

Meeting Date: 8/27/2013

Report Type: Consent

Report ID: 2013-00164

Title: Fiscal Year 2013-14 Sacramento Tourism Marketing District Annual Proceedings

Location: Citywide

Issue: State law requires that business improvement districts (BIDs), formed under the Property and Business Improvement District Law of 1994, file an annual report describing the proposed assessment, establishing a budget, and levying the assessment on businesses that benefit from BID services.

Recommendation: Pass a Resolution 1) approving the Sacramento Tourism Marketing District (STMD) Annual Report; 2) authorizing any necessary budgetary adjustments; and 3) levying an assessment for Fiscal Year (FY) 2013-14.

Contact: Sheri Smith, Program Specialist, (916) 808-7204; Mark Griffin, Program Manager, (916) 808-8788, Department of Finance

Presenter: None

Department: Finance

Division: Public Improvement Finance

Dept ID: 06001321

Attachments:

- 1-Description/Analysis
- 2-Background
- 3-Resolution

City Attorney Review

Approved as to Form
Michael W. Voss
8/9/2013 11:27:42 AM

City Treasurer Review

Reviewed for Impact on Cash and Debt
Russell Fehr
7/31/2013 4:35:42 PM

Approvals/Acknowledgements

Department Director or Designee: Dennis Kauffman - 8/7/2013 12:15:35 PM

Description/Analysis

Issue: The Sacramento lodging business owners within the district boundaries petitioned the City of Sacramento (City) to establish the STMD as a business improvement district to assess business income, in order to provide marketing and sales promotions with the intent to increase tourism and to market Sacramento lodging businesses as tourist, meeting, and event destinations. On May 22, 2012, City Council approved formation of the STMD.

The STMD was formed under the Property and Business Improvement Law of 1994, which requires that an Annual Report (Report) be filed with the City Clerk for City Council approval. The STMD Advisory Board has prepared the Report for FY 2013-14, which is on file with the Public Improvement Financing Division of the Department of Finance, which the City Clerk has designated as the custodian of such records. The Report addresses the proposed budget, assessment, and services to be provided.

The Report does not change the scope of services or any other aspect of the STMD's legal structure, as established in the Management District Plan approved at the formation of the district.

Policy Considerations: Approval of the attached Resolution will authorize the City to levy and collect business assessments in the amount sufficient to provide funding for promotion of Sacramento lodging businesses, marketing of the City, convention and trade show marketing, and other activities related to increasing tourism in the City for FY 2013-14, and to establish the associated budget.

Economic Impacts: This report does not have direct economic impacts.

Environmental Considerations

California Environmental Quality Act (CEQA): Under CEQA Guidelines, administration and annual proceedings do not constitute a project and are therefore exempt from review.

Sustainability Considerations: There are no sustainability considerations applicable to the formation or renewal and administration of an assessment district.

Committee/Commission Action: None.

Rationale for Recommendation: The actions in the recommended resolution are required by the California Streets and Highways Code Part 7 (beginning with Section 36600) of Division 18.

Financial Considerations: The District is self-supporting and has no impact to the General Fund. Financing is provided by the levy of assessments upon businesses that benefit from the improvements and services. The District does not plan to issue bonds.

The total STMD assessment budget is estimated to be \$5.2 million. The City of Sacramento will retain two percent of the amount of assessment collected from businesses within the City to cover the costs of collection and administration. The operating budget for the STMD, which will fluctuate with market conditions and room night sales, will be adjusted annually to reflect annually-approved Council assessments and expenditure plans.

Budget details are provided in the attachments to the Resolution.

Emerging Small Business Development (ESBD): City Council approval of these proceedings is not affected by City policy related to the ESBD Program.

BACKGROUND

Sacramento has had a Tourism BID in place to provide marketing and promotion services for Sacramento lodging establishments since 2000. In 2012, the Sacramento hotels and lodging establishments petitioned to pursue formation of a new district in order to reconfigure services and benefit zones, as well as to change the method of assessment and increase total revenue to promote Sacramento as a destination for tourism, conventions, meetings, and events. The new district, formally named the Sacramento Tourism Marketing District 2012-07 (STMD), was formed under the Property and Business Improvement District Law of 1994 by City Council on May 22, 2012.

Assessment

The STMD assesses businesses from 1% to 3% of gross room revenue depending on their benefit zone. The percentage-based assessment provides additional funds to allow for increased capacity for marketing and sales efforts as well as for increased zone specific marketing, when compared to the earlier BID.

Services

The STMD is a benefit assessment district formed by the business owners to fund services such as:

- Promotion of Sacramento lodging businesses
- Marketing efforts that include internet, social media, television ads, and printed promotional materials
- Increased convention and trade show sales efforts, as well as sales blitzes
- Creation of educational programs for the hospitality industry
- Targeted zone-specific marketing to support and enhance room night sales
- Other activities directly related to increasing tourism and room night sales in Sacramento

This approach has been used successfully in other destination areas throughout the state to improve tourism and drive additional room nights.

Boundaries

The STMD is comprised of approximately 114 businesses in the City and County of Sacramento (County) and includes all lodging businesses located within the boundaries of the City of Sacramento and unincorporated areas of the County. The boundaries and zones are shown on the Boundary Map attached to the Resolution.

Governance

The Sacramento Convention and Visitors Bureau (SCVB) manages the STMD and has created a seven-member tourism district committee to manage district funds and activities. The Tourism District Committee members concurrently serve as SCVB Board Members.

RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVING THE ANNUAL REPORT FOR THE SACRAMENTO TOURISM MARKETING DISTRICT AND LEVYING ASSESSMENT FOR FISCAL YEAR (FY) 2013-14

BACKGROUND

- A. On May 22, 2012, City Council approved formation of the Sacramento Tourism Marketing District No. 2012-07 (STMD), depicted in Exhibit A, for a five-year term commencing on July 1, 2012. Sacramento lodging business owners within the boundaries of the District petitioned the City of Sacramento (City) to establish the STMD, as a business improvement district, to assess business income in order to provide marketing and sales promotions with the intent to increase tourism and to market Sacramento lodging businesses as tourist, meeting, and event destinations.
- B. The City Council established the STMD under the Property and Business Improvement District Law of 1994 (California Streets and Highway Code, Sections 36600 to 36671) (PBID Law) and has previously levied assessments on businesses in the District to pay for improvements and services to be provided within the District, in accordance with the PBID Law.
- C. Expenditures of STMD funds provide for promotion, marketing, and sales efforts within the STMD, which are intended to increase tourism and room night sales in the City and County of Sacramento. All services are as defined within the Annual Report and by reference made a part of this resolution. The Annual Report is separately bound and on file with the Public Improvement Financing Unit of the Finance Department, which the City Clerk has designated as the custodian of such records.
- D. The rate and methodology of assessment is not changed from the prior year.

BASED ON THE FACTS SET FORTH IN THE BACKGROUND, THE CITY COUNCIL RESOLVES AS FOLLOWS:

- Section 1 The City Council finds and determines that the background statements A through D are true.
- Section 2 The City Manager is authorized to make any necessary budgetary adjustments associated with the STMD budget for FY 2013-14 as shown on Exhibit B.
- Section 3 The annual budget and assessments as set forth in the FY 2013-14 Annual Report are authorized.

Section 4 Exhibits A and B are part of this resolution.

Table of Contents:

Exhibit A: District Map

Exhibit B: FY 2013-14 STMD Budget & Business Assessment

Exhibit A

Boundary Map

Sacramento Tourism Marketing District Boundary Map

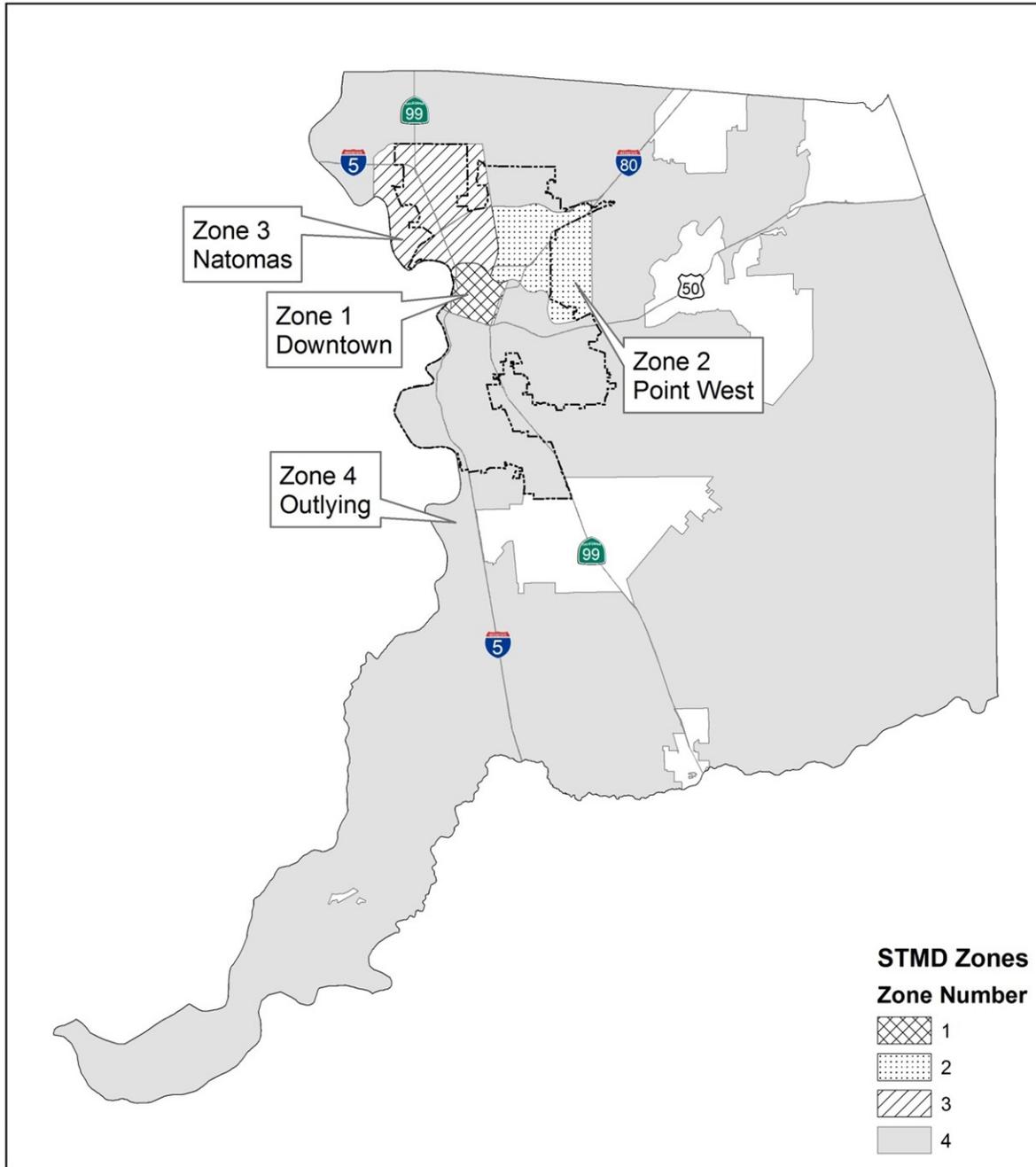


Exhibit B
STMD
BUSINESS IMPROVEMENT DISTRICT
FY 2013-14 DISTRICT BUDGET & BUSINESS ASSESSMENT
Fund 2213

Resources

Assessment Revenues	\$5,150,000.00
Prior year carryover	\$ 103,206.00
Total Resources	<u>\$5,253,206.00</u>

Expenses

	Amount Allowed per MDP		STMD Budget
	Percent	Budget Maximum	
Sales and Marketing	87%	\$ 4,570,289.22	\$4,570,289.22
Zone Micro-Marketing	10%	\$ 525,320.60	\$ 525,320.60
City & County Collection Costs	2%	\$ 105,064.12	\$ 105,064.12
Contingency Renewal	1%	\$ 52,532.06	\$ 52,532.06
Total Expenses			<u>\$5,253,206.00</u>

Estimated Ending Fund Balance	\$0.00
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Business Assessment

Annual assessment rates are three percent of gross short-term (stays fewer than 31 days) room rental revenue on lodging businesses in Zone 1, two and one-half percent of gross short-term room rental revenue on lodging businesses in Zone 2, two percent of gross short-term room rental revenue on lodging businesses in Zone 3, and one percent of gross short-term room rental revenue on lodging businesses in Zone 4. Based on the benefit received, assessments shall not be collected on stays of more than 30 consecutive days; nor on stays by airline crews pursuant to contracts executed prior to July 1, 2012, when those stays occur prior to January 1, 2014. Assessments shall be collected on room rental revenue resulting from stays by airline crews pursuant to contracts executed after July 1, 2012, and room rental revenue from all stays by airline crews occurring after January 1, 2014. Room rental revenue from stays that do not qualify for the airline crew or over 30-day exemptions shall be subject to the assessment. Except for the two exemptions noted, the assessment shall apply to room rental revenue from all stays which are on a transient basis; a stay is considered to be on a transient basis until 30 consecutive room night stays have elapsed.