

Meeting Date: 8/11/2015

Report Type: Consent

Report ID: 2015-00176

Title: Fiscal Year (FY) 2015/16 Sacramento Tourism Marketing District (STMD) Annual Proceedings

Location: Citywide

Recommendation: Pass a Resolution 1) approving the Sacramento Tourism Marketing District (STMD) Annual Report, 2) authorizing budgetary adjustments, and 3) levying an assessment for FY2015/16.

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

8/3/2015 8:55:36 AM

Approvals/Acknowledgements

Department Director or Designee: Leyne Milstein - 7/13/2015 1:20:12 PM

Description/Analysis

Issue: On May 22, 2012, City Council approved formation of the Sacramento Tourism Marketing District (STMD) by Resolution No. 2012-141 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. 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 Sacramento Convention and Visitor's Bureau, as the owners' association for the STMD, has prepared the Report for FY2015/16, which is on file with the Public Improvement Finance Division of the Department of Finance, designated by the City Clerk as the custodian of such records. The Report addresses the proposed budget, annual assessment, and services to be provided. The Report does not change the District boundaries, the rate and methodology of assessment, 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 STMD.

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 in FY2015/16, and establish the associated budget.

Environmental Considerations: Under California Environmental Quality Act guidelines, administration of the District does not constitute a project and is therefore exempt from review.

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 STMD 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 STMD does not plan to issue bonds. The operating budget for the STMD fluctuates with market conditions and room night sales and is adjusted annually to reflect annually-approved Council assessments and expenditure plans.

The total STMD assessment budget is estimated to be \$5.7 million, with \$5.2 million of the revenue collected from businesses within the City. It is estimated that \$363,989 will be carried over from the prior fiscal year, but the final amount will be determined once the FY2015/16 audit is completed. The City will retain two percent of the amount of assessment collected from businesses within the City to cover the costs of collection and administration. Budget details are provided in the attachments to the Resolution.

Local Business Enterprise (LBE): Not applicable

BACKGROUND

Sacramento has had a tourism business district in place to provide marketing and promotion services for Sacramento lodging establishments since 2000. The Sacramento Tourism Marketing District (STMD) was formed in 2012 to modernize the old district and create specific zones and provide targeted services.

Assessment

Annual assessment rates on lodging businesses for short term room rental (stays fewer than 31 days) are:

- Zone 1 – three percent of gross room rental revenue
- Zone 2 – two and one-half percent of gross room rental revenue
- Zone 3 – two percent of gross room rental revenue
- Zone 4 – one percent of gross room rental revenue

Additional detail is provided in Exhibit B to the Resolution.

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
- 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 (Committee) to approve and manage district funds and activities. The SCVB Board Members concurrently serve as the Committee 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 2015/16

BACKGROUND

- A. On May 22, 2012, by Resolution No. 2012-141, 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 Division of the Finance Department, which the City Clerk has designated as the custodian of such records.
- D. The Fiscal Year (FY) 2015/16 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 Council finds and determines that the businesses within the District benefit from the activities funded by the proposed assessment.
- Section 3 The City Manager is authorized to make any necessary budgetary adjustments associated with the STMD budget for FY2015/16 as shown on Exhibit B.

Section 4 The annual budget and assessments as set forth in the FY2015/16 Annual Report are authorized.

Section 5 Exhibits A and B are part of this resolution.

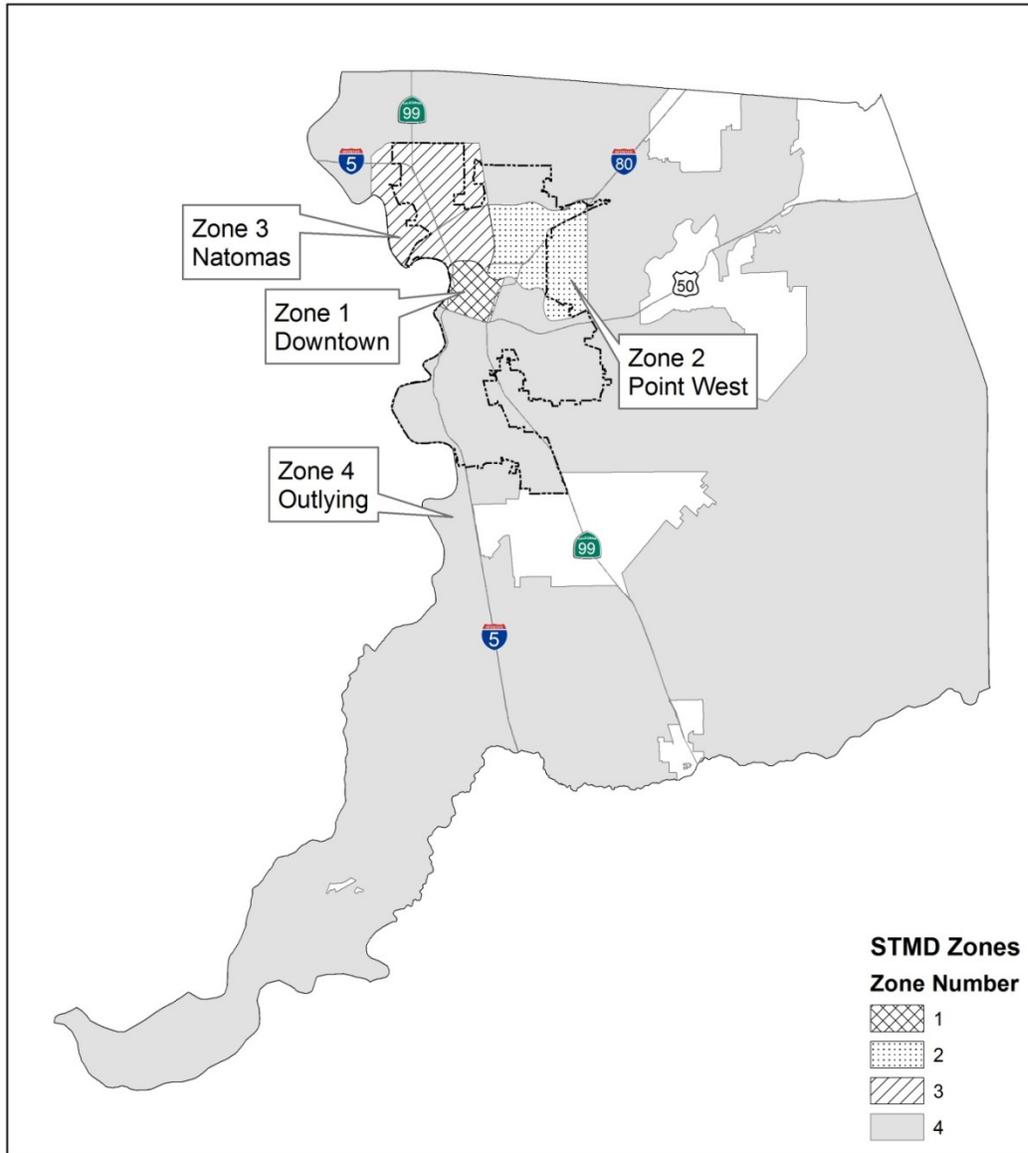
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Exhibit A: Boundary Map

Exhibit B: FY2015/16 District Budget & Business Assessment

Exhibit A Boundary Map

Sacramento Tourism Marketing District Boundary Map



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City of
Sacramento
Department of Finance
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Exhibit B
(Fund 2243)
SACRAMENTO TOURISM MARKETING DISTRICT
FY2015/16 DISTRICT BUDGET & BUSINESS ASSESSMENT

Estimated Beginning Fund Balance	\$0
Total Assessed to Property Owners	\$ 5,200,000
Total Resources	<u>\$5,200,000</u>
STMD Activities	
Estimated Disbursement	\$5,096,000
Administrative Costs - 2%	\$104,000
Total Expenditures	<u>\$5,200,000</u>
Estimated Ending Fund Balance	<u>\$0</u>
Year-Over-Year Change in Fund Balance	<u>\$0</u>

Business Assessment

Annual assessment rates on lodging businesses for short term room rental (stays fewer than 31 days) are:

- Zone 1 – three percent of gross room rental revenue
- Zone 2 – two and one-half percent of gross room rental revenue
- Zone 3 – two percent of gross room rental revenue
- Zone 4 – one percent of gross room rental revenue

Based on the benefit received, assessments shall not be collected on stays of more than thirty (30) consecutive days. 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 thirty (30) consecutive room night stays have elapsed.