

# Coronado Tourism Improvement District (CTID)



## Minutes from Advisory Board/Board of Directors Meeting March 7, 2013, Council Chambers, Coronado, Ca.

1. Call to Order. Meeting was called to order at 2 p.m. Present were the following CTID Advisory Board/Board of Directors: Todd Shallan, Brian Johnson, Phil Monroe, Eddie Warner, Mary Ann Berta, David Spatafore and Denise Schwab. Camille Gustafson and Tim Herrmann were unable to attend.

Also in attendance: Executive Director (ED) Todd Little, Tom Ritter from City of Coronado, Rita Sarich from Coronado Mainstreet, Karen Finch from Coronado Chamber, Janet Francis from Coronado Visitor Center, Bruce Linder from Coronado Historical Association, Lorenzo Higley from Communities Against Substance Abuse, Chuck O'Connor from MOGUL, Ben Vaughan from Coronado Valentine's Day 10K and Judy Seibert and Jerry McLeod from Nations of Intl Dance Festival.

2. Approval of Minutes from February 7, 2013. Denise Schwab submitted two minor corrections. *Motion for approval: Schwab, Second: Berta. Unanimously approved 7-0.*
3. Staff Discussion and Updates. The ED updated the Board on collected assessments. In January the assessments totaled \$33,753, 13% over projections for the month and 19% over last January's total. Year to date \$331,257 has been collected which is \$1,423 over projections.

The City of Coronado is working with an accounting firm to oversee audits of advisory organizations such as the CTID. The ED has accommodated their request so they could verify the CTID's agreed upon procedures for reporting. As outlined in the CTID's Special Services Agreement, the City has the right to withhold up to \$5,000 in assessments to cover the cost of the audits, but only \$1,000 was withheld.

The CTID's tax firm Considine and Considine is working with the IRS to remove or reduce a penalty for the extension in filing tax forms. The penalty is \$4282.55 and is based a per day charge that is calculated on gross income. Considine has had good luck in getting these penalties eliminated and the ED will keep the Board up to date when there's an update. Eddie Warner added the penalty pertains to the 2010 return. Up until the time that the CTID was incorporated, the City was responsible for submitting the tax

forms. The CTID was incorporated in late 2010 and we were not aware that we were responsible for submitting tax forms for the remainder of the year. It was an oversight.

4. Oral Communications. Lorenzo Higley addressed the Board on the topic of smoke free outdoor dining and the dangers of second hand smoke. Seven San Diego communities currently prohibit smoking in outdoor dining area and on March 19<sup>th</sup> he will present his findings to Council.

Ben Vaughan from Coronado Valentine's Day 10K briefed the Board on his recent event. Organizers cut off registration at 2,500 to keep the race manageable. Only 402 (16%) were Coronado residents. This year 5 countries and 37 states were represented plus DC and Puerto Rico. His event delivered 67 room nights to Coronado Island Marriott Resort and \$11,000 was donated to Islander Sports Foundation plus \$2500 to the Wampler Foundation.

Trisha Trowbridge from Coronado Bicycle Advisory Commission told the Board about completing an application process so Coronado could be designated a bicycle-friendly community. The 80-question application ascertains whether the local tourism Board promotes bicycling. She asked the Board to share their thoughts, otherwise the ED was scheduled to meet with her to provide data for the questionnaire. Phil Monroe suggested the Visitor Center should actually answer that question. He cited the new Coronado map they are distributing and asked the ED to coordinate his answers with them.

Jerry McLeod from the CoSA Foundation introduced Judy Seibert who thanked the Board for the grant given to the Nations of International Dance Festival. The event welcomed 2,000 people plus 235 performers. The grant allowed for marketing via KPBS radio, UT San Diego/North County Times and 40,000 promo postcards. Of the 359 guests surveyed, 319 crossed the bridge to attend what has become San Diego's largest multi-cultural event.

Chuck O'Conner from MOGUL introduced his firm that markets local restaurants and bars. MOGUL is the largest loyalty program for restaurants and is currently partnered with Virgin Airlines, SDSU and 12 eateries in Coronado. He looked forward to attending the meeting to learn more about the CTID and hopes to work with the Board in the future.

5. Review and Approved FY14 Annual Report – Service Plan and Budget. The ED introduced the draft Annual Report due to the City March 29<sup>th</sup>. Any changes the Board desires can be made between now and March 29<sup>th</sup>

Although there are four months left in the fiscal year the annual report details the revenue, expenses and accomplishments of the Board. This year the ED felt it was necessary to include more target demographic and competitive data as well as how well our PR efforts are going. The Board's partnership between the SDTA and their deliverables are documented as well. The report also shows how the CTID has shared promotional opportunities with other organizations so they too benefit from CTID efforts.

The service plan indicates the actions items the Board will take if approved for another year. The plan outlines the Board's wish to increase the assessment and why it makes sense on many levels.

Board packets included two budget sheets...one showing budget detail for FY14 and the second is a grid that shows a number of budget columns dating back to FY12 up to the budget that will be submitted to Council requesting the assessment change.

The columns titled "approved" where what the CTID provided to Council in last years report.

One correction was submitted by the Treasurer, adjusting the fees for SDTA in the Pacing FY13 budget. Their fees should read \$41,780 not \$36,780

In the budgets the ED wanted to make sure the bulk of the assessments were applied to the mission of the CTID...marketing. In FY14 over 90% the budget would go towards marketing strategy, campaigns and deployment.

The Board was reminded they could move and adjust budget totals. The ED projected flat growth year of year for FY14, which translates to \$1.1M in collected assessments.

The ED recommended budgeting \$800,000 so the San Diego Tourism Authority could continue to position Coronado in the off-season. That total would represent just under \$600,000 in national marketing campaigns. The remaining \$200,000 would cover public relations, creative development, research and typical costs for the San Diego Tourism Authority and MeringCarson: the media placement, PPC management, print ad mechanicals, banner ads programming and laying out the FSIs.

In June the Board will choose the exact campaigns and negotiate the budget allotments within the SDTA budget. The goal in this meeting was to approve budget totals so the ED could complete the Annual Report.

The ED pointed out increases in local marketing, community grants and the long term planning fund. That fund can be used at the discretion of the Board; it could reach six figures by the end of next fiscal year.

In previous years the Board has been asked to submit budgets for the next three years. The ED asked the hoteliers to recommend what percentage of growth they anticipate for FY15 and FY16.

Todd Shallan said he met recently with City Staff to reflect on recent developments with San Diego's Tourism Marketing District and to review options for implementing Coronado's assessment increase. While Mayor Sanders was still in office the San Diego Tourism Marketing District was granted a 39 ½ year extension. Mayor Sanders was unable to sign the agreement before his term ended in December. The newly elected San Diego Mayor Bob Filner has expressed philosophical difference with the extension and

has delayed signing the document. Additionally, two lawsuits have questioned the legality of the extension based on Prop 26, which mandates that all funds collected must be used specifically to promote the properties that collect the funds. Because those cases will not be decided prior to the recommended start of the 1% CTID assessment (July 2013,) the Coronado City Attorney initially felt it would be wise to delay moving forward with the assessment increase request. She has since offered a solution that should protect the City from similar litigation and protect the original ½% CTID assessment as well. The solution is to establish another tourism improvement district for the additional 1/2 % assessment. It could co-exist and run parallel with the existing tourism improvement district. The funds from that duplicate district would only benefit the four CTID hotels, thus remaining compliant with Prop 26. The two districts would likely have separate bank amounts as another layer of protection.

Tom Ritter felt the bulk of the work to establish the duplicate district would be managed but City Staff. Because there will be a higher standard for compliance, the City and CTID would work closely to define how the funds are spent on each district.

Todd Shallen told the Board the City Attorney's initial recommendation was to wait until the lawsuits were settled (perhaps up to two years) but she did see a path if the Board agreed to proceed beforehand. In the future should the San Diego district be judged illegal, the duplicate district in Coronado could be ended. Todd felt there was reason to move forward including the ability to afford marketing during the entire span of the 9-month off-season. The decision is timely because the CTID's off-season marketing strategy is approved by the Board in June.

Brian Johnson felt the City's path for proceeding was great because it accomplished the goal of marketing throughout the off-season. Eddie Warner said the Board needed to protect the long-term existence of the CTID. She felt this strategy was finagling... a workaround for San Diego's situation. She felt the layering of assessments could invite criticism and her opinion matched the City Attorney's original suggestion to wait until the legal matters in San Diego were finalized.

Tom Ritter further explained the City Attorney's path for proceeding, which would protect the original ½% CTID assessment. Todd Shallen added that the criticism of the since-closed Coronado Convention and Visitors bureau stemmed from it being funded by the City (not a guest assessments such as the original CTID assessment.)

Phil Monroe commented that after the passing of Proposition 26, it makes sense to have two districts so we can preserve what we had in 2010. Even if there weren't court cases, he felt it would be smart to have two districts and the CTID might have done that anyway, in 2013

*Motion to approve: Schwab, Second: Spatafore. Approved 6-0, Warner abstained because the Coronado Mainstreet board had not vetted the duplicate district.*

Annual Report Budget Discussion. Eddie Warner felt the projected budget allotments for FY14 needed adjustment. Although there were projected increases for national marketing, community grants and long term planning fund, she noted local marketing was increased by just \$25,000. She asked the ED his reasoning behind the discrepancy between national and local marketing. The ED said hotel guests require more during their visit and spend accordingly. They tend to spend more on meals, activities, retail purchases and obviously, lodging. Day visitors from San Diego are important, but increasing the hotel marketing budget could provide a greater return on investment. David Spatafore agreed with the ED and cited a recent example when following a conference, 200 hotel guests in Coronado ascended on local restaurants. He added this is an example of how local businesses benefit from the CTID national marketing efforts...delivering a great bang for the buck. Todd Shallan felt the local marketing budget could be reconsidered because 100% of the funds from the duplicate district would be solely used for national marketing. He added that only hotel visitors contribute to the transient occupancy tax not day visitors. Phil Monroe cited Coronado's General Fund budget of between \$38 Mil and \$40 Mil. Other regional cities of similar population like Lemon Grove and La Mesa have general fund budgets of about \$18 Mil. The difference is the TOT. About 35% of Coronado's general fund budget comes from TOT revenue. TOT is important to Coronado. He added that no matter what the Board does or tells residents how tourism benefits all, it will never silence the critics.

Eddie also felt the examples of how the long term planning fund could possibly be used were topics that were disapproved by the Board. Denise Schwab said the topics were discussed and tabled, not disapproved. Todd Shallan said the topics were also tabled because two Board members were absent from the meeting in February. He believed the long term planning fund served as an emergency reserve and allowed flexibility for future spending. He felt 10% of revenue was appropriate and there may be a time the Board needs the dollars should the economy falter.

Eddie questioned why the competitive destinations were titled Southern California when they are located in San Diego. She offered to send other adjustments to the ED.

The Board agreed to meet again on March 28<sup>th</sup> to review the revisions to the Annual Report that discuss establishing a duplicate district for an additional ½% to accompany the original ½% assessment. The ED will speak with hoteliers to gauge projected growth during FY15 & FY16. He will then amend all budgets for FY14, FY15 and FY16

6. Adjournment. The meeting ended at 3pm.