Sponsorships	\$ 0
Trade Show Expenses	\$ 0
<b>Total Category B Budget</b>	<b>\$ 642,125</b>

**Total Budget** \$ 2,335,000

*If the SDTMD Corporation receives less than projected funds, Balboa Park Celebration Inc. (BPCI) will receive its pro rata share of the total allocation of disburseable funds.*

# Balboa Park Celebration, Inc.

## Program of Work and Funding

### Overview:

San Diego's Balboa Park Centennial Celebration 2015 is a one-time, premier destination event that creates a unique opportunity for TMD to generate significant room night revenue throughout calendar year 2015, especially in the "shoulder" seasons surrounding San Diego's peak summer season. In addition, BPC2015 will provide ongoing value to TMD's mission by creating a platform for increased local room nights in subsequent years based on the Celebration's high profile and anticipated legacy.

The 2015 Celebration will be produced, marketed and sold with the goal of attracting a large audience of regional, national, and international visitors, generating both immediate and long-lasting ROI for TMD's funding support. All advertising materials and consumer-targeted outreach funded by TMD will include a call to action that directs consumers exclusively to TMD lodging businesses.

In addition, national and international co-op marketing participation will extend and enhance the value of TMD's investment in BPC2015. In addition to SDTA, major partners are expected to include the California Travel & Tourism Commission, Brand USA, Tier One corporations, leading San Diego destination attractions, and Balboa Park institutions. The BPCI strategic plan is designed to maximize private source participation and funding to augment and leverage opportunities generated by TMD investment.

TMD funding is a key element in building, positioning and marketing a targeted program of events for the 2015 Celebration designed to appeal to regional, national, and international visitors. This investment will lead directly to a major increase in room nights for TMD lodging businesses, especially during off-peak seasons. BPCI's commitment to this strategy is a core component of their planning process for the entire run of the 2015 Celebration.

All advertising materials and consumer-targeted outreach funded by TMD will include a call to action that directs consumers exclusively to TMD lodging businesses. The BPCI strategic plan is designed to maximize private source participation and funding to augment and leverage opportunities generated by TMD investment.

### Key Objectives for FY2013 Funding

- Create Infrastructure for Marketing Platform
- Initiate Comprehensive Sales & Marketing Strategy
- Execute Brand and Communication Tactics
- Establish Partner Relationships

### Key Objectives for FY2014 Funding

- Attract Out of Market Leisure/Consumer Target to TMD lodging businesses
- Present the Vision
- Secure Major Sponsors and Partners
- Secure Affinity Groups/Organizations for Venue and Event Participation

- Engage Media Partners for Their Own Events
- Engage Media Partners for Distributed Content

Initial Funding Recommendation:

Based upon total projected TMD disbursed funds as detailed in the SDTMD Corporation Operating Agreement and First Amendment to the Operating Agreement section 8:

FY 2014:

- Category A: \$ 1,692,875
- Category B: \$ 642,125
- Total A+B: \$ 2,335,000\*

\*The SDTMD Corporation board approved an advance of 10% of TMD funds received by the SDTMD Corp. in FY2014 not to exceed \$2,335,000 to BPCI and authorized Board Chairman Brown to execute an agreement with BPCI. If the SDTMD Corporation receives less than projected funds, BPCI will receive its pro rata share of the total allocation of disbursable funds.

Return on Investment (ROI) - Projected:

- |   |              |
|---|--------------|
| • Total hotel room nights                 | 400,000      |
| • Return @ \$149 ADR (average daily rate) | \$59,600,000 |
| • ROI For All Years Through FY15          | 10:1         |



# Administration

San Diego Tourism Marketing District Corporation

	<u>Category A</u>	<u>Category B</u>	<u>Total</u>
Personnel			
Employee Benefits	\$ 6,525	\$ 2,475	\$ 9,000
Executive Director Wages	121,800	46,200	168,000
Payroll tax	9,744	3,696	13,440
Workers Comp	<u>2,436</u>	<u>924</u>	<u>3,360</u>
Total Personnel	140,505	53,295	193,800
Contract Services			
Accounting	147,900	56,100	204,000
Audits	50,750	19,250	70,000
Legal and compliance	159,500	60,500	220,000
Marketing	<u>69,600</u>	<u>26,400</u>	<u>96,000</u>
Total Contract Services	427,750	162,250	590,000
Overhead			
Auto	6,525	2,475	9,000
Bank Service Charges	174	66	240
Broker Fees	1,740	660	2,400
Dues and subscriptions	580	220	800
Equipment Lease	3,480	1,320	4,800
Insurance	7,250	2,750	10,000
Occupancy	10,875	4,125	15,000
Office Supplies	3,233	1,227	4,460
Parking	290	110	400
Payroll processing	1,958	742	2,700
Postage and shipping	6,525	2,475	9,000
Printing and reproduction	14,500	5,500	20,000
Telephone	<u>1,740</u>	<u>660</u>	<u>2,400</u>
Total Overhead	58,870	22,330	81,200
Contingency	116,000	44,000	160,000
<b>Total SDTMD Operations</b>	<b>743,125</b>	<b>281,875</b>	<b>1,025,000</b>
City Administration <sup>1</sup>	435,000	165,000	600,000
<b>Total Administration</b>	<b>\$ 1,178,125</b>	<b>\$ 446,875</b>	<b>\$ 1,625,000</b>

<sup>1</sup> Actual City administration costs are reimbursed from the TMD fund - this amount represents the current estimate as of June 2013.

# Opportunity/Catastrophe/Liability Reserves

Opportunity/Catastrophe Reserve by Fund  
(5% of FY2014 TMD Assessments + Part of Carryover)

Category A	\$ 2,792,899
Category B	<u>\$ 750,850</u>
Total Opportunity/Catastrophe	\$ 3,543,749

Liability (Indemnification) Reserve

Category A	\$ 1,667,500
Category B	<u>\$ 632,500</u>
Total Liability	\$ 2,300,000

Contributions from Other Sources: \$ 0

# Attachments

- Attachment 1 - San Diego Tourism Marketing District Corporation – 4 pages
- Attachment 2 – Management Plan Highlights – 4 pages
- Attachment 3 – Funding Cycle for FY2014 – 1 page
- Attachment 4 - Key Elements of the Application Guidelines and Requirements for FY2014 – 5 pages
- Attachment 5 - Return on Investment (ROI) Measurement Policy – 1 page
- Attachment 6A - San Diego Tourism Authority FY2014 Budget Detail - 3 pages
- Attachment 6B - San Diego Tourism Authority Funding Application FY2014 – 65 pages
- Attachment 7A - Balboa Park Celebration, Inc. FY2014 Budget Detail – 5 pages
- Attachment 7B - Balboa Park Celebration, Inc. Funding Application FY2014 – 41 pages

# **Attachment 1**

## **San Diego Tourism Marketing District (Corporation)**

**4 Pages**

# SDTMD Corporation

## 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:

C. Terry Brown, Chair  
Richard Bartell, Vice Chair  
Luis Barrios, Secretary  
William Evans, Treasurer  
Patrick Duffy  
Mohsen Khaleghi  
Bob Rauch  
Keri Robinson  
John Schafer

## Staff:

Lorin Stewart, Executive Director

## San Diego Tourism Marketing District Corporation

8880 Rio San Diego Drive, Suite 800  
San Diego, CA 92108  
(619) 209-6108  
[lstewart@SDTMD.org](mailto:lstewart@SDTMD.org)  
[www.SDTMD.org](http://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 and the next such meeting shall be held on or about June 15, 2013. 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 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 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 of the SDTMD subject to an action of the Board of Directors of the Corporation.

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:

**C. Terry Brown, Chairman**

President, Atlas Hotels

Atlas Hotels represent over 1,095 TMD rooms in the Mission Valley and Harbor regions of the City of San Diego. Mr. Brown's initial two-year term expired June 30, 2010, and he was elected for another term of three years.

**Richard Bartell, Vice Chairman**

President, Bartell Hotels

Bartell Hotels represent over 1,240 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 and he was elected for another term of three years.

**William L. Evans, Treasurer**

Vice President and Managing Director of Hotel Operations, Evans Hotels. Evans Hotels represents over 800 TMD rooms in the Mission Bay/ Pacific Beach, and La Jolla (SD North) regions of the City of San Diego. Mr. Evans' three-year term expired on June 30, 2012, and he was elected for another term of three years.

**Luis Barrios, Secretary**

General Manager, Best Western Hacienda Hotel Old Town

Best Western Hacienda Hotel Old Town represents over 200 TMD rooms in the Old Town region of the City of San Diego. Mr. Barrios' three-year term expired on June 30, 2012, and he was elected for another term of three years.

**Patrick Duffy**

General Manager, Hilton La Jolla Torrey Pines

Hilton La Jolla Torrey Pines represents over 400 TMD rooms in the La Jolla (SD North) region of the City of San Diego. Mr. Duffy's initial three-year term expired on June 30, 2011, and he was elected for another term of three years.

**Mohsen Khaleghi**

General Manager, Hyatt Regency Mission Bay Spa and Marina

Hyatt Regency Mission Bay Spa and Marina represents over 420 TMD rooms in the Mission Bay region of the City of San Diego. Mr. Khaleghi's initial two-year term expired June 30, 2010, and he was elected for another term of three years.

**Robert A. Rauch, CHA**

General Manager/Partner, Hilton Garden Inn-San Diego/Del Mar representing over 200 TMD rooms in the Sorrento Valley (SD North) region of the City of San Diego. Mr. Rauch's initial two-year term expired June 30, 2010, and he was elected for another term of three years.

**Keri A. Robinson**

Area Managing Director, Starwood Hotels & Resorts – GM San Diego Sheraton San Diego Hotel & Marina representing over 1,053 TMD rooms in the Harbor / Airport region of the City of San Diego. Ms. Robinson's three year-term expired on June 30, 2012, and she was elected for another term of three years.

**John Schafer**

Vice President and Managing Director of the Manchester Grand Hyatt San Diego representing over 1625 rooms in the Downtown Harbor region of the City. Mr. Schafer was appointed to the Board to replace Mr. Ray Warren who retired in January 2012. Mr. Schafer will serve for the remainder of Mr. Warren's term which expires on June 30, 2014.

# **Attachment 2**

## **Management Plan Highlights**

**4 Pages**

# Management Plan Highlights

## Background:

As a result of diminishing public resources available for effective and competitive destination marketing, local lodging industry leadership began discussing alternative funding sources and available options in 2003. A working group comprised of lodging industry representatives held dozens of meetings with proposed assessed businesses, stakeholder groups and interested parties.

On May 8, 2007 the San Diego City Council adopted an enabling Procedural Ordinance that provided a process for establishing a Tourism Marketing District. Subsequently, on August 1, 2011, the City Council adopted amendments to the Procedural Ordinance specifying, among other things, a process by which such a district may be renewed. These amendments also permit a renewal term up to forty (40) years.

The original five year Tourism Marketing District was approved by the City in December 2007 and began January 1, 2008. The district was managed by representatives of the lodging business through the non-profit San Diego Tourism Marketing District (SDTMD) Corporation. Given the success of the original district, lodging industry representatives worked to renew the district and developed new guidelines for operation and administration of the renewed district which became the Tourism Marketing District Management Plan (Management Plan) approved by Council September 2012.

The renewed Tourism Marketing District began on January 1, 2013.

## Assessments:

All assessment rates are based on the privileges directly conferred and specific benefit directly received by assessed businesses from the activities provided within each category and is levied on "Assessable Rent" which is based on gross room rental revenue less exempt revenues, of those benefitting businesses.

Annual assessment rates are as follows:

- Benefit Category A Rate: 1.45% - applied to Assessable Rent of qualifying lodging businesses.
- Benefit Category B Rate: 0.55% - applied to Assessable Rent of qualifying lodging businesses.

In summary, lodging businesses with 30 or more rooms will be assessed at a total rate of 2% (Category A + Category B). Lodging businesses with 29 or fewer rooms will be assessed at a total rate of 0.55% (Category B only).

Assessments are remitted on a monthly basis to the City Treasurer by each business using a self-reporting form that provides for identifying the activity period(s) and the Assessable Rent and District assessment for the respective accounting periods.

Pursuant to the Plan, Assessable Rent does not include revenue from stays where:

- the transient has exercised occupancy or was entitled to occupancy for one month or more; or
- the total space rental charge is twenty-five dollars (\$25.00) a day or less, or the accommodations rented are in a dormitory and the total space rental charge for each transient is twenty-five dollars (\$25.00) a day or less; or
- the transient is by treaty, or federal law, or state law exempt from payment of transient occupancy taxes; or
- rent is directly paid by the United States Government or the State of California or their respective instrumentalities.

Assessments levied for the purpose of providing activities that benefit businesses are not taxes for the general benefit of a city, but are assessments for the activities which confer benefits upon the assessed businesses for which the activities are provided and do not confer benefits upon those not paying the assessment.

#### Uses of Assessments:

Assessment funds will be spent to provide a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the City of conferring the benefit or granting the privilege. The activities also constitute specific government services provided directly to the payor that is not provided to those not charged, and which do not exceed the reasonable cost to the City of providing the services.

The privileges and services provided with District funds are sales, marketing, advertising and promotional programs available only to assessed businesses. District activities will be designed for the sole purpose of generating incremental room night sales at assessed businesses. Such room night sales are of great value to assessed business and constitute a specific benefit for which the assessment is charged. Non-assessed businesses will not have access to the privileges and services provided by the assessment.

In order to ensure provision of a specific government service and benefit to payors, which does not exceed the reasonable cost of providing the service, there are certain activities or improvements which may not be funded by the District. These include:

- The acquisition, construction, installation or maintenance of any tangible property, including parking facilities, parks, planting areas, fountains, benches, booths, kiosks, display cases, pedestrian shelters, signs, trash receptacles, public restrooms, ramps, sidewalks, plazas, pedestrian malls, lighting and heating facilities.
- The closing, opening, widening or narrowing of existing or new streets.
- Facilities or equipment, or both, to enhance security and safety of persons and property within the area, unless included in a specific proposal to benefit the assessed businesses.
- Regular public safety and security personnel and programs, maintenance and repair, sanitation, nor other municipal services normally and historically provided by the City.
- Political candidate or ballot initiative activity.
- Expenditures not consistent with the terms of the District Management Plan.

SDTMD Budget Guidelines:

An annual budget will be developed and approved by the Board of Directors of the San Diego Tourism Marketing District Corporation (SDTMD), formerly the San Diego Tourism Promotion Corporation, and included in the prospective Fiscal Year Report of Activities submitted to the City Council each year.

Assessments are proposed to be used for the Activities as generally outlined in the Budget Guidelines table on the next page. It is anticipated that ninety percent (90%) of assessment revenue will be designated annually for Marketing and Sales activities which will be tailored within the specific benefit categories to benefit the assessed businesses. Within the ninety percent (90%) allocated to marketing and sales activities, the Corporation's Board of Directors may adjust program allocations as needed to address changes in outside funding provided to those programs and ensure that assessment funds are spent on a specific benefit provided directly to assesses which is not provided to those not charged.

Ten percent (10%) of assessment revenue will be designated in total annually for Administration (including actual City costs to administer the District) and for a Reserve for opportunities, catastrophes, contingencies, and renewal of the District. Other revenues such as penalties and interest and incidental revenue shall be designated for Administration but may be added to the Reserve or designated for other activities at the discretion of the Corporation's Board of Directors.

Budget Guidelines (based on historical activity)		Category A		Category B	
Benefit Category	Description	Estimated Percent of Assessment Revenue	Amount	Estimated Percent of Assessment Revenue	Amount
<b>A 1</b>	<b>Meeting and Group Sales &amp; Marketing and Consumer-Direct Sales &amp; Marketing</b>				
A 1.1	Hotel Meeting Sales	25.1%	\$5,440,000		
A 1.2	Event Management and Group Sales Development	12.0%	\$2,595,000		
A 1.3	Tourism Development Including Travel & Trade	4.9%	\$1,060,000		
A 1.4	Group Meeting Direct Marketing	5.1%	\$1,110,000		
A 1.5	Consumer Direct Sales & Marketing Programs	14.5%	\$3,135,000		
A 1.6	Multi-Year Tourism Development	5.4%	\$1,160,000		
<b>A 1 - Subtotal</b>	<b>Meeting &amp; Group Sales and Consumer Direct Marketing</b>	<b>67.0%</b>	<b>\$14,500,000</b>	<b>0.0%</b>	<b>\$0</b>
<b>A 2 - Subtotal</b>	<b>Sub-Regional Targeting</b>	<b>6.9%</b>	<b>\$1,500,000</b>	<b>0.0%</b>	<b>\$0</b>
<b>A 3 - Subtotal</b>	<b>Competitive Targeting</b>	<b>16.1%</b>	<b>\$3,485,000</b>	<b>0.0%</b>	<b>\$0</b>
<b>B - Subtotal</b>	<b>Destination Marketing with Specific Call to Action</b>	<b>0.0%</b>	<b>\$0</b>	<b>90.0%</b>	<b>\$7,515,000</b>
<b>Contingency</b>	<b>Opportunity / Catastrophe Reserve</b>	<b>5.0%</b>	<b>\$1,082,500</b>	<b>5.0%</b>	<b>\$417,500</b>
<b>Admin &amp; Ops</b>	<b>City of San Diego and Corporation</b>	<b>5.0%</b>	<b>\$1,082,500</b>	<b>5.0%</b>	<b>\$417,500</b>
<b>TOTAL ESTIMATED ANNUAL BUDGET</b>	<b>PROJECTED FY2014 ANNUAL BUDGET</b>	<b>100.0%</b>	<b>\$21,650,000</b>	<b>100.0%</b>	<b>\$8,350,000</b>

Although actual revenues of the Corporation will fluctuate, the proportional allocations as listed in the table on the previous page shall generally remain the same; however, during the budgeting process each year, the Corporation's Board of Directors may adjust program allocations as needed to address: economic conditions; tourism trends; and changes in non-assessment funding provided to those programs. The resulting proposed annual budget submitted to City Council for consideration as part of the Annual Report of Activities will then ensure that assessment funds are to be spent on a specific benefit provided directly to assessed businesses which is not provided to those not charged. In no event will the budget for City administration costs fall below the amount necessary to recover City administration costs.

Sales and Marketing programs and services will be broadly defined by the Board of the SDTMD in order to remain current with changing consumer demands, tourism products, and technologies. Because both marketing and sales programs are necessities for successfully increasing room night sales, the Corporation will contract for marketing and sales programs and services to promote assessed lodging businesses in the District and to fund projects, programs, and activities that specifically benefit and provide unique privileges to assessed lodging businesses within the District.

The marketing and sales programs and services funded by the District are meant to deliver incremental room night sales directly to District-assessed lodging businesses. It is understood that each individual lodging business implements and privately funds a unique, proprietary marketing and sales program that is responsible for the generation of the vast majority of room nights at each business. District programs and services are supplemental to, and provide incremental room nights in addition to, those proprietary programs.

To allocate funding to marketing and sales programs, the Corporation's Board of Directors must find that each will be likely to generate incremental room night sales at assessed businesses. The purpose of any funded activity must be to generate such sales. The Corporation's Board of Directors will establish and regularly update a clearly defined application process for proposed marketing and sales programs. This application will articulate the required qualifications of applicants, the target ROI, and the measurement of results, among other criteria as means to ensure direct benefit to payors. More information on key elements of the FY 2014 Application may be found in Attachment 4.

The Corporation shall cause to be prepared annually a report for the coming fiscal year. The first report of the renewed district will include the activities for the first eighteen months of operation, from January 1, 2013 through June 30, 2014.

The Corporation shall cause to be prepared a retrospective and prospective District Milestone Report every five (5) fiscal years for which assessments are levied. This District Milestone Report will include the required annual Report of Activities for the prospective fiscal year. The first District Milestone Report of the renewed District will include the reporting of results for the initial period of operation, from January 1, 2013 through the date of preparation of the report. The final Milestone Report of the renewed district will include reporting of results from July 1, 2048 through June 30, 2053. Reports for the intervening period will include reporting of results for the prior five (5) years. Reports will be submitted to the City on agreed upon dates pursuant to the operating Agreement.

# **Attachment 3**

## **Funding Cycle for FY2014**

**1 Page**

# Funding Cycle for FY2014

## **February - March 2013:**

A3 - Competitive FY 2014 Applications presented publically at SDTMD Corporation Meetings (Brown Act).

## **April 2013:**

San Diego Tourism Marketing District Corporation Operating Agreement and First Amendment signed April 26, 2013.

## **May 2013:**

A1 - San Diego Tourism Authority and A3 - Balboa Park Celebration, Inc. proposed program of work and budgets presented publically at SDTMD Corporation Meetings (Brown Act).

FY2014 Allocation Recommendations voted on by SDTMD Corp. Board of Directors.

## **June 2013:**

FY 2014 Proposed Report of Activities to be presented to City's Budget & Finance Committee and then City Council for approval.

FY2014 Contracts to be issued after City Council Approval.

## **July 1, 2013:**

FY2014 Begins

\*Except for the Application Deadline, all dates are approximate and may change without notice.

# **Attachment 4**

## **Key Elements of the Application Guidelines and Requirements for FY2014**

**5 Pages**

# Key Elements of the Application Guidelines and Requirements for FY2014

The SDTMD Corporation is not a sales or marketing entity, but rather a funding conduit to contractors for development and implementation of effective sales and marketing programs and services that provide unique privileges and specifically benefit assessed businesses within the District.

The SDTMD Corporation will be responsible for allocation and distribution of available revenue and will contract with qualified third-party contractors to supply specific sales and marketing programs and services as required and approved by the Corporation's Board of Directors.

To allocate funding to marketing and sales programs, the Corporation's Board of Directors must find that each will be likely to generate incremental room night sales at assessed businesses. The purpose of any funded activity must be to generate such sales.

District programs and services are supplemental to, and intended to provide incremental room nights in addition to those generated by the proprietary sales and marketing programs of the individual lodging businesses.

Each applicant will be required to submit an "Application Request for TMD Funding" for specific sales and marketing programs that will provide unique privileges and specifically benefit assessed businesses within the District.

Specifically, all funding requests must delineate:

- All sales, marketing, advertising and promotional programs;
- Number of District lodging business room nights generated – existing and incremental;
- Average Daily Rate est. (from approved source such as Smith Travel Research);
- Projected sales leads to be generated (if applicable);
- Return on Investment (ROI) as measured in District room night revenue;
- Time of year (peak, shoulder, low); and
- Number of marketing impressions (included as supportive information only where applicable).

Fundamental to the funding of any application will be the projected return on investment in TMD hotel room night revenue and the benefit that will be realized to the assessment district lodging businesses. Each application must specify:

- "Who" in the assessment district will be directly benefited;
- "When" the benefits will be realized;
- "Where" in the assessment district the benefit will be realized; and
- "How" the results will be realized and tracked.

If a third party is to be used to determine the ROI, the application must list the company, their qualifications, and contact information.

When considering these fundamental application requirements, priority will be given to:

- Special-need periods of the year;
- Special-need geographic locations within the District; that may include but are not limited to a sub-region, multiple sub-regions, a neighborhood or community, or an area uniquely defined to host or support a program or event; and
- The opportunity to generate incremental room nights from existing programs or sponsoring programs.

To guide District contractors and ensure direct benefit to assessees, below is a partial list of required Best Practices for implementation of District-funded programs and services. This list may be modified from time to time provided that the goal of direct and exclusive benefit to assessees is attained.

- It is required that all recipients of District funds certify that those funds will be spent to provide exclusive privileges and/or specific benefits only to District assessed businesses and not to any other, non-assessed businesses. To the extent that other, non-District, lodging businesses may receive incremental room nights, that portion of the promotion or program generating those room nights shall be paid with non-District funds.
- It is required that all recipients of District funds demonstrate availability of other additional non-District sources of revenue, such as but not limited to, membership dues, marketing fees, earned income, and/or participation fees, which they will contribute to the promotion or program to pay for any incidental benefit to non-District lodging businesses.
- It is required that all advertising materials and media include a call-to-action that directs consumers exclusively to District lodging businesses.
- It is required that all recipients of District funds conduct an analysis of room night generation for District lodging businesses and non-District lodging businesses in addition to a ROI analysis. The cost of efforts which generate room nights for non-District lodging businesses must be paid with non-District funds.

Other requirements of the application process are listed below.

#### Legal Status

- Applicants must demonstrate proof of legal status within the jurisdiction of the headquarters of their business or corporation.

#### Track Record

- An applicant must have demonstrable history of successful, ongoing programming or business performance prior to submitting an application.

#### Location

- Regardless of where an applicant is headquartered or physically located, or where a particular marketing program is implemented, 100% of the funding received from the SDTMD must be in support of programs that provide privileges directly conferred and specific benefit directly the assessed lodging businesses within the City of San Diego.

#### Compliance

- Former contractors of the City of San Diego must have submitted acceptable final report packages on any completed contract and be in good standing with the City of San Diego.

#### ADA

- Contractors will comply with the federally mandated Americans with Disability Act. Contractors and subcontractors will be individually responsible for their own ADA compliance.

#### EEO

- Contractors will comply with Title VII of the Civil Rights Acts of 1964, as amended; the California Fair Employment Practices Act; and any applicable federal and state laws and regulations herein enacted, as well as the City's Non-discrimination in Contracting Ordinance.

#### Drug-Free Work Place

- Contractors must provide a drug-free workplace.

#### Oral Presentation:

- Should an application meet the fundamental requirements for consideration, and prior to any final decision, qualifying finalist may be invited to make a public, oral presentation before the SDTMD Board of Directors.

#### Contract Agreement

- Once the Board of Directors has approved funding and the SDTMD budget is approved by the City Council, a Contract Agreement is issued to the successful applicants. The Contract Agreement details the terms and conditions of the contract between the SDTPC and the organization and the organization's scope of work, anticipated results and mutually agreed upon method(s) for measuring those results.

#### Reporting

- Successful applicants that become contractors for the Corporation will be required to submit quarterly performance updates and comprehensive annual performance reports which include the target and actual outcomes by type of activities, specific sales and marketing initiatives, etc., samples of marketing materials and information as to the methodology used to measure, track, and substantiate the ROI. The quarterly reports must detail the way in which all assessed businesses (TMD lodging businesses) are benefited, along with the details of all TMD funds expended. The reporting periods and dates are:
  - Quarter One: July 2013- September 2013 Due November 29, 2013
  - Quarter Two: October 2013-December 2013 Due February 28, 2014
  - Quarter Three: January 2014-March 2014 Due May 30, 2014
  - Quarter Four: April 2014-June 2014 FY 2014 ANNUAL REPORT Due August 29, 2014

#### Auditing of Results

- The Corporation will contract with an independent third-party to audit the results and to verify District room nights and ROI.

#### Cost Allocation

- Funded contractors and programs must also have a cost allocation methodology which demonstrates that costs are apportioned between applicable funding sources so that the amount of assessment revenue used is proportionate to the benefit derived by District lodging businesses.

### Cost Reimbursement

- All funds are awarded on a cost reimbursement basis following the City of San Diego Operations Manual. All items for reimbursement must align with the SDTMD / City approved budget and include proof of payment of the expense. The average turnaround time is 30 days from the receipt of a correctly submitted reimbursement request packet. Reimbursement requests may be submitted on a monthly basis or less frequently as arranged with staff. There can be no payment in advance, unless approved by the board for special circumstances and in compliance with the SDTMD contract with the City.

### Funding Limitations

- TMD assessment funds cannot be used for alcoholic beverages. Corporation's subcontractors shall not use TMD assessment funds for travel, meals, lodging, or entertainment expenses, unless authorized by SDTMD in advance, as provided by the Contract with the City.
- The acquisition, construction, installation or maintenance of any tangible public property, including parking facilities, parks, planting areas, fountains, benches, booths, kiosks, display cases, pedestrian shelters, signs, trash receptacles, public restrooms, ramps, sidewalks, plazas, pedestrian malls, lighting and heating of public facilities.
- The closing, opening, widening or narrowing of existing or new streets.
- Facilities or equipment, or both, to enhance security and safety of persons and property within the District, unless included in a specific proposal to benefit the assessed businesses.
- Regular public safety and security personnel and programs, maintenance and repair, sanitation, nor other municipal services normally and historically provided by the City.
- Expenditures not consistent with the terms of the District Management Plan.

### ***Definitions***

- ***Sales***

The sales process is defined as the activities designed to close or consummate the sale. This closure can take several forms when delivering lodging room night sales. For the transient or tourist responding to the marketing activities this sale may take the form of a walk-in purchase, an on-line reservation, or a telephone reservation.

Another significant element of the lodging sales function involves group and meeting sales. The group and meeting sales process consists primarily of interpersonal interaction, activities that engage the prospect or customer on a personal level rather than at a distance, through technology or a second party. It is often done by one-on-one meetings, cold calls, and networking. It requires significant front-line sales manpower, plus administrative, operational, and technological support, and considerable time. Often, success is the result of several years of communication and relationship building between the sales representative and the customer; who is usually a professional meeting or convention planner. The "sale" results in a signed agreement or contract for a meeting or convention that can deliver hundreds, if not thousands of hotel room nights.

- ***Marketing***

Marketing is the activity of identifying, communicating to, reaching, informing, educating, motivating and persuading prospective consumers of hotel room nights to consummate a purchase. It is the message that prepares the prospective consumer for the sale, may take many traditional and/or innovative forms, and may be modified over time as a result of changes in consumer

demands, new tourism products, and advances in marketing and communication technologies. It currently consists of many strategies, tactics and components including but not limited to these examples:

- Market Research;
- Advertising;
- Marketing Promotion;
- Press and/or Public Relations;
- New Product Development;
- Web Strategies, Viral and E-marketing;
- Partnership marketing; and
- Direct Marketing (to a defined universe with a specific call to action).

- ***DMOs (e.g. San Diego Tourism Authority / Convention and Visitors Bureau):***

It is widely recognized that successful direct marketing and sales of a visitor destination is the result of a considerable investment in time and resources. Visitor destinations, of all sizes in myriad locations, compete for a finite number of consumers. Many of these visitors require lodging. This daily consumption of lodging, as measured by the industry standard of hotel room nights, is vital because the unused portion of a hotel's available inventory spoils every day, and is never again available for sale.

Historically, businesses in visitor destinations have banded together to pool resources in order to develop coordinated messaging and to deliver a call-to-action that would result in an increase in the consumption of visitor-serving offerings. These groups have been given many names that usually contain the term "visitors bureau." More recently, they have been recognized as Destination Marketing Organizations (DMOs). Over time these organizations have become clearinghouses for visitor-serving information, products and services, while generating incremental new business for their members. Typically, a major participant in these coordinated community, regional and/or statewide efforts are representatives of the hotel industry who, understanding the "commodity" nature of their products, constantly seek opportunities to increase daily consumer demand for them.

Depending on the location and its available visitor offerings, each DMO develops and implements a business plan to sustain current visitor levels while generating additional business from new visitors. The activities implemented to serve these goals are numerous, creative, and diverse.

The meetings industry is distinct within the visitor industry, different from tourism, with its own unique markets, requirements and agendas. Yet, like leisure visitors, meeting attendees and convention delegates require accommodations.

The success of marketing and sales efforts is predicated on the long-term establishment and operations of a local DMO. The decisions that drive these direct sales initiatives are based on years, if not decades, of research, performance analysis, brand development and messaging, plus nurtured client/vendor relationships, performed by a professional staff with administrative support requiring extensive business manpower (sales force), infrastructure (offices, equipment, transportation) and technology (internet tools).

# **Attachment 5**

## **Return on Investment (ROI) Measurement Policy**

**1 Page**

# Return on Investment (ROI) Measurement Policy

*BOD Approved: June 18, 2010*

The San Diego Tourism Marketing District (SDTMD) measures the Return on Investment (ROI) for funding granted to support organizations and specific programs that help generate and/or increase hotel room night revenue for hotels within the City of San Diego. ROI is measured by dividing the hotel room revenue generated by the SDTMD funded amount.

To ensure consistent and valid contractor ROI reports, the SDTMD uses the following guidelines for measurement of ROI.

Hotel room night revenue can be reported as a definitive measure or estimated when actual revenue cannot be measured. Definite measurements of bookings can be captured through mandatory hotel block bookings and online hotel bookings by Online Travel Agencies (OTAs) and hotel booking engines like ARES (Advanced Reservation Systems).

When definite measurement is not possible, SDTMD hotel consumption may be estimated using valid survey methodologies. There are two types of survey approaches to consider, depending on the use of the SDTMD funding:

Visitor surveys – SDTMD funding recipients conduct intercept surveys of visitors at events/venues or by phone/mail/email to estimate district room-night revenues for all attendees.

Campaign surveys – SDTMD funding recipients conduct random sample or online access panel surveys of campaign target markets to measure district hotel consumption of ad aware populations.

The SDTMD will provide survey assistance to contractors to best measure ROI for SDTMD purposes. Organizations are welcome to also use their surveys to measure other event or campaign results including effectiveness of promotional creative or tools, attendee satisfaction, expenditures beyond SDTMD hotels consumption or overall economic impacts. The costs to capture these additional results are to be covered independently from assistance available through the SDTMD.

SDTMD survey assistance includes district hotel consumption questionnaire development, definition of the survey population and survey administration and reporting. The type and amount of fieldwork, data tabulation, analysis and reporting will vary based on the scale of events and campaigns, and be determined by an authorized professional research organization and approved by the SDTMD.

To balance the cost of data collection against the benefits to be gained, sample sizes will be set to yield a 95% confidence level with a margin of error of  $\pm 5$  percentage points on all survey results.