

BOARD of SUPERVISORS



City Hall
1 Dr. Carlton B. Goodlett Place, Room 244
San Francisco 94102-4689
Tel. No. 554-5184
Fax No. 554-5163
TDD/TTY No. 554-5227

MEMORANDUM

TO: Ben Rosenfield, City Controller, Office of the Controller
Joaquin Torres, Director, Office of Economic and Workforce Development

FROM: John Carroll, Assistant Clerk, Government Audit and Oversight
Committee, Board of Supervisors

DATE: May 29, 2019

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Mayor Breed on May 21, 2019:

File No. 190577

Resolution receiving and approving the annual report for the Tourism Improvement District and Moscone Expansion District for FY2017-2018, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.

If you have any comments or reports to be included with the file, please forward them to me at the Board of Supervisors, City Hall, Room 244, 1 Dr. Carlton B. Goodlett Place, San Francisco, CA 94102.

c: Todd Rydstrom, Office of the Controller
Ken Rich, Office of Economic and Workforce Development
J'Wel Vaughan, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development
Chris Corgas, Office of Economic and Workforce Development

1 [Tourism Improvement District and Moscone Expansion District - Annual Report -
2 FY2017-2018]

3 **Resolution receiving and approving the annual report for the Tourism Improvement**
4 **District and Moscone Expansion District for FY2017-2018, submitted as required by the**
5 **Property and Business Improvement District Law of 1994 (California Streets and**
6 **Highways Code, Sections 36600, et seq.), Section 36650, and the District's management**
7 **agreement with the City, Section 3.4.**

8
9 WHEREAS, On October, 2008, pursuant to the Property and Business Improvement
10 District Law of 1994 (the "Act"), California Streets and Highways Code Sections 36600 *et*
11 *seq.*, as augmented by Article 15 of the San Francisco Business and Tax Regulations Code,
12 the Board of Supervisors adopted Resolution No. 430-08, expressing the City's intention to
13 establish the Tourism Improvement District; and

14 WHEREAS, On December 16, 2008, the Board of Supervisors adopted Resolution
15 No. 504-08 establishing the Tourism Improvement District ("Resolution to Establish") for a
16 period of 15 years, commencing January 1, 2009; and

17 WHEREAS, On July 28, 2009, the Board of Supervisors adopted Resolution
18 No. 323-09, authorizing an agreement with the owners' association for the
19 administration/management of the Tourism Improvement District, and a management
20 agreement (the "Management Contract") with the owners' association, the San Francisco
21 Tourism Improvement District Management Corporation, was executed accordingly; and

22 WHEREAS, A copy of the Management Contract is on file with the Clerk of the Board
23 of Supervisors in File No. 090819; and

1 WHEREAS, On December 10, 2013, the Board of Supervisors adopted Resolution
2 No. 441-13 amending the Tourism Improvement District's Management District Plan to require
3 monthly, instead of quarterly, assessment collection and distribution by the Office of the
4 Treasurer and Tax Collector; and

5 WHEREAS, On November 20, 2012, pursuant to the Property and Business
6 Improvement District Law of 1994 (the "Act"), California Streets and Highways Code,
7 Sections 36600 *et seq.*, as augmented by Article 15 of the San Francisco Business and Tax
8 Regulations Code, the Board of Supervisors adopted Resolution No. 416-12, expressing the
9 City's intention to establish the Moscone Expansion District; and

10 WHEREAS, On February 5, 2013, the Board of Supervisors adopted Resolution
11 No. 026-13 establishing the Moscone Expansion District ("Resolution to Establish") for a
12 period of 32 years, commencing July 1, 2013; and

13 WHEREAS, On December 10, 2013, the Board of Supervisors adopted Resolution
14 No. 427-13 amending the Moscone Expansion District's Management District Plan to require
15 monthly, instead of quarterly, assessment collection and distribution by the Office of the
16 Treasurer and Tax Collector; and

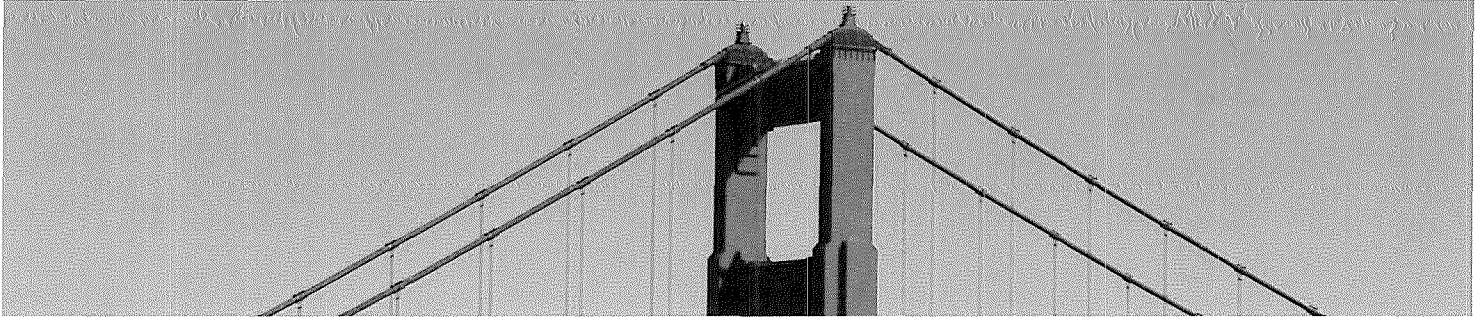
17 WHEREAS, On September 11, 2018, the Board of Supervisors approved the Tourism
18 Improvement District's and Moscone Expansion District's annual report for FY2016-2017 in
19 Resolution No. 295-18; and

20 WHEREAS, The Tourism Improvement District and Moscone Expansion District have
21 submitted for the Board's receipt and approval the Tourism Improvement District and
22 Moscone Expansion District annual reports for FY 2017-2018 as required by Section 36650 of
23 the Act and Section 3.4 of the Management Contract; and
24
25

1 WHEREAS, The Annual Report is on file with the Clerk of the Board of Supervisors in
2 File No. _____, and are incorporated herein by reference as though fully set forth;
3 and

4 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
5 memorandum report from the City's Office of Economic and Workforce Development, dated
6 May 15, 2019, and documentation from the Tourism Improvement District and Moscone
7 Expansion District for the Annual Report on file with the Clerk of the Board of Supervisors in
8 File No. _____; now, therefore, be it

9 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
10 report for the Tourism Improvement District and Moscone Expansion District for
11 FY2017-2018.



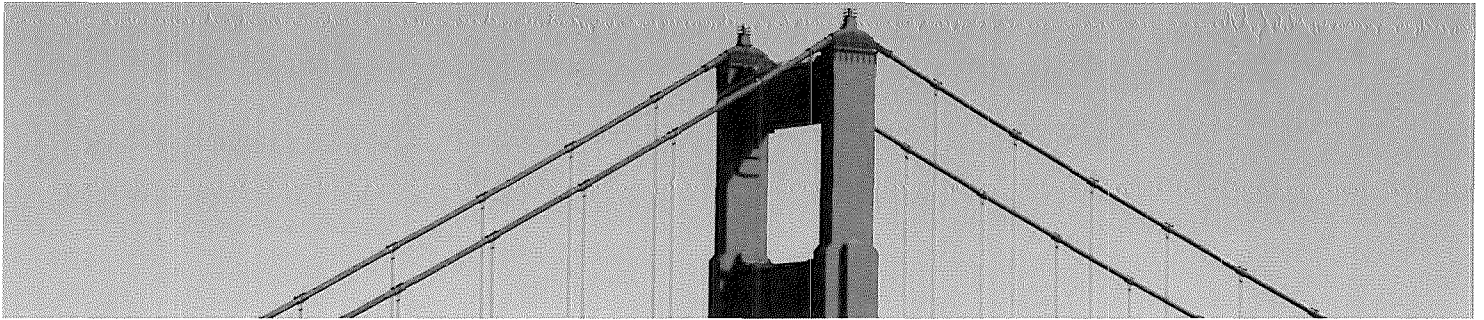
Annual Report | 2017-2018

The San Francisco Tourism Improvement District Management Corporation (SFTIDMC) is the owners association group that over sees the San Francisco Tourism Improvement District (TID) and the San Francisco Moscone Expansion District (MED). The San Francisco Tourism Improvement District Management Corporation, governed by a board of industry representatives, ensures that the funds are used to benefit the assessed businesses by allocating them to San Francisco Travel programs that draw conventions, meetings, events and leisure travelers to San Francisco, and by keeping the city's convention facilities competitive with those of other major cities.

San Francisco Tourism Improvement District

The San Francisco Tourism Improvement District ensures that funding for the San Francisco Travel Association's selling, marketing and promotion of San Francisco as a visitor destination.





SALES AND MARKETING PROGRAM

The purpose of the sales and marketing program of work is to set industry standards and position San Francisco as the most compelling destination in the world. One of the primary objectives is to generate visitor-related economic impact to San Francisco and the region. SFTIDMC contracts the services of the San Francisco Travel Association which, with more than 100 years' of expertise, is well positioned to fulfill this goal.

With the benefit of the TID funding, San Francisco Travel has been able to conduct a comprehensive review and strategic analysis of the industry, and has created a plan that focuses on being proactive and setting new, visionary strategies to lead San Francisco's tourism industry.

Highlights of **San Francisco Travel** activity during FY 2017-2018:

Convention and Meeting Sales

- 1,722,127 million room nights booked
Over 1,400 meetings held in San Francisco
- Sales mission to Washington, DC and Chicago reaching over with over 240 meeting planners
- Attended over 50 trade shows and events

1.7+ million

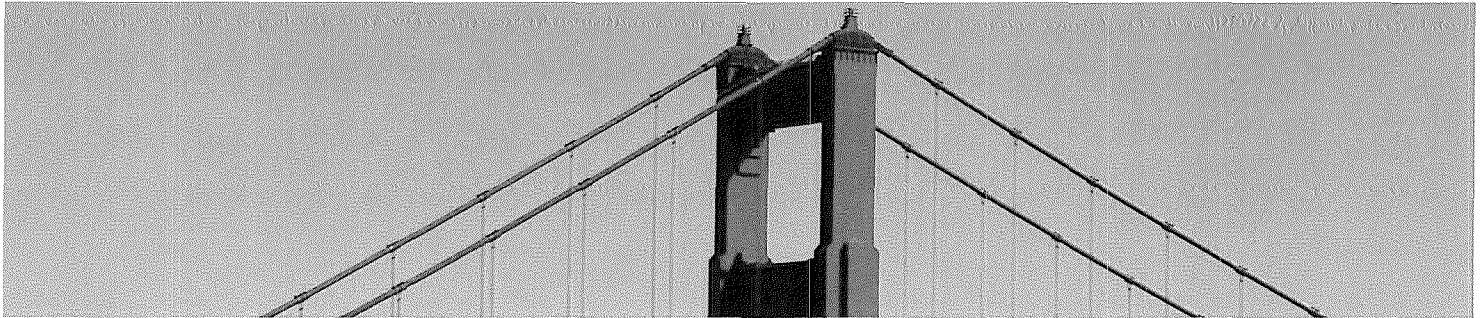
Total room nights booked

Marketing Promotion

San Francisco's balanced mix of convention/meetings travel, leisure/consumer travel and business travel means that the city isn't as vulnerable to swings in any one market as some other destinations. Leisure visitors comprise 60% of all trips to San Francisco. San Francisco Travel's leisure marketing team has the enviable task of building relationships with, inviting, converting and retaining potential and existing San Francisco leisure travelers.

Visitor Information Center (ViC)

- 600,000 visitors per year to Hallidie Plaza location
- 12 languages spoken by staff and volunteers
- MYSF has trained over 400 people in the visitor industry



SanFrancisco.travel

3.7+ million unique visitors to the website
\$121 + million in economic impact

Social Media

Facebook

San Francisco | The Official Guide
SFMeetings
SFTravel

Twitter @onlyinSF 216,000+ followers

Instagram onlyinsf 233,000+ followers

**25.6 Million visitors to
San Francisco**

Key Themes & Programs

- SF LOVE Events
- I am San Francisco | San Francisco Welcomes All Campaign
- Never the Same. Always San Francisco.
- IconicSF
- Arts & Culture
- Food & Wine

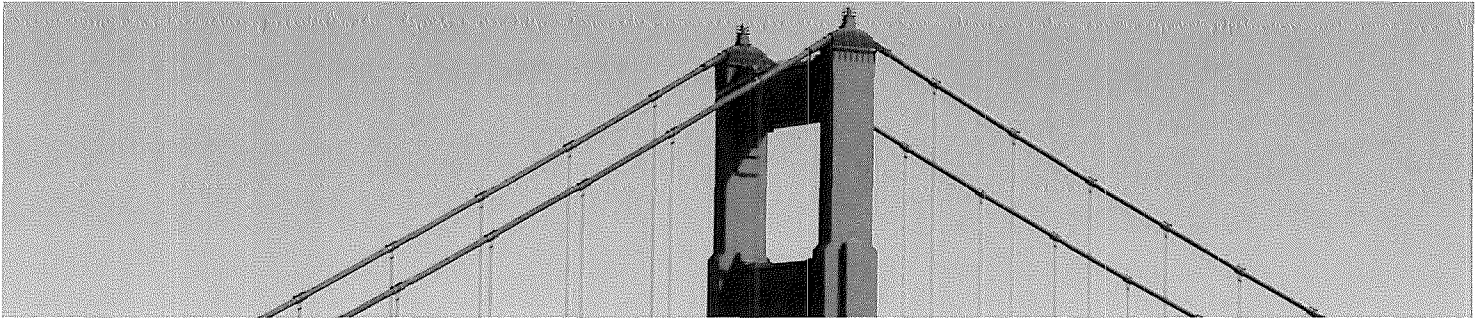
Tourism Sales and Marketing

- SFO had 13.7 million international travelers fly in and out
- Representation in 14 international offices in 13 countries
- Partnered with SFO on new air service
- 146 new tourism programs
- San Francisco Travel hosted over 1,250 travel professionals
- Attended 15 International and Domestic trade shows
- San Francisco hosted 900+ journalists
- Media Coverage
 - 8.2 billion impressions
 - \$375+ million value

**\$9.2 billion in visitor
spending**

SFTID

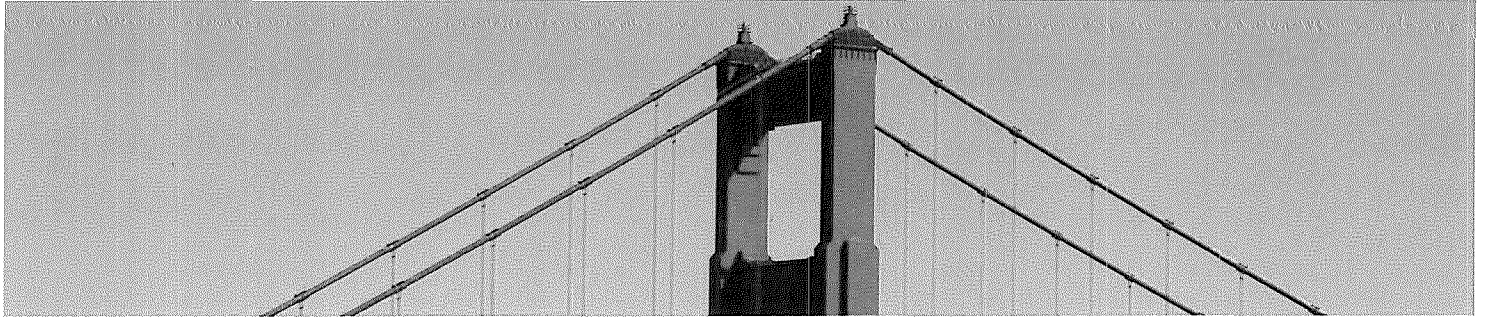
SAN FRANCISCO TOURISM
IMPROVEMENT DISTRICT

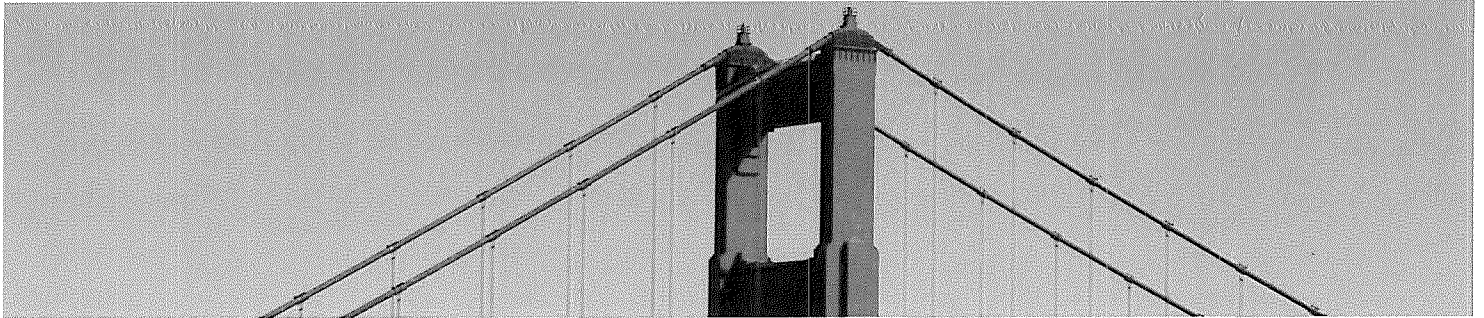


MOSCONE EXPANSION DISTRICT



- Phase 2 construction, consisting of opening about 40% of new meeting space, was on time and on budget. It opened in September of 2017.
- Continued bi-weekly meetings with key neighborhood stakeholders.
- Continued communications with Convention clients that are booked through the construction years. The client liaison is main point of contact between clients and construction management staff. Moscone Center will remain open and operational throughout the project.
- Over \$2.4 million was utilized to provide convention customers with rental incentives to attract conventions to San Francisco.
- The final phase of the project is under way with completion on track for December 2018.



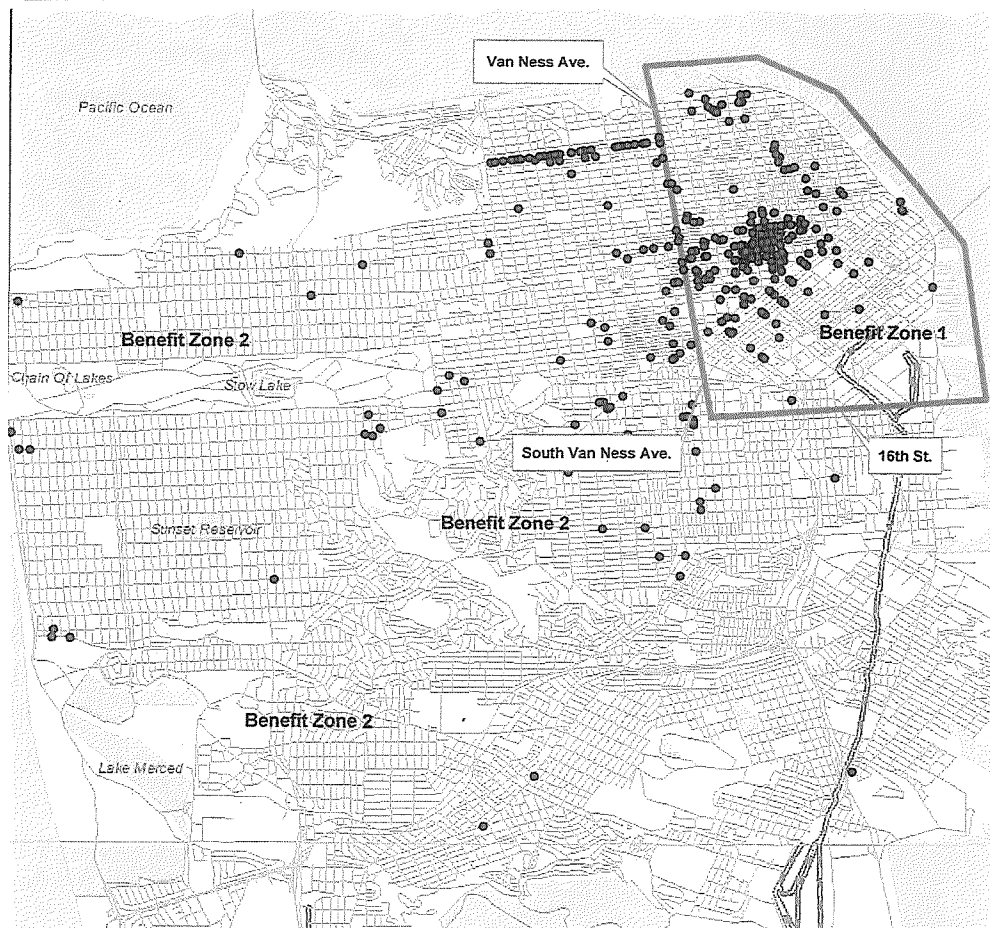


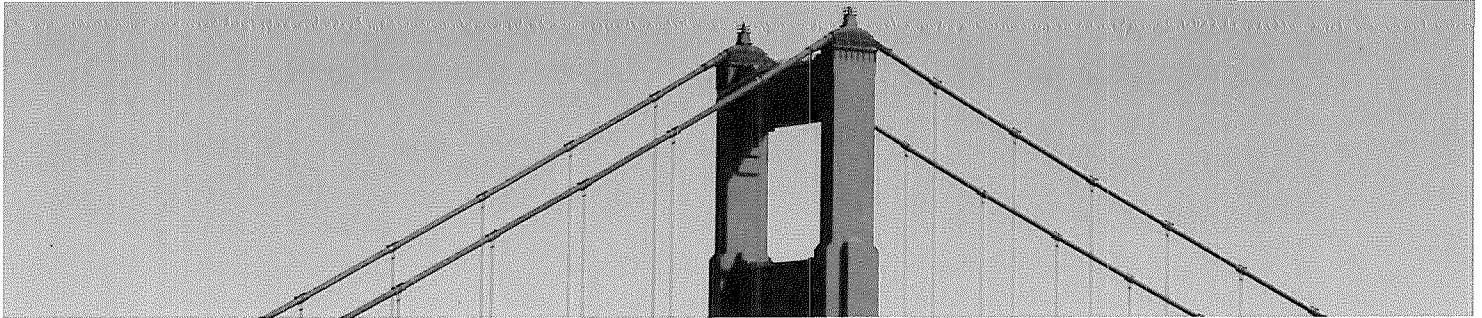
TID and MED COLLECTION METHODOLOGY

Tourist hotels are broken up into two zones. The zones are the same for the TID and MED assessments. Tourist hotels in Zone 1 are assessed 1% of gross revenue from tourist rooms for the TID and 1.25% for the MED. Tourist hotels in Zone 2 are assessed 75% of gross revenue from tourist rooms for TID and .3125 for the MED.

Zone 1 Tourist hotels: All 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: All tourist hotels with addresses west of Van Ness Avenue and South Van Ness Avenue, and all tourist hotels south of 16th Street.



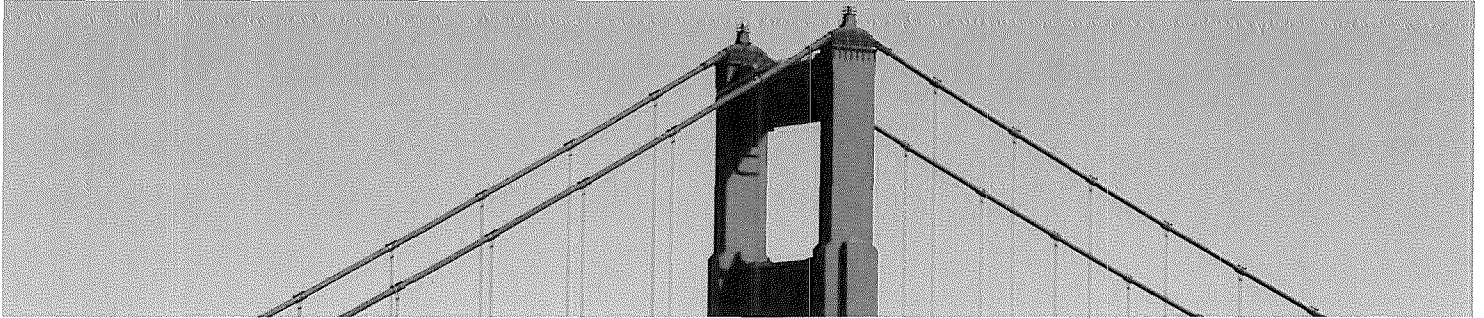


San Francisco Tourism Improvement District Management Corporation (SFTIDMC)

BUDGET & BALANCE SHEET

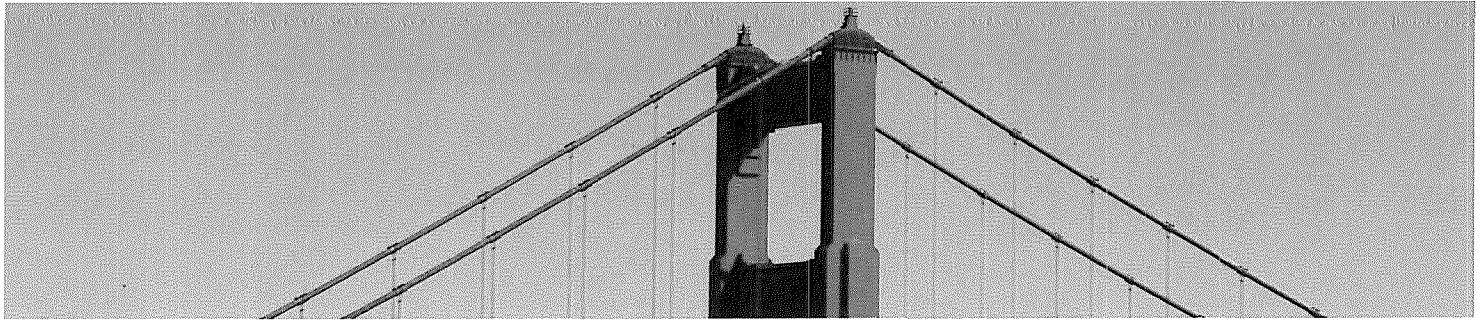
JULY 2017-JUNE 2018 ACTUAL	TID	MED	TOTAL
INCOME	ACTUAL	ACTUAL	
Assessment Fee	\$24,669,257	\$29,876,236	\$54,545,493
Interest Income	\$49,108	\$160,785	\$209,893
TOTAL INCOME	\$24,718,365	\$30,037,021	\$54,755,386
EXPENSES			
SFTA Marketing & Operations	\$24,299,000	\$0	\$24,299,000
Moscone Convention Center Development and Expansion	\$0	\$32,595,352	\$32,595,352
Moscone Convention Center Capital Fund	\$0	\$290,000	\$290,000
Moscone Convention Center Incentive Fund	\$0	\$2,856,207	\$2,856,207
Convention Sales/Marketing Fund	\$0	\$290,000	\$290,000
Debt Service and Stabilization Fund	\$0	\$10,816,173	\$10,816,173
SFTIDMC Administration and Operating Expenses	\$418,511	\$415,529	\$834,040
TOTAL EXPENSES	\$24,717,511	\$47,263,261	\$71,980,772
NET INCOME	\$854	(\$17,226,240)	(\$17,225,386)

JULY 2017-JUNE 2018 BALANCE SHEET	TID	MED	TOTAL
ASSETS			
Cash	\$3,907,698	\$26,539,347	\$30,447,045
Accounts Receivable, Net	\$6,366,624	\$1,231,740	\$7,598,364
TOTAL ASSETS	\$10,274,322	\$27,771,087	\$38,045,409
LIABILITIES			
Accounts Payable	\$2,702	\$6,052,577	\$6,055,279
Accrued Liabilities	\$20,700	\$25,300	\$46,000
Long-Term Liabilities - Construction Retention	\$0	\$2,970,454	\$2,970,454
TOTAL LIABILITIES	\$23,402	\$9,048,331	\$9,071,733
TOTAL NET ASSETS (CARRYOVER)	\$10,250,920	\$18,722,756	\$28,973,676
TOTAL LIABILITIES & NET ASSETS	\$10,274,322	\$27,771,087	\$38,045,409



JULY 2018- JUNE 2019 BUDGET	TID	MED	TOTAL
INCOME	BUDGET	BUDGET	BUDGET
Assessment Fee	\$27,056,000	\$31,918,500	\$58,974,500
Interest Income	\$0	\$0	\$0
TOTAL INCOME	\$27,056,000	\$31,918,500	\$58,974,500
EXPENSES	BUDGET	BUDGET	BUDGET
SFTA Marketing & Operations	\$26,675,000	\$0	\$26,675,000
Moscone Convention Center Development and Expansion	\$0	\$0	\$0
Moscone Convention Center Capital Fund	\$0	\$319,000	\$319,000
Moscone Convention Center Incentive Fund	\$0	\$2,873,000	\$2,873,000
Convention Sales & Marketing Fund	\$0	\$319,000	\$319,000
Debt Service and Stabilization Fund	\$0	\$27,009,500	\$27,009,500
SFTIDMC Administration	\$381,000	\$1,398,000	\$1,779,000
TOTAL EXPENSES	\$27,056,000	\$31,918,500	\$58,974,500
NET INCOME	\$0	\$0	\$0

PROJECTED CARRYOVER DISBURSEMENT	TID	MED	TOTAL	TO BE USED IN FY 2018-2019	TO BE USED IN FUTURE YEARS
CARRYOVER	TOTAL	TOTAL			
SFTA Marketing & Operations	\$6,408,821	\$0	\$6,408,821	\$1,400,000	\$5,008,821
Moscone Convention Center Development and Expansion	\$0	\$14,746,811	\$14,746,811	\$14,746,811	\$0
Moscone Convention Center Capital Fund	\$2,477,212	\$487,032	\$2,964,244	\$0	\$2,964,244
Moscone Convention Center Incentive Fund	\$672,751	\$2,090,870	\$2,763,621	\$0	\$2,763,621
Convention Sales & Marketing Fund	\$0	\$0	\$0	\$0	\$0
Contingency/Reserve	\$692,136	\$1,398,043	\$2,090,179	\$0	\$2,090,179
TOTAL CARRYOVER DISBURSEMENT	\$10,250,920	\$18,722,756	\$28,973,676	\$16,146,811	\$12,826,865



SFTID Board of Directors | FY 2018-19

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BOARD VICE-CHAIR

Ingrid Summerfiled, Filament Hospitality

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Rick Swig, RSBA

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James Lim, Omni Hotel

John Noguchi, City and County of San Francisco

Kathy Paver, PEIR 39

Cathy Maupin, Yerba Buena Community Benefits District

Ken Bukowski, City & County of San Francisco

Craig Waterman, Hotel Kabuki

Melinda Yee Franklin, United Airlines

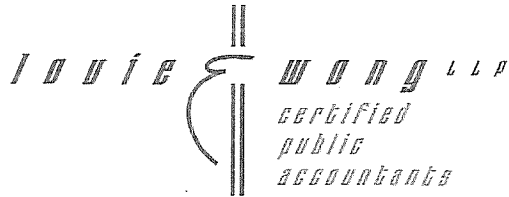
One Front Street, Suite 2900
San Francisco, CA 94111
415.227.2605
info@sftid.com
www.sftid.com

**SAN FRANCISCO TOURISM IMPROVEMENT
DISTRICT MANAGEMENT CORPORATION**

COMBINED FINANCIAL STATEMENTS AS OF
AND FOR THE YEAR ENDED
JUNE 30, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION
AS OF AND FOR THE YEAR ENDED JUNE 30, 2017)

TOGETHER WITH
INDEPENDENT AUDITORS' REPORT



INDEPENDENT AUDITORS' REPORT

To the Board of Directors of
San Francisco Tourism Improvement District
Management Corporation:

Report on the Combined Financial Statements

We have audited the accompanying combined financial statements of San Francisco Tourism Improvement District Management Corporation (SFTIDMC), a California not-for-profit organization, which comprise the combined statements of financial position as of June 30, 2018, and the related combined statements of activities, functional expenses and cash flows for the year then ended, and the related notes to combined financial statements.

Management's Responsibility for the Combined Financial Statements

Management is responsible for the preparation and fair presentation of these combined financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of combined financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these combined financial statements based on our audit. We conducted our audit in accordance with auditing

standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the combined financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the combined financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the combined financial statements, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the SFTIDMC's preparation and fair presentation of the combined financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of SFTIDMC's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the combined financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the combined financial statements referred to above present fairly, in all material respects, the combined financial position of San Francisco Tourism Improvement District Management Corporation as of June 30, 2018, and the combined changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report on Summarized Comparative Information

We have previously audited the SFTIDMC's 2017 combined financial statements, and we expressed an unmodified opinion on those audited combined financial statements in our report dated October 30, 2017. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2017, is consistent, in all material respects, with the audited combined financial statements from which it has been derived.

Louie + Wong LLP

San Francisco, California
October 25, 2018

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION

COMBINED STATEMENT OF FINANCIAL POSITION

JUNE 30, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2017)

ASSETS

	TID	MED	Totals	
			2018	2017
CURRENT ASSETS:				
Cash and cash equivalents	\$ 93,704	\$ 21,908,989	\$ 22,002,693	\$ 6,511,500
Short-term investments	3,813,994	4,630,358	8,444,352	25,416,283
Accounts receivable	6,366,624	1,231,740	7,598,364	21,700,152
	<hr/>	<hr/>	<hr/>	<hr/>
Total current assets	10,274,322	27,771,087	38,045,409	53,627,935
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 10,274,322	\$ 27,771,087	\$ 38,045,409	\$ 53,627,935

LIABILITIES AND NET ASSETS

CURRENT LIABILITIES:				
Accounts payable	\$ 2,702	\$ 6,052,577	\$ 6,055,279	\$ 5,528,364
Accrued liabilities	20,700	25,300	46,000	43,500
Retention payable	-	2,970,454	2,970,454	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total current liabilities	23,402	9,048,331	9,071,733	5,571,864
LONG-TERM LIABILITY:				
Retention payable	-	-	-	1,857,009
	<hr/>	<hr/>	<hr/>	<hr/>
Total liabilities	23,402	9,048,331	9,071,733	7,428,873

COMMITMENTS AND CONTINGENCIES

NET ASSETS:				
Unrestricted	10,250,920	18,722,756	28,973,676	46,199,062
Temporarily restricted	-	-	-	-
Permanently restricted	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	10,250,920	18,722,756	28,973,676	46,199,062
	<hr/>	<hr/>	<hr/>	<hr/>
	\$ 10,274,322	\$ 27,771,087	\$ 38,045,409	\$ 53,627,935

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF ACTIVITIES

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	Unrestricted		Temporarily Restricted	Permanently Restricted	Totals	
	TID	MED			2018	2017
REVENUES:						
Assessments (Note 5)	\$ 24,669,257	\$ 29,876,236	\$ -	\$ -	\$ 54,545,493	\$ 52,380,458
Interest and dividends	49,108	160,785	-	-	209,893	409,067
Total revenues	<u>24,718,365</u>	<u>30,037,021</u>	<u>-</u>	<u>-</u>	<u>54,755,386</u>	<u>52,789,525</u>
EXPENSES:						
Program services	24,299,000	46,847,732	-	-	71,146,732	48,126,394
Management and general	418,511	415,529	-	-	834,040	975,342
Total expenses	<u>24,717,511</u>	<u>47,263,261</u>	<u>-</u>	<u>-</u>	<u>71,980,772</u>	<u>49,101,736</u>
CHANGE IN NET ASSETS	854	(17,226,240)	-	-	(17,225,386)	3,687,789
NET ASSETS - BEGINNING OF YEAR	<u>10,250,066</u>	<u>35,948,996</u>	<u>-</u>	<u>-</u>	<u>46,199,062</u>	<u>42,511,273</u>
NET ASSETS - END OF YEAR	<u>\$ 10,250,920</u>	<u>\$ 18,722,756</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 28,973,676</u>	<u>\$ 46,199,062</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

COMBINED STATEMENT OF FUNCTIONAL EXPENSES

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2017)

	<u>TID</u>		<u>MED</u>		<u>Totals</u>	
	<u>Program Services</u>	<u>Management and General</u>	<u>Program Services</u>	<u>Management and General</u>	<u>2018</u>	<u>2017</u>
Marketing and promotion	\$ 24,299,000	\$ -	\$ -	\$ -	\$ 24,299,000	\$ 24,605,500
Moscone Center -						
Expansion	-	-	33,175,352	-	33,175,352	20,952,398
Debt service and stabilization fund (Note 5)	-	-	10,816,173	-	10,816,173	-
Sales incentive	-	-	2,856,207	-	2,856,207	2,497,057
Capital projects	-	-	-	-	-	71,439
Contractual services -						
Treasurer fees	-	271,171	-	216,728	487,899	669,801
San Francisco Travel Association fees	-	117,000	-	167,598	284,598	234,567
Professional fees	-	28,445	-	27,578	56,023	58,563
Insurance and taxes	-	1,895	-	2,547	4,442	4,814
Office expenses	-	-	-	1,078	1,078	7,597
	<u>\$ 24,299,000</u>	<u>\$ 418,511</u>	<u>\$ 46,847,732</u>	<u>\$ 415,529</u>	<u>\$ 71,980,772</u>	<u>\$ 49,101,736</u>

The accompanying independent auditors' report and notes to combined financial statements should be read in conjunction with this combined statement.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION

COMBINED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED JUNE 30, 2018

(WITH SUMMARIZED FINANCIAL INFORMATION
FOR THE YEAR ENDED JUNE 30, 2017)

	TID	MED	Totals	
			2018	2017
CASH FLOWS FROM OPERATING ACTIVITIES:				
Change in net assets	\$ 854	\$ (17,226,240)	\$ (17,225,386)	\$ 3,687,789
Adjustments to reconcile change in net assets to net cash provided by (used in) operating activities:				
Accounts receivable	(736,444)	14,838,232	14,101,788	(6,970,485)
Accounts payable	1,564	525,351	526,915	2,548,286
Accrued liabilities	1,125	1,375	2,500	(1,000)
Retention payable	-	1,113,445	1,113,445	1,140,733
Total adjustments	(733,755)	16,478,403	15,744,648	(3,282,466)
Net cash provided (used in) by operating activities	(732,901)	(747,837)	(1,480,738)	405,323
CASH FLOWS FROM INVESTING ACTIVITIES:				
Net proceeds from sale of investments	-	17,057,101	17,057,101	-
Net purchase of investments	(85,170)	-	(85,170)	(818,547)
Net cash provided by (used in) investing activities	(85,170)	17,057,101	16,971,931	(818,547)
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	(818,071)	16,309,264	15,491,193	(413,224)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	911,775	5,599,725	6,511,500	6,924,724
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 93,704	\$ 21,908,989	\$ 22,002,693	\$ 6,511,500

The accompanying independent auditors' report and notes to combined financial statements
should be read in conjunction with this combined statement.

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT
MANAGEMENT CORPORATION**

NOTES TO COMBINED FINANCIAL STATEMENTS

JUNE 30, 2018

1. Nature of Organization and Programs

General -- San Francisco Tourism Improvement District Management Corporation (SFTIDMC) is a not-for-profit organization formed for the purpose of managing and administering the Tourism Improvement District and Moscone Expansion District pursuant to a management contract with the City and County of San Francisco (the City).

Description of Programs -- The Tourism Improvement District (TID) assessment is designed to generate funds dedicated to promoting and marketing San Francisco as a leisure and convention destination and to fund repairs and improvements to the Moscone Center. The Moscone Expansion District (MED) assessment is designed to provide the majority of funding for the expansion of the Moscone Center. See Note 5.

2. Summary of Significant Accounting Policies

Basis of Presentation -- The accompanying combined financial statements include the accounts of Tourism Improvement District and Moscone Expansion District.

The SFTIDMC prepares the combined financial statements in accordance with generally accepted accounting principles promulgated in the United States of America for Not-For-Profit Organizations. The significant accounting and reporting policies used by SFTIDMC are described subsequently to enhance the usefulness and understandability of the combined financial statements.

Basis of Accounting -- The accompanying combined financial statements are prepared on the accrual basis of accounting.

Cash and Cash Equivalents -- Cash consists of cash in checking and savings accounts. Cash equivalents consist of short-term and highly liquid investments with original maturities of three months or less from the dates of acquisition.

Accounts Receivable and Allowance for Doubtful Accounts -- The accounts receivable represent the assessments due from the City. The allowance for doubtful accounts is determined based on the collectability of receivables. Receivables are written off when it is probable that the receivables will not be collected. Management believes that all outstanding accounts receivable are collectible in full, therefore no allowance for doubtful accounts has been provided.

Investments -- Investments consist of corporate bonds and mutual funds which are carried at fair value. Investments with maturities of less than one year as of the statement of financial position date are classified as short-term. Investments with maturities of more than one year as of the statement of financial position date are classified as long-term.

SFTIDMC invests in high quality obligations in order to achieve the maximum yield consistent with safety of principal and maintenance of liquidity. The primary objective is the preservation of capital and the assurance of appropriate liquidity, by limiting default risk and market risk, to meet the needs of SFTIDMC. The secondary objective is to maximize the current and expected yield on the fund assets, so as to provide additional income for operating purposes. The investment policy also requires

management to maintain a reasonable relationship between short-term and long-term investments.

Retention Payable -- Retention payable represents retention provisions of up to 5% which is withheld from each progress payment as retainage until the contract work has been completed and approved. Retention related to contracts that are expected to be completed more than one year from the statement of financial position date are classified as long-term.

Revenues -- Actual revenues from assessments, which include fines and penalties, are recognized when the assessments from hotels become due and measurable and when collectability is reasonably assured. Revenues from interest and dividends are recognized when earned.

Professional and Contractual Expenses -- Professional and contractual services are expensed as incurred.

Tax Status -- SFTIDMC is exempt from federal and state income taxation under Section 501(c)(6) of the Internal Revenue Code (IRC) and under Section 23701(e) of the California Revenue and Taxation Code, respectively. Accordingly, no provision for income tax has been made in the accompanying combined financial statements.

Generally accepted accounting provides disclosure guidance about positions taken by an entity in its tax returns that might be uncertain. Management has considered its tax positions and does not believe that SFTIDMC has any uncertain tax positions that require adjustment or disclosure in the combined financial statements. SFTIDMC's returns are subject to examination by federal and state taxing authorities, generally for three to four years, respectively, after they are filed.

Allocation of Functional Expenses -- The costs of providing the various programs and supporting activities have been summarized on a functional basis in the statements of activities and functional expenses. Accordingly, certain costs have been allocated among the programs and supporting activities benefited.

Estimates Included in the Combined Financial Statements -- The preparation of combined financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the combined financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management evaluates the estimates and assumptions based upon historical experience and various other factors and circumstances. The management believes that the estimates and assumptions are reasonable in the circumstances; however, the actual results could differ from those estimates.

Comparative Combined Financial Statements -- The combined financial statements include certain prior-year summarized comparative information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with accounting principles generally accepted in the United States of America. Accordingly, such information should be read in conjunction with SFTIDMC's combined financial statements for the year ended June 30, 2017, from which the summarized information was derived.

New Accounting Pronouncements -- In May 2014, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2014-09, Revenue from Contracts with Customers. The core principle of the guidance is that a reporting entity will recognize revenue when it transfers promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. In applying this new guidance to contracts within its scope, an entity will: (1) identify the contract(s) with a customer, (2) identify the performance obligations in the contract, (3) determine the transaction price, (4) allocate the transaction price to the performance obligations in the contract, and (5) recognize revenue when (or as) the entity satisfies a performance

obligation. Additionally, this new guidance will require significantly expanded revenue recognition disclosures. In July 2015, the FASB deferred the effective date for annual reporting periods beginning after December 15, 2018. SFTIDMC will adopt the ASU effective July 1, 2019.

In January 2016, the FASB issued ASU No. 2016-01, Recognition and Measurement of Financial Assets and Financial Liabilities. The amendments in this update revises an entity's accounting related to the classification and measurement of investments in equity securities and the presentation of certain fair value changes for financial liabilities measured at fair value. It also amends certain disclosure requirements associated with the fair value of financial instruments. The amendments in this update are effective for fiscal years beginning after December 15, 2019. SFTIDMC is currently evaluating the provision of this update.

In August 2016, FASB issued ASU No. 2016-14, Not-for-Profit Entities: Presentation of Financial Statements of Not-for-Profit Entities. The amendments in the ASU made several improvements to current reporting requirements that address net asset classes, investment return, expenses, liquidity and availability of resources and presentation of operating cash flows. The ASU is effective for financial statements beginning after December 15, 2017. SFTIDMC will adopt the ASU effective July 1, 2018.

In August 2016, the FASB issued ASU No. 2016-15, Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments (ASU No. 2016-15), which addresses eight specific cash flow issues with the objective of reducing the existing diversity in practice in how certain cash receipts and cash payments are presented and classified in the statement of cash flows. ASU No. 2016-15 is effective for fiscal years beginning after December 15, 2018. SFTIDMC will adopt the ASU effective July 1, 2019.

In June 2018, the FASB issued ASU No. 2018-08, Not-for-Profit Entities (Topic 958), Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made. The amendments in this Update clarify and improve current guidance about whether a transfer of assets (or the reduction, settlement, or cancellation of liabilities) is a contribution or an exchange transaction. ASU No. 2018-08 is effective for resource recipients for periods beginning after December 15, 2018, and periods beginning after December 15, 2019, for resource providers. SFTIDMC is currently evaluating the provision of this update.

Although there are several other new accounting pronouncements issued or proposed by the FASB, which SFTIDMC will adopt, as applicable, SFTIDMC does not believe any of these accounting pronouncements will have a material impact on its financial position or results of operation.

Subsequent Events -- SFTIDMC has evaluated subsequent events through October 25, 2018, the date the combined financial statements were available to be issued. Events occurring after that date have not been evaluated to determine whether a change in the combined financial statements would be required.

3. Description of Net Assets

The combined financial statements report net assets and changes in net assets in three classes that are based upon the existence or absence of restrictions on use that are placed by its donors, as follows:

Unrestricted -- This is used to account for resources that are available to support SFTIDMC's operations. The only limits on the use of unrestricted net assets are the broad limits resulting for the purposes specified in the Management District Plan, the nature of the organization, the environment in which it operates, and any limits resulting from contractual agreements with creditors and others that are entered into in the course of its operations.

The unrestricted net assets are limited for the following purposes as provided in the Management District Plan as of June 30, 2018:

	<u>TID</u>	<u>MED</u>	<u>Total</u>
Moscone Convention Center Development and Expansion	\$ -	\$ 14,746,811	\$ 14,746,811
San Francisco Travel Association Marketing and Operations	6,408,821	-	6,408,821
Moscone Convention Center Capital Fund	2,477,212	487,032	2,964,244
Moscone Convention Center Incentive Fund	672,751	2,090,870	2,763,621
Contingency/Reserve	<u>692,136</u>	<u>1,398,043</u>	<u>2,090,179</u>
	<u>\$ 10,250,920</u>	<u>\$ 18,722,756</u>	<u>\$ 28,973,676</u>

Temporarily Restricted -- This is used to account for resources that are restricted by the donor for use for a particular purpose or in a particular future period. SFTIDMC had no temporarily restricted net assets as of June 30, 2018.

Permanently Restricted -- This is used to account for resources whose use is limited by donor-imposed restrictions that neither expire by being used in accordance with the donor's restriction nor by the passage of time. SFTIDMC had no permanently restricted net assets as of June 30, 2018.

4. Fair Value Measurements

The framework for measuring fair value provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3). The three levels of the fair value hierarchy are described as follows:

- Level 1 – Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that SFTIDMC has the ability to access.
- Level 2 – Inputs to the valuation methodology include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets and liabilities in inactive markets, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means. If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.
- Level 3 – Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs.

The primary use of fair value measures in SFTIDMC's combined financial statements is the recurring measurement of short-term investments.

The following is a description of the valuation methodologies used for instruments measured at fair value, including the general classification of such

instruments pursuant to the valuation hierarchy. There has been no change in the methodology used at June 30, 2018.

Corporate Bonds -- Corporate bonds are valued using pricing models maximizing the use of observable inputs for similar securities. This includes basing value on yields currently available on comparable securities of issuers with similar credit ratings.

Mutual Funds -- Money market funds are determined by the published net asset value per unit at the end of the last trading day of the year, which is the basis for transactions at that date.

The assets measured at fair value, as of June 30, 2018, are as follows:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Investments -				
Money market mutual funds	\$ 6,653,329	\$ -	\$ -	\$ 6,653,329
Corporate bonds	-	1,791,023	-	1,791,023
Assets at fair value	<u>\$ 6,653,329</u>	<u>\$ 1,791,023</u>	<u>\$ -</u>	<u>\$ 8,444,352</u>

The return from these investments reported in the combined statement of activities consisted of interest income and dividends which amounted to \$141,697 during the year ended June 30, 2018.

The preceding methods described may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, although SFTIDMC believes their valuation method is appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

5. **Business Improvement Districts**

Tourism Improvement District (TID)

On December 16, 2008, the San Francisco Board of Supervisors approved the establishment of a business-based business improvement district, known as the Tourism Improvement District, and assessments on gross room revenues (TID assessment) on hotels within the TID, which are categorized as Zone 1 or Zone 2 depending on their location. The TID assessments were designed to generate funds dedicated to promoting and marketing the City of San Francisco as a leisure and convention destination in an increasingly competitive world, and to fund repairs and improvements to the Moscone Center.

The annual TID assessments commenced on January 1, 2009, and will continue until December 31, 2023. The schedule of TID assessments is as follows:

<u>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
January 1, 2009 – December 31, 2013	1.50%	1.00%
January 1, 2014 – December 31, 2023	1.00%	0.75%

The TID assessments will be collected by the City and remitted to SFTIDMC. The SFTIDMC will ensure that the TID assessments collected are used to benefit the assessed businesses by (1) allocating them to the San Francisco Travel Association (the Association) to fund its marketing and promotional programs; and (2) keeping the Moscone Center competitive with those of other major cities.

The Association's marketing and promotional programs have been funded by SFTIDMC since July 1, 2009.

Moscone Expansion District (MED)

On June 21, 2012, the City announced the development of a 25-year master plan for the expansion of the Moscone Center. The expansion will be funded by a public-private partnership with the SFTIDMC and the City.

On February 5, 2013, the San Francisco Board of Supervisors approved the creation of the Moscone Expansion District which will provide the majority of funding for the expansion of the City's convention center. MED began imposing assessment of fees on gross hotel room revenue on July 1, 2013 (MED assessments). The term of the MED is 32 years. The schedule of MED assessments is as follows:

<u>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
July 1, 2013 – December 31, 2013	0.5000%	0.3125%
January 1, 2014 – December 31, 2045	1.2500%	0.3125%

The City will commit the following towards the repayment of bonds issued in connection with the expansion:

- Contribution of \$8,200,000 in fiscal year 2019 with an increase of 3% per year through fiscal year 2028 up to cap of \$10,700,000, with a continuing contribution of no less than \$10,700,000 per year for the remainder of the term of the MED.
- The City will fund shortfalls in any given year for purposes of debt service, which will be repaid from surpluses in MED assessments, as detailed in the Management District Plan.

The MED assessments will be used for the following improvements and activities, including the categories of expenses:

- Planning, design, engineering, entitlement, construction, project management and related services for expansion of the Moscone

Center, including related payments for any bond, financing lease (including certificates of participation) or similar obligations of the City.

- Funding of a Moscone Center Incentive Fund which will be used to attract significant meetings, tradeshow and conventions to San Francisco via offset of rental costs.
- Funding of a Moscone Center Sales & Marketing Fund to provide increased funding for sales and marketing of convention business, with a focus on generating increased revenues for hotels that pay the assessment.
- Funding of capital improvements and renovations, including a capital reserve fund to cover future upgrades and improvements to the Moscone Center.
- Allocation of funds to pay for District formation, operation and administration, and to establish and maintain a contingency reserve.
- In consultation with the City, funding of expenses for development and implementation of future phases of expansion, renovations or capital improvements if there are funds available in excess of those needed for the expansion.

In June 2017, the City issued Certificates of Participation (Moscone Convention Center Expansion Project) Series 2017B amounting to \$412,355,000. The City withheld \$4,118,478 from MED assessments as of June 30, 2018, in accordance with the Management District Plan necessary to fund the Stabilization Fund. In addition, the City will withhold approximately \$6,697,695 from the assessment period ended June 30, 2018, that will be collected thereafter, to pay debt service and fund repayment of the City's contribution toward service costs. The funds apportioned by the City for the above purpose are included in the MED assessments in the combined statement of

activities and program services in the combined statement of functional expenses for the year ended June 30, 2018.

6. Line of Credit

In January 2015, SFTIDMC entered into a revolving line of credit agreement with a bank with an original maturity of January 15, 2016. On February 15, 2018, the line of credit was renewed through February 15, 2019. Under the agreement, SFTIDMC may borrow up to a maximum amount of \$5,000,000. The line of credit is secured by the assets of SFTIDMC.

The line of credit bears a variable interest rate, set by the bank, based on changes in the prime rate, but under no circumstances be less than 3.00% per annum. There was no borrowing under this line of credit during the year ended June 30, 2018.

7. Related Party Transactions

SFTIDMC entered into agreements for professional and administrative services with the San Francisco Travel Association (the Association), a related party. The agreements were effective for the period June 4, 2009 to June 30, 2010, and are automatically renewed annually thereafter.

Under the Professional Services Agreement, the Association will provide marketing and promotional services consistent with the requirements of the Management District Plan. The Association will be compensated based on its budget, as approved by SFTIDMC's Board of Directors, and consistent with the management plan.

Under the Administrative Services Agreement, the Association will provide the following services: (1) staff support for the operation of SFTIDMC, (2) the Chief Financial Officer (CFO) of the Association will serve as CFO of SFTIDMC and the Association's staff will perform finance and accounting related functions, (3) the Association will be responsible for the tax related issues of SFTIDMC,

(4) the Association will be responsible for all compliance issues of SFTIDMC, including compliance with the management plan approved by the San Francisco Board of Supervisors, and (5) the Association will be responsible for developing an appropriate investment policy and program for SFTIDMC funds. On July 1, 2013, the Administrative Services Agreement was revised primarily to include MED. Based on the agreement, the Association will be compensated a fee of \$190,000 per annum, subject to an annual increase of 5%, for the performance of the above services on behalf of both TID and MED.

The expenditures related to the marketing and promotional services (professional services) and administrative services amounted to \$24,299,000 and \$284,598, respectively, during the year ended June 30, 2018. The payable to the Association for these services amounted to \$2,700 as of June 30, 2018.

From time to time, the Association also advances or pays other professional fees (e.g., legal and consulting fees) on behalf of SFTIDMC. SFTIDMC has no payable to the Association for these advances as of June 30, 2018.

8. Commitments

Pursuant to the establishment of the TID as approved by the Board of Supervisors in December 2008, the Office of the Treasurer and Tax Collector for the City and County of San Francisco (the Treasurer) was mandated to collect the TID Assessments on behalf of the SFTIDMC. In August 2009, an administration agreement was entered into between the Treasurer and SFTIDMC wherein the Treasurer agreed to provide the following services: (a) collect assessments in accordance with the management plan, (b) provide quarterly reports indicating the amount of penalties, fees, assessment and interest collected, and (c) provide a list of delinquent accounts on a quarterly basis. SFTIDMC shall pay the Treasurer a monthly collection fee plus commission on collection of delinquent accounts and fees for other services that the

Treasurer may provide in connection of its services on behalf TID and MED. The amount of fees charged by the Treasurer for both TID and MED was \$487,899 during the year ended June 30, 2018. These fees are recorded under Contractual Services – Treasurer fees in the combined statement of functional expenses.

SFTIDMC provides for retention related to the Moscone Center expansion. The retention will be due upon completion of the contracts and acceptance, or earlier, as provided by the contract. The contract work is expected to be completed by December 2018.

9. Concentrations of Risk

The majority of SFTIDMC's revenues are from TID and MED assessments. As such, SFTIDMC's ability to generate resources is dependent upon the assessments collected by hotels from gross hotel room revenues in the City and County of San Francisco.

Financial instruments, which potentially subject SFTIDMC to concentrations of credit risk, consist principally of cash in bank accounts greater than \$250,000 with each financial institution. SFTIDMC's investments are subject to various risks, such as interest rate, credit and overall market volatility risks. Further, because of the significance of the investments to SFTIDMC's financial position and the level of risk inherent in most investments, it is reasonably possible that changes in the values of these investments could occur in the near term and such changes could materially affect the amounts reported in the combined financial statements. SFTIDMC periodically reviews its cash and investment policy and believes that any potential loss is not material to the combined financial statements.

10. Contingencies

The SFTIDMC is a party to certain claims in the normal course of business. While the results of these claims cannot be predicted with certainty, management believes that the final outcome of these matters will not have a material adverse effect on the combined financial statements.

TOURISM IMPROVEMENT DISTRICT
 Financial Analysis for Fiscal Year Ended 6/30/2018

PURPOSE: To determine whether the percentage of budgeted dollars allocated to each expenditure category is within 10 percent of the management plan allocation for each category
 Did the CBD meet this requirement? NO

Comparison of Management Plan Budget to Budget for FY Ended 6/30/2018

Expenditure Category ^a	Management Plan Budget ^b	% of Total Budget	FY 2017-18 Budget ^c	% of Total Budget	Variance Between Plan and Annual Budget
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	100.0%	\$ 23,674,000	100.0%	

Notes:

^a Expenditure categories on the Management Plan and Annual Report do not match exactly. Marketing and Promotions in the Management Plan is SFTA Marketing and Operations in the Annual Report. Administration and Personnel in the Management Plan is SFTIDMC Administration in the Annual Report.

^b Per Appendix 3 of the Management Plan (Year 9)

^c Per Annual Report - 2016-17

TOURISM IMPROVEMENT DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2018

PURPOSE: To determine whether the percentage of budgeted dollars allocated to each service category is within 10 percent of the actual allocation to each category
Did the CBD meet this requirement? YES

Determining Whether Percentage of Actual Expenses Allocated to Each Category Were Within 10 Percent of Budgeted Allocations

Service Category	FY 2017-18 Budget^a	% of Total Budget	FY 2017-18 Actual^b	% of Total Actual Expenses	Variance Between Budget and Actual
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	-	0.0%	-	0.0%	0.0%
TOTAL	\$ 23,674,000	100.0%	\$ 24,717,511	100.0%	

Notes:

^a Per Annual Report - 2016-17

^b Per Annual Report - 2017-18

TOURISM IMPROVEMENT DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2018

PURPOSE: To determine whether CBD carryover funds are identified in the annual report
Did the CBD meet this requirement? YES

Carryover in Annual Report^a	Carryover in Financial Statements^b	Difference
\$10,250,920	\$10,250,920	\$0

^a Per Annual Report FY 2017-18

^b Per Combined Financial Statements as of and for the Year Ended 6/30/18

TOURISM IMPROVEMENT DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2018

PURPOSE: To determine whether the CBD indicates the amount of funds carried over from the current fiscal year and designates the projects on which the funds will be spent in the upcoming fiscal year

Did the CBD meet this requirement? **YES**

Carryover From FY 2014-15	Projected Carryover - Annual Report*
SFTA Marketing & Operations	\$ 6,408,821
Capital Fund	2,477,212
Incentive Fund	672,751
Convention Sales & Marketing Fund	-
Contingency/Reserve	692,136
TOTAL	\$ 10,250,920

* Per FY 2017-18 Annual Report

TOURISM IMPROVEMENT DISTRICT

PURPOSE: As requested by OEWD, historical functional expenses are provided for presentation purposes.

SOURCES: Audited financial statements for fiscal years ended 6/30/2016, 6/30/2017, and 6/30/2018.

	FY 2015-16	FY 2016-17	FY 2017-18
PROGRAM SERVICES			
Marketing and Promotion	29,605,500	24,605,500	24,299,000
Moscone Center			
Expansion			
Sales incentive			
Repairs and improvements	-	-	-
	-	-	-
Subtotal: Program Services	\$ 29,605,500	\$ 24,605,500	\$ 24,299,000
MANAGEMENT & GENERAL			
Contractual Services			
Treasurer fees	250,987	308,018	271,171
San Francisco Travel Association fees	75,035	98,820	117,000
Professional fees	47,029	35,188	28,445
	373,051	442,026	416,616
Insurance and Taxes	2,043	2,388	1,895
Interest Expense	-	-	-
Office Expenses	693	159	
Subtotal: Management & General	375,787	444,573	418,511
Total Functional Expenses	\$ 29,981,287	\$ 25,050,073	\$ 24,717,511

MOSCONE EXPANSION DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2018

PURPOSE: To determine whether the percentage of budgeted dollars allocated to each expenditure category is within 10 percentage points of the management plan allocation for each category
Did the CBD meet this requirement? YES

Comparison of Management Plan Budget to Budget for FY Ended 6/30/2018

Expenditure Category	% of Total Budget in Management Plan^a	FY 2017-18 Budget^b	% of Total Budget in Annual Budget	Variance Between Plan and Annual Budget
Expansion/Development Activities	86.5%	\$ 25,102,300	86.5%	0.0%
Capital Reserve for Future Renovation and Improvements	1.0%	290,200	1.0%	0.0%
Incentive Fund	9.0%	2,611,800	9.0%	0.0%
Sales and Marketing Fund	1.0%	290,200	1.0%	0.0%
Administration of the MED and Operating Contingency Reserves ^c	2.5%	725,500	2.5%	0.0%
TOTAL	100.0%	\$ 29,020,000	100.0%	

Notes:

^a Per Moscone Expansion District Management District Plan, amended as of January 1, 2014

^b Per Annual Report - 2016-17

^c Expenditure categories in the Management Plan and Annual Report do not match exactly. The Management Plan combines Administration, Contingency, and Reserve Allocation in one category, whereas the Annual Report separates Administration from Contingency/Reserve.

MOSCONE EXPANSION DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2018

PURPOSE: To determine whether the percentage of budgeted dollars allocated to each service category is within 10 percent of the actual allocation to each category.

Did the CBD meet this requirement? **NO**

Determining Whether Percentage of Actual Expenses Allocated to Each Category Was Within 10 Percent of Budgeted Allocations

Service Category	FY 2017-18 Budget ^a	% of Total Budget	FY 2017-18 Actual Expenses ^b	% of Total Actual Expenses	Variance Between Budget and Actual
Expansion/Development Activities	\$ 25,102,300	86.5%	\$ 32,595,352	69.0%	-17.5%
Capital Reserve for Future Renovation and Improvements	290,200	1.0%	290,000	0.6%	-0.4%
Incentive Fund	2,611,800	9.0%	2,856,207	6.0%	-3.0%
Sales and Marketing Fund	290,200	1.0%	290,000	0.6%	-0.4%
Debt Service and Stabilization Fund	-	0.0%	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	100.0%	\$ 47,263,261	100.0%	

Notes:

^a Per Annual Report - 2016-17

^b Per Annual Report - 2017-18

MOSCONE EXPANSION DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2018

PURPOSE: To determine whether the CBD carryover funds are identified in the annual report.
Did the CBD meet this requirement? YES

Carryover in Annual Report ^a	Carryover in Financial Statements ^b	Difference
\$18,722,756	\$18,722,756	\$0

^a Per Annual Report FY 2017-18

^b Per Combined Financial Statements as of and for the Year Ended 6/30/18

MOSCONE EXPANSION DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2018

PURPOSE: To determine whether the CBD indicates the amount of funds carried over from the current fiscal year and designates the projects on which the funds will be spent in the upcoming fiscal year

Did the CBD meet this requirement? YES

Carryover From FY 2014-15	Projected Carryover - Annual Report*
Development and Expansion	\$ 14,746,811
Capital Fund	487,032
Incentive Fund	2,090,870
Contingency/Reserve	1,398,043
TOTAL	\$ 18,722,756

* Per FY 2017-18 Annual Report

MOSCONE EXPANSION DISTRICT

PURPOSE: As requested by OEWD, historical functional expenses are provided for presentation purposes.

SOURCES: Audited financial statements for fiscal years ended 6/30/2016, 6/30/2017, and 6/30/2018.

	FY 2015-16	FY 2016-17	FY 2017-18
PROGRAM SERVICES			
Marketing and Promotion	-	-	-
Moscone Center			
Expansion	15,295,137	20,952,398	33,175,352
Sales incentive	3,315,835	2,497,057	10,816,173
Capital projects	-	71,439	2,856,207
	18,610,972	23,520,894	46,847,732
Subtotal: Program Services	\$ 18,610,972	\$ 23,520,894	\$ 46,847,732
MANAGEMENT & GENERAL			
Contractual Services			
Treasurer fees	291,572	361,783	216,728
San Francisco Travel Association fees	147,689	135,747	167,598
Professional fees	24,963	23,375	27,578
	464,224	520,905	411,904
Insurance and Taxes	2,310	2,426	2,547
Interest Expense	-	-	-
Office Expenses	7,439	7,438	1,078
Subtotal: Management & General	473,973	530,769	415,529
Total Functional Expenses	\$ 19,084,945	\$ 24,051,663	\$ 47,263,261

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 30, 2015
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/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.

OFFICE OF THE MAYOR
SAN FRANCISCO



LONDON N. BREED
MAYOR

SK

TO: Angela Calvillo, Clerk of the Board of Supervisors
FROM: Sophia Kittler
RE: Tourism Improvement District and Moscone Expansion District – Annual
Report to the City – FY 2017-2018
DATE: May 21, 2019

Resolution receiving and approving the annual report for the Tourism Improvement District and Moscone Expansion District for FY 2017-2018, submitted as required by the Property and Business Improvement District Law of 1994 (California Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's management agreement with the City, Section 3.4.

Should you have any questions, please contact Sophia Kittler at 415-554-6153.

2019 MAY 21 PM 2:41
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OFFICE OF THE CLERK OF THE BOARD OF SUPERVISORS
SAN FRANCISCO, CALIFORNIA 94102-4681