



## City Council Report

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Sacramento, CA 95814

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**File ID:** 2018-00399

August 28, 2018

**Consent Item 04**

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**Title:** Fiscal Year (FY) 2018/19 Sacramento Tourism Marketing District (STMD) Annual Proceedings

**Location:** Citywide

**Recommendation:** Pass a Resolution approving the STMD Annual Report for FY2018/19.

**Contact:** Sini Makasini, Administrative Analyst, (916) 808-7967; Sheri Smith, Special Districts Manager, (916) 808-7204, Department of Finance

**Presenter:** None

**Attachments:**

1-Description/Analysis

2-Background

3-Resolution

4-Exhibit A District Map

5-Exhibit B District Budget & Business Assessment

## Description/Analysis

**Issue Detail:** On November 10, 2016, City Council approved the 10-year renewal of the STMD by Resolution No. 2016-0374 to continue providing marketing and sales promotions with the intent to increase tourism and 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.

Visit Sacramento, as the owners' association for the STMD, has prepared the Report for FY2018/19, which is on file with the Department of Finance Public Improvement Finance Division 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 approve the required annual report for the STMD detailing its services, including marketing of the lodging businesses within the City, convention and trade show marketing, and other activities related to increasing hotel room night rentals in FY2018/19.

**Economic Impacts:** None.

### Environmental Considerations:

**California Environmental Quality Act (CEQA):** Under CEQA guidelines, administration and annual proceedings of assessment districts do not constitute a project and are therefore exempt from review [14 Cal. Code Regs. §15378(b)(4)]

**Sustainability:** Not applicable.

**Commission/Committee 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:** 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 \$7.3 million, with \$6.5 million of the revenue collected from businesses within the City. 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. The County is responsible to collect from businesses within the unincorporated County area and will remit collected revenues to Visit Sacramento. Budget details are provided in Exhibit B to the Resolution. The STMD is self-supporting and has no impact to the General Fund.

**Local Business Enterprise (LBE):** Not applicable.

## **BACKGROUND**

The following features of the STMD are further detailed in the management district plan that governs the district and was adopted when the STMD renewed in 2016. A copy of the plan is on file with the Public Improvement Division of the Department of Finance and is available upon request.

### **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 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 as Exhibit A.

### **Governance**

The STMD is governed by a seven-member Tourism District Committee (Committee) as appointed by the Sacramento Hotel Association to approve and manage district funds and activities. Committee board members concurrently serve as board members of Visit Sacramento.

## **RESOLUTION NO.**

Adopted by the Sacramento City Council

August 28, 2018

### **APPROVING THE ANNUAL REPORT FOR THE SACRAMENTO TOURISM MARKETING DISTRICT FOR FISCAL YEAR 2018/19**

#### **BACKGROUND**

- A. On November 10, 2016, by Resolution No. 2016-0374, City Council approved the renewal of the Sacramento Tourism Marketing District No. 2016-06 (STMD), depicted in Exhibit A, for a ten-year term commencing on July 1, 2017. 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) 2018/19 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 background statements A through D are true.
- Section 2     The City Council finds and determines that the businesses within the District benefit from the marketing 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 FY2018/19 as shown on Exhibit B.

Section 4 The annual budget and assessments as set forth in the FY2018/19 Annual Report are authorized.

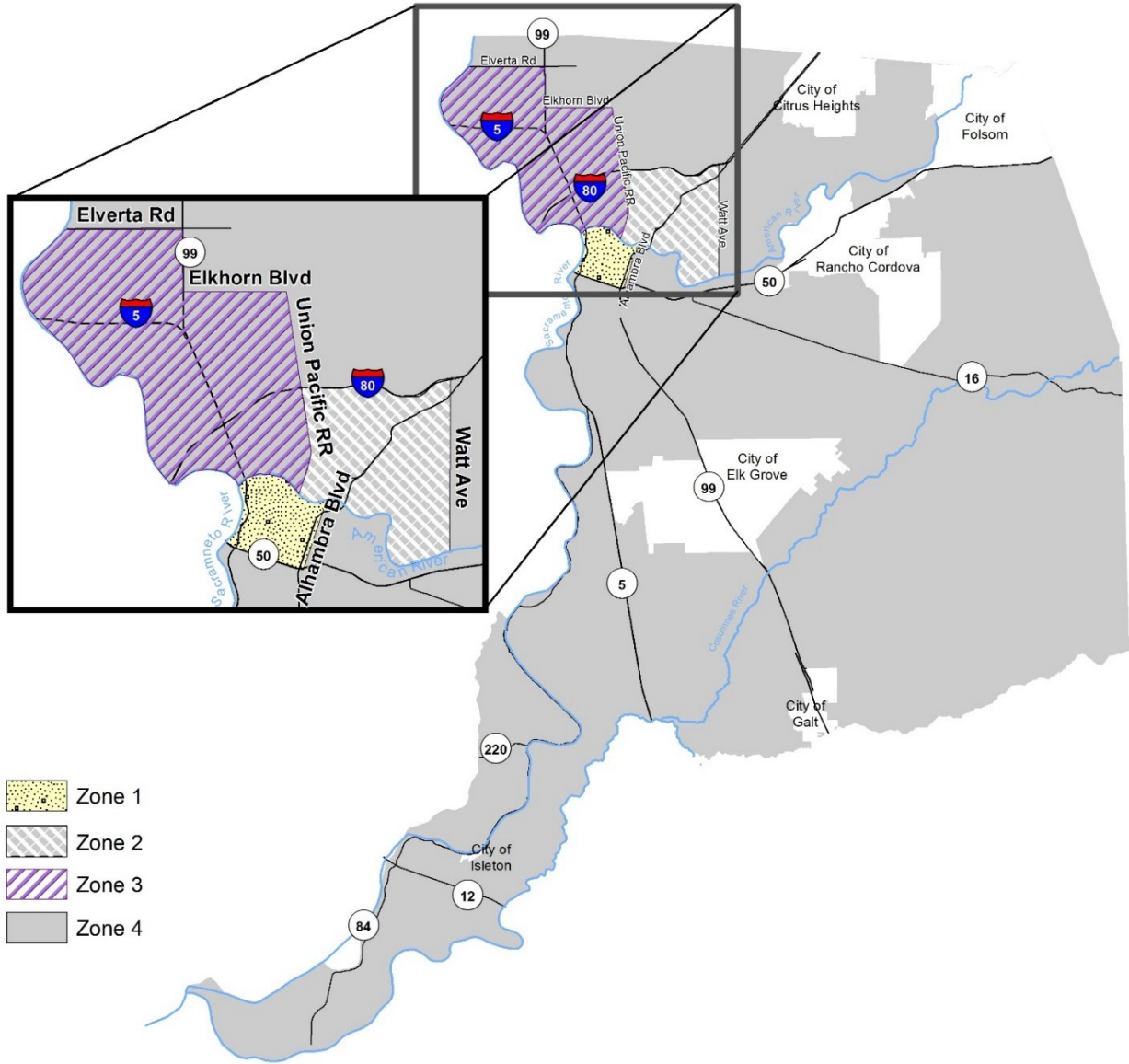
Section 5 Exhibits A and B are part of this resolution.

**Table of Contents:**

Exhibit A: District Map

Exhibit B: FY2018/19 District Budget & Business Assessment

# Exhibit A STMD Map



-  Zone 1
-  Zone 2
-  Zone 3
-  Zone 4

**Exhibit B**  
**(Fund 2243)**  
**STMD**  
**BUSINESS IMPROVEMENT DISTRICT**  
**FY2018/19 DISTRICT BUDGET & BUSINESS ASSESSMENT**

Estimated Beginning Fund Balance		-
Total Assessed to Business Owners		<u>7,300,000</u>
	Total Resources	<u><u>\$7,300,000</u></u>
STMD		
Activities		
Estimated Disbursement		\$7,154,000
Administrative Costs		
2% Per Management Plan		\$146,000
	Total Expenditures	<u><u>\$7,300,000</u></u>
Estimated Ending Fund Balance		-
Year-Over-Year Change in Fund Balance		-

**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.