

File No. 230607

Committee Item No. 8

Board Item No. _____

COMMITTEE/BOARD OF SUPERVISORS

AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight
Board of Supervisors Meeting:

Date: February 1, 2024
Date: _____

Cmte Board

- Motion
- Resolution
- Ordinance
- Legislative Digest
- Budget and Legislative Analyst Report
- Youth Commission Report
- Introduction Form
- Department/Agency Cover Letter and/or Report
- MOU - FY2022-2024 - Clean
- MOU - FY2022-2024 - Redline
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract / DRAFT Mills Act Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

OTHER

- TID and MED Annual Report FY 2021-2022
- Financial Report 063022
- OEWD Memo 051123
- _____
- _____
- _____
- _____

Prepared by: Monique Crayton
Prepared by: _____
Prepared by: _____

Date: January 26, 2024
Date: _____
Date: _____

1 [Tourism Improvement District and Moscone Expansion District - Annual Report - FY2021-
2022]

2
3 **Resolution receiving and approving an annual report for the Tourism Improvement**
4 **District and Moscone Expansion District for Fiscal Year (FY) 2021-2022, 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 No.
25 441-13 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, Sections
5 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 No.
12 427-13 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 November 29, 2022, the Board of Supervisors approved the Tourism
16 Improvement District's and Moscone Expansion District's annual report for FY 2019-2020 in
17 Resolution No. 518-22; 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 2021-2022 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. 230607, 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 11, 2023, 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. 230607; 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 FY 2021-
6 2022.

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Annual Report | 2021-2022

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.





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 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 January 1, 2021 to December 31, 2021:

Convention and Meeting Sales

- 641,713 room nights booked
Over 850 meetings held in San Francisco
- Attended over 20 virtual events and 12 in person events

641,713
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. In 2021, leisure visitors comprise 82% 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)

- Center closed due to lack of funding – Covid impact

www.sftravel.com

- 3.1 million unique visitors to the website; up 200,000 from previous year
- \$106,886,871 million in economic impact; up \$22,000,000

Social Media

- Facebook @onlyinSF 698k followers
- Twitter @onlyinSF 201k followers
- Instagram @onlyinsf 295k followers
- Tik Tok 3,600

**17.0 Million visitors to
San Francisco in 2020**



Key Themes & Programs

- I am San Francisco | San Francisco Welcomes All Campaign
- Our Gate is Open
- Destination 101/IconicSF
- Culinary
- Arts & Culture
- Diversity

Tourism Sales and Marketing

- SFO had 3,335,838 million international travelers in 2021
- Represented in 14 international offices in 13 countries (2021)
- Attended International and Domestic virtual trade shows
- San Francisco hosted 300+ journalists (2021)
- Media Coverage (2021)
 - 1.2 billion impressions
 - \$96+ million value

**\$2.7 billion in visitor
spending in 2020**



MOSCONE EXPANSION DISTRICT



- Over \$450,000 was utilized to provide convention customers with rental incentives to attract conventions to San Francisco
- The City of San Francisco provided up to \$4.6MM in incentive discounts to attract new business to Moscone Center

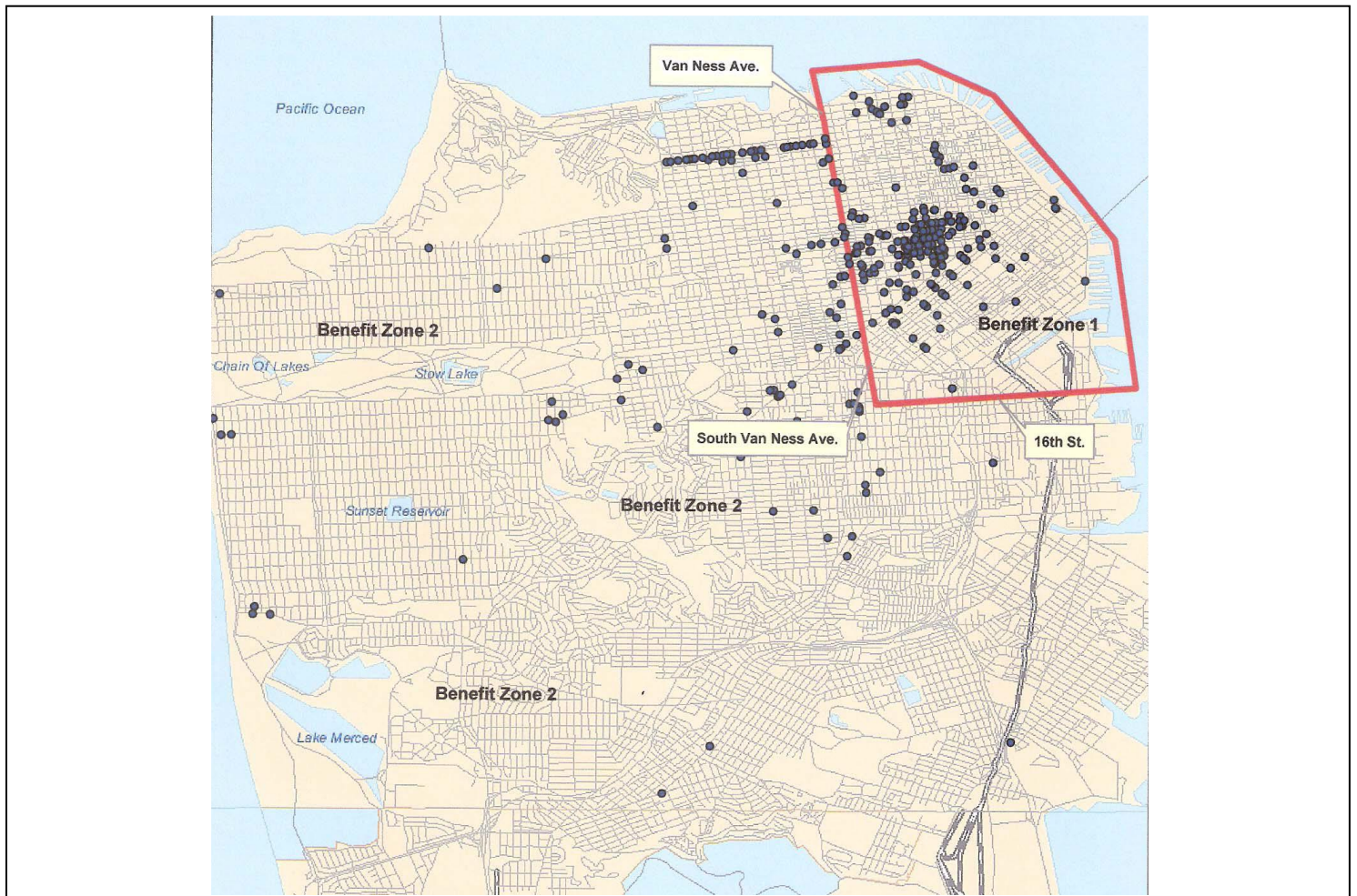


TID and MED COLLECTION METHODOLOGY

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 2021-JUNE 2022 ACTUAL	TID	MED	AMB	TOTAL
INCOME				
Assessment Fee	\$7,771,340	\$9,092,384	\$4,401,946	\$21,265,670
Interest Income	\$8,035	\$7,701	\$0	\$15,736
TOTAL INCOME	\$7,779,375	\$9,100,085	\$4,401,946	\$21,281,406
EXPENSES				
SFTA Marketing & Operations	\$7,152,513	\$0	\$0	\$7,152,513
Moscone Convention Center Development and Expansion	\$0	\$0	\$0	\$0
Moscone Convention Center Capital Fund	\$0	\$42,635	\$0	\$42,635
Moscone Convention Center Incentive Fund	\$0	\$892,692	\$0	\$892,692
Convention Sales/Marketing Fund	\$0	\$86,092	\$0	\$86,092
Debt Service and Stabilization Fund	\$0	\$7,754,502	\$0	\$7,754,502
Ambassador Program	\$0	\$0	\$3,979,730	\$3,979,730
SFTIDMC Administration and Operating Expenses	\$362,823	\$564,108	\$422,216	\$1,349,147
TOTAL EXPENSES	\$7,515,336	\$9,340,029	\$4,401,946	\$21,257,311
NET INCOME	\$264,039	(\$239,944)	\$0	\$24,095



JULY 2021-JUNE 2022 BALANCE SHEET	TID	MED	AMB	TOTAL
ASSETS				
Cash	\$1,147,339	\$1,981,853	\$1,736,839	\$4,866,031
Accounts Receivable, Net	\$0	\$0	\$1,320,000	\$1,320,000
Security Deposit	\$0	\$0	\$6,188	\$6,188
TOTAL ASSETS	\$1,147,339	\$1,981,853	\$3,063,027	\$6,192,219
LIABILITIES				
Accounts Payable – San Francisco Travel	\$19,081	\$6,786	\$0	\$25,867
Accounts Payable – Ambassador Program	\$0	\$0	\$1,154,080	\$1,154,080
Accounts Payable - MED	\$0	\$1,859,243	\$0	\$1,859,243
Line of Credit	\$0	\$3,500,000	\$0	\$3,500,000
Accrued Liabilities	\$0	\$8,021	\$3,893	\$11,914
Deferred Revenue	\$0	\$0	\$1,905,054	\$1,905,054
Business Loan Payable	\$0	\$500,000	\$0	\$500,000
TOTAL LIABILITIES	\$19,081	\$5,874,050	\$3,063,027	\$8,956,158
TOTAL NET ASSETS (CARRYOVER)	\$1,128,258	(\$3,892,197)	\$0	(\$2,763,939)
TOTAL LIABILITIES & NET ASSETS	\$1,147,339	\$1,981,853	\$3,063,027	\$6,192,219

JULY 2022- JUNE 2023 BUDGET	TID	MED	AMB	TOTAL
INCOME				
Assessment Fee	\$17,600,700	\$20,416,700	\$5,000,000	\$43,017,400
Interest Income	\$0	\$0	\$0	\$0
TOTAL INCOME	\$17,600,700	\$20,416,700	\$5,000,000	\$43,017,400
EXPENSES				
SFTA Marketing & Operations	\$17,150,700	\$201,900	\$0	\$17,352,600
Moscone Convention Center Capital Fund	\$0	\$1,211,200	\$0	\$1,211,200
Moscone Convention Center Incentive Fund	\$0	\$273,800	\$0	\$273,800
Convention Sales & Marketing Fund	\$0	\$1,614,900	\$0	\$1,614,900
Debt Service and Stabilization Fund	\$0	\$16,654,000	\$0	\$16,654,000
Ambassador Program	\$0	\$0	\$4,503,460	\$4,503,460
SFTIDMC Administration	\$450,000	\$460,900	\$496,540	\$1,407,440
TOTAL EXPENSES	\$17,600,700	\$20,416,700	\$5,000,000	\$43,017,400
NET INCOME	\$0	\$0	\$0	\$0



PROJECTED CARRYOVER DISBURSEMENT	TID	MED	TOTAL	TO BE USED IN FY 2022- 2023	TO BE USED IN FUTURE YEARS
SFTA Marketing & Operations	\$409,024	\$3,555	\$412,579	\$412,579	\$0
Moscone Convention Center Development and Expansion	\$0	\$12,649	\$12,649	\$12,649	\$0
Moscone Convention Center Capital Fund	\$186,118	\$351,206	\$537,324	\$0	\$537,324
Moscone Convention Center Incentive Fund	\$14,973	\$1,114,020	\$1,128,993	\$81,250	\$1,047,743
Contingency/Reserve	\$537,224	\$500,422	\$1,037,646	\$527,713	\$509,933
TOTAL CARRYOVER DISBURSEMENT	\$1,147,339	\$1,981,853	\$3,129,192	\$1,034,191	\$2,095,001



SFTIDMC Board of Directors | FY 2021-2022

BOARD CHAIR

Stefan Mühle, Noble Hotels

BOARD VICE-CHAIR

Ingrid Summerfield, Ingrid Summerfield Hospitality

SECRETARY/TREASURER

Matt Humphreys, Hyatt Regency

Board Members

Jon Kimball, Marriott Hotels

Brittney Beck, Beck's Motor Lodge

Janet Griggs, Taste Catering

Clif Clark, Palace Hotel

John Anderson, JW Marriott

Cathy Maupin, Yerba Buena Community Benefit District

Ken Bukowski, City & County of San Francisco

Taylor Safford, Pier 39

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**

Financial Statements

June 30, 2022

INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report	1
Statement of Financial Position	4
Statement of Activities	5
Statement of Functional Expenses	6
Statement of Cash Flows	7
Notes to Financial Statements	8



INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the 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, 2022, and the related statements of activities, functional expenses and cash flows for the year then ended, and the related notes to the financial statements.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of SFTIDMC as of June 30, 2022, 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.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of SFTIDMC and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Substantial Doubt About SFTIDMC's Ability to Continue as a Going Concern

The accompanying financial statements have been prepared assuming that SFTIDMC will continue as a going concern. As discussed in Note 2 to the financial statements, SFTIDMC has negative working capital and net deficit as of June 30, 2022 and has stated that substantial doubt exists about SFTIDMC's ability to continue as a going concern. Management's evaluation of the events and conditions and management's plans regarding these matters are also described in Note 2. 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.

Responsibilities of Management for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America, and for 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.

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about SFTIDMC's ability to continue as a going concern within one year after the date that the financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about SFTIDMC's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings and certain internal control-related matters that we identified during the audit.



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, 2021, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 27, 2021. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2021 is consistent, in all material respects, with the audited financial statements from which it has been derived.

BAKER TILLY US, LLP

Baker Tilly US, LLP

San Francisco, California

October 26, 2022

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
STATEMENT OF FINANCIAL POSITION
June 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION AS OF JUNE 30, 2021)

ASSETS

	TID FUND	MED FUND	AMB	Totals	
				2022	2021
CURRENT ASSETS					
Cash and cash equivalents	\$ 1,147,339	\$ 1,981,853	\$ 1,736,839	\$ 4,866,031	\$ 3,453,469
Grants receivable	-	-	1,320,000	1,320,000	-
Security deposit	-	-	6,188	6,188	-
Total assets	<u>\$ 1,147,339</u>	<u>\$ 1,981,853</u>	<u>\$ 3,063,027</u>	<u>\$ 6,192,219</u>	<u>\$ 3,453,469</u>

LIABILITIES AND NET ASSETS (DEFICIT)

CURRENT LIABILITIES					
Accounts payable	\$ 19,081	\$ 1,866,029	\$ 1,154,080	\$ 3,039,190	\$ 1,207,232
Notes payable	-	3,500,000	-	3,500,000	5,000,000
Deferred revenue	-	-	1,905,054	1,905,054	-
Accrued liabilities	-	8,021	3,893	11,914	34,271
Total current liabilities	<u>19,081</u>	<u>5,374,050</u>	<u>3,063,027</u>	<u>8,456,158</u>	<u>6,241,503</u>
LONG-TERM DEBT	<u>-</u>	<u>500,000</u>	<u>-</u>	<u>500,000</u>	<u>-</u>
Total liabilities	<u>19,081</u>	<u>5,874,050</u>	<u>3,063,027</u>	<u>8,956,158</u>	<u>6,241,503</u>
NET ASSETS (DEFICIT)					
Without donor restrictions					
Designated	1,128,258	1,962,418	-	3,090,676	2,404,478
Undesignated	-	(5,854,615)	-	(5,854,615)	(5,192,512)
Total net assets (deficit)	<u>1,128,258</u>	<u>(3,892,197)</u>	<u>-</u>	<u>(2,763,939)</u>	<u>(2,788,034)</u>
Total liabilities and net assets (deficit)	<u>\$ 1,147,339</u>	<u>\$ 1,981,853</u>	<u>\$ 3,063,027</u>	<u>\$ 6,192,219</u>	<u>\$ 3,453,469</u>

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	Without Donor Restriction			Totals	
	TID FUND	MED FUND	AMB	2022	2021
SUPPORT AND REVENUES					
Assessments (Note 5)	\$ 7,771,340	\$ 9,092,384	\$ -	\$ 16,863,724	\$ 4,605,667
Government grants	-	-	4,401,946	4,401,946	-
Interest and dividends	8,035	7,701	-	15,736	474
Total support and revenues	<u>7,779,375</u>	<u>9,100,085</u>	<u>4,401,946</u>	<u>21,281,406</u>	<u>4,606,141</u>
EXPENSES					
Program services -					
Moscone Center	-	8,689,829	-	8,689,829	1,917,882
Marketing and promotion	7,152,513	86,092	-	7,238,605	2,659,100
Downtown ambassador services	-	-	3,979,730	3,979,730	-
Total program services	<u>7,152,513</u>	<u>8,775,921</u>	<u>3,979,730</u>	<u>19,908,164</u>	<u>4,576,982</u>
Management and general	<u>362,823</u>	<u>564,108</u>	<u>422,216</u>	<u>1,349,147</u>	<u>1,073,788</u>
Total expenses	<u>7,515,336</u>	<u>9,340,029</u>	<u>4,401,946</u>	<u>21,257,311</u>	<u>5,650,770</u>
CHANGE IN NET ASSETS (DEFICIT)	264,039	(239,944)	-	24,095	(1,044,629)
NET ASSETS (DEFICIT) - BEGINNING OF YEAR	<u>864,219</u>	<u>(3,652,253)</u>	<u>-</u>	<u>(2,788,034)</u>	<u>(1,743,405)</u>
NET ASSETS (DEFICIT) - END OF YEAR	<u>\$ 1,128,258</u>	<u>\$ (3,892,197)</u>	<u>\$ -</u>	<u>\$ (2,763,939)</u>	<u>\$ (2,788,034)</u>

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
STATEMENT OF FUNCTIONAL EXPENSES
For the Year Ended June 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	TID FUND		MED FUND		AMB		Totals	
	Program Services	Management and General	Program Services	Management and General	Program Services	Management and General	2022	2021
Moscone Center -								
Debt service and stabilization fund	\$ -	\$ -	\$ 7,754,502	\$ -	\$ -	\$ -	\$ 7,754,502	\$ 1,917,882
Sales incentive	-	-	892,692	-	-	-	892,692	-
Capital projects	-	-	42,635	-	-	-	42,635	-
Marketing and promotion	7,152,513	-	86,092	-	-	-	7,238,605	2,659,100
Contractual services -								
San Francisco Travel Association fees	-	140,136	-	140,136	-	237,365	517,637	266,926
Treasurer fees	-	124,575	-	127,642	-	-	252,217	430,275
Professional fees	-	67,076	-	34,962	3,841,420	181,776	4,125,234	103,961
Interest expense	-	-	-	231,670	-	-	231,670	266,146
Insurance and taxes	-	29,197	-	29,098	-	-	58,295	5,076
Salaries and wages	-	-	-	-	138,310	-	138,310	-
Office expenses	-	1,839	-	600	-	3,075	5,514	1,404
	<u>\$ 7,152,513</u>	<u>\$ 362,823</u>	<u>\$ 8,775,921</u>	<u>\$ 564,108</u>	<u>\$ 3,979,730</u>	<u>\$ 422,216</u>	<u>\$ 21,257,311</u>	<u>\$ 5,650,770</u>

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
STATEMENT OF CASH FLOWS
For the Year Ended June 30, 2022
(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2021)

	TID FUND	MED FUND	AMB	Totals	
				2022	2021
CASH FLOWS FROM OPERATING ACTIVITIES					
Change in net assets (deficit)	\$ 264,039	\$ (239,944)	\$ -	\$ 24,095	\$ (1,044,629)
Adjustments to reconcile change in net assets (deficit) to net cash provided by (used in) operating activities:					
Grants receivable	-	-	(1,320,000)	(1,320,000)	-
Security deposit	-	-	(6,188)	(6,188)	-
Accounts payable	15,514	662,364	1,154,080	1,831,958	(1,479,156)
Accrued liabilities	-	(26,250)	3,893	(22,357)	382
Deferred revenue	-	-	1,905,054	1,905,054	-
Total adjustments	15,514	636,114	1,736,839	2,388,467	(1,478,774)
Net cash provided by (used in) operating activities	279,553	396,170	1,736,839	2,412,562	(2,523,403)
CASH FLOWS FROM FINANCING ACTIVITIES					
Proceeds from long-term debt	-	500,000	-	500,000	-
Payment of notes payable	-	(1,500,000)	-	(1,500,000)	-
Net cash used in financing activities	-	(1,000,000)	-	(1,000,000)	-
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	279,553	(603,830)	1,736,839	1,412,562	(2,523,403)
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	867,786	2,585,683	-	3,453,469	5,976,872
CASH AND CASH EQUIVALENTS - END OF YEAR	\$ 1,147,339	\$ 1,981,853	\$ 1,736,839	\$ 4,866,031	\$ 3,453,469
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION					
Cash paid during the year for interest	\$ -	\$ 231,670	\$ -	\$ 231,670	\$ 266,146

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

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 5.

2. GOING CONCERN

The outbreak of COVID-19 pandemic in March 2020 has impacted the hotel industry and resulting assessments revenue of SFTIDMC. As of June 30, 2022, SFTIDMC has net deficit of \$2,763,939. As of June 30, 2022, SFTIDMC has a note payable of \$3,500,000 due on December 31, 2022, which resulted in negative working capital of \$2,263,939. Uncertainty also remains as to when the hotels within the Business Improvement District will open at full capacity. These factors raise substantial doubt about SFTIDMC's ability to continue as a going concern.

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. SFTIDMC is currently in the process of extending the maturity date of the note payable. 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.

3. 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), Moscone Expansion District Fund (MED Fund) and Ambassador Program (AMB).

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Basis of Presentation (continued)

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 5.

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 without donor restrictions at June 30, 2022.

Cash and Cash Equivalents

Cash consists of funds 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.

Grants receivable and Allowanced for Doubtful Accounts

Grants receivable are recognized when unconditional promise to give is made by a donor. It also includes amounts due from the government on cost reimbursement or performance grants. Accordingly, an unconditional promise to give that extends beyond one year is discounted to reflect its net present value using risk-free interest rates applicable to the years in which the promises are received. The allowance for doubtful accounts reflects management's best estimate of the accounts that will not be collected based on historical experience and an evaluation of the outstanding receivable at the end of the year. At June 30, 2022, SFTIDMC determined that the accounts were fully collectible.

Revenue Recognition

Assessments

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 5). 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 in accordance with Topic 958, *Clarifying the Scope and the Accounting Guidance for Contributions Received and Contributions Made*.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Revenue Recognition (continued)

Government Grants

SFTIDMC receives grants from the local government. Government grants are recognized when the qualifying costs are incurred or when a unit of service is provided. The arrangements are non-reciprocal, meaning the granting agency has not received a direct benefit in exchange for the resources provided. Government grants are subject to review by grantor agencies. The review could result in disallowance of expenditures under the terms of the grant or reductions of future grant funds. SFTIDMC's management believes that costs ultimately disallowed, if any, would not materially affect its financial position.

Other

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, 2022

3. 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 Information

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, 2021, from which the summarized information was derived.

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, 2022 available for general expenditures within the following 12 months:

	<u>TID FUND</u>	<u>MED FUND</u>	<u>AMB</u>	<u>Totals</u>
Financial assets at year-end:				
Cash and cash equivalents	\$ 1,147,339	\$ 1,981,853	\$ 1,736,839	\$ 4,866,031
Total financial assets	<u>1,147,339</u>	<u>1,981,853</u>	<u>1,736,839</u>	<u>4,866,031</u>
Less - amounts designated for the following purpose in accordance with the Management Plans:				
Moscone Center Incentive Fund	14,973	1,107,770	-	1,122,743
Contingency/Reserve	518,678	503,442	-	1,022,120
Moscone Center Capital Fund	186,118	351,206	-	537,324
SF Travel Association Marketing & Operations	408,489	-	-	408,489
	<u>1,128,258</u>	<u>1,962,418</u>	<u>-</u>	<u>3,090,676</u>
Financial assets available for general expenditures as of June 30, 2022	<u>\$ 19,081</u>	<u>\$ 19,435</u>	<u>\$ 1,736,839</u>	<u>\$ 1,775,355</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, 2022

5. 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:

<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 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:

<u>Periods</u>	<u>Zone 1</u>	<u>Zone 2</u>
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, 2022

5. 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, 2022

5. 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, 2022, the City Treasurer and Tax Collector's Office (TTX) withheld 86.5% of MED assessments amounting to \$7,754,502 from the TTX's cash collections from July 2021 through June 2022.

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, 2022.

6. NOTES PAYABLE

The notes payable consists of the following as of June 30, 2022:

Original line of credit of \$5,000,000 with a bank, due April 15, 2020, bears interest at prime rate less 0.25%, but not less than 5.25% per annum. On May 26, 2020, the loan was converted into a term loan with maturity date of May 15, 2021. On October 29, 2021, the maturity of the loan was extended to December 31, 2022.

\$ 3,500,000

Term loan of \$500,000 with the U.S. Small Business Administration (SBA), bears interest of 2.75% per annum, payable 30 years from the date of the promissory note which is December 3, 2021, with monthly installment payments, including principal and interest, of \$2,189 beginning 18 months from the date of promissory note.

500,000

4,000,000

Less - current maturities

(3,500,000)

\$ 500,000

SFTIDMC is in the process of finalizing the modification agreement with the bank to extend the maturity of the bank loan to December 31, 2023.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

6. NOTES PAYABLE (continued)

The annual maturities of notes payable were as follows:

<u>Years Ending June 30</u>	
2023	\$ 3,500,000
2024	-
2025	11,713
2026	12,840
2027	13,193
Thereafter	462,254
	<u>\$ 4,000,000</u>

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 \$7,238,605 and \$517,637, respectively, during the year ended June 30, 2022. There is no payable to the Association for these services as of June 30, 2022.

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 \$25,872 payable to the Association for these advances as of June 30, 2022.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

NOTES TO FINANCIAL STATEMENTS

June 30, 2022

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 of TID and MED.

The amount of fees charged by the Treasurer for both TID and MED was \$252,217 during the year ended June 30, 2022. These fees are recorded under Contractual Services – Treasurer fees in the statement of functional expenses.

9. RISKS AND UNCERTAINTIES

COVID-19 Pandemic

With respect to the ongoing and evolving coronavirus (COVID-19) outbreak, which was designated as a pandemic by the World Health Organization on March 11, 2020, the outbreak has caused a substantial disruption in international and U.S. economies and market. SFTIDMC's results of operations could be adversely affected to the extent that coronavirus or any other epidemic harms the global economy. The ultimate impact on SFTIDMC cannot be determined as of the date of this report and, as such, no adjustments related to this matter were made to the financial statements. Management will continue to monitor the development and the effect of COVID-19 on SFTIDMC's results of operations and financial condition and adjust plans as necessary.

Credit Risk

Financial instruments that potentially subject SFTIDMC to concentrations of credit risk consist principally of cash and cash equivalents. Risks associated with cash and cash equivalents are mitigated by banking with creditworthy institutions. Such balances with any one institution may, at times, be in excess of federally insured amounts (currently \$250,000 per depositor).

Certain cash equivalents are insured up to \$500,000 by the Securities Investor Protection Corporation (SIPC). Such balances with any one institution may, at times, be in excess of the insured amounts. SFTIDMC has not experienced any losses in such accounts and believes it is not exposed to any significant credit risk.

Concentrations

During the year ended June 30, 2022, all of SFTIDMC's government grants came from one grantor. The grant receivable as of June 30, 2022 amounted to \$1,320,000.

SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION
NOTES TO FINANCIAL STATEMENTS
June 30, 2022

10. 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.

11. SUBSEQUENT EVENTS

SFTIDMC has evaluated subsequent events through October 26, 2022, the date which the financial statements were available to be issued.

On September 13, 2022, the Board of Supervisors approved the renewal and expansion of San Francisco Tourism Improvement District for the next 15 years, expiring on December 31, 2038.

MEMORANDUM

TO: President Aaron Peskin, President of the Board of Supervisors and District 3 Supervisor

CC: San Francisco Board of Supervisors

FROM: Chris Corgas; Deputy Director, Community Economic Development, OEWD
Mimi Hiraki; Project Specialist, OEWD

DATE: 5/11/2023

SUBJECT: Tourism Improvement District and Moscone Expansion Districts; FY 2021-2022 Annual Report

This is a memo summarizing the performance of the Tourism Improvement District (TID) and an analysis of their financial statements (based on their audit) for the period between July 1, 2021 and June 30, 2022.

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. Annual Reports



- a. FY 2021-2022
2. CPA Independent Auditors' Report
 - a. FY 2021-2022
3. Office of the Controller, City Services Auditor Division, TID and MED review files
4. Draft resolution from the Office of Economic and Workforce Development

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).
- November 16, 2021: the Board of Supervisors the annual reports for the Tourism Improvement District and Moscone Expansion District for FY 2019-2020 (Resolution #529-21).
- September 13, 2022: the Board of Supervisors approved the resolution to establish (renew and expand) the Tourism Improvement District to cover hotel and short-term residential rental businesses identified in the District's Management Plan and Engineer's Report. (Resolution # 381-22).
- November 29, 2022: the Board of Supervisors approved annual reports for the Tourism Improvement District and Moscone Expansion District for FY2020-2021 (Resolution # 518-22).



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 (SFTIDMC)

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, 2045)
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 MED website is <http://www.sftid.com/moscone.html>.

Summary of Program Areas

Tourism Improvement District

Marketing and Promotions

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

Administration and Personnel Services

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

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

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

Moscone Expansion District

Expansion/Development Activities



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

Incentive Fund

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

Administration of MED and Operating Contingency Reserves

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

Summary of Accomplishments, Challenges, and Delivery of Services

January 1, 2021 to December 31, 2021*

*TIDMC operates on a fiscal year for financial systems, but a calendar year for data reporting.

TID

Sales and Marketing Program

- 641,713 room nights booked
- Over 850 meetings held in San Francisco
- Attended over 20 virtual events and 12 in person events
- 17.0 million visitors to San Francisco in 2020
- 3,335,838 million international travelers in 2021
- Sfravel.com had 3.1 million unique visitors worth \$106,886,871 in economic impact
- 698k Facebook followers, 201k Twitter followers, 295k Instagram followers, and 3,600 Tik Tok followers translating to 1.2 billion impressions and \$96+ million value

MED

- Utilized over \$450,000 to provide convention customers with rental incentives to attract conventions in San Francisco
- Received \$4.6MM from City of San Francisco in incentive discounts to attract new businesses to Moscone Center

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 2021-2022

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

ANALYSIS: TID met this requirement. See table below.

Expenditure Category	Management Plan Budget	% of Budget	FY 2021-22 Budget	% of FY 2021-22 Budget	Variance
Marketing and Promotions	\$66,628,126.00	69.4%	\$14,910,000.00	97.3%	+27.9%
Administration and Personnel	\$21,401,000.00	22.2%	\$413,000.00	2.7%	-19.5%
Contingency/Reserves/ Administration and City Administration Costs of the TID	\$8,025,375.00	8.3%	\$0.000	0.0%	-8.3%
TOTAL	\$96,304,501.00	100.0%	\$15,323,000.00	100.0%	

ANALYSIS: MED met this requirement. See table below.

Expenditure Category	Management Plan Budget	% of Management Plan Budget	FY 2021-22 Budget	% of FY 2020-2021 Budget	Variance
Expansion/Development Activities		86.5%	\$0.00	0.0%	-86.5%
Capital Reserve for Future Renovation and Improvements		1.0%	\$183,100.00	1.0%	0.0%
Incentive Fund		9.0%	\$1,648,300.00	8.9%	-0.1%
Sales and Marketing Fund		1.0%	\$273,800.00	1.5%	+0.5%
Debt Service and Stabilization Fund		0.0%	\$15,842,300.00	85.4%	+85.4%
SFTA Marketing & Operations		0.0%	\$183,100.00	1.0%	+1.0%
Administration of the MED and Operating Contingency Reserves		2.5%	\$410,200.00	2.2%	-0.3%
TOTAL		100.0%			



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 2021-22 Budget	% of Total Budget	FY 2021-22 Actual	% of Actual	Variance
Marketing and Promotions	\$14,910,000.00	97.3%	\$7,152,513.00	95.2%	-2.1%
Convention Sales/Marketing Fund	\$0.00	0.0%	\$0.00	0.0%	0.0%
Administration and Personnel	\$413,000.00	2.7%	\$362,823.00	4.8%	+2.1%
Contingency/Reserves/ Administration and City Administration Costs of the TID	\$0.00	0.0%	\$0.00	0.0%	0.0%
TOTAL	\$15,323,000.00	100%	\$7,515,336.00	100%	

ANALYSIS: MED met this requirement. See table below.

Service Category	FY 2021-22 Budget	% of FY2020-21 Budget	FY 2021-22 Actual	% of FY 2021-22 Actual	Variance
Expansion/Development Activities	\$0.00	0.0%	\$0.00	0.0%	0.0%
Capital Reserve for Future Renovation and Improvements	\$183,100.00	1.0%	\$42,635.00	0.5%	-0.5%
Incentive Fund	\$1,648,300.00	8.9%	\$892,692.00	9.6%	+0.7%
Sales and Marketing Fund	\$273,800.00	1.5%	\$86,092.00	0.9%	-0.6%
Debt Service and Stabilization Fund	\$15,842,300.00	85.4%	\$7,754,502.00	83.0%	-2.4%
SFTA Marketing and Operations	\$183,100.00	1.0%	\$0.00	0.0%	-1.0%
Administration of the MED and Operating Contingency Reserves	\$410,200.00	2.2%	\$564,108.00	6.0%	+3.8%
TOTAL	\$18,540,800.00	100%	\$9,340,029.00	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. See table below.

Carryover From FY 2021-22	Projected Carryover - Annual Report
SFTA Marketing & Operations	\$409,024.00
Capital Fund	\$186,118.00
Incentive Fund	\$14,973.00
Convention Sales & Marketing Fund	\$0.00
Contingency/Reserve	\$537,224.00
TOTAL	\$1,147,339.00

ANALYSIS: MED met this requirement. See table below.

Carryover From FY 2021-22	Projected Carryover - Annual Report
Marketing & Operations	\$3,555.00
Development and Expansion	\$12,649.00
Capital Fund	\$351,206.00
Incentive Fund	\$1,114,020.00
Contingency/Reserve	\$500,422.00
TOTAL	\$1,981,852.00

Findings and Recommendations

The Tourism Improvement District and Moscone Expansion District met their reporting requirements, mentioned on pages 4 to 5 of this 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 are unique compared to the rest of the CBD/BID portfolio in that they are sector-based business-based improvement districts. Both the Tourism Improvement District and Moscone Expansion District were greatly impacted as the result of the Covid-19 pandemic’s impact on San Francisco’s tourism industry. This impact can clearly be seen with both districts’ respective actuals for the reporting period.

Both the Tourism Improvement District and Moscone Expansion District present their financial data in a way that is inconsistent with the service categories articulated in their respective management district plans. This is likely due to designed general nature of the management district plans compared to the highly



specified description of budget categories and expenditures in the annual reports and financial statements for both districts. OEWD recommends grouping the highly specified categories under the correct management district plan service categories in the future. This would allow documents to be more easily consumable and relatable to the general public.

OEWD did not receive any complaints regarding violations of either the Brown Act or California Public Records Act.

In addition to overseeing core services, the Tourism Improvement District spent FY 21-22 focused on completing a successful renewal and expansion of the district. This process concluded, successfully, early in FY 22-23.

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.

