

MEMO

To: San Francisco Board of Supervisors

CC: Mayor Edwin Lee

From: Chris Corgas, OEWD Senior Program Manager

RE: Tourism Improvement District Annual Reports Fiscal Years 2009 – 2010, 2010 – 2011, 2011 – 2012, 2012 – 2013, 2013 – 2014, 2014 – 2015, and 2015-2016

Date: May 9, 2017

This is a memo summarizing the performance of the Tourism Improvement District (TID) and an analysis of its financial statements (based on their audits) for the period between July 1, 2009 and June 30, 2016.

Each year the TID is required to submit an annual report, and a CPA Independent Auditor's Report. The TID has complied with the submission of all these requirements. OEWD staff, with assistance from the Office of the Controller, City Services Auditor Division, reviewed these financial documents to monitor and report on whether they have complied with the rules per the Property and Business Improvement District Law of 1994, California Streets and Highways Code Sections 36600 Et Seq.; San Francisco's Business and Tax Regulations Code Article 15; the San Francisco Tourism Improvement District Management Corporation's management contract with the City for the TID; and the Amended TID Management District Plan approved by the Board of Supervisors in 2013.

Also attached to this memo are the following documents:

1. Annual Reports
 - a. FY 2009 - 2010
 - b. FY 2010 - 2011
 - c. FY 2011 - 2012
 - d. FY 2012 - 2013
 - e. FY 2013 - 2014
 - f. FY 2014 - 2015
 - g. FY 2015 - 2016
2. CPA Independent Auditors' Report
 - a. FY 2009 - 2010
 - b. FY 2010 - 2011
 - c. FY 2011 - 2012
 - d. FY 2012 - 2013
 - e. FY 2013 - 2014



- f. FY 2014 - 2015
 - g. FY 2015 - 2016
3. Proposed Resolution to approve the TID annual report for FYs 2009 – 2010, 2010 – 2011, 2011 – 2012, 2012 – 2013, 2013 – 2014, 2014 – 2015, and 2015 – 2016.

Background

The TID is a business-based assessment district that includes all tourist hotels operating in the City & County of San Francisco that generate revenue from tourist rooms, and which are located in the following geographic areas:

Zone 1: Tourist hotels with addresses:

- On or east of Van Ness Avenue
- On or east of South Van Ness Avenue, and
- On or north of 16th Street from South Van Ness to the Bay, including all tourist hotels east of Van Ness Avenue as if it continued north to the Bay, and north of 16th Street as if it continued east to the Bay.

Zone 2: Tourist hotels with addresses:

- West of Van Ness Avenue and South Van Ness Avenue, and
- South of 16th Street.

- December 16, 2008: the Board of Supervisors approved the resolution to form the Tourism Improvement District Business Improvement District to cover hotels identified in the District’s Management Plan and Engineer’s Report. Resolution # 504-08).
- July 28, 2009: the Board approved the contract for the administration and management of the Tourism Improvement District Business Improvement District (Resolution # 323-09).
- December 10, 2013: the Board of Supervisors approved an amendment to the District’s Management Plan to authorize monthly, instead of quarterly, assessment collection and distribution. (Resolution #441-13).

Basic Info about Tourism Improvement District BID:

Year Formed	December 2008
Assessment Collection Period	FY 2009-10 to FY 2018-19 (July 1, 2009 to June 30, 2023)
Services Start and End Date	January 1, 2009 – December 31, 2023
Initial Estimated Annual Budget	\$27,000,000
Fiscal Year	July 1 – June 30
Executive Director	Lynn Farzaroli
Name of Nonprofit Owners’ Entity	San Francisco Tourism Improvement District Management Corporation

The current BID website is <http://www.sftid.com/>.

Summary of Program Areas

Marketing and Promotions

This service area includes, but is not limited to, the marketing and promotion of programs, oversight for marketing and promotion staff, ad creation, media placement, and startup costs related to satellite offices.

Administration and Personnel Services

This service area includes design, engineering, planning, and entitlements for activities and services for the expanded Moscone Convention Center and renovation/upgrades to capital improvements of Moscone Convention Center North, South, and West.

Contingency/Reserve/Administration and City Administration/Costs of the TID/Formation Costs

This service area is used to cover the administrative costs and expenses of the non-profit management corporation that administers the TID and reimbursement of formation costs. This includes payment of unforeseen costs and escalation for the two improvement areas listed just above; and a proportionate share of the SFTIDMC administrative and operational costs.

Summary of Accomplishments, Challenges, and Delivery of Services

FY 2009 - 2010

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- Added a citywide sales manager in Washington D.C, allowing SFCVB to provide better prospect and provide customer support in the Eastern United States.
- Generated 5,067,132 lead room nights for future citywide and self-contained meetings; 101% of target
- Booked 1,751,210 room nights for future citywide and self-contained meetings; 102% of optimal year target
- Established a comprehensive visitor research program
- Launched a marketing program to attract LGBTQ travel to San Francisco

Services and Improvements to Moscone Convention Center

- Restroom renovations with new fixtures, tile, paint, partitions
- Upgraded lobbies
- Upgraded kitchen
- Digital displays and telecom/data cabling upgrades
- Elevator and escalator improvements
- Met new ADA requirements
- New carpet, paint, lighting, and ceilings

FY 2010 - 2011

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- Hosted International Pow Wow 2011
- Held three days of pre-scheduled business meetings at Moscone Center
- Maintained and/or enhanced all principal existing sales programs at SFCVB
- Launched a new marketing campaign called, “49 hours of San Francisco – Arts 7 Culture” to drive overnight visitation to San Francisco
- Began renovation of visitor center at Hallidie Plaza
- Nearly 2,000,000 room nights booked

Services and Improvements to Moscone Convention Center

- City information desks in Moscone north, South, and West
- Pursued LEED Gold Certification
- Variable-speed control and other HVAC upgrades
- New carpet, painting, lights, and ceiling

FY 2011 - 2012

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- Brought nearly 1,000 travel industry professionals to San Francisco for familiarization tours
- Generated 759 new tourism leads and 91 new programs
- Hosted trade shows and promotional events in the U.S., Canada, Asia, Europe, and Australia
- Conventions generated 1,150 meetings with \$1.1 billion in direct spending
- Operates visitor center at Hallidie Plaza
- Continued 49 Hours and Dine about Town campaigns

Services and Improvements to Moscone Convention Center

- Completed new carpeting, lighting, and ceilings
- Completed kitchen upgrades
- Completed lobby upgrades
- Installed the most robust convention WiFi system in the country

FY 2012 - 2013

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- 1,285 meetings held in San Francisco
- More than 2 million room nights booked
- 425,000 visitors at the Visitor Information Center
- More than 4 million international visitors to San Francisco
- Over 6 billion media domestic and international media impressions, which equates to more than \$31 million in value

Services and Improvements to Moscone Convention Center

- Initiated stages for Moscone Convention Center Expansion
- Retained architecture and engineering firm to begin conceptual design for expansion
- Completed concept design for Moscone Expansion
- Formed Moscone Expansion District BID

FY 2013 - 2014

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- 1,360 meetings held in San Francisco
- \$1.3 billion in direct spending from visitors
- More than 1.9 million room nights booked
- More than 300,000 visitors at the Visitor Information Center
- Partnered with SFO on new air service
- Hosted over 1,000 travel professionals
- 4.5 billion media impressions which equates to more than \$300 million in value

Services and Improvements to Moscone Convention Center

- Civic design Review Phase 1 approved by San Francisco Arts Commission
- Oversaw community outreach plan for Moscone Expansion Project
- Published Moscone Expansion Project's Draft Environmental Report

FY 2014 - 2015

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- Hosted over 1,000 travel professionals
- Attended over 50 trade shows and events
- More than \$1.3 billion in direct spending
- 400,000 visitors to the Visitors Information Center
- More than 5 billion media impression which equates to more than \$300 million in value

FY 2015 - 2016

Marketing and Operations of San Francisco Convention and Visitors Bureau (SFCVB)

- Over 1 million room nights booked in San Francisco
- More than \$1.1 billion in direct spending
- 1,347 meetings held in San Francisco
- 292,000 visitors to the Visitors Information Center
- Hotel sales up 8% and attraction sales up 36% from previous FY

TID Annual Budget Analysis

OEWD's staff reviewed the following budget related benchmarks for TID:

- **BENCHMARK 1:** The variance between the Management Plan Budget and Fiscal Year budget, by service category.
- **BENCHMARK 2:** The variance between the budget amount and actual expenses within a fiscal year.
- **BENCHMARK 3:** Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year (*CA Streets & Highways Code, Section 36650(B)(5)*).

FY 2009-2010

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2009-2010 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$12,500,000	70%	\$11,530,000	64%	-6%
Administration and Personnel	\$7,200,000	22%	\$5,520,000	31%	+9%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$1,500,000	8%	\$900,000	5%	-3%
TOTAL	\$18,000,000	100%	\$17,950,000	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2009-2010 Budget	% of Budget	FY 2009-2010 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$11,530,000	64%	\$11,530,000	83.8%	+19.8%
Administration and Personnel	\$5,520,000	31%	\$1,751,455	12.7%	-18.3%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$ 900,000	5%	\$486,300	3.5%	-1.5%
TOTAL	\$17,950,000	100%	\$13,767,755	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year.

ANALYSIS: TID met this requirement.

FY 2009-2010 Carryover Disbursement	\$12,865,355
SFCVBD Marketing and Operations	\$12,175,000
Moscone Convention Center Services and Improvements	\$5,995,000
SFRIDMC Administration	\$600,000
Total Designated amount for FY 2010-11	\$5,112,594
Total Designated amount for Future Years	\$7,752,761
Total	\$12,865,355

FY 2010-2011

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2010-2011 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$14,375,000	70%	\$12,959,038	66%	-4%
Administration and Personnel	\$4,600,000	22%	\$5,995,000	31%	+9%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$1,725,000	8%	\$600,000	3%	-5%
TOTAL	\$20,700,000	100%	\$19,554,038	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2010-2011 Budget	% of Budget	FY 2010-2011 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$12,959,038	66%	\$12,959,038	67.1%	+1.1%
Administration and Personnel	\$5,995,000	31%	\$5,844,350	30.3%	-.7%

Contingency/Reserves/Administration and City Administration Costs of the TID	\$600,000	3%	\$497,367	2.6%	-.4%
TOTAL	\$19,554,038	100%	\$19,300,755	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement.

FY 2010-2011 Carryover Disbursement	\$14,573,685
Designated Projects for FY 2011-12	
Moscone Convention Center	\$7,559,000
Designated Projects for Future Years	
SFCVB Marketing & Operations	\$6,343,295
Contingency/Reserve	\$671,390
Total Designated amount for FY 2011-12	\$7,559,000
Total Designated amount for Future Years	\$7,014,685
Total	\$14,573,685

FY 2011-2012

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2011-2012 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$16,531,250	70%	\$13,413,500	46%	-24%
Administration and Personnel	\$5,290,000	22%	\$15,137,600	52%	+30%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$1,983,750	8%	\$600,000	2%	-6%

TOTAL	\$23,805,000	100%	\$29,151,100	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2011-2012 Budget	% of Budget	FY 2011-2012 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$13,413,500	46%	\$15,869,673	50.2%	+4.2%
Administration and Personnel	\$15,137,600	52%	\$15,316,688	48.4%	-3.6%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$600,000	2%	\$451,516	1.4%	-6%
TOTAL	\$29,151,100	100%	31,637,877	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement. See table below.

FY 2011-2012 Carryover Disbursement	\$7,762,994
SFTA Marketing and Operations	\$6,800,512
Moscone Convention Center Services and Improvements	\$291,092
Contingency/Reserve	\$671,390
Total Designated amount for FY 2012-13	\$0.00
Total Designated amount for Future Years.	\$7,762,994

FY 2012-2013

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2012-2013 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$19,010,938	70%	\$17,089,102	65.9%	-4.1%
Administration and Personnel	\$6,083,500	22%	\$8,335,000	32.2%	+10.2%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$2,281,313	8%	\$500,000	1.9%	-6.1%
TOTAL	\$27,375,750	100%	\$25,924,102	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2012-2013 Budget	% of Budget	FY 2012-2013 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$17,089,102	65.9%	\$17,089,102	67.8%	+1.9%
Administration and Personnel	\$8,335,000	32.2%	\$7,540,343	29.9%	-2.3%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$500,000	1.9%	\$567,425	2.3%	+4%
TOTAL	\$25,924,102	100%	\$25,196,870	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement.

FY 2012-2013 Carryover Disbursement	\$9,507,538
Designated Projects for Future Years	
SFTA Marketing and Operations	\$7,624,545
Moscone Convention Center	\$1,211,603

Contingency Reserve	\$671,390
Total Designated amount for Future Years	\$9,507,538

FY 2013-2014

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2013-2014 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$21,862,578	70%	\$17,700,000	77.6%	+7.6%
Administration and Personnel	\$6,996,025	22%	\$4,731,000	20.7%	-1.3%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$2,623,509	8%	\$387,000	1.7%	-6.3%
TOTAL	\$31,482,113	100%	\$22,818,000	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2013-2014 Budget	% of Budget	FY 2013-2014 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$17,700,000	77.6%	\$18,507,141	79.6%	+2%
Administration and Personnel	\$4,731,000	20.7%	\$3,943,443	16.9%	-3.8%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$387,000	1.7%	\$825,733	3.5%	+1.8%
TOTAL	\$22,818,000	100%	\$23,276,317	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement.

FY 2013-2014 Carryover Disbursement	\$13,067,467
Designated Projects for Future Years	
SFTA Marketing and Operations	\$1,485,239
Designated Projects for Future Years	
SFTA Marketing & Operations	\$7,924,394
Moscone Convention Center Capital Fund	\$2,334,361
Moscone Convention Center Incentive Fund	\$652,083
Contingency/Reserve	\$671,390
Total Designated amount for FY 2014-15	\$1,485,239
Total Designated amount for Future Years	\$11,582,228
Total	\$13,067,467

FY 2014-2015

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2014-2015 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$25,141,965	69.4%	\$20,315,239	98.7%	+29.2%
Administration and Personnel	\$8,045,429	22.2%	\$270,000	1.3%	-20.9%
Contingency/Reserves/ Administration and City Administration Costs of the TID	\$3,017,036	8.3%	\$0	0%	-8.3%
TOTAL	\$36,204,430	100%	\$20,585,239	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2014-2015 Budget	% of Budget	FY 2014-2015 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$20,315,239	98.7%	\$21,815,239	97.6%	-1.1%
Administration and Personnel	\$270,000	1.3%	\$547,003	2.4%	+1.1%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$0	0%	\$0	0%	0%
TOTAL		100%	\$3,170,821	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.

FY 2014-2015 Carryover Disbursement	\$15,216,821
Designated Projects for Future Years	
SFTA Marketing and Operations	\$11,558,987
Capital Fund	\$2,334,361
Incentive Fund	\$652,083
Contingency/Reserve	\$671,390
Total Designated amount for Future Years	\$15,216,821

FY 2015-2016

BENCHMARK 1: The variance between the Management Plan Budget and Fiscal Year budget, by service category.

ANALYSIS: TID met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2015-2016 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$28,913,260	69.4%	\$24,677,500	98.5%	+29.1%
Administration and Personnel	\$9,252,243	22.2%	\$364,500	1.5%	-20.8%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$3,469,591	8.3%	\$0	0%	-8.3%
TOTAL	\$41,635,094	100%	\$25,042,000	100%	

BENCHMARK 2: The variance between the budget amount and actual expenses within a fiscal year.

ANALYSIS: TID met this requirement. See table below.

Service Category	FY 2015-2016 Budget	% of Budget	FY 2015-2016 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$24,677,500	98.5%	\$29,605,500	98.7%	+2.2%
Administration and Personnel	\$364,500	1.5%	\$374,787	1.3%	-2.2%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$0	0%	\$0	0%	0%
TOTAL	\$25,042,000	100%	\$29,981,297	100%	

BENCHMARK 3: Whether TID is indicating the amount of funds to be carried forward into the next fiscal year and designating projects to be spent in current fiscal year

ANALYSIS: TID met this requirement. Please note: There is a period between when the City collects assessment payment and when the City disburses the funds to the CBD. As a result, a CBD typically has a fund balance at the end of the fiscal year that is equal to about 6 months of their annual budget. See table below.

FY 2015-2016 Carryover Disbursement	\$11,430,681
Designated Projects for Future Years	
SFTA Marketing and Operations	\$7,758,049

Capital Fund	\$2,343,805
Incentive Fund	\$654,721
Contingency/Reserve	\$674,106
Total Designated amount for FY 2016-17	\$447,000
Total Designated amount for Future Years	\$10,983,681
Total	\$11,430,681

Findings and Recommendations

The Tourism Improvement District met their reporting requirements, mentioned on page 5 of the memo, under Article 15 of the San Francisco Business and Tax Regulations Code, the California Streets and Highways Code, and the organization’s management agreement with the City and County of San Francisco.

The TID’s website is generally up-to-date; however, some hyperlinks are broken. OEWD recommends the TID fixes broken links in order to connect to site visitors to the correct information. Additionally, the District must maintain compliance with the Brown Act by posting the agendas of all regular board meetings on the District’s website 72 hours prior to the meeting. SFTID should post previous and future board meeting agendas on its website for public view, the organization has begun to take steps to rectify this error. OEWD will work with TID to ensure that this requirement is continually met.

Conclusion

The Tourism Improvement District is following all requirements placed on it by the California Streets & Highways Code, Article 15 of the San Francisco Business and Tax Regulations Code, and the District’s Management Agreement with the City and County of San Francisco. The District continues to succeed at its primary purpose of attracting tourism and conventions to San Francisco.