

**SAN DIEGO
TOURISM MARKETING
DISTRICT
MANAGEMENT PLAN**

September 2007

Developed by a coalition of lodging business owners and managers
representing the San Diego County Hotel Motel Association
and the San Diego Lodging Industry Association.

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OVERVIEW AND EXECUTIVE SUMMARY

Conceived and developed by a coalition of lodging business owners and managers representing the San Diego County Hotel Motel Association and the San Diego Lodging Industry Association, the San Diego Tourism Marketing District (District) is a benefit assessment district proposed to improve tourism activity and hotel room night consumption in the City of San Diego.

History

As a result of diminishing public resources available for effective and competitive destination marketing, local lodging industry leadership began discussing alternative funding sources and available options over 5 years ago. Since that time, a working group comprised of lodging industry representatives has held dozens of meetings with proposed assessed businesses, stakeholder groups and interested parties. On May 8, 2007 the San Diego City Council adopted an enabling Procedural Ordinance that allows for the creation of a Tourism Marketing District. Herein, representatives of the San Diego Lodging Industry have taken steps to formalize a District Management Plan in hopes of gaining industry support to form the proposed District.

Location

The Proposed Tourism Marketing District will be citywide, inclusive of all areas within the city limits of the City of San Diego. There are no benefit zones proposed within the District. A map of the District is included in this Plan as Appendix A.

Assessed Businesses

The assessment is proposed to be levied upon the owner(s), operator(s), or an authorized representative who is noted on City records as the responsible party for the remitting and reporting of Transient Occupancy Tax for each lodging *business* of 70 or more sleeping rooms in the City of San Diego. *Business* means any and all types of hotels where a structure, or any portion of a structure, is held out to the public as being occupied, or designed for occupancy, by *transients* for dwelling, lodging or sleeping purposes. *Transient* has the same meaning as in Municipal Code section 35.0102.

The assessment imposed is levied solely upon the lodging businesses within the district. The business owner is solely responsible for payment of the assessment when due. If the owner chooses to collect any portion of the assessment from a transient, that said portion shall be specifically called out and identified for the transient in any and all communications from the business owner as a "San Diego Tourism Marketing District Assessment."

Method & Basis of Levying Assessment

The annual assessment is based upon 2% of gross room revenue from transient stays for lodging businesses with 70 or more sleeping rooms operating within the City of San Diego. The rate of 2% will remain fixed for the duration of this District. Certain room revenue will be exempt from assessment.

Budget

The District budget for the first six months of collections and disbursements is estimated to be approximately \$14.2 million and \$29.2 million for the first 12 months.

Activities

Revenue generated from the assessment will fund marketing programs to increase tourism and promote the City of San Diego as a tourist, meeting, convention and special event destination.

Formation

District formation requires submittal of petitions in support from lodging businesses representing more than 50% of the total annual assessment. After City staff verifies the petitions the matter goes to the City Council. The City Council will then require that a ballot be mailed to all affected hotels with the returns to be counted by the City Clerk. The City Council will then hold a hearing and be advised of results of the ballot count. The Council shall not establish the District nor shall it impose an assessment if there is a majority protest. A majority protest exists if ballots submitted in opposition to the assessment exceed the ballots submitted in favor of the assessment. In tabulating the ballots, the ballots shall be weighted according to the proportional financial obligation of the affected businesses. In the absence of a majority protest the Council may proceed with establishing the District by resolution.

Management & Oversight

The implementation of this District Management Plan will be the responsibility of the Board of Directors of the San Diego Tourism Promotion Corporation (SDTPC), a private non-profit entity composed exclusively of the assessed lodging businesses. Only business owners or owner's representative paying the tourism district assessment have the right to vote in annual elections of the association. And only business owners or owner's representative paying the tourism district assessment have the right to seek nomination or election to the board of directors of the association. Oversight is provided by the City to ensure that the expenditure of funds is consistent with the District Management Plan.

Proposed Timing and Duration of Activities

The District will begin operations January 1, 2008 or at a later date set by the City Council. Assessed businesses will be responsible for calculating the assessments beginning on the start-up date set by the City Council. Assessed businesses will be required to remit the assessment on a monthly basis beginning 45 days after the effective start date of the District. The District Management Plan is a five (5) year plan and will terminate with the expiration of the District. Each activity of the District will have its own schedule, but none will last longer than the duration of the District. After five years, hotel business owners may petition the City to extend the district for an additional 10 years subject to the requirements of the Tourism Marketing District Procedural Ordinance SDMC Section 61.2501 et seq.

WHAT IS A TOURISM MARKETING DISTRICT (TMD)?

The San Diego Tourism Marketing District follows the model of successful Tourism Business Improvement Districts (BID's) that utilize the efficiencies of private sector operation in the market-based promotion of local and regional tourism. Tourism BID's, such as the proposed SDTMD allow lodging and other tourism-related business owners to organize their efforts to increase tourism. In San Diego, lodging business owners within the district will assess

themselves in order to fund the District and those funds will be used to provide programs and services that specifically benefit the assessed lodging businesses.

San Diego Tourism Marketing District funded programs and services may include, but are not limited to:

- Marketing of the Area
- Tourism Promotion Activities
- Special Events and Programs

In California, Tourism BID's, such as the TMD, are formed pursuant to the Property and Business Improvement District Law of 1994 (PBID Law), the Parking and Business Improvement District Law of 1989 (BID Law), or by ordinance of a Charter City. The local lodging businesses have chosen to ask the City of San Diego to create an enabling (procedural) ordinance modeled on the 1994 PBID Law. This State statute and the City ordinance allow for the establishment of an assessment district to raise funds within a specific geographic area; in this case the City of San Diego, for the purpose of promoting tourism and hotel room occupancy.

There are many benefits to Tourism BID's:

- Funds must be spent to benefit those who pay;
- Funds cannot be diverted for other government programs or expenditures;
- Tourism BID's are customized to fit the needs of each tourism district;
- Tourism BID's allow for a wide range of services;
- Requires petition support from lodging businesses paying over 50% of the annual proposed assessments (1994 PBID Law);
- Provides a stable funding source for tourism promotion.

The San Diego Tourism Marketing District will NOT fund:

- The acquisition, construction, installation or maintenance of any tangible property, including parking facilities, parks, planting areas, fountains, benches, booths, kiosks, display cases, pedestrian shelters, signs, trash receptacles, public restrooms, ramps, sidewalks, plazas, pedestrian malls, lighting and heating facilities.
- The closing, opening, widening or narrowing of existing or new streets.
- Facilities or equipment, or both, to enhance security and safety of persons and property within the area, unless included in a specific proposal to benefit the assessed businesses.
- Regular public safety and security personnel and programs, maintenance and repair, sanitation, nor other municipal services normally and historically provided by the City to the area.
- Expenditures not consistent with the terms of this District Management Plan.

City's Promotional Responsibilities

As provided in the San Diego Municipal Code section 35.0128 the original 4% Transient Occupancy Tax, which was approved by San Diego voters, will continue to be used to promote the City.

To this end, the City will provide the SDTPC, on an annual basis, a statement detailing actual TOT revenues collected under Code section 35.0103 that are available for promoting the City. This statement will also describe the prescribed use of revenues from the City's TOT to include, but not be limited to:

- The annual debt payment for all existing bond obligations related to the San Diego Convention Center Corporation;
- The annual marketing subsidy as required by the San Diego Convention Center Corporation; and
- The annual debt payment for all existing bond obligations relative to Balboa Park and Mission Bay Park.

TOURISM MARKETING DISTRICT ADMINISTRATION

CITY ADMINISTRATION AND OVERSIGHT

City requires petitions to be submitted to the City in support of establishing the TMD in accordance with SDMC 61.2501 et seq. If sufficient petitions are submitted in support of the proposed district then City Council shall adopt a Resolution of Intention to establish the district and shall cause a ballot to be mailed to all affected businesses and give notice of the required public hearing. If there is no majority protest then the City Council shall adopt a Resolution establishing the district and shall authorize the levying of assessments for a period of five (5) years.

The City of San Diego will oversee the collection of the assessments and will ensure that the expenditure of funds is consistent with the District Management Plan.

Initially, the City proposes to retain no more than \$300,000 of TMD assessments on an annual basis, pro-rated at the establishment of the District and adjusted thereafter at the beginning of each fiscal year, to reflect an automatic annual escalator of 4.5%. These funds will be used to cover the costs of the City's administration of the District, as follows:

- City Planning & Community Investment Department - Economic Development Division Agreement monitoring and reimbursement of expenditures and coordination of annual City Council process.
- Office of the City Treasurer
Processing and reporting of assessments remitted and auditing of reported/remitted assessments.

- Office of the City Auditor and Comptroller
Approval of direct payments and issuance of checks and auditing of agreement between City and the "tourism marketing district association".
- Office of the City Attorney
Preparation of resolutions and other documents required for annual City Council process and review and preparation of documents for administration of the District.

Prior to the beginning of each Fiscal year, the City Council shall consider, in an open meeting, the proposed services and activities for the fiscal year as presented in the annual District Management Plan.

SAN DIEGO TOURISM PROMOTION CORPORATION ADMINISTRATION

The enabling Procedural Ordinance provides that the City will contract with a designated nonprofit corporation to implement a plan and carry out specified activities, subject to the terms and conditions enumerated in the contract with that nonprofit. The City proposes to contract with the San Diego Tourism Promotion Corporation (SDTPC), a private, non-profit corporation, to serve as the San Diego Tourism Marketing District Association to manage the District assessments and to contract for implementation of the proposed marketing programs and services as outlined in the District Management Plan.

Purpose

The specific purpose of this private, non-profit corporation is to create a positive economic, fiscal and employment impact on lodging businesses in the City of San Diego through the effective and judicious allocation of its revenue and resources to measurably successful tourism promotion, marketing and advertising programs.

General Powers

Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation Law and any other applicable laws, and subject to any limitations of the articles of incorporation or bylaws, the corporation's activities and affairs shall be managed, and all corporate powers shall be exercised, by or under the direction of the Board of Directors.

Board of Directors

Only business owners or business owner's representatives paying the tourism marketing district assessment have the right to vote in annual elections of the association. And only business owners or business owner's representatives paying the tourism marketing district assessment have the right to seek nomination or election to the board of directors of the association. The Board of Directors shall consist of nine (9) directors unless changed by amendment to the bylaws of the corporation.

Board members, officers and members of the association are intended and understood to represent and further the economic interest of the City's tourism industry. Board members or officers have a fundamental duty to advance the general welfare of the tourism industry in San Diego.

Initial Directors: The initial Board of Directors shall be appointed by the Incorporator of the Corporation, and shall serve for staggered terms of one, two or three years. At the first duly constituted meeting of the Board of Directors, the initial Board members shall draw lots to determine their individual term. It is anticipated that the initial Board of Directors will consist of (In alphabetical order):

Luis Barrios, Hacienda Hotel Old Town
Richard Bartell, Bartell Hotels
C. Terry Brown, Atlas Hotels
Patrick Duffy, Hilton La Jolla Torrey Pines
Bill Evans, Evans Hotels
Mohsen Khaleghi, Hyatt Regency Mission Bay Spa & Marina
Bob Rauch, Homewood Suites
Joe Terzi, Starwood Hotels
Ray Warren, Marriott Hotels

Board Nominations & Elections

Elections to the Board of Directors will be held annually beginning at the end of the first full fiscal year of operation for the Corporation. A call for self-nominations will occur annually and all self-nominees will be listed on the ballot for Board elections. In addition to, or in the absence of, self nominations, the Nominations Committee of the Board may put forth a slate of nominees at each election.

The procedure for nominations and elections, including the timing for nominations, and the protocol for the distribution and collection of ballots, will be defined in the Bylaws of the Corporation. SDTPC anticipates retaining a third-party contractor to administer, count and report the results of the balloting for Board elections.

Board Officers

Officers of the Board of Directors shall be elected by a majority vote of the Board at the first regularly scheduled meeting of the Board, following the seating of new Board members.

Board Standards and Conduct

The San Diego Tourism Promotion Corporation will be organized as a 501(c)6, mutual benefit corporation, and will have as its purpose the management of the resources of the San Diego Tourism Marketing District. The primary measure of the success of the Corporation will be the benefit it delivers to the assessed businesses. Because the delivery of a measurable benefit to the assessed businesses is required by law, and is the primary legal purpose of the Corporation, it is recognized that members of the Board of Directors, through their assessed businesses, will receive benefit from the activities of the SDTPC.

In addition, State law provides, and the City's enabling Procedural Ordinance recognizes, that SDTPC is a "private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose."

However, SDTPC shall comply with Ralph M. Brown Act, California Government Code section 54950 *et. seq.*, at all times when matters within the subject matter of the District are heard, discussed, or deliberated, and with the California Public Records Act, California Government Code section 6250 *et. seq.*, for all documents relating to activities of the district.

Furthermore, the SDTPC Board of Directors shall comply with the California Corporations Code and shall develop internal policies defining standards, responsibilities and conduct for the Board of Directors.

A Volunteer Board of Directors

The members and officers of the Board of Directors of the San Diego Tourism Promotion Corporation will serve as volunteers. They will receive no monetary compensation or remuneration for their service individually or collectively. They are not entitled to nor may they make a claim for reimbursement of any personal or professional expenses attributed to their service. Other than Directors and Officers Liability Insurance no benefits such as, but not limited to, health insurance, workman's compensation insurance, disability insurance, or paid vacation, will be provided.

Report of Activities

The SDTPC shall cause to be prepared a prospective report for each fiscal year, except the first year, for which assessments are to be levied and collected to pay the costs of the activities described in the report.

The tourism marketing district association's first report shall be due after the first full fiscal year of operation of the district.

The report may propose changes, including, but not limited to, the boundaries of the tourism marketing district or any benefit zones within the district, the basis and method of levying the assessments, and any changes in the classification of categories of business, if a classification is used.

The report shall be filed with the City Clerk prior to the end of each fiscal year, and shall refer to the tourism marketing district by name, specify the fiscal year to which the report applies, and with respect to that fiscal year, shall contain all of the following information:

- Any proposed changes to the boundaries of the tourism marketing district or to any benefit zones or classification of businesses within the district.
- The activities to be provided for that fiscal year.
- An estimate of the cost of providing the activities for that fiscal year.
- The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.
- The estimated amount of any surplus or deficit revenues to be carried over from the previous fiscal year.
- The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this Division.

The San Diego City Council [Council] may approve the report as filed by the tourism marketing district association, or may modify any portion of the report and approve it as modified. Such modification shall only be made subject to the noticing provisions of San Diego Municipal Code sections 61.2519 and 61.2520. The Council shall not approve a change in the basis and method of levying assessments that would impair an authorized or executed contract to be paid from the revenues derived from the levy of assessments.

Modifications of District Management Plan

The SDTPC may, at any time, request that the San Diego City Council modify the district management plan. Any modification of the district management plan shall be made pursuant to the following requirements:

- Upon the written request of the tourism marketing district association, the San Diego City Council [Council] may modify the district management plan after conducting one public hearing on the proposed modifications. The Council may modify the activities to be funded with the revenue derived from the levy of the assessments by adopting a resolution to make the modifications after holding a required public hearing. Notice of the public hearing and the proposed modifications shall be published as provided in San Diego Municipal Code section 61.2507. If the modification includes the levy of a new or increased assessment, the Council shall comply with Code section 61.2507.
- The Council shall adopt a resolution of intention which states the proposed modification prior to the public hearing required by this section. The public hearing shall be held not more than 90 days after the adoption of the resolution of intention.

Marketing Support Programs Application Guidelines & Criteria

The Board of Directors will annually allocate a portion of the annual revenue from the District to marketing support programs and services that can deliver a measurable return on investment, and that are in addition to the programs fund by fixed allocations within its budget.

It is anticipated that the San Diego Tourism Promotion Corporation will solicit and/or receive applications for funding from numerous, diverse organizations, and entities. Specific application guidelines will be created and available soon after the SDTPC is appointed by the City to manage the Tourism Marketing District. Those guidelines, criteria and application will be created at the sole discretion of the Board of Directors of the San Diego Tourism Promotion Corporation. Changes to the guidelines, criteria and application can only be made by an action of the Board of Directors of the Corporation. (See Attachment 1, Framework for Application Criteria & Process.)

Limiting Contact Between Applicants and the Board of Directors: It will be vital that the application and allocation process for funding from the SDTPC be open, fair and efficient. To this end, the written submission of the application and supporting materials as well as any public presentation that may be required from applicants will be the foundation for Board discussion and deliberations. Board members are encouraged to limit their contact and communication with applicants regarding their applications or proposed application, and to disclose any such contact or communication prior to participating in the consideration of that applicant's submission.

ACTIVITIES & BUDGETS

A general budget has been developed by lodging industry representatives to serve as a guideline in order that the San Diego Tourism Promotion Corporation (SDTPC) deliver measurable benefit and service levels throughout the District. An annual budget will be developed and approved by the SDTPC Board and included in the Report of Activities submitted to the City Council annually.

SDTPC: A NON-MARKETING ENTITY

The San Diego Tourism Promotion Corporation is not envisioned as a marketing entity, but rather as a funding conduit for the development and implementation of effective marketing programs and services that benefit the assessed businesses within the District. SDTPC will be responsible for the allocation and distribution of the available revenue and will contract with qualified third-party vendors to supply marketing programs and services as required and approved by the Board of Directors.

SDTPC BUDGET GUIDELINES

The San Diego Tourism Promotion Corporation (SDTPC) will contract for marketing programs and services to promote the City of San Diego as a tourism destination and to fund projects, programs, and activities that specifically benefit hotels within the boundaries of the District.

General Guidelines:

- (a) Marketing programs and services will be broadly defined by the Board of the SDTPC in order to remain current with changing consumer demands, tourism products, and marketing and communication technologies.
- (b) Marketing programs and services will take many traditional and/or innovative forms based on the target market and proposed strategy and tactics for implementation. Therefore, marketing programs and services could include, but not be limited to: i) advertising; ii) marketing promotion; iii) direct sales; iv) press and/or public relations; v) new product development; vi) prospective marketing; vii) visitor services; viii) market research; ix) e marketing & web strategies, x) partnership marketing; xi) special events, and more as identified.
- (c) Marketing programs and services will seek to benefit all assessed hotels within the boundaries of the District through a diverse mix of projects, programs and activities. It is recognized that all marketing programs and services will have multi-level benefits to the hotels in the District. Primary benefits will be realized directly by hotels in the target market area or market segment served by a particular contract program or service. Secondary benefits will be realized by all hotels in the District through the successful implementation of marketing programs and services that

increase hotel occupancies, reduce available hotel inventory and create compression within the marketplace.

- (d) Marketing programs will have measurable result. The Board of Directors of the SDTPC will establish and regularly update a clearly defined application process for proposed marketing programs. This application will articulate the required qualifications of applicants, the target return-on-investment, and the measurement of results, among other criteria.

Fixed Allocations:

- (e) At a minimum, the SDTPC shall annually allocate fifty percent (50%) of its District revenue and resources to a single comprehensive entity for the purpose of destination marketing for the City of San Diego, which, for the initial five (5) year term of this District, shall be the San Diego Convention & Visitors Bureau or its successor organization. A draft Memorandum of Understanding between the San Diego Convention & Visitors Bureau and the San Diego Tourism Promotion Corporation is attached (Attachment 2) that outlines the general condition of the measurements for this fixed funding. This draft is provided within for information only and will be the basis for a legally binding contract between these same parties once the District is established.
- (f) The SDTPC shall annually allocate ten percent (10%) of its District revenue and resources to a single comprehensive entity for the purpose of destination marketing for the northern region of the City of San Diego, which, for the initial five (5) year term of this District, shall be the San Diego North Convention & Visitors Bureau or its successor organization. This ten percent (10%) shall represent the annual minimum and maximum allocation available to the San Diego North Convention & Visitors Bureau. A draft Memorandum of Understanding between the San Diego North Convention & Visitors Bureau and the San Diego Tourism Promotion Corporation is attached (Attachment 3) that outlines the general conditions of and measurements for this fixed funding. This draft is provided within for information only and will be the basis for a legally binding contract between these same parties once the District is established.
- (g) The SDTPC shall annually allocate five percent (5%) of its revenue to a marketing opportunity/catastrophe reserve fund for the specific purpose of maximizing unique and unforeseen opportunities or reacting to unforeseen situations to positively impact the tourism economy in the San Diego region. For the initial five (5) year term of the district, the SDTPC marketing opportunity/catastrophe reserve fund shall be capped at a maximum of \$10,000,000 in principal contributions until such time as it is required for use. Interest returned on the holding and investment of the principal shall be re-invested into the SDTPC marketing opportunity/catastrophe reserve fund.

If the District is renewed following the initial five (5) year term, the available balance, including interest, of the SDTPC marketing opportunity/catastrophe reserve

fund shall be made available to the Corporation managing the renewed District. These previously accumulated funds shall be spent consistent with the allocations in this plan. Should the District not be renewed, the previously accumulated funds shall be proportionally refunded and distributed to the assessed businesses.

- (h) Operating Expenses: the SDTPC may annually allocate a maximum of three percent (3%) of its revenue to the operation and management of the SDTPC.

Marketing Support Programs:

- (i) The Board of Directors will annually allocate a portion of the annual revenue from the District to marketing support programs and services, either directly or indirectly through a competitive application process, that can deliver a measurable return on investment, and that are in addition to the programs funded by fixed allocations within the budget.

SDTMD ANTICIPATED 5 YEAR REVENUE INCOME AND DISTRIBUTION

Estimated revenues and expenditures are shown for each fiscal year. Certain assumptions and calculations were utilized in developing the projections and budgets below. Those assumptions are listed separately in this document in Attachment 4.

Due to the anticipated mid-fiscal-year start of the District, the first and last fiscal years reflect approximately 6 months worth of activities.

Adjustments to Budget

Any Annual budget surplus or deficit will be rolled over into the following year's TMD budget. Assessments will be set accordingly, within the constraints of the annual adjustment, to adjust for surpluses or deficits that are carried forward.

Bonds

No Bonds shall be issued in connection with this District.

Budget Spreadsheet

TMD FIVE YEAR BUDGET						
	FY2008	FY2009	FY2010	FY2011	FY2012	FY2013
	Approx. 6 months	12 months	12 months	12 months	12 months	Approx 6 months
Estimated TOT Revenue	\$ 79,600,000	\$168,752,000	\$ 178,877,120	\$ 189,609,747	\$ 200,986,332	\$106,477,000
Estimated TMD Revenue	\$14,176,381	\$30,053,928	\$31,857,163	\$33,768,593	\$35,794,709	\$18,971,196
Fixed Allocations	\$9,186,396	\$18,721,548	\$19,114,298	\$20,261,156	\$21,476,825	\$11,382,718
San Diego CVB	\$7,081,000	\$15,026,964	\$15,928,582	\$16,884,297	\$17,897,355	\$9,485,598
San Diego North CVB	\$1,416,200	\$3,005,393	\$3,185,716	\$3,376,859	\$3,579,471	\$1,897,120
San Diego Film Commission *	\$330,909	\$330,908				
San Diego Bowl Game Association *	\$195,569	\$195,568				
SD International Sports Council *	\$72,900	\$72,900				
San Diego Hall of Champions *	\$37,500	\$37,500				
Accessible San Diego *	\$32,520	\$32,519				
Elite Racing/Rock & Roll Marathon *	\$9,760	\$9,759				
California State Games *	\$7,714	\$7,713				
San Diego Crew Classic *	\$2,324	\$2,324				
Opportunity/Catastrophe Reserve @ 5%	\$708,819	\$1,502,696	\$1,592,858	\$1,688,430	\$1,789,735	\$948,560
SDTPC Operating Budget @ 3%	\$425,291	\$901,618	\$955,715	\$1,013,058	\$1,073,841	\$569,136
Admin. Fee Paid to City	\$150,000	\$313,500	\$327,608	\$342,350	\$357,756	\$186,930
Available for Operating Expenses	\$275,291	\$588,118	\$628,107	\$670,708	\$716,085	\$382,206
Personnel						
Executive Director (Salary & Benefits)	\$100,000	\$209,000	\$218,405	\$228,233	\$238,504	\$124,618
Admin. Support (Salary & Benefits)	\$30,000	\$62,700	\$65,522	\$68,470	\$71,551	\$37,385
Contract Services						
Legal & Compliance/Corporate Secretary	\$36,000	\$72,000	\$72,000	\$72,000	\$72,000	\$36,000
Accounting/CPA/Corporate Treasurer	\$36,000	\$72,000	\$72,000	\$72,000	\$72,000	\$36,000
Audits (as required)	\$30,000	\$85,000	\$85,000	\$85,000	\$85,000	\$45,000
Overhead						
See Page 14	\$35,000	\$73,150	\$76,442	\$79,882	\$83,476	\$43,617
Contingency/Carry-over	\$8,291	\$14,268	\$38,739	\$65,123	\$93,554	\$59,585
Total Fixed Distribution	\$10,320,506	\$21,125,862	\$21,662,871	\$22,962,644	\$24,340,401	\$12,900,414
One-time Start-up Costs						
Reimburse Actual District Start-up Costs	\$112,000	\$0	\$0	\$0	\$0	\$0
Estimated City Start-up Costs	\$60,000	\$0	\$0	\$0	\$0	\$0
Total Start-up Costs	\$172,000	\$0	\$0	\$0	\$0	\$0
Total Variable Distribution	\$3,683,875	\$8,928,066	\$10,194,292	\$10,805,949	\$11,454,308	\$6,070,782
Marketing Support Programs	TBD	TBD	TBD	TBD	TBD	TBD
Competitive Application Process	TBD	TBD	TBD	TBD	TBD	TBD

*Groups with fixed funding from TMD for 12 months, shown here over 18 months budget cycle.

Operating Expenses

The SDTPC may annually allocate a maximum of three percent (3%) of its revenue to the operation and management of the SDTPC. A detailed budget will be submitted and approved annually and shall include:

- Cost of service fees to be paid to the City of San Diego, including:
 - One time actual start-up costs not to exceed \$60,000 for:
 - System development including labor and hardware/software requirements
 - City Management time to establish policies and procedures, bring on additional staff, and implement program
 - An annual amount of no more than \$300,000 of TMD assessments, pro-rated at the establishment of the District and adjusted thereafter at the beginning of each fiscal year, to reflect an automatic annual escalator of 4.5%, for fixed cost increases for the following services:
 - CP&CI Economic Development division - Contract Management and Reimbursements
 - Office of the City Treasurer - Collection Administration, Management and Auditing
 - Office of the City Auditor and Comptroller-Check Disbursements and Program Auditing
 - Office of the City Attorney - Legal Review and Document Preparation
- Estimated operating expenses including wages, benefits, and administrative and overhead costs such as rent, supplies, utilities and travel;
- Estimated cost of directors and officers liability insurance in the amount of \$5,000,000 per director, plus additional insurance as required by the City;
- As required, estimated cost of performance audits of contracted entities receiving funding from SDTPC unless otherwise stipulated;
- As required, estimated cost of an annual financial audit of the SDTPC.

FUNDING PROCESS

Method & Basis of Levying Assessment

The proposed annual assessment amount is 2% of gross room revenue, which is defined as "total consideration charged to a *transient* as shown on the guest receipt for the occupancy of a room, or portion thereof, in a Hotel."

Gross room revenue will exclude revenue derived from a person who has exercised occupancy or was entitled to occupancy for more than one month where a month is defined as a period of consecutive days from the first calendar day of occupancy in any month to the same calendar day in the next month following, or the last day of the next month following if no corresponding calendar day exists. Gross room revenues will also exclude certain revenues where exempt by treaty or by Federal or State laws or where transients are Federal or State Government officials exercising occupancy on government business as prescribed in the resolution establishing the district.

Transient occupancy taxes should not be included when calculating the assessment.

Total annualized assessments for the first year are estimated to be \$29.2 million. There shall be no increase in the assessment rate for the term of the district. Total collections may change in subsequent years according to the inventory of hotel rooms, the room rates, and the occupancy levels. No other sources of funds are anticipated from the District.

Operators Duties and Accounting Procedures

- (a) The amount of assessment, if passed on to each Transient, shall be separately stated from the amount of Rent charged and any other applicable taxes, and each Transient shall receive a receipt for payment from the business. A duplicate of the receipt given to each Transient shall be kept by the business in accordance with subsection (c) below.
- (b) Each business shall account separately for, and maintain separate monthly summary totals for, taxable and non-taxable Rent and for the assessment.
- (c) Each business shall maintain its financial and accounting records in accordance with established accounting principles acceptable to the City Treasurer. It shall be the duty of every business liable for the payment to the City of any assessment imposed to keep and preserve, for a period of three years within the boundaries of this City, all business records as may be necessary to determine the amount of such assessment for which the business is liable for payment to the City. The City Treasurer and authorized deputies or agents in the exercise of duties imposed shall have the right to inspect such records at all reasonable times and to apply auditing procedures necessary to determine the amount of assessment due.
- (d) The costs of additional goods and services, which are not Rent, but which may be sold as a package, or are complimentary with a room, or portion thereof, in a Hotel shall be accounted for in accordance with any administrative rules and regulations promulgated by the City Treasurer.

Time and Manner for Collecting Assessments

The collection of the assessments levied shall be made at the time and in the manner set forth by the San Diego City Council in the resolution establishing the district. It is proposed that assessments will be remitted on a monthly basis to the City Treasurer by each business using a self-reporting form that identifies the accounting periods for the previous month and the applicable gross room revenue and District assessment for each of those accounting periods.

Assessments levied for the purpose of providing improvements and promoting activities that benefit businesses are not taxes for the general benefit of a city, but are assessments for the activities which confer benefits upon the assessed businesses for which the activities are provided.

Penalties and Appeals

Pursuant to the resolution of establishment for the TMD, penalties may be assessed against those benefited businesses failing to make timely payments. In addition, benefited businesses shall have a right to appeal penalties, as spelled out in the resolution of establishment.

Any benefited business failing to remit the TMD assessment within the time required under the resolution of establishment shall pay a penalty computed at the rate of one percent (1%) for the first day of delinquency, and one-third of one percent (1/3 of 1%) for each day thereafter, including weekends and holidays. Any penalty assessed shall not exceed twenty-five percent (25%) of the amount of the assessment due payable for the entire reporting period. The penalty assessed shall be in addition to the amount of the assessment due during the period for which assessments were not timely paid.

In the event there is a determination by the City Treasurer that non-payment of an assessment is due to fraud, the City Treasurer may assess a penalty of twenty-five percent (25%) of the amount of the assessment for the period in which the fraud occurred. Such a penalty for fraud related to payments shall be assessed over the above any penalties assessed daily, as discussed above. A benefited business may, within fourteen (14) days after the service or mailing of a notice of penalty, make application in writing to the City Treasurer for a hearing of appeal. In exercising its appeal rights, a benefited business shall follow the same procedures articulated in San Diego Municipal Code Sections 35.0117 and 35.0118.

Assessments Based on Estimated Benefits

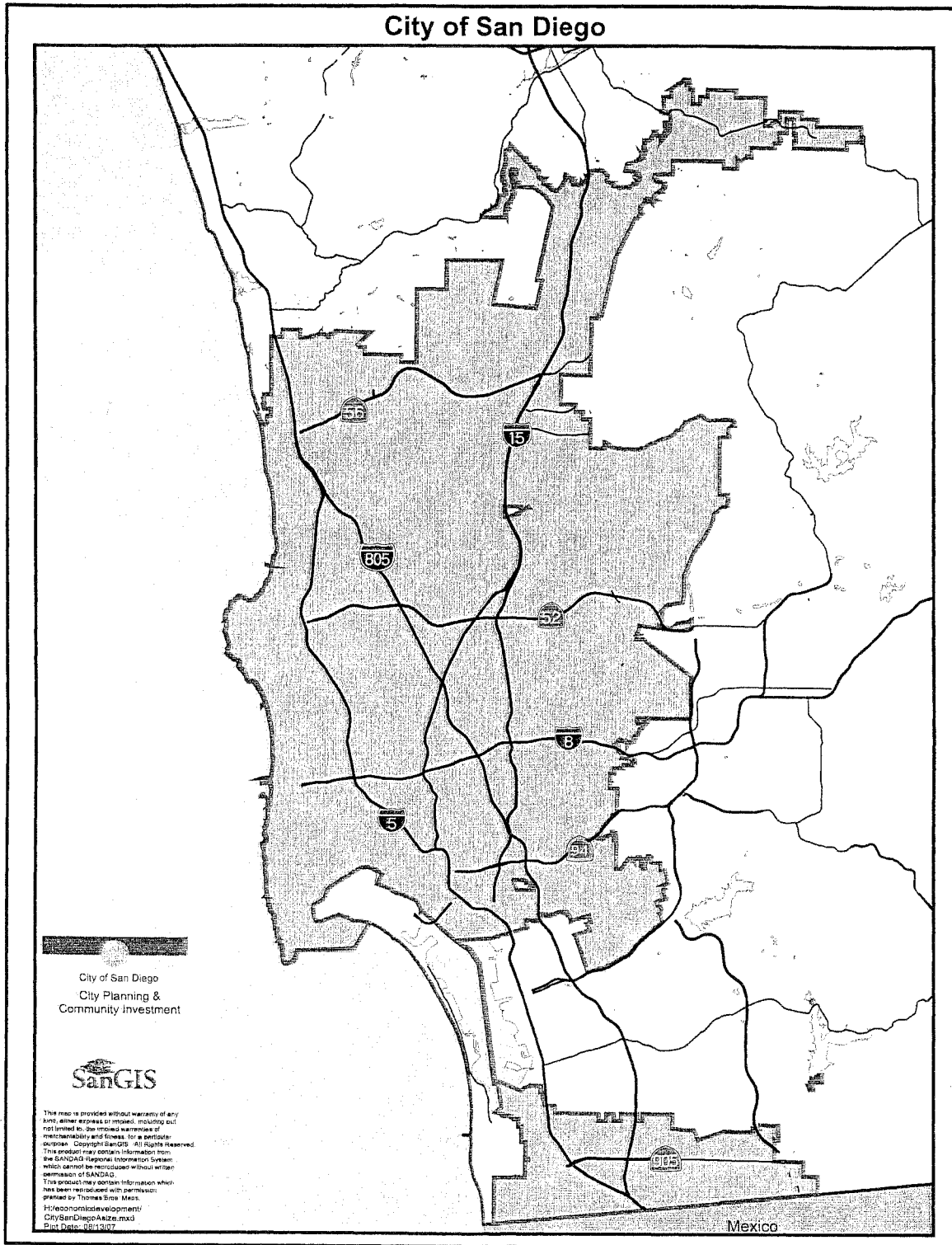
"Assessment" means a levy for the purpose of promoting activities which will benefit the businesses located within a tourism marketing district. Assessments levied under a tourism marketing district are not special taxes.

Assessments levied on businesses shall be levied on the basis of the degree of estimated benefit to the businesses within the tourism marketing district. The proposed assessment is a percentage of gross room revenue, and so when a hotel's revenue increases from the enhanced tourism marketing services provided through the TMD, the real dollar amount of the assessment will increase proportionately.

The district's activities are designed to provide benefits specifically for the assessed businesses by increasing tourism within the boundaries of the District and hence increasing hotel room occupancy and revenues. An indirect benefit may accrue to the surrounding community or to the public as a result of the activities to be provided with the assessment levied. These indirect benefits (if any) are incidental and inconsequential.

APPENDIX A

Map of District



City of San Diego
City Planning &
Community Investment



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Print Date: 08/12/07

APPENDIX B
List of Assessed Businesses

Hotel Name	Hotel Location
500 West Broadway	500 W Broadway
Bahia Resort Hotel	998 West Mission Bay Dr
Bay Club Hotel & Marina	2131 Shelter Island Dr
Beach Cottages, The	4255 Ocean Bl
Best Western Americana Inn	815 W San Ysidro Bl
Best Western Bayside Inn	555 W Ash St
Best Western Blue Sea Lodge	707 Pacific Beach Dr
Best Western Hacienda Hotel	4104 Harney St
Best Western Inn By The Sea	7830 Fay Av
Best Western Inn-Miramar	9310 Kearny Mesa Rd
Best Western Mission Bay	2575 Clairemont Dr
Best Western Seven Seas Lodge	411 Hotel Circle S Cr
Best Western Posada @ Yacht	5005 North Harbor Dr
Bristol Court Hotel	1055 01st Av
California Suites Hotel	5415 Clairemont Mesa Bl
Carmel Highland G & T Resort	14455 Penasquitos Dr
Catamaran Resort Hotel	3999 Mission Bl
Chateau La Jolla	233 Prospect St
Clarion Hotel Bayview	660 K St
Comfort Inn & Suites Hotel Cir	2201 Hotel Circle S Cr
Comfort Inn & Suites Zoo/Sw	2485 Hotel Circle Pl
Comfort Inn Airport-Old Town	1955 San Diego Av
Comfort Inn Gaslamp	660 G St
Comfort Suites	631 Cam Del Rio S
Courtyard By Marriott	8651 Spectrum Center Bl
Courtyard San Diego Downtown	530 Broadway
Dana Inn	1710 West Mission Bay Dr
Days Inn	4540 Mission Bay Dr
Days Inn	543 Hotel S Cr
Days Inn & Suites	5550 Clairemont Mesa Bl
Days Inn Suites-Point Loma	3350 Rosecrans St
Del Mar Hilton	15575 Jimmy Durante Bl
Doubletree Club Hotel	1515 Hotel Circle South
Doubletree Hotel Del Mar	11915 El Cam Real
Doubletree Hotel San Diego-M.V	7450 Hazard Center Dr

APPENDIX B
List of Assessed Businesses – continued

Hotel Name	Hotel Location
Econolodge	445 Hotel Circle S Cr
Economy Inn	230 Via De San Ysidro
Embassy Hotel	3645 Park Bl
Embassy Suites	601 Pacific Hy
Embassy Suites Hotel	4550 La Jolla Village Dr
Empress Hotel The	7766 Fay Av
Estancia La Jolla Hotel & Spa	9700 Torrey Pines Rd
Extended Stay America # 8787	3860 Murphy Canyon Rd
Extended Stay America #8573	2087 Hotel Circle South
E-Z 8 Motel Of Old Town	4747 Pacific Hy
E-Z 8 Motel-South Bay	1010 Outer Rd
E-Z 8 Motels-Sports Arena	3333 Channel Wy
Fairfield Inn & Suites	641 Cam Del Rio S
Four Points Hotel Sheraton	8110 Aero Dr
Golden West Hotel	720 04th Av
Good Nite Inn	4545 Waring Rd
Good Nite Inn	3880 Greenwood St
Half Moon Inn	2303 Shelter Island Dr
Hampstead Lafayette Hotel, Llc	2223 El Cajon Bl
Hampton Inn	5434 Kearny Mesa Rd
Hampton Inn Del Mar	11920 El Cam Real
Hampton Inn San Diego Downtown	1531 Pacific Hy
Hampton Inn Sea World/Airport	3888 Greenwood St
Handlery Hotel & Resort	950 North Hotel Cr
Hilton Garden Inn San Diego-Rb	17240 Bernardo Garden Dr
Hilton Harbor Island	1960 Harbor Island Dr
Hilton Hotel-San Diego	1775 East Mission Bay Dr
Hilton La Jolla Torrey Pines	10950 North Torrey Pines Rd
Hilton San Diego Gaslamp Qtr	401 K St
Hilton Sd Mission Valley	901 Cam Del Rio S
Holdiay Inn Msn Vly-Stadium	3805 Murphy Canyon Rd
Holiday Inn Bayside	4875 North Harbor Dr
Holiday Inn Express	9888 Mira Mesa Bl
Holiday Inn Express	3950 Jupiter St
Holiday Inn Express - Old Town	3900 Old Town Av

APPENDIX B
List of Assessed Businesses - continued

Hotel Name	Hotel Location
Holiday Inn Express & Suites	5925 Lusk Bl
Holiday Inn Express/Sd/Mb/Pb	4610 De Soto St
Holiday Inn Harbor View	1617 01st Av
Holiday Inn Mission Bay/Seawor	3737 Sports Arena Bl
Holiday Inn Rancho Bernardo	17065 West Bernardo Dr
Holiday Inn San Diego North Mi	9335 Kearny Mesa Rd
Holiday Inn-Mission Valley	595 Hotel Circle South
Holiday Inn-S.D. On The Bay	1355 Harbor Dr
Homestead Village	9880 Pacific Heights Bl
Homestead Village M.V.	7444 Mission Valley Rd
Homewood Suites	11025 Vista Sorrento Py
Horton Grand Hotel	311 Island Av
Hotel Churchill	827 C St
Hotel La Jolla At The Shores	7955 La Jolla Shores Dr
Hotel Solamar	435 06th Av
Howard Johnson	1631 Hotel S Cr
Howard Johnson Inn	3330 Rosecrans St
Hyatt Regency Mission Bay Spa & Marina	1441 Quivira Rd
Hyatt Regency La Jolla	3777 La Jolla Village Dr
Hyatt Regency San Diego	One Market Pl
International Motor Inn	190 Calle Primera
Island Inn	202 Island Av
Island Palms Hotel Marina	2051 Shelter Island Dr
Kings Inn	1333 Hotel Circle South
La Jolla Beach Club Apartments	2000 Spindrift Dr
La Jolla Cove Suites	1155 Coast Bl
La Jolla Marriott 7fl	4240 La Jolla Village Dr
La Jolla Residence Inn	8901 Gilman Dr
La Pensione	606 W Date St
La Quinta Inn	2380 Moore St
La Quinta Inns & Suites	10185 Paseo Montril
La Valencia Hotel	1132 Prospect St
Lodge At Torrey Pines	11480 Nrth Torrey Pines Rd
Mission Valley Travelodge	1201 Hotel Circle S Cr
Mission Vally Resort	875 Hotel Circle South

APPENDIX B
List of Assessed Businesses - continued

Hotel Name	Hotel Location
Motel 6 #1419	1546 02nd Av
Motel 6 (Loc #98)	160 Calle Primera
Motel 6 (Loc#14)	2424 Hotel Circle N Cr
New Plaza Hotel	1037 04th Av
Oakwood Mission Valley	425 Cam Del Rio S
Ocean Park Inn	710 Grand Av
Old Town Inn	4444 Pacific Hy
Omni San Diego Hotel	675 L St
Otay Mesa Comfort Suites	2351 Otay Center Dr
Pacific Terrace	610 Diamond St
Padre Trail Inn	4200 Taylor St
Park Manor Suites	525 Spruce St
Pickwick Hotel	132 W Broadway
Premier Inn	2484 Hotel Circle Pl
Quality Inn	2901 Nimitz Bl
Quality Inn	1430 07th Av
Quality Suite Hotel	9880 Mira Mesa Bl
Radisson Hotel - San Diego	1433 Cam Del Rio S
Radisson Hotel Harbor View	1646 Front St
Radisson La Jolla	3299 Holiday Ct
Radisson Suite Hotel	11520 West Bernardo Ct
Ramada Inn & Suites	830 06th Av
Ramada Inn San Diego North	5550 Kearny Mesa Rd
Ramada Limited	1403 Rosecrans St
Ramada Plaza	2151 Hotel Circle South
Rancho Bernardo Inn	17550 Bernardo Oaks Dr
Red Lion Hanalei Hotel	2270 Hotel Circle North
Residence Inn - Central	5400 Kearny Mesa Rd
Residence Inn By Marriott	12011 Scripps Highlands Dr
Residence Inn By Marriott	11002 Rancho Carmel Dr
Residence Inn San Diego Downtn	1747 Pacific Hy
Residence Inn Sd Mv	1865 Hotel Circle South
S D Marriott Mission Valley	8757 Rio San Diego Dr
San Diego Marriott Courtyard	9650 Scranton Rd
San Diego Marriott Del Mar	11966 El Cam Real

APPENDIX B
List of Assessed Businesses - continued

Hotel Name	Hotel Location
San Diego Marriott Marina	333 West Harbor Dr
San Diego Old Town Courtyard	2435 Jefferson St
San Diego Paradise Point Resort	1404 West Vacation Rd
Sea Lodge Hotel	8110 Cam Del Oro
Shelter Pointe Hotel & Marina	1551 Shelter Island Dr
Sheraton Hrbr Isnd Hotel East	1380 Harbor Island Dr
Sheraton Suites San Diego	701 A St
Sommerset Hotel	606 Washington St
Sorrento Mesa Residence Inn	5995 Pacific Mesa Ct
Springhill Suites By Marriott	12032 Scripps Highlands Dr
Staybridge Suites Carmel Mtn	11855 Of Industry Av
Staybridge Suites Sorrento	6639 Mira Mesa Bl
Studio 819	819 University Av
Super 8 Motel	4380 Alvarado Canyon Rd
Super 8 Motel Bayview	1835 Columbia St
The Baltic Inn	521 06th Av
The Friendship Hotel	3942 08th Av
The Grande Colonial Hotel	910 Prospect St
The Hotel Of Rancho Bernardo	11611 Bernardo Plaza Ct
The J Street Inn	222 J St
Town & Country Hotel	500 Hotel N Cr
Travelodge - Airport City	2353 Pacific Hy
University Towers	5505 Montezuma Rd
US Grant	326 Broadway
Vagabond Inn	625 Hotel Circle South
Valli Hi Motel	655 W San Ysidro Bl
Vantaggio Suites	1736 State St
Villager Lodge	5343 Adobe Falls Rd
W San Diego	421 West B St
West Park Inn	1840 04th Av
Westgate Hotel	1055 02nd Av
Westin Hotel Horton Plaza	910 Broadway Cr
Woodfin Suite Hotel Sorr Mesa	10044 Pacific Mesa Bl
Wyndham Emerald Plaza Hotel	400 W Broadway
Wyndham Garden Hotel-S.D.North	5975 Lusk Bl

ATTACHMENTS

The following attachments are provided for information and reference purposes only. They are not meant to be construed as a part of the District Management Plan, rather they are provided as guidelines for deliberations and decisions to be made solely by the Board of Directors of the San Diego Tourism Promotion Corporation.

Attachment 1 – Framework for Application Criteria and Process

Attachment 2 – Memorandum of Understanding with San Diego Convention & Visitors Bureau

Attachment 3 – Memorandum of Understanding with San Diego North Convention & Visitors Bureau

Attachment 4 – Assumptions to Five-year Revenue Income and Distribution Budgets

ATTACHMENT 1

Framework For Application Criteria & Process

It is anticipated that the San Diego Tourism Promotion Corporation will solicit and/or receive applications for funding from numerous, diverse organizations, and entities. Specific application guidelines will be created and available once the SDTPC is appointed by the City to manage the Tourism Marketing District. Those guidelines, criteria and application will be created at the sole discretion of the Board of Directors of the San Diego Tourism Promotion Corporation. Changes to the guidelines, criteria and application can only be made by an action of the Board of Directors. The criteria below will form the basis for the subsequent guidelines:

Legal Status:

- Applicants must demonstrate proof of current legal status within the jurisdiction of the headquarters of their business or corporation.

Tourism Mission:

- While an applicant's primary mission need not be tourism related, the applicant's mission must include an acknowledgement of tourism marketing as a component of that mission.

Use of Funds:

- An applicant's income from the SDTPC must be solely used for the purpose of fulfilling the tourism marketing portion of its mission as articulated in its application for funding.

Track Record:

- An applicant must have a demonstrable history of successful, ongoing programming or business performance prior to submitting an application.

Location:

- Regardless of where an applicant is headquartered or physically located, or where a particular marketing program is implemented, 100% of the funding received from the SDTPC must be applied to, or in support of, programs designed for the measurable benefit of hotels (lodging businesses) within the City of San Diego.

Compliance:

- Former contractors of the City of San Diego must have submitted acceptable final report packages on any completed contract and be in good standing with the City.

Application:

- Each applicant for funding will be required to submit an "Application Request for Funding" that will require significant information about the applying organization or entity, as well as a specific proposal for how the requested funds will be spent, the expected result and the proposed method for measuring results. As a model for the type and depth of information required, it is suggested that prospective applicants become familiar with the Citywide Small Business Enhancement Program Grant Guidelines & Application, published by the City of San Diego City Planning and Community Investment Department Office of Small Business.

Fundamental Requirements:

- Fundamental to the funding of any application will be the clearly articulated benefit to hotels in the City of San Diego. While benefit may be delivered in numerous ways, by far the most important benefit will be measured in the delivery of room nights. Successful applications will clearly describe the strategy and tactics for delivering room nights as well as the number of room nights projected and estimated gross room revenue. Letters of intent for hotel room blocks and/or tentative agreements with hotels will provide the necessary back up to support the above projections and estimates.
- When considering these fundamental application requirements, priority will be given to:
 - Special need periods of the year
 - Special need geographic locations within the City
 - Incremental new room nights from existing programs or sponsoring organizations

Determining Return On Investment

- All successful applicants will clearly demonstrate a measurable Return On Investment (ROI) for the programs or services they propose. That Return On Investment can be determined in a number of different ways. Applicants are encouraged to develop and demonstrate their suggested method of measuring ROI for their particular program as a part of their application.

Application Timeline

- An application calendar and timeline will be published annually to guide applicants through the application process

Oral Presentation

- Should an application meet the fundamental requirements for consideration, and prior to any final decision, qualifying finalist may be invited to make a public, oral presentation before the SDTPC Board of Directors.

Contract Agreement

- Once the Board of Directors has approved funding and the SDTPC budget is approved by the City Council, a Contract Agreement is issued to the successful applicants. The Contract Agreement details the terms and conditions of the contract between the SDTPC and the organization and the organization's scope of work, anticipated results and mutually agreed upon method(s) for measuring those results.

ATTACHMENT 2

Draft Memorandum of Understanding with San Diego CVB

This is a Memorandum of Understanding (MOU) between the San Diego Tourism Promotion Corporation (SDTPC) and the San Diego Convention & Visitors Bureau. This MOU addresses Funding, Performance and Performance Measurement.

The following points of agreement shall be included in the Management Plan for the City of San Diego Tourism Marketing District:

1. Percentage Fixed Revenue
San Diego CVB shall receive 50% of the annual gross revenue generated by the Tourism Marketing District. This figure represents minimum, base funding. Additional funding may be allocated contingent upon a successful application to the SDTPC.
2. Specific Use For City of San Diego Lodging Establishments
The revenue received by San Diego CVB from the SDTPC will be segregated from other income and may be utilized to sell, market and promote (the City of San Diego to the benefit of) lodging establishments within the city limits of the City, and may include support activities such as critical operational expenses, including but not limited to salaries and benefits.
3. Annual Performance Audit
For purposes of inclusion in an Annual Report to the City Council, San Diego CVB shall comply with and support an annual Performance Audit based on mutually agreed upon performance standards to measure a return on investment to the City generated by San Diego CVB activities funded by the SDTPC. It is acknowledged that some activities and programs may extend over multiple years, rendering a single year assessment problematic. This Performance Audit shall be performed by a mutually agreed upon third-party auditor, and shall be paid for by the San Diego CVB.
4. Annual Financial Audit
For purposes of inclusion in an Annual Report to the City Council and general public distribution, San Diego CVB shall comply with and support an annual Financial Audit of all income and expenses relative to its operation. Specific focus of this Financial Audit will be the correct and appropriate use of SDTPC revenue to sell, market and promote (the City of San Diego to the benefit of) lodging establishments within the city limits of the City. This Financial Audit shall be performed by a third-party auditor selected by the San Diego CVB, and shall be paid for by the San Diego CVB.

Draft Memorandum of Understanding with San Diego CVB

Page 2

5. Term

The effective term of the items specified in this memorandum shall be contiguous with the term of the Tourism Marketing District, 5 years, or as approved by the City Council.

6. Contract

San Diego CVB and the SDTPC shall execute a mutually agreed upon contract that will include all of the elements listed above, and that will provide for a clear understanding of the relationship between San Diego CVB and the SDTPC. This contract will include language defining required, mutually agreed upon performance standards and the funding consequences possible should those standards not be met. This contract will define the necessary market research into mutually agreed upon areas or subjects to be provided by the San Diego CVB.

7. Effective Date

The effective date will be the first day of collections from assessed businesses, as approved by the City Council.

ATTACHMENT 3

Draft Memorandum of Understanding with San Diego North CVB

This is a Memorandum of Understanding (MOU) between the San Diego Tourism Promotion Corporation and the San Diego North Convention & Visitors Bureau. This MOU addresses Funding, Performance and Performance Measurement.

The following points of agreement shall be included in the Management Plan for the City of San Diego Tourism Marketing District:

1. Percentage Fixed Revenue: San Diego North CVB shall receive 10% of the annual gross revenue generated by the Tourism Marketing District. This figure is both the minimum and the maximum annual funding available to San Diego North from the SDTPC.
2. Specific Use For City of San Diego Lodging Establishments: The revenue received by San Diego North CVB from the TMD will be segregated from other income and may be utilized to sell, market and promote (the northern portion of the City of San Diego to the benefit of) lodging establishments within the city limits of the City, and may include support activities such as critical operational expenses, including but not limited to salaries and benefits.
3. Annual Performance Audit: For purposes of inclusion in an Annual Report to the City Council, San Diego North CVB shall comply with and support an annual Performance Audit based on mutually agreed upon performance standards to measure a return on investment to the City generated by San Diego North CVB activities funded by the TMD. It is acknowledged that some activities and programs may extend over multiple years rendering a single year assessment problematic. This Performance Audit shall be performed by a mutually agreed upon third-party auditor, and shall be paid for by the San Diego North CVB.
4. Annual Financial Audit: For purposes of inclusion in an Annual Report to the City Council and general public distribution, San Diego North CVB shall comply with and support an annual Financial Audit of all income and expenses relative to its operation. Specific focus of this Financial Audit will be the correct and appropriate use of TMD revenue to sell, market and promote (the northern portion of the City of San Diego to the benefit of) lodging establishments within the city limits of the City. This Financial Audit shall be performed by a third-party auditor selected by the San Diego North CVB, and shall be paid for by the San Diego North CVB.
5. Term: The effective term of the items specified in this memorandum shall be contiguous with the term of the Tourism Marketing District, 5 years, or as approved by the City Council.

Draft Memorandum of Understanding with San Diego North CVB

Page 2

6. Contract: San Diego North CVB and the SDTPC shall execute a mutually agreed upon contract that will include all of the elements listed above, and that will provide for a clear understanding of the relationship between San Diego North CVB and the SDTPC. This contract will include language defining required, mutually agreed upon performance standards and the funding consequences possible should those standards not be met. This contract will define the necessary market research into mutually agreed upon areas or subjects to be provided by the San Diego North CVB.
7. Effective Date: The effective date will be the first day of collections from assessed businesses, as approved by the City Council.

ATTACHMENT 4

Assumptions to Revenue Income & Distribution Calculations

- A. City projects \$159.2 million in TOT revenue for FY '08.
- B. Estimated TOT Revenue: Assumes 6% growth annually in TOT revenues through 2013.
- C. Estimated TMD Revenue: Assumes the equivalent of 2 points of TOT.
- D. Administration Fee Paid to City: Assumes an automatic annual escalator of 4.5%.
- E. SDTPC Personnel Expenses: Assumes an automatic annual escalator of 4.5%
- F. SDTPC Overhead Assumes an automatic annual escalator of 4.5%
- G. Annual escalator of 4.5% is derived from actuarial assumptions used in calculating increases in City personnel costs in order to forecast changes to the City's pension obligation.