REPORT TO COUNCIL
City of Sacramento

16

915 I Street, Sacramento, CA 95814-2604
www. CityofSacramento.org

Consent
November 28, 2006

Honorable Mayor and
Members of the City Council

Title: Approve FY 2006/07 Budget for the Sacramento Tourism and Business Improvement District (STBID)

Location/Council District: Cities of Sacramento, Isleton and Rancho Cordova
Sacramento County (unincorporated area)

Recommendation: Staff recommends that the City Council adopt a Resolution: Approving the 2006/07 Budget for the Sacramento Tourism and Business Improvement District (STBID).

Contact: Steve Hammond, President & CEO, Sacramento Convention & Visitors Bureau, 808-7782

Barbara Bonebrake, CC&L Director, 916-808-8225

Presenters: Not Applicable

Department: Convention, Culture and Leisure

Division: Administration

Organization No: 4310

Description/Analysis

- **Issue:** In November 2000, the Sacramento and Isleton City Councils and the Sacramento County Board of Supervisors approved formation of the Sacramento Tourism Business Improvement District to generate additional revenue for marketing convention and tourism activities in the City of Sacramento, City of Isleton and the County's unincorporated area. Money is generated by an assessment on occupied rooms.

  In December 2000, the Sacramento City Council adopted Ordinance 2000-051 adding Chapter 3.98 to the Sacramento City Code to establish the STBID. The Ordinance also included the formation of an Advisory Board comprised of hotel operators within the District to advise the City of Sacramento on the amount of the District's assessments and on the programs and activities funded by those assessments. The STBID Advisory Board consists of the following members:

Bill Cox	Operator, Delta Daze Inn (Isleton)
Steve Mammet	General Manager, Embassy Suites Hotel (City)
Dwight Miyakawa	General Manager, Holiday Inn-Northeast (County)
Gunter Stannius	General Manager, Sheraton Grand Sacramento (City)
Ralph Suda	General Manager, Marriott Rancho Cordova (County)
Liz Tavernese	General Manager, Holiday Inn-Capitol Plaza (City)

Under Agreement 2001-021, the Sacramento Convention & Visitors Bureau (SCVB) administers the STBID, including preparation of an annual budget for approval by the Sacramento City Council.

On July 1, 2003, the City of Rancho Cordova came into existence and continues to collect the STBID assessment as an incorporated city.

Policy Considerations: The activities of the STBID are consistent with local and regional economic development goals.

Environmental Considerations: The activities of the STBID are not considered a "project" in accordance with Section 21065 of the Public Resources Code, will not "cause either a direct physical change in the environment or a reasonably foreseeable indirect physical change in the environment" and therefore exempt from the California Environmental Quality Act (CEQA).

Commission/Committee Action: The 2006-07 STBID Budget was reviewed and approved by the STBID Advisory Board at their meeting on August 8, 2006. The meeting included a review of 2005-06 STBID collections and approval of key goals and marketing strategies based on the 2006-07 SCVB Strategic Business Plan. Minutes of the August 8, 2006 meeting are included as Attachment 1.

Rationale for Recommendation: Approval of the County agreements will allow for the receipt of remaining funding that is budgeted for these operations in the 2006/07 Approved City Operating Budget.

Financial Considerations: The STBID FY 2006-07 Proposed Budget is $3,322,850. Approximately 67 percent of the budget will be funded from revenues collected within the City ($2,213,018) and 30 percent from the unincorporated area of Sacramento County and Cities of Isleton and Rancho Cordova combined ($978,653). The budget will be balanced with a combination of unspent BID revenues received in prior year ($95,337) and $35,842 in other non-BID funds.

Expenditures are proposed in the following areas:

Marketing	$ 1,434,279
Convention Sales	883,321
Tourism	509,200
Partner Marketing	47,350
Community Relations	448,700
TOTAL	**$ 3,322,850**

Under Agreement 2001-021, the City, County and Cities of Isleton and, since July 1, 2003, Rancho Cordova collects the STBID assessments from occupied rooms in eligible properties within their respective jurisdictions. Each may retain 2 percent of total collections to cover administrative costs. The City has established a dedicated fund (Fund 236) where its collections are deposited. From there, the money is transferred, less the administrative fee, to a Bureau account for all STBID expenses and revenues. This account also receives directly the STBID revenues the County and the Cities of Isleton and Rancho Cordova administer/collect for hotel operators outside of the City of Sacramento.

Listed below is the summary of collections (less administrative fees) and expenses for the STBID program over the past three years and the proposed spending plan for 2006-07:

	FY 04 Actual	FY 05 Actual	FY 06 Actual	FY 07 Proposed
Beginning Balance	$ 688,511	$ 256,971	$ 175,827	$ 95,337
Net City Collections	$ 2,036,145	$ 2,077,648	$ 2,095,028	$ 2,213,018
Net County/Isleton/RC	$ 934,468	$ 996,494	$ 930,621	$ 978,653
Total Revenues	**$ 2,970,613**	**$ 3,074,142**	**$ 3,025,649**	**$ 3,191,671**
Total Expenses	**$ 3,399,154**	**$ 3,135,805**	**$ 3,106,139**	**$ 3,322,850**
Surplus (Deficit)	$ (428,541)	$ (81,144)	$ (80,490)	$ (131,179)
Use of Prior-Year Unspent Collections	$ n/a	$ 256,971	$ 175,827	$ 95,337
Other Funds	$	$	$	$ 35,842
Available Balance (cumulative)	$ 256,971	$ 175,827	$ 95,337	$ 0

Emerging Small Business Development (ESBD): None. No goods or services are being purchased.

Respectfully Submitted by: _____
STEVE HAMMOND
President & CEO, Sacramento Convention & Visitors Bureau

Approved by: Barbara E Bonebrake
BARBARA E. BONEBRAKE
Director, Convention, Culture and Leisure Department

Recommendation Approved:

Cassandra P. Jenny
for RAY KERRIDGE
City Manager

Table of Contents:

Report Pg. 1-3
Attachments
1 STBID Advisory Board Minutes (8/8/06) Pg. 4-9
2 Resolution Pg. 10
3 Exhibit A--FY 2007 STBID Proposed Budget Pg. 11

ATTACHMENT I

SACRAMENTO TOURISM BUSINESS IMPROVEMENT DISTRICT

Minutes

Regular Meeting of the STBID Advisory Board

Tuesday, August 8, 2006

Holiday Inn Capitol Plaza

300 J Street, Sacramento, CA

I. Call to Order / Roll Call

Gunter Stannius, Chair, called the meeting to order at 2:30 p.m. and welcomed those in attendance. Roll call was taken as follows:

Advisory Board members present at the meeting:
Bill Cox, Steve Mammet, Gunter Stannius, Liz Tavernese

Advisory board members absent from the meeting:
Dwight Miyakawa, Ralph Suda

Sacramento Hotel Association (SHA) staff present at the meeting:
Teresa Stephenson

Sacramento Convention & Visitors Bureau (SCVB) staff present at the meeting:
Steve Hammond, Tom Bennett, Leonard Hoops

Guests present at the meeting:
Ron Berger, Dave Boldt, Greg Hargrave, Barry Miller, Ulrich Samietz

II. Review of FY2005-06 STBID Assessment Collections

Steve Hammond reported that the STBID FY2005-06 collections were projected to meet budget at the end of the year at $2,134,010 from the City, $699,517 from the County, and $260,942 from Rancho Cordova. The SCVB is budgeting $3,191,671 for FY2006-07. Steve also reported that the Rancho Cordova STBID budget would probably double when the portion of Rancho Cordova east of Sunrise Blvd. becomes completely incorporated.

III. Review and Approval of STBID FY2006-07 Marketing Activities

Steve Hammond, Tom Bennett and Leonard Hoops presented the highlights of the marketing activities and strategies of the FY2006-07 business plan along with the FY2006-07 budget. They focused on the Bureau's major programs and the budget allocated to meet the Bureau's goals and objectives. Steve's, Tom's and Leonard's remarks included:

Overall

- Preliminary budget of $6.718 million reflects an anticipated increase of $230,000, or approximately 3.6%, in revenue and expenses compared to FY 05-06 approved budget.
- However, nearly 70% of that anticipated increase is the result of projected SCVB revenues as a partner in the Da Vinci Experience exhibit, an expanded event sponsorship agreement with Wells Fargo, and the return of $60,000 in TOT funding from the City of Sacramento (which had cut $120,000 in the SCVB's share of TOT funding several years ago).
- The preliminary budget includes funds for an average 3.5% increase for staff compensation.

Administration

- Due to the attendance and financial success of last year's annual membership meeting being moved from a dinner to a lunch event, we are continuing with that format. This year's event is scheduled for Aug. 10 at Memorial Auditorium.
- Contingency funds of $6,000 are again budgeted for a possible convention/ tourism study mission to another city such as San Antonio.

Marketing

- $42,900 included for travel and/or trade show participation by the senior management team and Travel Media staff, as well as fam trip expenses for travel media visiting Sacramento. The latter includes a slight increase to bring international media attending the Pow Wow trade show in Anaheim to Sacramento. (Travel and trade show expenses specific to convention and tourism sales staff is included in other sections of the budget.)
- $226,500 budgeted for marketing collateral, a 6% increase over last year. This includes a $7,000 increase in trade show booth materials to produce new booth panels tied to anticipated changes in our advertising campaigns. The SCVB will continue to print two visitors guides and two issues of The Gold Standard annually.
- $76,000 budgeted for website/e-marketing, including a re-design of the discovergold.org site (first in four years) and regular monthly content changes and new page development.
- $25,000 in Gold Card funding includes adding new partners to the program, ordering additional cards, quality control programs, updating customer collateral, and performing due diligence on changing to a kiosk-based program.
- $120,000 commitment to Rancho Cordova tourism committee as revenue share of STBID collections from that area, up from $80,000 last year as part of an agreement with the Rancho Cordova Chamber and our mutual hotel partners. SCVB and Rancho Cordova hoteliers will jointly decide how to utilize those funds. This revenue share represents 40% of current Rancho Cordova STBID funds (some area properties, such as Sacramento Marriott Rancho Cordova, still part of County TOT and STBID collections).

- $110,000 budgeted for expenses and $71,500 for revenue related to bringing The Da Vinci Experience exhibit to Sacramento. The SCVB has partnered with the exhibit's LLC and the Aerospace Museum of California to promote the exhibit locally and regionally and in return will be receiving a share of ticket revenue, gift shop sales, food & beverage sales and sponsorship revenue. The SCVB is budgeting $140,000 in total expenses and $160,000 in total revenue spread over two fiscal years.

Convention Sales & Services

- The SCVB will be continuing our $1 million sweepstakes promotion and will be replacing the scratch card program with a touch-screen table top kiosk system. Trade show attendees will receive pre-mailer cards with a bar code to scan at the SCVB booth which will determine if they qualify for the $1 million drawing and grand prize event.
- $205,450 budgeted for convention trade shows, sales missions and site visits, a 16% increase. This includes funding for two additional trade shows (FEA, which targets meeting decision-makers of fraternal organizations as part of the SMERF segment, and CESSE, which targets meeting decision-makers for scientific and engineering organizations, a segment the SCVB seeks to grow) while eliminating The Hyland Group's Bureaufest show as the SCVB no longer contracts with them for Chicago/Midwest representation.
- \$122,000 advertising budget is $10,000 less than last year's budget but equal to actual spending; the convention sales and marketing emphasis continue to be on lead-producing trade shows and sales missions (though some level of core advertising is necessary to build product and brand awareness throughout the year).
- $24,400 budgeted for first-time participation in TAP Report program. TAP Report analyzes product variables, competitive set, past booking results and other empirical data to help CVBs refine pace reports, market segment analysis, and goal setting, and assess convention room night market share.
- $90,000 budgeted to fulfill past bid support commitments to groups that will be convening during FY 06-07, as well as allow some flexibility for "in the year, for the year" commitments. This line item does not impact what the SCVB can/will offer for bid support to groups we will be pursuing in FY 06-07 but which would not convene until a future year.
- Last year the SCVB partnered with the Sacramento County Airport System to replace airport welcome banners with new 60" LCD welcome signage at Sacramento International Airport. For FY 06-07, the SCVB is budgeting $55,000 for new banners for downtown light poles as well as welcome signs for citywide convention groups (which may include new program with Yellow Cab).
- $4,960 ($2,480 net) budgeted for partnership with SMUD on a new "Green-ergy" program that will allow all SCVB-booked conventions at the Sacramento Convention Center to be considered "Certified Green" and promote that fact to their delegates.

This will also be a key selling point to "eco"-focused organizations as we try to generate more business with those groups. Half of the funds are rebated to the SCVB by SMUD to promote the program to our prospects and customers.

- Passkey housing program is a budget wash with $30,000 in expenses and $30,000 in revenue for on-line management of convention room blocks.
- Multicultural Affairs department budget remains essentially the same as past years.

Travel Industry Sales & Visitor Center

- Overall trade show and sales mission budget of $69,100 is reduced 20% from last year. Major changes include 90+% decrease in funding for California Travel Market as Sacramento hosted last year's show (which carried financial commitments as host) and the elimination of the World Travel Market show, while adding two new shows (SYTA, which reaches student/youth travel decision-makers, and Go West Summit, which reaches domestic & international tour operators).
- Advertising budget includes $240,000 for promoting the Sacramento Gold Card program, which will be used for two inclusions in the Southwest Airlines Featured Destination program, print media such as Sunset and Via, Sunday newspaper inserts (and possibly radio promotions) in the Central Valley and Redding, family-targeted media buys in the Bay Area, and continuing e-marketing partnership with Travelocity. Advertising budget also restores $10,000 for co-op advertising with the State of California and adds $12,500 for new buys in key group travel industry publications.
- $23,000 in direct mail funding budgeted to reach targeted households in the Central Valley and Redding.
- $48,000 budgeted to continue participation with State of California's international representatives to promote Sacramento as a tour destination to international tour operators plus Sacramento's share of the state's international public relations representation.
- $9,000 added to restore participation in Certified Folder brochure distribution program.
- $15,000 budgeted to fulfill sponsor commitments of hosting the 2007 California Travel Industry Association annual conference in Sacramento.
- $15,000 in funding budgeted to fulfill National Tour Association & California Travel Market promotions where the SCVB incentivized tour operators who attended those shows to bring new business to Sacramento.
- Visitor Center funding budgeted to decrease as last year included start-up funding for the center's materials and services.

Partner Marketing

- Travel budget increased $2,700 to add more IEG professional development programs for driving more sponsor revenue.

- Collateral budget increased by $7,400 which includes funding to re-order partnership plaques.
- SCVB budgeting $20,000 ($4,000 net) for member networking events.
- $3,500 in funding budgeted to recognize existing and potential major partners (e.g. title sponsors for events, key partners in convention and tourism promotions) for their partnerships and solicit them for future support.
- Note: private revenue generated through this department's efforts are reflected throughout the budget, not just this section of the budget (e.g. sponsor revenue related to special events included in the Community Relations section of the budget, co-op marketing for the Sacramento Gold Card included in Travel Industry Sales, etc.).

Community Relations

- Special event expense line items remain similar to past years with anticipated increase in sponsor revenues.

At the end of the presentation, Liz Tavernese moved to approve the FY2006-07 marketing activities; Steve Mammet seconded. The marketing activities were unanimously approved.

IV. Review and Approval of STBID FY2006-07 Budget

Following the approval of the marketing activities, Chairman Stannius asked for a motion to approve the budget. Steve Mammet moved to approve the FY2006-07 STBID budget; Bill Cox seconded. The budget was unanimously approved.

V. Board Member Terms

Teresa Stephenson presented the Terms of Office as approved by the City and County per the STBID Ordinance:

Gunter Stannius (City representative): General Manager, Sheraton Grand Sacramento
In June 2006, the Sacramento City Council reappointed Gunter Stannius to a three-year term on the STBID Advisory Board; term through May 2009.

Liz Tavernese (City representative): General Manager, Holiday Inn Capitol Plaza

In June 2006, the Sacramento City Council reappointed Liz Tavernese to a three-year term on the STBID Advisory Board; term through May 2009.

Steve Mammet (City representative): General Manager, Embassy Suites Hotel

In May 2004, the Sacramento City Council appointed Steve Mammet to a three-year term on the STBID Advisory Board; term through May 2007.

Dwight Miyakawa (County representative): General Manager, Holiday Inn Sacramento NE
In May 2006, the Sacramento County Board of Supervisors reappointed Dwight Miyakawa to a three-year term on the STBID Advisory Board; term through May 2009.

Ralph Suda (County representative): General Manager, Sacramento Marriott Rancho Cordova
In May 2004, the Sacramento County Board of Supervisors appointed Ralph Suda to a three-year term on the STBID Advisory Board; term through May 2007.

Bill Cox (Isleton representative): Owner, Delta Daze Inn
In May 2004, the Isleton Town Council reappointed Bill Cox to a three-year term on the STBID Advisory Board; term through May 2007.

VI. Future Meetings and Agenda Items

No future meetings were scheduled, however, the date and time of the 2007-08 annual meeting will be set by Chairman Stannius.

VII. Adjournment

Chairman Stannius adjourned the meeting at 3:57 p.m.

RESOLUTION NO.

Adopted by the Sacramento City Council

APPROVING THE 2006-07 BUDGET FOR THE SACRAMENTO TOURISM BUSINESS IMPROVEMENT DISTRICT (STBID)

BACKGROUND

A. In 2000, the Sacramento Tourism Business Improvement District (STBID) was established to generate additional revenue for marketing convention and tourism activities in the Cities of Sacramento, Isleton, Rancho Cordova and the County of Sacramento's unincorporated area. Money is generated by an assessment on occupied hotel/motel rooms.

B. Under Section 3.98.060 of the Sacramento City Code and Agreement 2001-021, the Sacramento Convention & Visitors Bureau (SCVB) administers the STBID, including preparation of an annual budget for approval by the Sacramento City Council.

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

Section 1. Approve the 2006-07 budget for the Sacramento Tourism Business Improvement District as shown in Exhibit A.

Section 2. Amend the FY 2006/07 Approved City Operating Budget for the Sacramento Tourism BID to reflect the approved funding amounts.

Table of Contents:

Exhibit A: 2006-07 STBID Proposed Budget – 1 Page

EXHIBIT A

FY 2006/07 PROPOSED BUDGET
SACRAMENTO TOURISM BUSINESS IMPROVEMENT DISTRICT

Program	Description	Proposed STBID Budget FY 2006/07	Subtotal
EXPENSES			
Marketing	Employees	$ 548,979	
	Travel Marketing	$ 42,900	
	Advertising	$ 53,400	
	Marketing Collaterals	$ 194,500	
	Marketing Support	$ 594,500	*$ 1,434,279*
Convention Sales	Employees	$ 103,011	
	Travel Marketing	$ 205,450	
	Advertising	$ 122,000	
	Sales Collaterals	$ 48,000	
	Sales Support	$ 225,900	
	Convention Services	$ 83,460	
	Housing Services	$ 31,500	
	Multicultural Affairs	$ 64,000	*$ 883,321*
Tourism Sales	Travel Marketing	$ 69,100	
	Advertising	$ 272,100	
	Sales Collaterals	$ 35,500	
	Sales Support	$ 132,500	*$ 509,200*
Partner Marketing	Travel Marketing	$ 10,900	
	Sales Support	$ 36,450	*$ 47,350*
Community Relations	Travel Marketing	$ 2,500	
	Advertising	$ 500	
	Sales Collaterals	$ 2,500	
	Sales Support	$ 443,200	*$ 448,700*
TOTAL EXPENSES		**$ 3,322,850**	
REVENUES	City BID Collections	$ 2,213,018	
	County/Isleton	$ 682,085	
	Rancho Cordova	$ 296,568	
	Subtotal--Proposed BID	**$ 3,191,671**	
	Prior-Year Unspent BID	$ 95,337	
	Other Funding	$ 35,842	
TOTAL REVENUES		**$ 3,322,850**	