

File No. 220828

Committee Item No. 4

Board Item No. \_\_\_\_\_

## COMMITTEE/BOARD OF SUPERVISORS

### AGENDA PACKET CONTENTS LIST

Committee: Government Audit and Oversight

Date: November 17, 2022

Board of Supervisors Meeting:

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
- MOU
- Grant Information Form
- Grant Budget
- Subcontract Budget
- Contract/Agreement
- Form 126 – Ethics Commission
- Award Letter
- Application
- Public Correspondence

#### OTHER

- TID Fin Analysis 063021
- MED Fin Analysis 063021
- TID Annual Report 20-21
- TID Fin Statements 063021
- OEWD Memo 070622
- \_\_\_\_\_
- \_\_\_\_\_

Prepared by: Stephanie Cabrera

Date: November 10, 2022

Prepared by: \_\_\_\_\_

Date: \_\_\_\_\_

Prepared by: \_\_\_\_\_

Date: \_\_\_\_\_

1 [Tourism Improvement District and Moscone Expansion District - Annual Report - FY2020-  
2021]

2  
3 **Resolution receiving and approving the annual report for the Tourism Improvement**  
4 **District and Moscone Expansion District for Fiscal Year (FY) 2020-2021, 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

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

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

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

13           WHEREAS, On December 10, 2013, the Board of Supervisors adopted Resolution  
14 427-13 amending the Moscone Expansion District’s Management District Plan to require  
15 monthly, instead of quarterly, assessment collection and distribution by the Office of the  
16 Treasurer and Tax Collector; and

17           WHEREAS, On November 16, 2021, the Board of Supervisors approved the Tourism  
18 Improvement District’s and Moscone Expansion District’s annual report for FY2019-2020 in  
19 Resolution No. 529-21; and

20           WHEREAS, The Tourism Improvement District and Moscone Expansion District have  
21 submitted for the Board’s receipt and approval the Tourism Improvement District and  
22 Moscone Expansion District annual reports for FY2020-2021 as required by Section 36650 of  
23 the Act and Section 3.4 of the Management Contract; and

24           WHEREAS, The Annual Report is on file with the Clerk of the Board of Supervisors in  
25 File No. 220828, and are incorporated herein by reference as though fully set forth; and

1           WHEREAS, Supporting documents, including, but not limited to, a transmittal letter and  
2 memorandum report from the City's Office of Economic and Workforce Development, dated  
3 July 6, 2022, and documentation from the Tourism Improvement District and Moscone  
4 Expansion District for the Annual Report on file with the Clerk of the Board of Supervisors in  
5 File No. 220828; now, therefore, be it

6           RESOLVED, That the Board of Supervisors hereby receives and approves the annual  
7 report for the Tourism Improvement District and Moscone Expansion District for FY 2020-  
8 2021.

9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25

**TOURISM IMPROVEMENT DISTRICT**  
**Financial Analysis for Fiscal Year Ended 6/30/2021**

**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 6/30/2021**

<b>Expenditure Category<sup>a</sup></b>	<b>Management Plan Budget<sup>b</sup></b>	<b>% of Total Budget</b>	<b>FY 2020-21 Budget<sup>c</sup></b>	<b>% of Total Budget</b>	<b>Variance Between Plan and Annual Budget</b>
Marketing and Promotions	\$ 58,154,892	69.4%	\$ 8,744,000	95.4%	26.0%
Administration and Personnel	18,609,586	22.2%	422,000	4.6%	-17.6%
Contingency/Reserves/Administration and City Administration Costs of the TID	6,978,587	8.3%	-	0.0%	-8.3%
<b>TOTAL</b>	<b>\$ 83,743,065</b>	<b>100.0%</b>	<b>\$ 9,166,000</b>	<b>100.0%</b>	

Notes:

<sup>a</sup> 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.

<sup>b</sup> Per Appendix 3 of the Management Plan (Year 12)

<sup>c</sup> Per Annual Report - 2019-20

**TOURISM IMPROVEMENT DISTRICT**  
**Financial Analysis for Fiscal Year Ended 6/30/2021**

**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**

<b>Service Category</b>	<b>FY 2020-21 Budget<sup>a</sup></b>	<b>% of Total Budget</b>	<b>FY 2020-21 Actual<sup>b</sup></b>	<b>% of Total Actual Expenses</b>	<b>Variance Between Budget and Actual</b>
Marketing and Promotions	\$ 8,744,000	95.4%	\$ 2,638,500	86.4%	-9.0%
Convention Sales/Marketing Fund	\$ -	0.0%	\$ -	0.0%	0.0%
Administration and Personnel	422,000	4.6%	416,545	13.6%	9.0%
Contingency/Reserves/Administration and City Administration Costs of the	-	0.0%	-	0.0%	0.0%
<b>TOTAL</b>	<b>\$ 9,166,000</b>	<b>100.0%</b>	<b>\$ 3,055,045</b>	<b>100.0%</b>	

Notes:

<sup>a</sup> Per Annual Report - 2019-20

<sup>b</sup> Per Annual Report - 2020-21

**TOURISM IMPROVEMENT DISTRICT**  
**Financial Analysis for Fiscal Year Ended 6/30/2021**

**PURPOSE: To determine whether CBD carryover funds are identified in the annual report**

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

<b>Carryover in Annual Report<sup>a</sup></b>	<b>Carryover in Financial Statements<sup>b</sup></b>	<b>Difference</b>
\$867,786	\$867,786	\$0

Notes:

<sup>a</sup> Per Annual Report FY 2020-21

<sup>b</sup> Per Combined Financial Statements as of and for the Year Ended 6/30/21

**TOURISM IMPROVEMENT DISTRICT**  
**Financial Analysis for Fiscal Year Ended 6/30/2021**

**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 2020-21	Projected Carryover - Annual Report*
SFTA Marketing & Operations	\$ 106,834
Capital Fund	186,003
Incentive Fund	14,962
Convention Sales & Marketing Fund	-
Contingency/Reserve	559,987
<b>TOTAL</b>	<b>\$ 867,786</b>

Note:

\* Per FY 2020-21 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 6/30/2019, 6/30/2020, and 6/30/2021

	FY 2018-19	FY 2019-20	FY 2020-21
<b>PROGRAM SERVICES</b>			
<b>Marketing and Promotion</b>	<b>28,075,000</b>	<b>21,535,500</b>	<b>2,638,500</b>
<b>Moscone Center</b>			
Expansion	2,335,512	17,264	-
Sales incentive	-	-	-
Repairs and improvements	-	-	-
	<b>2,335,512</b>	<b>17,264</b>	<b>-</b>
Subtotal: Program Services	<b>\$ 30,410,512</b>	<b>\$ 21,552,764</b>	<b>\$ 2,638,500</b>
<b>MANAGEMENT &amp; GENERAL</b>			
<b>Contractual Services</b>			
Treasurer fees	246,512	244,844	206,972
San Francisco Travel Association fees	136,500	127,107	133,463
Professional fees	16,106	120,917	72,279
	<b>399,118</b>	<b>492,868</b>	<b>412,714</b>
<b>Insurance and Taxes</b>	2,477	2,522	2,427
<b>Interest Expense</b>	-	-	-
<b>Office Expenses</b>	1,741	636	1,404
Subtotal: Management & General	<b>403,336</b>	<b>496,026</b>	<b>416,545</b>
<b>Total Functional Expenses</b>	<b>\$ 30,813,848</b>	<b>\$ 22,048,790</b>	<b>\$ 3,055,045</b>

**MOSCONE EXPANSION DISTRICT**  
**Financial Analysis for Fiscal Year Ended 6/30/2021**

**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 6/30/2021**

<b>Expenditure Category</b>	<b>% of Total Budget in Management Plan<sup>a</sup></b>	<b>FY 2020-21 Budget<sup>b</sup></b>	<b>% of Total Budget in Annual Budget</b>	<b>Variance Between Plan and Annual Budget</b>
Expansion/Development Activities	86.5%	\$ -	0.0%	-86.5%
Capital Reserve for Future Renovation and Improvements	1.0%	92,700	1.0%	0.0%
Incentive Fund	9.0%	834,400	8.8%	-0.2%
Sales and Marketing Fund	1.0%	92,700	1.0%	0.0%
Debt Service and Stabilization Fund <sup>d</sup>	0.0%	7,802,300	81.9%	81.9%
Administration of the MED and Operating Contingency Reserves <sup>c</sup>	2.5%	699,000	7.3%	4.8%
<b>TOTAL</b>	<b>100.0%</b>	<b>\$ 9,521,100</b>	<b>100.0%</b>	

Notes:

<sup>a</sup> Per Moscone Expansion District Management District Plan, amended as of January 1, 2014

<sup>b</sup> Per Annual Report - 2019-20

<sup>c</sup> 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.

<sup>d</sup> 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 6/30/2021**

**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**

<b>Service Category</b>	<b>FY 2020-21 Budget<sup>a</sup></b>	<b>% of Total Budget</b>	<b>FY 2020-21 Actual Expenses<sup>b</sup></b>	<b>% of Total Actual Expenses</b>	<b>Variance Between Budget and Actual</b>
Expansion/Development Activities	\$ -	0.0%	\$ -	0.0%	0.0%
Capital Reserve for Future Renovation and Improvements	92,700	1.0%	-	0.0%	-1.0%
Incentive Fund	834,400	8.8%	-	0.0%	-8.8%
Sales and Marketing Fund	92,700	1.0%	20,600	0.8%	-0.2%
Debt Service and Stabilization Fund	7,802,300	81.9%	1,917,882	73.9%	-8.1%
Administration of the MED and Operating Contingency Reserves	699,000	7.3%	657,243	25.3%	18.0%
<b>TOTAL</b>	<b>\$ 9,521,100</b>	<b>100.0%</b>	<b>\$ 2,595,725</b>	<b>100.0%</b>	

Notes:

<sup>a</sup> Per Annual Report - 2019-20

<sup>b</sup> Per Annual Report - 2020-21

**MOSCONE EXPANSION DISTRICT**  
**Financial Analysis for Fiscal Year Ended 6/30/2021**

**PURPOSE: To determine whether the CBD carryover funds are identified in the annual report**

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

<b>Carryover in Annual Report<sup>a</sup></b>	<b>Carryover in Financial Statements<sup>b</sup></b>	<b>Difference</b>
\$2,585,683	\$2,585,683	\$0

Notes:

<sup>a</sup> Per Annual Report FY 2020-21

<sup>b</sup> Per Combined Financial Statements as of and for the Year Ended 6/30/21

**MOSCONE EXPANSION DISTRICT**  
**Financial Analysis for Fiscal Year Ended 6/30/2021**

**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 2020-21	Projected Carryover - Annual Report*
Marketing & Operations	\$ 1,572
Development and Expansion	\$ 1,009,127
Capital Fund	261,536
Incentive Fund	582,179
Contingency/Reserve	731,269
<b>TOTAL</b>	<b>\$ 2,585,683</b>

Note:  
 \* Per FY 2020-21 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 6/30/2019, 6/30/2020 and 6/30/2021.

	<b>FY 2018-19</b>	<b>FY 2019-20</b>	<b>FY 2020-21</b>
<b>PROGRAM SERVICES</b>			
<b>Marketing and Promotion</b>	<b>319,000</b>	<b>215,083</b>	<b>20,600</b>
<b>Moscone Center</b>			
Expansion	24,068,077	1,191,638	-
Debt service and stabilization fund	27,626,631	14,891,570	1,917,882
Sales incentive	3,234,533	3,148,421	-
Capital projects	-	-	-
	<b>54,929,241</b>	<b>19,231,629</b>	<b>1,917,882</b>
Subtotal: Program Services	<b>\$ 55,248,241</b>	<b>\$ 19,446,712</b>	<b>\$ 1,938,482</b>
<b>MANAGEMENT &amp; GENERAL</b>			
<b>Contractual Services</b>			
Treasurer fees	254,700	222,678	223,303
San Francisco Travel Association fees	161,456	127,107	133,463
Professional fees	634	37,828	31,682
	<b>416,790</b>	<b>387,613</b>	<b>388,448</b>
<b>Insurance and Taxes</b>	2,340	2,212	2,649
<b>Interest Expense</b>	39,375	247,493	266,146
<b>Office Expenses</b>	258	3,511	-
Subtotal: Management & General	<b>458,763</b>	<b>640,829</b>	<b>657,243</b>
<b>Total Functional Expenses</b>	<b>\$ 55,707,004</b>	<b>\$ 20,087,541</b>	<b>\$ 2,595,725</b>



## Annual Report | 2020-2021

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, 2020 to December 31, 2020:

### Convention and Meeting Sales

- 485,000 room nights booked  
Over 355 meetings held in San Francisco
- Attended over 20 virtual events and 12 in person events

**485,000**

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 91% 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)

- 2,000 visitors to Moscone location in 2020
- 12 languages spoken by staff and volunteers
- MYSF has trained over 770 people in the visitor industry

### [www.sftravel.com](http://www.sftravel.com)

- 2.9 million unique visitors to the website
- \$82,687,507.89 million in economic impact

### Social Media

- Facebook @onlyinSF 610k followers
- Twitter @onlyinSF 201k followers
- Instagram @onlyinsf 285k followers

**11.8 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 16,427,801 million international travelers in 2020
- Represented in 14 international offices in 13 countries (2019)
- Attended International and Domestic virtual trade shows
- San Francisco hosted 900+ journalists (2019)
- Media Coverage (2019)
  - 8.7 billion impressions
  - \$394+ million value

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



## MOSCONE EXPANSION DISTRICT



- Project completed on time, on budget, as of December 31, 2018
- Hosted PCMA (Professional Convention Management Association) 2020. Over 4,800 attendees who focus on booking meetings in destination around the US, including San Francisco.
- Tremendously positive feedback from our meeting planners and attendees
- Over \$800,000 was utilized to provide convention customers with rental incentives to attract conventions to San Francisco

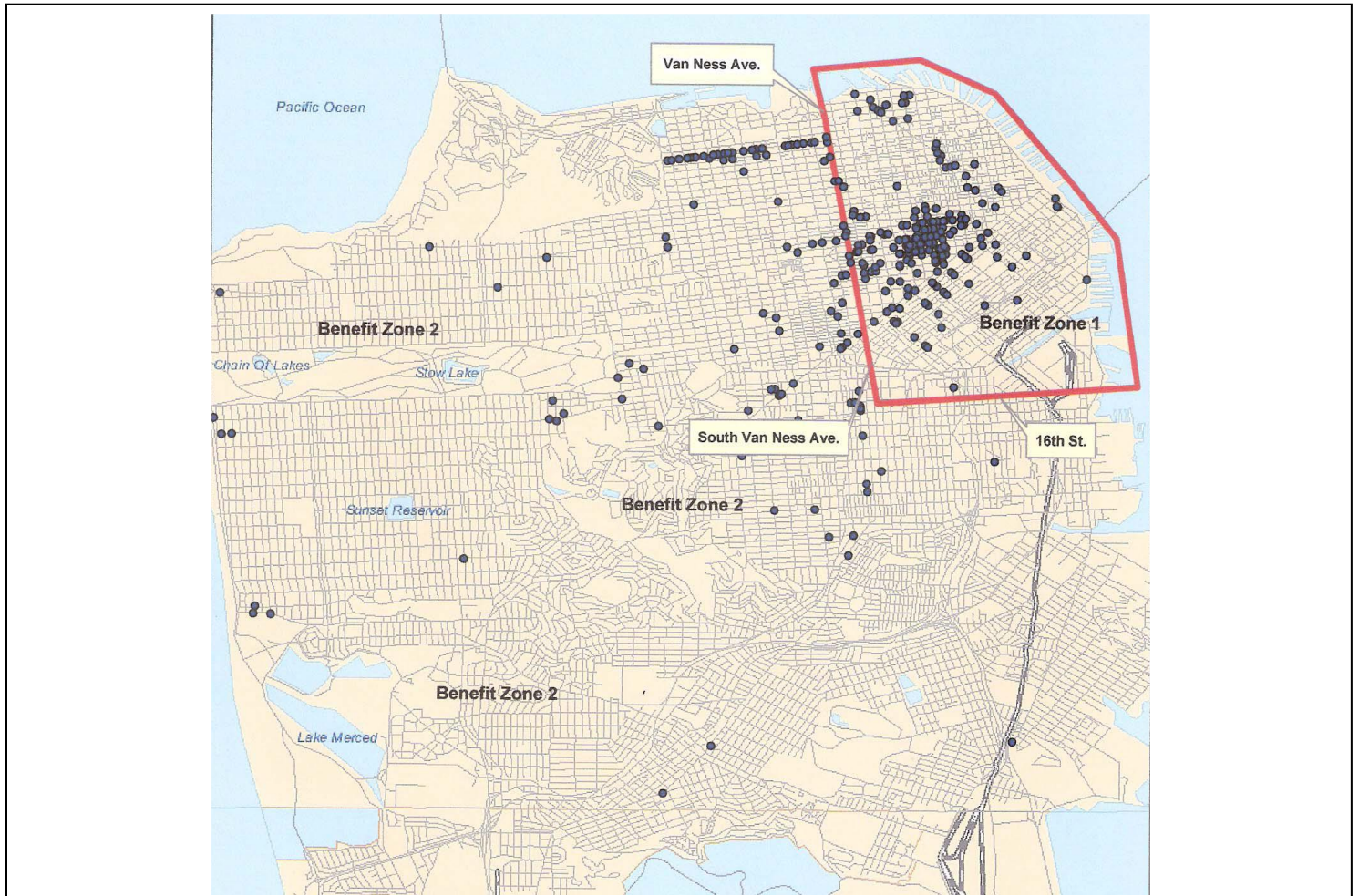


### TID and MED COLLECTION METHODOLOGY

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 16<sup>th</sup> 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 16<sup>th</sup> 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 16<sup>th</sup> Street.





**San Francisco Tourism Improvement District Management Corporation (SFTIDMC)  
BUDGET & BALANCE SHEET**

<b>JULY 2020-JUNE 2021 ACTUAL</b>	<b>TID</b>	<b>MED</b>	<b>TOTAL</b>
<b>INCOME</b>			
Assessment Fee	\$2,165,160	\$2,440,507	\$4,605,667
Interest Income	\$228	\$246	\$474
<b>TOTAL INCOME</b>	<b>\$2,165,388</b>	<b>\$2,440,753</b>	<b>\$4,606,141</b>
<b>EXPENSES</b>			
SFTA Marketing & Operations	\$2,638,500	\$0	\$2,638,500
Moscone Convention Center Development and Expansion	\$0	\$0	\$0
Moscone Convention Center Capital Fund	\$0	\$0	\$0
Moscone Convention Center Incentive Fund	\$0	\$0	\$0
Convention Sales/Marketing Fund	\$0	\$20,600	\$20,600
Debt Service and Stabilization Fund	\$0	\$1,917,882	\$1,917,882
SFTIDMC Administration and Operating Expenses	\$416,545	\$657,243	\$1,073,788
<b>TOTAL EXPENSES</b>	<b>\$3,055,045</b>	<b>\$2,595,725</b>	<b>\$5,650,770</b>
<b>NET INCOME</b>	<b>(\$889,657)</b>	<b>(\$154,972)</b>	<b>(\$1,044,629)</b>
<b>JULY 2020-JUNE 2021 BALANCE SHEET</b>			
<b>ASSETS</b>			
Cash	\$867,786	\$2,585,683	\$3,453,469
Accounts Receivable, Net	\$0	\$0	\$0
<b>TOTAL ASSETS</b>	<b>\$867,786</b>	<b>\$2,585,683</b>	<b>\$3,453,469</b>
<b>LIABILITIES</b>			
Accounts Payable	\$3,567	\$1,203,665	\$1,207,232
Line of Credit	\$0	\$5,000,000	\$5,000,000
Long-Term Liabilities - Construction Retention	\$0	\$34,271	\$34,271
<b>TOTAL LIABILITIES</b>	<b>\$3,567</b>	<b>\$6,237,936</b>	<b>\$6,241,503</b>
<b>TOTAL NET ASSETS (CARRYOVER)</b>	<b>\$864,219</b>	<b>(\$3,652,253)</b>	<b>(\$2,788,034)</b>
<b>TOTAL LIABILITIES &amp; NET ASSETS</b>	<b>\$867,786</b>	<b>\$2,585,683</b>	<b>\$3,453,469</b>



<b>JULY 2021- JUNE 2022 BUDGET</b>	<b>TID</b>	<b>MED</b>	<b>TOTAL</b>
<b>INCOME</b>			
Assessment Fee	\$15,323,000	\$18,540,800	\$33,863,800
Interest Income	\$0	\$0	\$0
<b>TOTAL INCOME</b>	<b>\$15,323,000</b>	<b>\$18,540,800</b>	<b>\$33,863,800</b>
<b>EXPENSES</b>			
SFTA Marketing & Operations	\$14,910,000	\$183,100	\$15,093,100
Moscone Convention Center Capital Fund	\$0	\$183,100	\$183,100
Moscone Convention Center Incentive Fund	\$0	\$1,648,300	\$1,648,300
Convention Sales & Marketing Fund	\$0	\$273,800	\$273,800
Debt Service and Stabilization Fund	\$0	\$15,842,300	\$15,842,300
SFTIDMC Administration	\$413,000	\$410,200	\$823,200
<b>TOTAL EXPENSES</b>	<b>\$15,323,000</b>	<b>\$18,540,800</b>	<b>\$33,863,800</b>
<b>NET INCOME</b>	<b>\$0</b>	<b>\$0</b>	<b>\$0</b>

<b>PROJECTED CARRYOVER DISBURSEMENT</b>	<b>TID</b>	<b>MED</b>	<b>TOTAL</b>	<b>TO BE USED IN FY 2021-2022</b>	<b>TO BE USED IN FUTURE YEARS</b>
SFTA Marketing & Operations	\$106,834	\$1,572	\$108,406	(\$108,406)	\$0
Moscone Convention Center Development and Expansion	\$0	\$1,009,127	\$1,009,127	(\$1,009,127)	\$0
Moscone Convention Center Capital Fund	\$186,003	\$261,536	\$447,539	\$0	\$447,539
Moscone Convention Center Incentive Fund	\$14,962	\$582,179	\$597,141	(\$75,000)	\$522,141
Contingency/Reserve	\$559,987	\$731,269	\$1,291,256	(\$580,380)	\$710,876
<b>TOTAL CARRYOVER DISBURSEMENT</b>	<b>\$867,786</b>	<b>\$2,585,683</b>	<b>\$3,453,469</b>	<b>(\$1,772,913)</b>	<b>\$1,680,556</b>



## **SFTIDMC Board of Directors | FY 2020-2021**

### **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, 2021

## INDEX TO FINANCIAL STATEMENTS

Independent Auditors' Report .....	1
Statement of Financial Position .....	3
Statement of Activities .....	4
Statement of Functional Expenses .....	5
Statement of Cash Flows .....	6
Notes to Financial Statements .....	7



## INDEPENDENT AUDITORS' 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, 2021, 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.

### **Auditors' 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 auditors' 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 auditors consider 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, 2021, 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 Regarding Going Concern**

The accompanying financial statements have been prepared assuming that SFTIDMC will continue as a going concern. As discussed in Note 4 to the financial statements, SFTIDMC has negative working capital and net deficit as of June 30, 2021 and 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 to mitigate these matters are also described in Note 4. 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, 2020, and we expressed an unmodified audit opinion on those audited financial statements in our report dated October 12, 2020. In our opinion, the summarized comparative information presented herein as of and for the year ended June 30, 2020 is consistent, in all material respects, with the audited financial statements from which it has been derived.

**BAKER TILLY US, LLP**

San Francisco, California

October 27, 2021



**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION**  
**STATEMENT OF ACTIVITIES**  
**For the Year Ended June 30, 2021**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)**

	Without Donor Restriction		Totals	
	TID FUND	MED FUND	2021	2020
<b>SUPPORT AND REVENUES</b>				
Assessments (Note 5)	\$ 2,165,160	\$ 2,440,507	\$ 4,605,667	\$ 38,616,304
Interest and dividends	228	246	474	21,731
Total support and revenues	<u>2,165,388</u>	<u>2,440,753</u>	<u>4,606,141</u>	<u>38,638,035</u>
<b>EXPENSES</b>				
Program services -				
Marketing and promotion	2,638,500	20,600	2,659,100	21,750,583
Moscone Center	-	1,917,882	1,917,882	19,248,893
Total program services	<u>2,638,500</u>	<u>1,938,482</u>	<u>4,576,982</u>	<u>40,999,476</u>
Management and general	<u>416,545</u>	<u>657,243</u>	<u>1,073,788</u>	<u>1,136,855</u>
Total expenses	<u>3,055,045</u>	<u>2,595,725</u>	<u>5,650,770</u>	<u>42,136,331</u>
<b>CHANGE IN NET ASSETS (DEFICIT)</b>	(889,657)	(154,972)	(1,044,629)	(3,498,296)
<b>NET ASSETS (DEFICIT) - BEGINNING OF YEAR</b>	<u>1,753,876</u>	<u>(3,497,281)</u>	<u>(1,743,405)</u>	<u>1,754,891</u>
<b>NET ASSETS (DEFICIT) - END OF YEAR</b>	<u>\$ 864,219</u>	<u>\$ (3,652,253)</u>	<u>\$ (2,788,034)</u>	<u>\$ (1,743,405)</u>

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION**  
**STATEMENT OF FUNCTIONAL EXPENSES**  
For the Year Ended June 30, 2021  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)**

	TID FUND		MED FUND		Totals	
	Program Services	Management and General	Program Services	Management and General	2021	2020
Marketing and promotion	\$ 2,638,500	\$ -	\$ 20,600	\$ -	\$ 2,659,100	\$ 21,750,583
Moscone Center -						
Debt service and stabilization fund	-	-	1,917,882	-	1,917,882	14,891,570
Expansion	-	-	-	-	-	1,208,902
Sales incentive	-	-	-	-	-	3,148,421
Contractual services -						
Treasurer fees	-	206,972	-	223,303	430,275	467,522
San Francisco Travel Association fees	-	133,463	-	133,463	266,926	254,214
Professional fees	-	72,279	-	31,682	103,961	158,745
Interest expense	-	-	-	266,146	266,146	247,493
Insurance and taxes	-	2,427	-	2,649	5,076	4,734
Office expenses	-	1,404	-	-	1,404	4,147
	<u>\$ 2,638,500</u>	<u>\$ 416,545</u>	<u>\$ 1,938,482</u>	<u>\$ 657,243</u>	<u>\$ 5,650,770</u>	<u>\$ 42,136,331</u>

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION**  
**STATEMENT OF CASH FLOWS**  
**For the Year Ended June 30, 2021**  
**(WITH SUMMARIZED FINANCIAL INFORMATION FOR THE YEAR ENDED JUNE 30, 2020)**

	TID FUND	MED FUND	Totals	
			2021	2020
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Change in net assets (deficit)	\$ (889,657)	\$ (154,972)	\$ (1,044,629)	\$ (3,498,296)
Adjustments to reconcile change in net assets (deficit) to net cash used in operating activities:				
Accounts receivable	-	-	-	8,808,128
Accounts payable	(18,457)	(1,460,699)	(1,479,156)	(6,746,190)
Accrued liabilities	-	382	382	33,889
Retention payable	-	-	-	(190,241)
Total adjustments	(18,457)	(1,460,317)	(1,478,774)	1,905,586
Net cash used in operating activities	(908,114)	(1,615,289)	(2,523,403)	(1,592,710)
<b>CASH FLOWS FROM FINANCING ACTIVITY</b>				
Proceeds from line of credit	-	-	-	2,000,000
Net cash provided by financing activity	-	-	-	2,000,000
<b>NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS</b>	(908,114)	(1,615,289)	(2,523,403)	407,290
<b>CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR</b>	1,775,900	4,200,972	5,976,872	5,569,582
<b>CASH AND CASH EQUIVALENTS - END OF YEAR</b>	\$ 867,786	\$ 2,585,683	\$ 3,453,469	\$ 5,976,872
<b>SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION</b>				
Cash paid during the year for interest	\$ -	\$ 266,146	\$ 266,146	\$ 247,493

---

# SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION

## NOTES TO FINANCIAL STATEMENTS

June 30, 2021

---

### 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. 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 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, 2021.

---

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

---

**2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES** (continued)

***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.

***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 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*.

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, 2021**

---

**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 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, 2020, from which the summarized information was derived.

***Subsequent Events***

SFTIDMC has evaluated subsequent events through October 27, 2021, the date which the financial statements were available to be issued.

---

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION****NOTES TO FINANCIAL STATEMENTS****June 30, 2021**

---

**3. 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, 2021 available for general expenditures within the following 12 months:

	<u>TID FUND</u>	<u>MED FUND</u>	<u>Totals</u>
Financial assets at year-end:			
Cash and cash equivalents	\$ 867,786	\$ 2,585,683	\$ 3,453,469
Total financial assets	<u>867,786</u>	<u>2,585,683</u>	<u>3,453,469</u>
Less - amounts designated for the following purpose in accordance with the Management Plans:			
Contingency/Reserve	558,022	694,972	1,252,994
Moscone Center Incentive Fund	14,962	582,179	597,141
Moscone Center Capital Fund	186,003	261,536	447,539
SF Travel Association Marketing & Operations	105,232	1,572	106,804
	<u>864,219</u>	<u>1,540,259</u>	<u>2,404,478</u>
Financial assets available for general expenditures as of June 30, 2021	<u>\$ 3,567</u>	<u>\$ 1,045,424</u>	<u>\$ 1,048,991</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, 2021**

---

**4. 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 6).

The outbreak of COVID-19 pandemic in March 2020 has impacted the hotel industry and resulting assessments revenue of SFTIDMC (refer to Note 9). As of and for the year ended June 30, 2021, SFTIDMC has net assets (deficit) of \$2,788,034 and negative cash flows from operating activities of \$2,523,403. As of June 30, 2021, SFTIDMC has a note payable of \$5,000,000 due on October 15, 2021, which resulted in negative working capital of \$2,788,034. 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 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, 2021**

---

**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:

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, 2021**

---

**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, 2021**

---

**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, 2021, the City Treasurer and Tax Collector's Office ("TTX") withheld 86.5% of MED assessments amounting to \$1,917,882 from the TTX's cash collections from July 2020 through June 2021.

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, 2021.

**6. NOTE PAYABLE**

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 matured 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, 2021.

On August 6, 2021, SFTIDMC entered into a modification agreement with the bank to change the maturity date of the loan to October 15, 2021. SFTIDMC is in the process of finalizing the modification agreement with the bank to extend the maturity of the loan to December 31, 2022.

**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.

---

**SAN FRANCISCO TOURISM IMPROVEMENT DISTRICT MANAGEMENT CORPORATION**

**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2021**

---

**7. 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 \$2,659,100 and \$266,926, respectively, during the year ended June 30, 2021. There is no payable to the Association for these services as of June 30, 2021.

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 \$5,594 payable to the Association for these advances as of June 30, 2021.

**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 \$430,275 during the year ended June 30, 2021. 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, 2021**

---

**9. 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 4).

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 the federally insured \$250,000 with each financial institution. SFTIDMC periodically reviews its cash and believes that any potential loss is not material to the financial statements.

**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. The City did not fund any shortfall as of June 30, 2021.



# MEMORANDUM

**TO:** Supervisor Aaron Peskin, District 3 Supervisor

**CC:** San Francisco Board of Supervisors  
Chris Corgas; Program Director, OEWD

**FROM:** Mimi Hiraki; Project Specialist, OEWD

**DATE:** July 6, 2022

**SUBJECT:** Tourism Improvement District and Moscone Expansion Districts; FY 2020-2021 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, 2020 and June 30, 2021.

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 2020-2021
2. CPA Independent Auditors' Report
  - a. FY 2020-2021



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).

**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, 2020 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**

- 485,000 room nights booked
- Over 355 meetings held in San Francisco
- Attended over 20 virtual events and 12 in person events
- 11.8 million visitors to San Francisco
- 2,000 visitors to Moscone location
- 12 languages spoken by staff and volunteers
- MYSF trained over 770 people in the visitor industry
- Sfravel.com had 2.9+ million unique visitors worth \$82,687,507.89 in economic impact

#### **MED**

- Hosted Professional Convention Management Association 2020 with over 4,800 attendees

##### **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 2020-2021**

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

**ANALYSIS:** TID met this requirement. See table below.



<b>Expenditure Category</b>	<b>Management Plan Budget</b>	<b>% of Budget</b>	<b>FY 2020-21 Budget</b>	<b>% of FY 2020-21 Budget</b>	<b>Variance</b>
Marketing and Promotions	\$58,154,892.00	69.4%	\$8,744,000.00	95.4%	+26.0%
Administration and Personnel	\$18,609,586.00	22.2%	\$422,000.00	4.6%	-17.6%
Contingency/Reserves/ Administration and City Administration Costs of the TID	\$6,978,587.00	8.3%	\$0.00	0.0%	-8.3%
<b>TOTAL</b>	<b>\$83,743,065.00</b>	<b>100.0%</b>	<b>\$9,166,000.00</b>	<b>100.0%</b>	

**ANALYSIS:** MED met this requirement. See table below.

<b>Expenditure Category</b>	<b>Management Plan Budget</b>	<b>% of Management Plan Budget</b>	<b>FY 2020-21 Budget</b>	<b>% of FY 2020-2021 Budget</b>	<b>Variance</b>
Expansion/Development Activities		86.5%	\$0.00	0.0%	-86.5%
Capital Reserve for Future Renovation and Improvements		1.0%	\$92,700.00	1.0%	0.0%
Incentive Fund		9.0%	\$834,400.00	8.8%	-0.2%
Sales and Marketing Fund		1.0%	\$92,700.00	1.0%	0.0%
Debt Service and Stabilization Fund		0.0%	\$7,802,300.00	81.9%	+81.9%
Administration of the MED and Operating Contingency Reserves		2.5%	\$699,000.00	7.3%	+4.8%
<b>TOTAL</b>		<b>100.0%</b>	<b>\$9,521,100.00</b>	<b>100.0%</b>	

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

**ANALYSIS:** TID met this requirement. See table below.

<b>Service Category</b>	<b>FY 2020-21 Budget</b>	<b>% of Total Budget</b>	<b>FY 2020-21 Actual</b>	<b>% of Actual</b>	<b>Variance</b>
Marketing and Promotions	\$8,744,000.00	95.4%	\$2,638,500.00	86.4%	-9.0%
Convention Sales/Marketing Fund	\$0.00	0.0%	\$0.00	0.0%	0.0%
Administration and Personnel	\$422,000.00	4.6%	\$416,545.00	13.6%	+9.0%



Contingency/Reserves/ Administration and City Administration Costs of the TID	\$0.00	0.0%	\$0.00	0.0%	0.0%
<b>TOTAL</b>	<b>\$9,166,000.00</b>	<b>100.0%</b>	<b>\$3,055,045.00</b>	<b>100.0%</b>	

**ANALYSIS:** MED met this requirement. See table below.

Service Category	FY 2020-21 Budget	% of FY2020-21 Budget	FY 2020-21 Actual	% of FY 2020-21 Actual	Variance
Expansion/Development Activities	\$0.00	0.0%	\$0.00	0.0%	0.0%
Capital Reserve for Future Renovation and Improvements	\$92,700.00	1.0%	\$0.00	0.0%	-1.0%
Incentive Fund	\$834,400.00	8.8%	\$0.00	0.0%	-8.8%
Sales and Marketing Fund	\$92,700.00	1.0%	\$20,600.00	0.8%	-0.2%
Debt Service and Stabilization Fund	\$7,802,300.00	81.9%	\$1,917,882.00	73.9%	-8.1%
Administration of the MED and Operating Contingency Reserves	\$699,000.00	7.3%	\$657,243.00	25.3%	+18.0%
<b>TOTAL</b>	<b>\$9,521,100.00</b>	<b>100.0%</b>	<b>\$2,595,725.00</b>	<b>100.0%</b>	

**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 2020-21	Projected Carryover - Annual Report
SFTA Marketing & Operations	\$106,834.00
Capital Fund	\$186,003.00
Incentive Fund	\$14,962.00
Convention Sales & Marketing Fund	\$0.00
Contingency/Reserve	\$559,987.00
<b>TOTAL</b>	<b>\$867,786.00</b>

**ANALYSIS:** MED met this requirement. See table below.



<b>Carryover From FY 2020-21</b>	<b>Projected Carryover - Annual Report</b>
Marketing & Operations	\$1,572.00
Development and Expansion	\$1,009,127.00
Capital Fund	\$261,536.00
Incentive Fund	\$582,179.00
Contingency/Reserve	\$731,269.00
<b>TOTAL</b>	<b>\$2,585,683.00</b>

### **Findings and Recommendations**

The Tourism Improvement District and Moscone Expansion District met their reporting requirements, mentioned on page 4 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 special assessment revenues were significantly impacted by the Covid-19 pandemic. 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 occur. Due to the pandemic’s impact on assessment revenue TID assessment fees were less than anticipated resulting in the district expending approximately \$890,000 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, TID and OEWD mutually agreed to delay the process. OEWD and project proponents have been working since winter 2020 through summer 2021 on the renewal and expansion Management District Plan. Project proponents have hosted and continue to host informational meetings for rate payers. OEWD anticipates the renewal and expansion process will be completed in July 2022.

In May 2020, SFTIDMC took out a line of credit of \$5,000,000 which was supposed to come to term in 2021. In August 2021, SFTIDMC worked with the lending agency to extend the term to December 2022 and is in process of finalizing the agreement..



## **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.





# Introduction Form

By a Member of the Board of Supervisors or Mayor

Time stamp  
or meeting date

I hereby submit the following item for introduction (select only one):

- 1. For reference to Committee. (An Ordinance, Resolution, Motion or Charter Amendment).
- 2. Request for next printed agenda Without Reference to Committee.
- 3. Request for hearing on a subject matter at Committee.
- 4. Request for letter beginning : "Supervisor  inquiries"
- 5. City Attorney Request.
- 6. Call File No.  from Committee.
- 7. Budget Analyst request (attached written motion).
- 8. Substitute Legislation File No.
- 9. Reactivate File No.
- 10. Topic submitted for Mayoral Appearance before the BOS on

Please check the appropriate boxes. The proposed legislation should be forwarded to the following:

- Small Business Commission
- Youth Commission
- Ethics Commission
- Planning Commission
- Building Inspection Commission

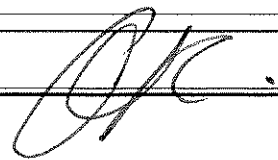
**Note: For the Imperative Agenda (a resolution not on the printed agenda), use the Imperative Form.**

Sponsor(s):

Subject:

The text is listed:

Signature of Sponsoring Supervisor:



For Clerk's Use Only