

MEMO

To: San Francisco Board of Supervisors

CC: Mayor London N. Breed, 45th Mayor of the City and County of San Francisco

From: Chris Corgas, OEWD Senior Program Manager

RE: Tourism Improvement District and Moscone Expansion Districts Annual Reports Fiscal Year 2017-2018

Date: May 15, 2019

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, 2017 and June 30, 2018.

Each year the TID and MED are required to submit an annual report, and a CPA Independent Auditor's Report. The TID and MED have complied with the submission of 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; the San Francisco Tourism Improvement District Management Corporation's management contract with the City for the TID; MED Management District Plan approved by the Board of Supervisors in 2013.; and the Amended TID Management District Plan approved by the Board of Supervisors in 2013.

As stipulated in Section 3.4 of the Moscone Expansion District's management agreement with the City and County of San Francisco, the district may consolidate their annual reports with those of the San Francisco Tourism Improvement District. The San Francisco Tourism Improvement District Management Corporation has elected to exercise this option. The management agreement can be found as a supporting document in Resolution# 427-13.

Also attached to this memo are the following documents:

1. TID and MED Annual Report
 - a. FY 2017 - 2018
2. CPA Independent Auditors' Report
 - a. FY 2017 - 2018



3. Office of the Controller, City Services Auditor Division, TID and MED review files
4. Proposed Resolution to approve the TID and MED annual reports for FYs 2017 - 2018.

Background

The TID and MED are business-based assessment districts 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).
 - September 12, 2017: the Board of Supervisor approved annual reports for the Moscone Expansion District for FYs 2014 – 2016 (Resolution #336-17).
 - September 11, 2018: the Board of Supervisors approved annual reports for the Tourism Improvement District and Moscone Expansion District for FY 2016-2017 (Resolution #295-18)

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/>.

Basic Info about Moscone Expansion District BID:

Year Formed	2013
Assessment Collection Period	FY 2014 – 2015 (July 1, 2014 to June 30, 2015)
Services Start and End Date	July 1, 2013 – June 20, 2045
Initial Estimated Annual Budget	\$19,332,000
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/moscone.html>

Summary of Program Areas

Tourism Improvement District

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.

Moscone Expansion District

Expansion/Development Activities

This service area includes design, engineering, planning, construction, and other activities for renovations on the Moscone Convention Center.

Incentive Fund

This service will provide an incentive fund to bring conventions to San Francisco during the renovations and after them.

Administration of MED and Operating Contingency Reserves

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

TID

FY 2017 - 2018

Sales and Marketing Program

- 1,722,127 room nights booked
- Over 1,400 meetings held in San Francisco
- \$1.24 billion in direct spending
- 600,000 visitors per year to Hallidie Plaza Visitor Information Center
- 12 languages spoken by staff and volunteers
- MYSF has trained over 400 people in the visitor industry
- Attended over 50 trade shows and events
- Sales mission to Washington, DC and Chicago reaching over 240 meeting planners
- Over \$121 million in economic impact
- Over \$3.7 million unique visitors to the website
- SFO had 13.7 million international travelers fly in and out
- Representation in 14 international offices in 13 countries
- 146 new tourism programs
- 8.2 billion media impressions worth over \$375 million in value
- \$9.2 billion in visitor spending

MED

FY 2017 - 2018

Expansion/Development Activities

- Phase 2 construction, consisting of opening up about 40% of new meeting space, was on time and on budget and opened in September 2017
- Bi-weekly meetings with key neighborhood stakeholders

- Communication with Convention clients that are booked through construction years. Moscone Center will remain open and operational throughout project
- Over \$2.4 million was utilized to provide convention customers with rental incentives to attract conventions to San Francisco
- Final phase of project is under way, slated to be completed in December 2018

TID and MED 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 2017-2018

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 2017-2018 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$38,237,786	69.4%	\$23,299,000	98.4%	+29.0%
Administration and Personnel	\$12,236,091	22.2%	\$375,000	1.6%	-20.6%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$4,588,534	8.3%	\$0	0%	-8.3%
TOTAL	\$55,062,411	100%	\$23,674,000	100%	

ANALYSIS: MED met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2017-2018 Budget	% of Budget	Variance Percentage Points
Expansion/Development Activities		86.5%	\$25,102,300	86.5%	0%
Capital Reserve		1.0%	\$290,200	1.0%	0%
Incentive Fund		9.0%	\$2,611,800	9.0%	0%
Sales and Marketing Fund		1.0%	\$290,200	1.0%	0%
Administration of the MED and Operating Contingency Reserves		2.5%	\$725,500	2.5%	0%
TOTAL		100%	\$29,020,000	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 2017-2018 Budget	% of Budget	FY 2017-2018 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$23,299,000	98.4%	\$24,299,000	98.3%	-0.1%
Administration and Personnel	\$375,000	1.6%	\$418,511	1.7%	+0.1%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$0	0.0%	\$0	0.0%	0.0%
TOTAL	\$23,674,000	100%	\$24,717,511	100%	

ANALYSIS: MED met this requirement. See table below.

Service Category	FY 2017-2018 Budget	% of Budget	FY 2017-2018 Actuals	% of Actuals	Variance Percentage Points
Expansion/Development Activities	\$25,102,300	86.5%	\$32,595,352	87.1%	-17.5%
Capital Reserve	\$290,200	1.0%	\$290,000	0.3%	-0.4%
Incentive Fund	\$2,611,800	9.0%	\$2,856,207	10.4%	-3.0%

Sales and Marketing Fund	\$290,200	1.0%	\$290,000	0.0%	-0.4%
Debt Service and Stabilization Fun	\$0.00	0%	\$10,816,173	22.9%	+22.9%
Administration of the MED and Operating Contingency Reserves	\$725,500	2.5%	\$415,529	0.9%	-1.6%
TOTAL	\$29,020,000	100%	\$47,263,261	100%	

BENCHMARK 3: Whether TID and MED are 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 2017-2018 Carryover Disbursement	
SFTA Marketing and Operations	\$6,408,821
Capital Fund	\$2,477,212
Incentive Fund	\$672,751
Convention Sales and Marketing Fund	\$0
Contingency/Reserve	\$692,136
Total Designated amount for Future Years	\$10,250,920

ANALYSIS: MED met this requirement.

FY 2016-2017 Carryover Disbursement	
Development and Expansion	\$14,746,811
Capital Fund	\$487,032
Incentive Fund	\$2,090,870
Contingency/Reserve	\$1,398,043
Total Designated amount for Future Years	\$18,722,756

Findings and Recommendations

The Tourism Improvement District and Moscone Expansion 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 and MED website has made significant progress since last year's annual report. Firstly, the organization corrected past Brown Act violations and has maintained compliance since. Additionally, the organization made significant updates to their website resulting in once broken links being fixed.

The TID is set to expire in 2023. Due to the unique processes required of a sector based election, OEWD is recommending the TID begin work in FY 19-20 to prepare drafting a revised management plan and discuss strategies around the petitioning and election process with OEWD.

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 Districts continue to succeed at their primary purpose of attracting tourism and conventions to San Francisco and renovating the Moscone Convention Center.