

SAN DIEGO TOURISM MARKETING DISTRICT  
BOARD OF DIRECTORS MEETING  
Bahia Resort Hotel, Del Mar Room  
998 West Mission Bay Drive, San Diego, CA 92109  
Friday, May 31, 2013  
8:00 a.m.

MINUTES

Call to Order / Introductions:

C. Terry Brown, Chairman, called the meeting to order at 8:06 a.m.

Board members present: Terry Brown, John Schafer, Mohsen Khaleghi, Bob Rauch, Patrick Duffy, Bill Evans, and Richard Bartell.

Board members absent: Luis Barrios and Keri Robinson.

Also in attendance: Jere Batten, Batten Accountancy; John Lambeth, attorney; and Lorin Stewart, Executive Director.

CLOSED SESSION ITEMS

Mr. Lambeth identified the items to be discussed in closed session.

The meeting was adjourned to closed session at 8:08 a.m.

CALL TO ORDER

Open session called to order at 9:18 a.m.

CLOSED SESSION REPORT

There were no reportable actions taken in closed session.

INTRODUCTIONS

Mr. Brown provided a statement clarifying the funding process. He said there was a misunderstanding regarding the Board's action at the last meeting. Mr. Brown stated that the BPCI application will be considered and that the City has no basis to withhold funds.

John Lambeth said the SDTMD Corporation is bound by several laws and city approved documents. Some of these laws and documents include Proposition 26, City Ordinances, the Management District Plan (MDP), Resolutions and the Agreement with the City. The City Ordinances, MDP, and Resolutions require an application process for recipients of TMD funds.

John Lambeth stated that while there is ambiguity around Proposition 26, he believes guaranteeing funding to any vendor would put the TMD in jeopardy. He recommends that the Board not take action on the basis that they must do so in order to get funding from the City.

John Lambeth reiterated City ordinances, the MDP, and Resolutions require an application process and consideration of ROI. The Board can accept applications, review applications, and make funding

decisions based on the application and testimony as well as evaluations of specific benefits to the assesses.

### PUBLIC COMMENT

Councilman Sherman spoke about the importance of integrity. He believes that the Mayor has not honored the agreement between the City and the TMD. Mr. Sherman said he was concerned about loss of jobs and impacts to the tourism economy. He urged the Mayor to release the funds.

Katheryn Rhodes spoke in favor of a multi-purpose convention center and stadium. She also gave a history of TOT in San Diego. Ms. Rhodes asked to put the TMD to public vote.

Alan Suchodolski is a local business owner with over 50 employees. He stated that the lack of TMD expenditures is hurting businesses, their employees, and their families. Mr. Suchodolski expressed support for a swift resolution to the dispute and full funding for the TMD.

### ACTION ITEMS

- 1) Approval of Minutes: A motion was made by Mr. Bartell to approve minutes for May 24. There was a second from Mr. Evans. Yes 7, No 0, Abstain 0.
- 2) TMD Forecast FY13 Part II: The projections are April 1–June 30, 2013 and July 1, 2013–June 30, 2014. Mr. Rauch made a motion for the approval of the projections. Mr. Duffy seconded the motion. Yes 7, No 0, Abstain 0.
- 3) FY14 Application Presentation: SD Tourism Authority: Joe Terzi presented on the importance of tourism. He detailed the competition, threats from Los Angeles, Anaheim, San Francisco, and Las Vegas. Between January and March of 2013, San Diego occupancy was down 1.6 percent and revenue per available room was down 1.3 percent. Marjorie Sitton presented a report on the Authority's sales division.

Mr. Evans asked questions regarding how the Authority measures its results from sales activities. Mr. Evans asked if there will be a reduction in TOT due to the lack of funding. Marjorie Sitton indicated that there will be a reduction in TOT.

Kerri Kapich gave a presentation on the marketing division. They have lost four positions and anticipate losing four more people for a total of eight losses. She said the audited results for the spring and fall advertising campaign was 2–3 million room nights. The OTA effort delivered 691,697 room nights in FY12. Mr. Evans asked about how the ROI is calculated and measured. Kerri Kapich outlined the strategic direction of proposed marketing including:

1. Presenting key cooperative advertising programs
2. Piggy backing on Brand USA and Visit California advertising
3. Focusing on key feeder markets and
4. Partnering with OTAs

Mr. Evans asked about TOT reduction because of the reduction in TMD funding.

Rick Meza talked about the funding projections and budget. Mr. Evans asked about reductions in marketing and advertising. Mr. Brown asked about staffing. Mr. Khaleghi asked about the number of

open positions. There are currently seven positions. With this budget, there would be 11 more, for a total of eighteen positions eliminated. Mr. Evans asked about the overall impact to TOT funding. Mr. Terzi estimated a 20 percent reduction or an approximate \$30 million reduction. Mr. Khaleghi asked about additional projections because of the reduced funding.

4) FY13 Part II & FY14 Annual Application—Balboa Park Celebration Inc.: Nikki Clay gave an overview of the Balboa Park celebration. She talked about how the celebration will drive room nights to hotels.

John Debello talked about the core concepts of the BPCI event. The BPCI is a signature event that will add value and drive room nights. Mr. Debello said they will be targeting the shoulder seasons and will include specific calls to action for TMD asseesees. Mr. Debello said there are more than 700 unique events and talked about specific programs that will drive room nights to TMD asseesees. He also said the ROI was calculated at 10:1 with an ADR of \$149, based on \$6 million in funding between FY13 and FY15.

Mr. Bartell said Balboa Park is the jewel of San Diego and congratulated BPCI on a creative marketing plan. Mr. Bartell said the ROI information is critical. He asked about San Diego State studies. Mr. Debello provided the study to TMD Board members and the public. Mr. Bartell asked about \$1.1 million in advertising. He wanted to know where it will be placed. Mr. Debello said some of the projections are more general to allow flexibility since the event is in 2015. Mr. Debello said they would look at the success of other events and evaluate their specific marketing plans. Mr. Bartell congratulated BPCI on a good application and presentation.

Mr. Evans expressed a desire to make the Balboa Park celebration bigger and better. Mr. Evans asked how much BPCI has received to date. Ben Clay stated that BPCI initially received \$1 million plus \$390,000 from the City, in addition to an anticipated \$300,000 from the City. Mr. Evans asked about how the money has been spent. Ben Clay said they have a staff of three and that they have hired consultants to develop parking and transportation studies and other impact studies. Ben Clay also said they have funded exhibitors within the park to develop plans. Mr. Evans asked about non-assessment funds going into BPCI. Mr. Clay said they will aggressively solicit outside funds but need initial funds to develop programs to support the fundraising efforts.

Mr. Evans asked about overlap with SDTA. Mr. Debello said the efforts are complimentary and that they would work closely with SDTA.

Mr. Brown asked about EDGE. Mr. Debello said if there were more funds and more time, they could have done it. However, given the current funding, Mr. Debello said it was not cost effective.

PUBLIC COMMENT:

Katheryn Rhodes said TOT collections are up 11.2 percent. She said Smith Travel Research shows San Diego up in all measures. City Controller shows 11.2 percent increase in TOT from last year.

During the annual meeting on February 14, 2013, Smith Travel Research showed that Los Angeles and Seattle beat San Diego in percentage increases in all five years.

BREAK

There was a five minute break.

The meeting reconvened at 11:34 a.m.

5) FY14 TMD Corporation Annual Budget: Lorin Stewart reviewed the budget projections in total and with the City hold back.

6) Funding Allocations: Lorin Stewart reviewed the allocation to SDTA based on receiving 60% or 100% of TMD funds. There was a call for public speakers. There were not any.

Mr. Bartell suggested that the Board consider the SDTA allocation. Mr. Evans asked about the uncertainty of the funds. John Lambeth explained that the uncertainty is always the challenge, but that with the waivers, there is even greater uncertainty about available funds. Mr. Bartell said there is ordinarily more certainty. However, SDTA has historically had very high ROI and he believes they will continue to have high ROI.

Mr. Bartell moved to: (1) approve all of the SDTA funding for FY14, in the amount of \$21,015,000, contingent upon receiving 100% of the projected funding. If the SDTMD Corporation receives less than projected funds, San Diego Tourism Authority will receive its pro rata share of the total allocation of disburseable funds and (2) authorize the Chair to execute an agreement with SDTA. That agreement will state that the vendor will not receive the funds unless the TMD funds are received from the City. Mr. Brown seconded the motion. Yes 7, No 0, Abstain 0.

In regard to Balboa Park FY13, Mr. Brown moved to: (1) fund 5% of TMD funds received by the Corporation from the City, in an amount not to exceed \$499,258. 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; and (2) authorize Chair to execute an agreement with BPCI on pro rata share based on money received. That agreement will state that the vendor will not receive the funds unless the TMD funds are received from the City. Mr. Bartell seconded the motion. Yes 7, No 0, Abstain 0.

A question was asked about the amount of TMD funds being held by the City. Lee Burdick from the Mayor's Office said that for allocations through April 2013, there was \$5,721,999.02 (FY13 Part II). She also said that 5% of these funds for BPCI would be \$286,099.99.

In regard to BPCI for FY14, Mr. Bartell moved to: (1) fund 5% of TMD funds received by the Corporation from the City, in an amount not to exceed \$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; and (2) authorize Mr. Brown to enter into an agreement and request coordination with SDTA and not duplicate. That agreement will state that the vendor will not receive the funds unless the TMD funds are received from the City. Mr. Duffy seconded the motion. Yes 7, No 0, Abstain 0.

Mr. Brown moved to not fund other recipients until such time as the TMD receipts improve. Mr. Khaleghi seconded the motion. Yes 7, No 0, Abstain 0.

Mr. Schafer moved to approve the proposed TMD budget. Mr. Duffy seconded the motion. Yes 7, No 0, Abstain 0.

The meeting was adjourned without objection at 12:18 p.m.

Approved \_\_\_\_\_  
Luis Barrios, Secretary

Date \_\_\_\_\_