

BOARD of SUPERVISORS



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MEMORANDUM

TO: Kate Sofis, Director, Office of Economic and Workforce Development
Ben Rosenfield, City Controller

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

DATE: June 2, 2021

SUBJECT: LEGISLATION INTRODUCED

The Board of Supervisors' Government Audit and Oversight Committee has received the following proposed legislation, introduced by Mayor Breed on May 25, 2021:

File No. 210611

Resolution receiving and approving the annual report for the Tourism Improvement District and Moscone Expansion District for Fiscal Year (FY) 2019-2020, 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: Office of Chair Preston
Todd Rydstrom, Office of the Controller
J'Wel Vaughan, Office of Economic and Workforce Development
Anne Taupier, Office of Economic and Workforce Development
Lisa Pagan, Office of Economic and Workforce Development
Chris Cargas, Office of Economic and Workforce Development

1 [Tourism Improvement District and Moscone Expansion District - Annual Report -
2 FY2019-2020]

3 **Resolution receiving and approving the annual report for the Tourism Improvement**
4 **District and Moscone Expansion District for Fiscal Year (FY) 2019-2020, submitted as**
5 **required by the Property and Business Improvement District Law of 1994 (California**
6 **Streets and Highways Code, Sections 36600, et seq.), Section 36650, and the District's**
7 **management 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

24 WHEREAS, On December 10, 2013, the Board of Supervisors adopted Resolution
25 No. 441-13 amending the Tourism Improvement District's Management District Plan to require

1 monthly, instead of quarterly, assessment collection and distribution by the Office of the
2 Treasurer and Tax Collector; and

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

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

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

15 WHEREAS, On September 15, 2020, the Board of Supervisors approved the Tourism
16 Improvement District's and Moscone Expansion District's annual report for FY2018-2019 in
17 Resolution No. 393-20; and

18 WHEREAS, The Tourism Improvement District and Moscone Expansion District have
19 submitted for the Board's receipt and approval the Tourism Improvement District and
20 Moscone Expansion District annual reports for FY 2019-2020 as required by Section 36650 of
21 the Act and Section 3.4 of the Management Contract; and

22 WHEREAS, The Annual Report is on file with the Clerk of the Board of Supervisors in
23 File No. 210611, and are incorporated herein by reference as though fully set forth; and

24 WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and
25 memorandum report from the City's Office of Economic and Workforce Development, dated

1 May, 24, 2021, and documentation from the Tourism Improvement District and Moscone
2 Expansion District for the Annual Report on file with the Clerk of the Board of Supervisors in
3 File No. 210611; now, therefore, be it

4 RESOLVED, That the Board of Supervisors hereby receives and approves the annual
5 report for the Tourism Improvement District and Moscone Expansion District for
6 FY2019-2020.

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Annual Report | 2019-2020

The San Francisco Tourism Improvement District Management Corporation (SFTIDMC) is the owner's association group that oversees 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.





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 110 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, as well as 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 July 1, 2019 to December 31, 2019:

Convention and Meeting Sales

- 881,521 million room nights booked
Over 745 meetings held in San Francisco
- Sales mission to Washington, DC and Chicago reaching over with over 257 meeting planners
- Attended over 27 trade shows and events

881,521

Total room nights booked

Marketing Promotion

San Francisco's balanced mix of convention/meetings travel, leisure/consumer travel and business travel, means 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)

172,000 visitors per year to Moscone location
12 languages spoken by staff and volunteers
MYSF has trained over 770 people in the visitor industry

www.sftravel.com

2.2+ million unique visitors to the website
\$103,813,598 million in economic impact

**26.2 Million visitors to
San Francisco in 2019**

Social Media

Facebook | The Official Guide 695,000+ followers
Twitter @onlyinSF 275,000+ followers
Instagram onlyinsf 250,000+ followers



Key Themes & Programs

- Only in SF Events
- I am San Francisco | San Francisco Welcomes All Campaign
- Never the Same. Always San Francisco.
- Ahead of the Curve
- IconicSF
- Arts & Culture
- Food & Wine

Tourism Sales and Marketing

- SFO had 8.1 million international travelers 7/1 – 12/31/2019
- Representation in 14 international offices in 13 countries
- Partnered with SFO on new air service
- 68 new tourism programs
- San Francisco Travel hosted over 1,630 travel professionals
- Attended 17 International and Domestic trade shows
- San Francisco hosted 900+ journalists
- Media Coverage
 - 8.7 billion impressions
 - \$394+ million value

**\$9.6 billion in visitor
spending in 2019**

MOSCONE EXPANSION DISTRICT



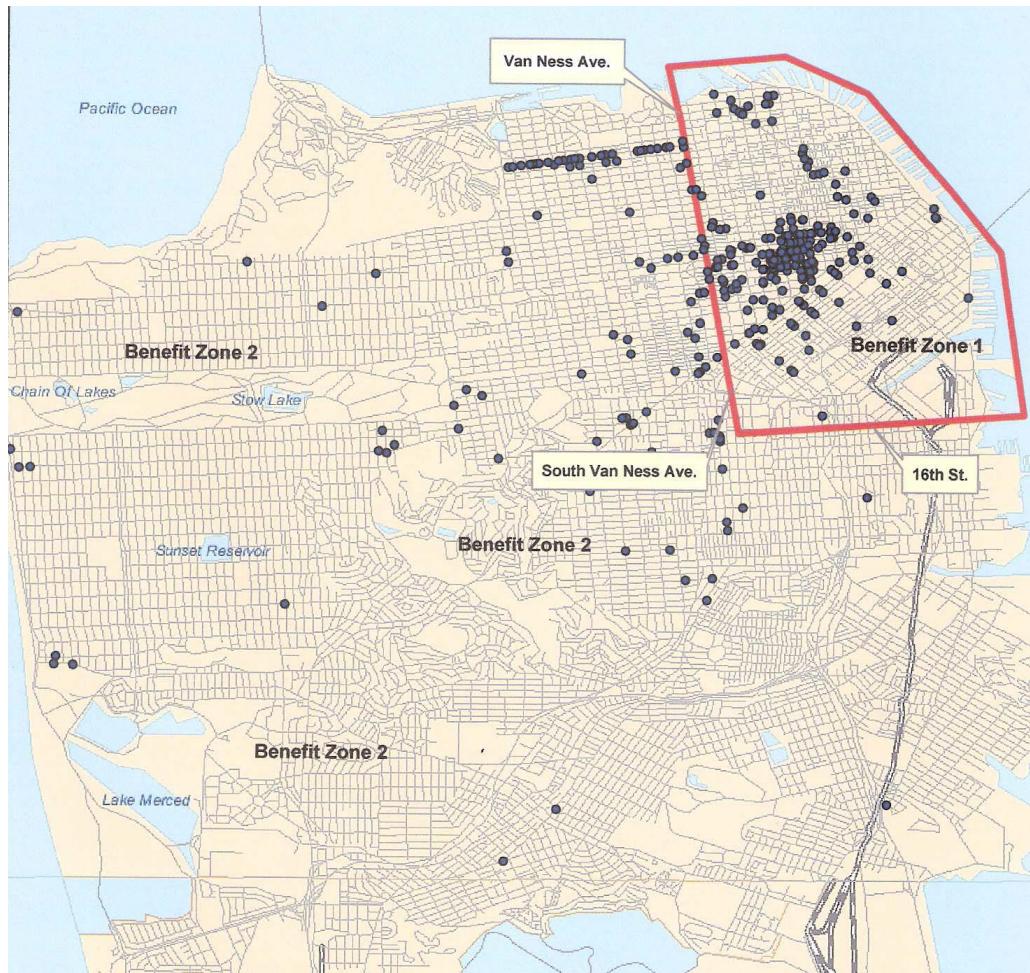


TID and MED COLLECTION METHODOLOGY

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 2019-JUNE 2020 ACTUAL		TID	MED	TOTAL
INCOME				
Assessment Fee		\$17,262,280	\$21,354,024	\$38,616,304
Interest Income		\$20,672	\$1,059	\$21,731
TOTAL INCOME		\$17,282,952	\$21,355,083	\$38,638,035
EXPENSES				
SFTA Marketing & Operations		\$21,535,500	\$0	\$21,535,500
Moscone Convention Center Development and Expansion		\$17,264	\$1,191,638	\$1,208,902
Moscone Convention Center Capital Fund		\$0	\$0	\$0
Moscone Convention Center Incentive Fund		\$0	\$3,148,421	\$3,148,421
Convention Sales/Marketing Fund		\$0	\$215,083	\$215,083
Debt Service and Stabilization Fund		\$0	\$14,891,570	\$14,891,570
SFTIDMC Administration and Operating Expenses		\$496,026	\$640,829	\$1,136,855
TOTAL EXPENSES		\$22,048,79	0	\$20,087,541
NET INCOME		<u>(\$4,765,838)</u>	<u>\$1,267,542</u>	<u>(\$3,498,296)</u>

JULY 2019-JUNE 2020 BALANCE SHEET		TID	MED	TOTAL
ASSETS				
Cash		\$1,775,900	\$4,200,972	\$5,976,872
Accounts Receivable, Net		\$0	\$0	\$0
TOTAL ASSETS		\$1,775,900	\$4,200,972	\$5,976,872
LIABILITIES				
Accounts Payable		\$22,024	\$2,664,364	\$2,686,388
Line of Credit		\$0	\$5,000,000	\$5,000,000
Long-Term Liabilities - Construction Retention		\$0	\$33,889	\$33,889
TOTAL LIABILITIES		\$22,024	\$7,698,253	\$7,720,277
TOTAL NET ASSETS (CARRYOVER)		\$1,753,876	<u>(\$3,497,281)</u>	<u>(\$1,743,405)</u>
TOTAL LIABILITIES & NET ASSETS		<u>\$1,775,900</u>	<u>\$4,200,972</u>	<u>\$5,976,872</u>



JULY 2020- JUNE 2021 BUDGET		TID	MED	TOTAL
INCOME				
Assessment Fee		\$7,486,000	\$9,271,100	\$16,757,100
Interest Income		\$0	\$0	\$0
TOTAL INCOME		\$7,486,000	\$9,271,100	\$16,757,100
EXPENSES				
SFTA Marketing & Operations		\$8,744,000	\$0	\$8,744,000
Moscone Convention Center Capital Fund		\$0	\$92,700	\$92,700
Moscone Convention Center Incentive Fund		\$0	\$834,400	\$834,400
Convention Sales & Marketing Fund		\$0	\$92,700	\$92,700
Debt Service and Stabilization Fund		\$0	\$7,802,300	\$7,802,300
SFTIDMC Administration		\$422,000	\$699,000	\$1,121,000
TOTAL EXPENSES		\$9,166,000	\$9,521,100	\$18,687,100
NET INCOME		<u>(\$1,680,000)</u>	<u>(\$250,000)</u>	<u>(\$1,930,000)</u>

PROJECTED CARRYOVER DISBURSEMENT	TID	MED	TOTAL	TO BE USED IN FY 2020-2021	TO BE USED IN FUTURE YEARS
SFTA Marketing & Operations	\$276,671	\$0	\$276,671	\$276,261	\$0
Moscone Convention Center Development and Expansion	\$0	<u>(\$5,236,850)</u>	<u>(\$5,236,850)</u>	\$0	<u>(\$5,236,850)</u>
Moscone Convention Center Capital Fund	\$175,325	\$245,173	\$420,498	\$0	\$420,498
Moscone Convention Center Incentive Fund	\$694,890	\$435,061	\$1,129,951	\$680,000	\$449,951
Contingency/Reserve	\$606,990	\$1,059,335	\$1,666,325	\$834,669	\$831,656
TOTAL CARRYOVER DISBURSEMENT	<u>\$1,753,876</u>	<u>(\$3,497,281)</u>	<u>(\$1,743,405)</u>	<u>\$1,791,340</u>	<u>(\$3,534,745)</u>



SFTIDMC Board of Directors | FY 2019-20

BOARD CHAIR

Stefan Mühle, Noble Hotels

BOARD VICE-CHAIR

James Lim, Omni Hotels

SECRETARY/TREASURER

Kathy Paver, Pier 39

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Jon Kimball, Marriott Hotels

Peter Koehler, Intercontinental Hotels

Janet Griggs, Taste Catering

Suzy Yang, Joie de Vivre Hotels

Kathy Paver, PEIR 39

Cathy Maupin, Yerba Buena Community Benefits District

Ken Bukowski, City & County of San Francisco

Matt Humphreys, Hyatt Hotels



Certified Public Accountants
and Financial Advisors

**SAN FRANCISCO TOURISM IMPROVEMENT
DISTRICT MANAGEMENT CORPORATION**

Financial Statements
June 30, 2020

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INDEPENDENT AUDITOR'S REPORT

Board of Directors
San Francisco Tourism Improvement
District Management Corporation

Report on the Financial Statements

We have audited the accompanying financial statements of San Francisco Tourism Improvement District Management Corporation ("SFTIDMC"), a California not-for-profit organization, which comprise the statement of financial position as of June 30, 2020, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express an opinion on these 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the 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 the entity'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 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 financial statements referred to above present fairly, in all material respects, the financial position of San Francisco Tourism Improvement District Management Corporation as of June 30, 2020, and the changes in its net assets (deficit) and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Emphasis of Matter

The accompanying financial statements have been prepared assuming that SFTIDMC will continue as a going concern. As discussed in Note 5 to the financial statements, SFTIDMC has negative working capital and net deficit as of June 30, 2020. These conditions raise substantial doubt about its ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans to mitigate these matters are also described in Note 5. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

Our opinion is not modified with respect to this matter.

Report on the Summarized Comparative Information

We have previously audited San Francisco Tourism Improvement District Management Corporation's financial statements as of and for the year ended June 30, 2019, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 30, 2019. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2019 is consistent, in all material respects, with the audited financial statements from which it has been derived.

SQUAR MILNER LLP

San Francisco, California
October 12, 2020

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
June 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2019)

ASSETS

	TID FUND	MED FUND	Totals	
			2020	2019
CURRENT ASSETS				
Cash and cash equivalents	\$ 1,775,900	\$ 4,200,972	\$ 5,976,872	\$ 5,569,582
Accounts receivable	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,808,128</u>
Total assets	<u><u>\$ 1,775,900</u></u>	<u><u>\$ 4,200,972</u></u>	<u><u>\$ 5,976,872</u></u>	<u><u>\$ 14,377,710</u></u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES				
Accounts payable	\$ 22,024	\$ 2,664,364	\$ 2,686,388	\$ 9,432,578
Loan payable	<u>-</u>	<u>5,000,000</u>	<u>5,000,000</u>	<u>-</u>
Line of credit	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,000,000</u>
Accrued liabilities	<u>-</u>	<u>33,889</u>	<u>33,889</u>	<u>-</u>
Retention payable	<u>-</u>	<u>-</u>	<u>-</u>	<u>190,241</u>
Total current liabilities	<u><u>22,024</u></u>	<u><u>7,698,253</u></u>	<u><u>7,720,277</u></u>	<u><u>12,622,819</u></u>

NET ASSETS (DEFICIT)

Without donor restrictions				
Designated	1,753,876	1,739,569	3,493,445	9,225,556
Undesignated	<u>-</u>	<u>(5,236,850)</u>	<u>(5,236,850)</u>	<u>(7,470,665)</u>
Total net assets (deficit)	<u><u>1,753,876</u></u>	<u><u>(3,497,281)</u></u>	<u><u>(1,743,405)</u></u>	<u><u>1,754,891</u></u>
Total liabilities and net assets (deficit)	<u><u>\$ 1,775,900</u></u>	<u><u>\$ 4,200,972</u></u>	<u><u>\$ 5,976,872</u></u>	<u><u>\$ 14,377,710</u></u>

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2020
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	Without Donor Restriction		Totals	
	TID FUND	MED FUND	2020	2019
SUPPORT AND REVENUES				
Assessments (Note 6)	\$ 17,262,280	\$ 21,354,024	\$ 38,616,304	\$ 59,100,812
Interest and dividends	20,672	1,059	21,731	201,255
Total support and revenues	<u>17,282,952</u>	<u>21,355,083</u>	<u>38,638,035</u>	<u>59,302,067</u>
EXPENSES				
Program services -				
Marketing and promotion	21,535,500	215,083	21,750,583	28,394,000
Moscone Center	17,264	19,231,629	19,248,893	57,264,753
Total program services	<u>21,552,764</u>	<u>19,446,712</u>	<u>40,999,476</u>	<u>85,658,753</u>
Management and general	496,026	640,829	1,136,855	862,099
Total expenses	<u>22,048,790</u>	<u>20,087,541</u>	<u>42,136,331</u>	<u>86,520,852</u>
CHANGE IN NET ASSETS (DEFICIT)	(4,765,838)	1,267,542	(3,498,296)	(27,218,785)
NET ASSETS - BEGINNING OF YEAR	<u>6,519,714</u>	<u>(4,764,823)</u>	<u>1,754,891</u>	<u>28,973,676</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 1,753,876</u>	<u>\$ (3,497,281)</u>	<u>\$ (1,743,405)</u>	<u>\$ 1,754,891</u>

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

STATEMENT OF FUNCTIONAL EXPENSES

For the Year Ended June 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	TID FUND			MED FUND			Totals	
	Program Services	Management and General	Program Services	Management and General	2020	2019		
Marketing and promotion	\$ 21,535,500	\$ -	\$ 215,083	\$ -	\$ 21,750,583	\$ 28,394,000		
Moscone Center -								
Debt service and stabilization fund	-	-	14,891,570	-	14,891,570	27,626,631		
Expansion	17,264	-	1,191,638	-	1,208,902	26,403,589		
Sales incentive	-	-	3,148,421	-	3,148,421	3,234,533		
Contractual services -								
Treasurer fees	-	244,844	-	222,678	467,522	501,212		
San Francisco Travel Association fees	-	127,107	-	127,107	254,214	297,956		
Professional fees	-	120,917	-	37,828	158,745	16,740		
Interest expense	-	-	-	247,493	247,493	39,375		
Insurance and taxes	-	2,522	-	2,212	4,734	4,817		
Office expenses	-	636	-	3,511	4,147	1,999		
	<u>\$ 21,552,764</u>	<u>\$ 496,026</u>	<u>\$ 19,446,712</u>	<u>\$ 640,829</u>	<u>\$ 42,136,331</u>	<u>\$ 86,520,852</u>		

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

STATEMENT OF CASH FLOWS

For the Year Ended June 30, 2020

(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2019)

	TID FUND	MED FUND	Totals	
			2020	2019
CASH FLOWS FROM OPERATING ACTIVITIES				
Change in net assets (deficit)	\$ (4,765,838)	\$ 1,267,542	\$ (3,498,296)	\$ (27,218,785)
Adjustments to reconcile change in net assets (deficit) to net cash used in operating activities:				
Accounts receivable	7,589,557	1,218,571	8,808,128	(1,209,764)
Accounts payable	(2,860,470)	(3,885,720)	(6,746,190)	3,377,299
Accrued liabilities	-	33,889	33,889	(46,000)
Retention payable	-	(190,241)	(190,241)	(2,780,213)
Total adjustments	4,729,087	(2,823,501)	1,905,586	(658,678)
Net cash used in operating activities	(36,751)	(1,555,959)	(1,592,710)	(27,877,463)
CASH FLOWS FROM INVESTING ACTIVITIES				
Net proceeds from sale of investments	-	-	-	8,444,352
Net cash provided by investing activities	-	-	-	8,444,352
CASH FLOWS FROM FINANCING ACTIVITY				
Proceeds from line of credit		2,000,000	2,000,000	3,000,000
Net cash provided by financing activity	-	2,000,000	2,000,000	3,000,000
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS				
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	(36,751)	444,041	407,290	(16,433,111)
CASH AND CASH EQUIVALENTS - END OF YEAR	1,812,651	3,756,931	5,569,582	22,002,693
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION				
Cash paid during the year for interest	\$ 1,775,900	\$ 4,200,972	\$ 5,976,872	\$ 5,569,582
	\$ -	\$ 247,493	\$ 247,493	\$ 37,375

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

1. NATURE OF ORGANIZATION

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 (“TID”) and Moscone Expansion District (“MED”) pursuant to a management contract with the City and County of San Francisco (the “City”). Refer to Note 6.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation

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

The accompanying financial statements present the accounts of Tourism Improvement District Fund (“TID Fund”) and Moscone Expansion District Fund (“MED Fund”).

SFTIDMC reports information regarding its financial position and activities according to two classes of net assets:

Net assets without donor restrictions

Net assets available for use in general operations and not subject to donor (or certain grantor) restrictions. The net assets are designated in accordance with the Management District Plan. Refer to Note 6.

Net assets with donor restrictions

Net assets subject to donor (or certain grantor) imposed restrictions. Some donor-imposed restrictions are temporary in nature, such as those that will be met by the passage of time or other events specified by the donor. Other donor-imposed restrictions are perpetual in nature, where the donor stipulates that resources be maintained in perpetuity. Donor-imposed restrictions are released when a restriction expires, that is, when the stipulated time has elapsed, when the stipulated purpose for which the resource was restricted has been fulfilled, or both. All net assets of SFTIDMC were net assets without donor restrictions at June 30, 2020.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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.

Fair Value Measurements

SFTIDMC considers the use of market-based information over entity specific information in valuing its investments, using a three-level hierarchy for fair value measurements based on the nature of inputs used in the valuation of the financial assets, as of the measurement date.

The three levels of the fair value hierarchy are described as follows:

- Level 1 inputs to the valuation methodology - 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 - 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 - unobservable and significant to the fair value measurement. Fair value is identified as the price that would be received to sell an asset or paid to transfer a liability (i.e. the exit price) in an orderly transaction between market participants at the measurement date.

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 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 its valuation methods are appropriate and considerate with other practices, 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.

Accounts Receivable and Allowance for Doubtful Accounts

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. There is no outstanding accounts receivable, therefore no allowance for doubtful accounts has been provided.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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 year-end are classified as long-term.

Revenue Recognition

SFTIDMC receives assessments from gross hotel room revenues which are collected by the City under the terms of the agreement between SFTIDMC and the City (refer to Note 6). Revenues from assessments, which include fines and penalties, are accounted for as support and recognized when notification of the assessments is received from the City.

Revenues from interest and dividends are recognized when earned.

Professional and Contractual Expenses

Professional and contractual services are expensed as incurred.

Allocation of Functional Expenses

The costs of program and supporting service activities have been summarized on a functional basis in the statement of activities. The statement of functional expenses presents the natural classification detail of expenses by function. Expenses are identified with a specific program or support service and are charged directly to that program or support service.

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 financial statements.

U.S. GAAP 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 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.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Estimates Included in the Financial Statements

The preparation of 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 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 Financial Statements

The financial statements include certain prior-year summarized comparative financial information in total but not by net asset class. Such information does not include sufficient detail to constitute a presentation in conformity with U.S. GAAP. Accordingly, such information should be read in conjunction with SFTIDMC's financial statements for the year ended June 30, 2019, from which the summarized information was derived.

Subsequent Events

SFTIDMC has evaluated subsequent events through October 12, 2020, the date which the financial statements were available to be issued.

3. ADOPTION OF NEW ACCOUNTING PRONOUNCEMENT

In June 2018, the FASB issued ASU 2018-08, *Clarifying the Scope and Accounting Guidance for Contributions Received and Contributions Made* (Topic 958). The ASU clarified and improved the scope and accounting guidance around contributions of cash and other assets received and made by all entities, including business entities. The ASU assists entities in (1) evaluating whether transactions should be accounted for as contributions (nonreciprocal transactions), or as exchange (reciprocal) transactions and (2) determining whether a contribution is conditional or unconditional. SFTIDMC adopted this pronouncement for the year ended June 30, 2020. The adoption of ASU 2018-08 on a modified prospective basis did not have an effect on SFTIDMC's financial position or results of operations.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

4. LIQUIDITY AND AVAILABILITY OF FINANCIAL ASSETS

SFTIDMC's goal is to maintain financial assets per the Management District Plans of TID and MED (the "Management District Plans"). Annually, the SFTIDMC Board of Directors approves the annual budget based on the terms of the agreements with the City.

The following represents SFTIDMC's financial assets at June 30, 2020 available for general expenditures within the following 12 months:

	TID FUND	MED FUND	Totals
Financial assets at year-end:			
Cash and cash equivalents	\$ 1,775,900	\$ 4,200,972	\$ 5,976,872
Total financial assets	<u>1,775,900</u>	<u>4,200,972</u>	<u>5,976,872</u>
Less - amounts designated for the following purpose in accordance with the Management Plans:			
SF Travel Association Marketing & Operations	1,541,340	-	1,541,340
Moscone Center Capital Fund	175,325	245,173	420,498
Moscone Center Incentive Fund	14,890	435,061	449,951
Contingency/Reserve	<u>22,321</u>	<u>1,059,335</u>	<u>1,081,656</u>
	<u>1,753,876</u>	<u>1,739,569</u>	<u>3,493,445</u>
Financial assets available for general expenditures as of June 30, 2020	<u>\$ 22,024</u>	<u>\$ 2,461,403</u>	<u>\$ 2,483,427</u>

SFTIDMC considers ongoing program, management and general expenses as general expenditures.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

5. GOING CONCERN

Pursuant to Accounting Standards Update No. 2014-15, *Presentation of Financial Statements - Going Concern* (Subtopic 205-40), management evaluates SFTIDMC's ability to continue as a going concern for one year after the date of the financial statements are available for issuance.

The financial statements have been prepared on a going concern basis, which assumes that SFTIDMC will continue in operations for the foreseeable future and will be able to realize its assets and discharge its liabilities in the normal course of operations, including its ability to meet the repayment terms of the note payable (refer to Note 7).

The outbreak of COVID-19 pandemic in March 2020 has impacted the hotel industry and resulting assessments revenue of SFTIDMC (refer to Note 10). During the year ended June 30, 2020, SFTIDMC had a decrease in net assets of \$3,498,296, negative cash flows from operating activities of \$1,592,710, resulting in negative working capital and a net asset deficit of \$1,743,405 as of June 30, 2020. Uncertainty also remains as to when the hotels within the Business Improvement District will re-open.

Under the terms of the MED management district plan, the MED assessment funds will be used to pay for developmental activities which includes the following:

- Planning, design, engineering, entitlement, project management and related development services for the Moscone Center expansion capital project ("the Project").
- Construction costs for the expansion of the Moscone Center as noted above.
- Financing costs related to the Project, including those associated with the payments of any bond, financing lease (including certificates of participation), or other similar obligations of the City.

Under the terms of the agreement with the City dated August 17, 2017, the City will finance the stabilization fund and debt service payments from the MED assessments in accordance with the MED Management District Plan effective April 15, 2019. SFTIDMC will collect the surplus allocated to the development activities ("surplus") that will not be needed to fund the MED contributions toward debt service.

Management acknowledges that uncertainty remains over the ability of SFTIDMC to meet its funding requirements and to refinance or repay its banking facilities as they are due. If for any reason SFTIDMC is unable to continue as a going concern, it could have an impact on SFTIDMC's ability to extinguish liabilities in the normal course of operations at the amounts stated in the financial statements. The financial statements do not include any adjustments that might result from the outcome of this uncertainty.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

6. BUSINESS IMPROVEMENT DISTRICT ASSESSMENTS

The following describes the assessments related to the agreements entered into by SFTIDMC with the City and County of San Francisco.

Tourism Improvement District Assessments

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 assessments”) 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 as a leisure and convention destination, 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:

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

The TID assessments are 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 Assessments

On June 21, 2012, the City announced the development of a 25-year master plan for the expansion of the Moscone Center. The expansion was 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 Moscone Center.

The City 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:

Periods	Zone 1	Zone 2
July 1, 2013 – December 31, 2013	0.50%	0.3125%
January 1, 2014 – December 31, 2045	1.25%	0.3125%

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

6. BUSINESS IMPROVEMENT DISTRICT ASSESSMENTS (continued)

Moscone Expansion District Assessments (continued)

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 amount of debt service to retire the MED portion of the indebtedness shall not exceed the amount of revenue estimate to be raised from the assessment. No more than a total maximum of \$5,766,814,000 in assessment funds will be collected during the 32-year term of the MED.

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, tradeshows 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.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

6. BUSINESS IMPROVEMENT DISTRICT ASSESSMENTS (continued)

Moscone Expansion District Assessments (continued)

In June 2017, the City issued Certificates of Participation (Moscone Convention Center Expansion Project) Series 2017B amounting to \$412,355,000. For the year ended June 30, 2020, the City Treasurer and Tax Collector's Office ("TTX") withheld 86.5% of MED assessments amounting to \$22,348,520 from the TTX's cash collections from July 2019 through June 2020.

The funds apportioned by the City for the above purpose are included in the MED assessments in the statement of activities and program services in the statement of functional expenses for the year ended June 30, 2020.

7. NOTE PAYABLE

In January 2015, SFTIDMC entered into a revolving line of credit agreement with a bank with an original maturity of January 15, 2016, with subsequent renewals. On April 3, 2019, the line of credit was renewed through April 15, 2020. Under the agreement, SFTIDMC had a maximum borrowing capacity of \$5,000,000. The line of credit was secured by the assets of SFTIDMC.

The line of credit bore a variable interest rate, set by the bank, based on changes in the prime rate less 0.25%, but under no circumstances be less than 5.00% per annum.

On May 26, 2020, SFTIDMC entered into a business loan agreement with the same bank to convert the outstanding line of credit of \$5,000,000 to a term loan which will mature on May 15, 2021. The loan is secured by the assets of SFTIDMC.

The note payable bears a variable interest rate, set by the bank, based on changes in the prime rate less 0.25%, but under no circumstances be less than 5.25% per annum. The loan payable has an outstanding balance of \$5,000,000 as of June 30, 2020.

8. 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.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

8. RELATED PARTY TRANSACTIONS (continued)

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 \$21,750,583 and \$254,214, respectively, during the year ended June 30, 2020. The payable to the Association for these services amounted to \$22,024 as of June 30, 2020.

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, 2020.

9. 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 of TID and MED.

The amount of fees charged by the Treasurer for both TID and MED was \$467,522 during the year ended June 30, 2020. These fees are recorded under Contractual Services – Treasurer fees in the statement of functional expenses.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2020

10. RISK FACTORS

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 (refer to Note 5).

In March 2020, the World Health Organization declared the COVID-19 outbreak as a pandemic. In addition, in March 2020, the California State Governor ordered the closure of the physical location of every business, except those identified in the "critical infrastructure sectors", for a limited period of time. The outbreak has led to severe disruptions and uncertainty to economic conditions and credit and capital markets and the hotel and tourism industries. SFTIDMC has responded to the outbreak and has developed contingency plans for operations depending on future developments. The duration and economic impact of the outbreak is uncertain but it is more than likely that operations may be negatively impacted. SFTIDMC will continue to monitor the situation closely, but given the uncertainty about the situation, management cannot estimate the impact to the financial statements.

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 periodically reviews its cash and investment policy and believes that any potential loss is not material to the financial statements.

11. CONTINGENCIES

Pursuant to the MED Management District Plan, the City will fund shortfall in any given year for purposes of debt service due from MED, which will be repaid from surpluses in MED assessments, as detailed in the Management District Plan. The City did not fund any shortfall as of June 30, 2020.

TOURISM IMPROVEMENT DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2020

PURPOSE: To determine the percentage of budgeted dollars allocated to each expenditure category and to compare to the management plan allocation for each category

Comparison of Management Plan Budget to Budget for FY Ended 6/30/2020

Expenditure Category^a	Management Plan Budget^b	% of Total Budget	FY 2019-20 Budget^c	% of Total Budget	Variance Between Plan and Annual Budget
Marketing and Promotions	\$ 50,569,472	69.4%	\$ 28,315,300	98.2%	28.8%
Administration and Personnel	16,182,231	22.2%	518,000	1.8%	-20.4%
Contingency/Reserves/Administration and City Administration Costs of the TID	6,068,337	8.3%	-	0.0%	-8.3%
TOTAL	\$ 72,820,040	100.0%	\$ 28,833,300	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 11)

^c Per Annual Report - 2018-19

TOURISM IMPROVEMENT DISTRICT

Financial Analysis for Fiscal Year Ended 6/30/2020

PURPOSE: To determine the percentage of budgeted dollars allocated to each service category and to compare to the actual allocation to each category

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

Service Category	FY 2019-20 Budget ^a	% of Total Budget	FY 2019-20 Actual ^b	% of Total Actual Expenses	Variance Between Budget and Actual
Marketing and Promotions	\$ 28,315,300	98.2%	\$ 21,535,500	97.7%	-0.5%
Convention Sales/Marketing Fund	\$ -	0.0%	\$ 17,264	0.1%	0.1%
Administration and Personnel	518,000	1.8%	496,026	2.2%	0.5%
Contingency/Reserves/Administration and City Administration Costs of the	-	0.0%	-	0.0%	0.0%
TOTAL	\$ 28,833,300	100.0%	\$ 22,048,790	100.0%	

Notes:

^a Per Annual Report - 2018-19

^b Per Annual Report - 2019-20

TOURISM IMPROVEMENT DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2020

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
\$1,753,876	\$1,753,876	\$0

Notes:

^a Per Annual Report FY 2019-20

^b Per Combined Financial Statements as of and for the Year Ended 6/30/20

TOURISM IMPROVEMENT DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2020

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 2019-20	Projected Carryover - Annual Report*
SFTA Marketing & Operations	\$ 276,671
Capital Fund	175,325
Incentive Fund	694,890
Convention Sales & Marketing Fund	-
Contingency/Reserve	606,990
TOTAL	\$ 1,753,876

Note:

* Per FY 2019-20 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 6/30/2017, 6/30/2018, 6/30/2019, and 6/30/2020

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
PROGRAM SERVICES				
Marketing and Promotion	24,605,500	24,299,000	28,075,000	21,535,500
Moscone Center				
Expansion			2,335,512	17,264
Sales incentive				
Repairs and improvements	-	-	2,335,512	17,264
Subtotal: Program Services	\$ 24,605,500	\$ 24,299,000	\$ 30,410,512	\$ 21,552,764
MANAGEMENT & GENERAL				
Contractual Services				
Treasurer fees	308,018	271,171	246,512	244,844
San Francisco Travel Association fees	98,820	117,000	136,500	127,107
Professional fees	35,188	28,445	16,106	120,917
	442,026	416,616	399,118	492,868
Insurance and Taxes	2,388	1,895	2,477	2,522
Interest Expense	-	-	-	-
Office Expenses	159	-	1,741	636
Subtotal: Management & General	444,573	418,511	403,336	496,026
Total Functional Expenses	\$ 25,050,073	\$ 24,717,511	\$ 30,813,848	\$ 22,048,790

MOSCONE EXPANSION DISTRICT

Financial Analysis for Fiscal Year Ended 6/30/2020

PURPOSE: To determine the percentage of budgeted dollars allocated to each expenditure category and compare to the management plan allocation for each category

Comparison of Management Plan Budget to Budget for FY Ended 6/30/2020

Expenditure Category	% of Total Budget in Management Plan ^a	FY 2019-20 Budget ^b	% of Total Budget in Annual Budget	Variance Between Plan and Annual Budget
Expansion/Development Activities	86.5%	\$ -	0.0%	-86.5%
Capital Reserve for Future Renovation and Improvements	1.0%	335,100	7.4%	6.4%
Incentive Fund	9.0%	3,040,950	66.8%	57.8%
Sales and Marketing Fund	1.0%	335,100	7.4%	6.4%
Debt Service and Stabilization Fund ^d	0.0%	-	0.0%	0.0%
Administration of the MED and Operating Contingency Reserves ^c	2.5%	837,800	18.4%	15.9%
TOTAL	100.0%	\$ 4,548,950	100.0%	

Notes:

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

^b Per Annual Report - 2018-19

^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.

^d Debt Service and Stabilization Fund expense category was not included in the Moscone Expansion District Management District Plan in 2014.

MOSCONE EXPANSION DISTRICT

Financial Analysis for Fiscal Year Ended 6/30/2020

PURPOSE: To determine the percentage of budgeted dollars allocated to each service category and to compare to the actual allocation to each category

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

Service Category	FY 2019-20 Budget ^a	% of Total Budget	FY 2019-20 Actual Expenses ^b	% of Total Actual Expenses	Variance Between Budget and Actual
Expansion/Development Activities	\$ -	0.0%	\$ 1,191,638	5.9%	5.9%
Capital Reserve for Future Renovation and Improvements	335,100	7.4%	-	0.0%	-7.4%
Incentive Fund	3,040,950	66.8%	3,148,421	15.7%	-51.2%
Sales and Marketing Fund	335,100	7.4%	215,083	1.1%	-6.3%
Debt Service and Stabilization Fund	-	0.0%	14,891,570	74.1%	74.1%
Administration of the MED and Operating Contingency Reserves	837,800	18.4%	640,829	3.2%	-15.2%
TOTAL	\$ 4,548,950	100.0%	\$ 20,087,541	100.0%	

Notes:

^a Per Annual Report - 2018-19

^b Per Annual Report - 2019-20

MOSCONE EXPANSION DISTRICT

Financial Analysis for Fiscal Year Ended 6/30/2020

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
(\$3,497,281)	(\$3,497,281)	\$0

Notes:

^a Per Annual Report FY 2019-20

^b Per Combined Financial Statements as of and for the Year Ended 6/30/20

MOSCONE EXPANSION DISTRICT
Financial Analysis for Fiscal Year Ended 6/30/2020

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 2019-20	Projected Carryover - Annual Report*
Development and Expansion	\$ (5,236,850)
Capital Fund	245,173
Incentive Fund	435,061
Contingency/Reserve	1,059,335
TOTAL	\$ (3,497,281)

Note:

* Per FY 2019-20 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 6/30/2017, 6/30/2018, 6/30/2019, and 6/30/2020.

	FY 2016-17	FY 2017-18	FY 2018-19	FY 2019-20
PROGRAM SERVICES				
Marketing and Promotion			319,000	215,083
	<hr/>	<hr/>	<hr/>	<hr/>
Moscone Center				
Expansion	20,952,398	33,175,352	24,068,077	1,191,638
Debt service and stabilization fund	-	10,816,173	27,626,631	14,891,570
Sales incentive	2,497,057	2,856,207	3,234,533	3,148,421
Capital projects	71,439	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
	23,520,894	46,847,732	54,929,241	19,231,629
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal: Program Services	\$ 23,520,894	\$ 46,847,732	\$ 55,248,241	\$ 19,446,712
	<hr/>	<hr/>	<hr/>	<hr/>
MANAGEMENT & GENERAL				
Contractual Services				
Treasurer fees	361,783	216,728	254,700	222,678
San Francisco Travel Association fees	135,747	167,598	161,456	127,107
Professional fees	23,375	27,578	634	37,828
	<hr/>	<hr/>	<hr/>	<hr/>
	520,905	411,904	416,790	387,613
	<hr/>	<hr/>	<hr/>	<hr/>
Insurance and Taxes	2,426	2,547	2,340	2,212
	<hr/>	<hr/>	<hr/>	<hr/>
Interest Expense	-	-	39,375	247,493
	<hr/>	<hr/>	<hr/>	<hr/>
Office Expenses	7,438	1,078	258	3,511
	<hr/>	<hr/>	<hr/>	<hr/>
Subtotal: Management & General	530,769	415,529	458,763	640,829
	<hr/>	<hr/>	<hr/>	<hr/>
Total Functional Expenses	\$ 24,051,663	\$ 47,263,261	\$ 55,707,004	\$ 20,087,541
	<hr/>	<hr/>	<hr/>	<hr/>

MEMO

To: San Francisco Board of Supervisors

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

From: Chris Cargas, OEWD Senior Program Manager

RE: Tourism Improvement District and Moscone Expansion Districts Annual Reports Fiscal Year 2019-20

Date: May 24, 2021

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, 2019 and June 30, 2020.

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 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 – 2019-2020
2. CPA Independent Auditors' Report
 - a. FY – 2019-2020
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 – 2019-2020.



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)
- October 29, 2019: the Board of Supervisors approved annual reports for the Tourism Improvement District and Moscone Expansion District for FY 2017-2018 (Resolution #465-19)
- September 15, 2020: the Board of Supervisors approved the annual reports for the Tourism Improvement District and Moscone Expansion District for FY 2018-2019 (Resolution #393-20).

Basic Info about Tourism Improvement District BID:

Year Formed	December 2008
Assessment Collection Period	FY 2009-10 to FY 2023-24 (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	Paul Frentsos
Name of Nonprofit Owners' Entity	San Francisco Tourism Improvement District Management Corporation

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

Basic Info about Moscone Expansion District BID:

Year Formed	2013
Assessment Collection Period	FY 2014-15 – FY 2044-45 (July 1, 2014 to June 30, 2015)
Services Start and End Date	July 1, 2013 – December 31, 2045
Initial Estimated Annual Budget	\$19,332,000
Fiscal Year	July 1 – June 30
Executive Director	Paul Frentsos
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

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 – 2019-2020

Sales and Marketing Program

- 881,521 room nights booked
- Over 745 meetings held in San Francisco
- Attended over 27 trade shows and events
- Sales mission to Washington, DC and Chicago reaching over 257 meeting planners
- SF had 8.1 million international travelers in the first half of the fiscal year
- Representation in 14 international offices in 13 countries
- Partnered with SFO on new air service
- SF Travel hosted over 1,630 travel professionals
- Attended 17 international and domestic trade shows
- 68 new tourism programs
- Sftravel.com had 2.2+ million unique visitors worth \$103,813,598 in economic impact

MED

FY 2019-2020

Moscone Expansion Incentive Fund

- Used to attract new clients
- Retained current clients during the expansion and into the future

Moscone funds were also allocated to MED reserve for future renovations and Moscone Asset maintenance, in line with the District's Management District Plan.

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 2019-2020

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 2019-2020 Budget	% of Budget	Variance Percentage Points
Marketing and Promotions	\$43,973,454	69.4%	\$28,315,300	98.2%	+28.8%
Administration and Personnel	\$14,071,505	22.2%	\$518,000	1.8%	-20.4%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$5,276,814	8.3%	\$0	0%	-8.3%
TOTAL	\$63,321,773	100%	\$28,833,300	100%	

ANALYSIS: MED met this requirement. See table below.

Service Category	Management Plan Budget	% of Budget	FY 2019-2020 Budget	% of Budget	Variance Percentage Points
Expansion/Development Activities		86.5%	\$0.00	0.00%	-86.5%
Capital Reserve		1.0%	\$335,100	7.4%	+6.4%
Incentive Fund		9.0%	\$3,040,959	66.8%	+57.8%
Sales and Marketing Fund		1.0%	\$335,100	7.4%	+6.4%
Debt Service and Stabilization Fund		0.0%	\$0.00	0.0%	0%

Administration of the MED and Operating Contingency Reserves		2.5%	\$837,800	18.4%	+15.9%
TOTAL		100%	\$4,548,950	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 2019-20 Budget	% of Budget	FY 2019-20 Actuals	% of Actuals	Variance Percentage Points
Marketing and Promotions	\$28,315,300	98.2%	\$21,535,500	97.7%	-0.5%
Convention Sales/Marketing Fund	\$0.00	0.0%	\$17,264	0.1%	+0.1%
Administration and Personnel	\$518,000	1.8%	\$496,026	2.2%	+0.5%
Contingency/Reserves/Administration and City Administration Costs of the TID	\$28,833,300	100%	\$0	0.0%	0.0%
TOTAL	\$28,833,300	100%	\$22,048,790	100%	

ANALYSIS: MED met this requirement. See table below.

Service Category	FY 2019-20 Budget	% of Budget	FY 2019-20 Actuals	% of Actuals	Variance Percentage Points
Expansion/Development Activities	\$0.00	0.00%	\$1,191,638	5.9%	+5.9%
Capital Reserve	\$335,100	7.4%	\$0.00	0.00%	-7.4%
Incentive Fund	\$3,040,959	66.8%	\$3,148,421	15.7%	-51.2%
Sales and Marketing Fund	\$335,100	7.4%	\$215,083	1.1%	-6.3%
Debt Service and Stabilization Fund	\$0.00	0.00%	\$14,891,570	74.1%	+74.1%
Administration of the MED and Operating Contingency Reserves	\$837,800	18.4%	\$640,829	3.2%	-15.2%
TOTAL	\$4,548,950	100%	\$14,891,570	100%	

BENCHMARK 3: Whether TID and MED are indicating the amount of surplus or deficit 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 2019-20 Carryover Disbursement	
SFTA Marketing and Operations	\$ 276,671
Capital Fund	\$ 175,325
Incentive Fund	\$ 694,890
Convention Sales and Marketing Fund	-
Contingency/Reserve	\$ 606,990
Total Designated amount for Future Years	\$ 1,753,876

ANALYSIS: MED met this requirement.

FY 2019-20 Carryover Disbursement	
Development and Expansion	- \$ 5,236,850
Capital Fund	\$ 245,173
Incentive Fund	\$ 435,061
Contingency/Reserve	\$ 1,059,335
Total Designated amount for Future Years	- \$ 3,497,281

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.

Both districts, based off their assessment models, were severely impacted by the Covid-19 pandemic and saw a drastic reduction in special assessment revenues. The formula for both districts is based on a percentage of revenue generated from hotel room purchases in the City and County of San Francisco. The lack of assessment revenue forced the Moscone Expansion District to tap its Debt Service and Stabilization fund which was designed to be drawn upon in any year when lower than expected MED collections caused MED contributions toward debt service to be lower than the sum set forth in cash flow projections. This fund was utilized this year as the Covid-19 pandemic caused such conditions to exist. Due to the pandemic's impact on assessment revenue TID assessment fees were less than

anticipated resulting in the district expending approximately \$4.7 million more than what it collected in the FY. This amount was covered through the TID's Contingency/Reserve fund.

The TID is set to expire in 2023. The TIDMC and SF Travel followed OEWD's recommendation to begin the renewal process in FY 2019-20. A Management District Plan was submitted to the City in spring 2020. The original plan was to complete the renewal process in late 2020/early 2021 with an implementation date of January 1, 2024. Due to the Covid-19 global pandemic renewal and expansion proponents, as well as OEWD, mutually agreed to delay the process to determine how the pandemic progressed. Due to the significant impact the pandemic has had on the hospitality industry there were additional concerns about discussing special assessments during this time. OEWD and project proponents have been working since winter 2020 through summer 2021 on the renewal and expansion Management District Plan as well as implementation processes. Project proponents have hosted and continue to host informational meetings for rate payers. OEWD anticipates the renewal and expansion process will be completed in November 2021, barring any unanticipated delays. Should the district renew and expand it would begin implementation on January 1, 2024 when the current iteration of the district sunsets.

The MED has taken out a line of credit of \$5,000,000 which will come to term in 2021. OEWD recommends the TIDMC identify ways to work with their lending institution regarding payment of this loan due to the severe impacts the Covid-19 pandemic has had on the district's assessment revenue.

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.