



Department: Administration
Cost Center: 1006 and 1007
For Agenda of: 7/2/2024
Placement: Consent
Estimated Time: N/A

FROM: Greg Hermann, Deputy City Manager
Prepared By: Molly Cano, Economic Development & Tourism Manager
Jacqui Clark-Charlesworth, Tourism & Community Promotions Manager

SUBJECT: ADOPTION OF FY 2024-25 COMMUNITY PROMOTION PROGRAMS FOR TOURISM BUSINESS IMPROVEMENT DISTRICT (TBID) AND PROMOTIONAL COORDINATING COMMITTEE (PCC)

RECOMMENDATION

In accordance with the City's Municipal Code for the Tourism Business Improvement District (TBID) Board, and as recommended by the TBID and the Promotional Coordinating Committee (PCC):

1. Authorize the budget adjustment of \$66,500 from the TBID Fund's available un-assigned fund balance into the Fiscal Year 2024-25 (FY 24-25) TBID program budget for contract services; and
2. Authorize the City Manager to enter into program expenditures and various contracts for the TBID not to exceed the FY 2024-25 budget of \$2,183,751 based on the recommendations by the TBID Board; and
3. Authorize the City Manager to enter into expenditures utilizing the TBID Fund's available un-assigned fund balance in FY 2024-25 based on the most recent audited financials and the recommendations by the TBID Board; and
4. Authorize the City Manager to use the TBID Fund Reserve of \$100,000 for tourism marketing expenditures in FY 2024-25 in accordance with the TBID reserve policy.
5. Authorize the City Manager to enter into various contracts and program expenditures for Community Promotions not to exceed the FY 2024-25 program budget of \$413,234 based on the recommendations by the PCC; and
 - a. This includes the 2024-25 Cultural Arts & Community Promotions (CACP) allocations in the amount of \$100,000 and authorization to execute individual agreements with each grant recipient.

REPORT-IN-BRIEF

Two of the core programs with the City's Office of Economic Development & Tourism are the Tourism Business Improvement District (TBID) and the Promotional Coordinating Committee (PCC). While these advisory bodies have separate program functions and budgets, together, they both work to promote San Luis Obispo locally, regionally, nationally, and internationally.

Tourism Business Improvement District

After thorough review and consideration, the TBID Board identified program priorities and budget allocations at their May 22, 2024 Regular Monthly Board Meeting for the focus of marketing efforts in FY 2024-25. The list below includes the most notable allocations (Attachment A – TBID FY25 Line-Item Budget):

- 1. Tourism Marketing Services with Noble Studios: \$1,250,000

The TBID will maintain their largest budget allocation (approximately 57%) towards the marketing service agreement with the contracted agency-of-record, Noble Studios. FY 2024-25 will be the first year of a new two-year contract with Noble Studios after completing a competitive RFP process.

- 2. Content Marketing Services with Badger Branding: \$87,800

To efficiently manage the organic content channels through various social media networks, the TBID will continue to retain the local content marketing provider Badger Branding for the strategy, execution, and management of social media platforms only, a service not provided by Noble Studios. This is the first year of a new contract with this vendor who responded to a Request for Qualifications and remains on the City's on-call communication support list.

- 3. SLO Chamber of Commerce Contract Services: \$105,688

FY 2024-25 is the second year of two-year agreements with the San Luis Obispo Chamber of Commerce for the shared services in partnership with the PCC for Guest Services (\$51,975) and Public Relations Services (\$50,000 plus \$3,713 for hard costs related to media monitoring service).

- 4. Cal Poly Athletics Partnership: \$65,000

FY 2024-25 is the second year of a two-year partnership agreement with Cal Poly Athletics to promote collaboration between local hotels and the lodging needs of the Cal Poly Athletic program.

- 5. Sustainable SLO Initiative: \$21,173

The TBID will continue to allocate 1% of TBID revenue in FY 2024-25 to Keys for Trees, a sustainability initiative in partnership with ECOSLO aimed at offsetting the carbon impact of visitors in the community.

- 6. Membership in Industry Associations & Promotional Cooperative Marketing Programs: \$79,495

The TBID will invest collectively approximately \$49,495 in FY 2024-25 to maintain membership in organizations including Central Coast Tourism Council, California Travel Association, California Hotel and Lodging Association, SLO Coast Wine Collective, and Kind Traveler. In addition, the TBID has earmarked \$30,000 for cooperative marketing opportunities with these organizations and others.

Item 6e

7. Events and Promotions: \$80,000

The TBID has earmarked up to \$50,000 for general event promotion and sponsorships, plus \$5,000 for event activations and collateral and \$25,000 for seasonal promotions like the MidWeekend Promotion, offering incentives during certain time periods to visitors booking midweek stays in San Luis Obispo.

8. Research and Program Development: \$30,000

In FY 2024-25, the TBID plans to invest up to \$30,000 in funding for various program development and research initiatives, including funding for a consultant to help lead the update to the 5-year Tourism Strategic Plan.

9. Resource Contingency Fund: \$85,000

The TBID has earmarked approximately \$85,000 in other contract services for a resource contingency to be used to support the growing program need to complete the various work programs. Currently this allocation provides the funding for the supplemental staffing support for the Tourism Intern position. This funding will afford the TBID the means to expand the support of staffing resources as Office of Economic Development & Tourism organization is completed.

10. Program Contingency Fund: \$7,550

The TBID has allocated an operating program contingency of \$7,550 for the funding of marketing opportunities that may arise during the fiscal year.

11. Fund Balance Transfer: \$66,550

Based on the most recent audited financials, the TBID fund currently has a healthy fund balance of over \$1 million. This fund balance is calculated annually through the City's budget audit, and, as referenced in Section 12.42.080 of the City's Municipal Code, may be used in subsequent years for marketing expenditures. Additionally, the TBID also maintains a fund reserve as outlined in the Fund Reserve Policy within the TBID Bylaws. While the policy only requires \$100,000 in reserves, the TBID Board has allocated \$200,000 based on Board action. This funding can be used for one-time marketing expenses. To offset the program budget decrease due to the adjusted projected assessment revenue, the TBID has allocated \$66,550 from the fund balance to accommodate the budget deficit.

Promotional Coordinating Committee

As stated in the PCC Advisory Body Bylaws:

"The purpose of the PCC is to advise the Council in working to improve the quality of life for all City residents and our visitors. The Committee recommends projects to help promote the City as a regional trade, recreation, and tourist center, consistent with community goals."

Item 6e

The PCC has identified the allocations within in its program budget to support this purpose and to advance community promotions. The following program priorities and budget allocations are the focus of the community promotions efforts in FY 2024-25: (Attachment B – PCC FY25 Line-Item Budget)

1. Cultural Arts and Community Promotion (CACP) Grant program: \$100,000

The Cultural Arts and Community Promotion (CACP) grant program will continue for FY 2024-25. The PCC maintained the available budget for CACP grants at \$100,000 from the FY 2024-25 Community Promotions program budget and is recommending that full amount in funding based on the extensive application review and evaluation process.

2. SLO Chamber of Commerce Contract Services: \$208,757

FY 2024-25 is the second year of two-year agreements with the San Luis Obispo Chamber of Commerce for the shared services in partnership with the TBID for Guest Services (\$121,257) and Public Relations Services (\$50,000) through contracted work efforts. In addition, the PCC will maintain a two-year agreement with the Chamber for Grant Promotional Support (\$30,000), and the funding for the production and distribution of the printed maps (\$7,500).

3. Community Placemaking & Recovery Projects: \$49,530

The PCC has earmarked \$49,530 in funds available for the development of new projects to enhance the quality of life in San Luis Obispo through strategic placemaking or recovery investments in alignment with the adopted 2023-25 Major City Goal work efforts and other projects to support community promotion. The funding will be available for projects deemed important by the PCC to advance the goals of the committee.

POLICY CONTEXT

As referenced in the City’s Municipal Code related to the TBID, Section 12.42.080 (Use of revenue.), states that the City Council shall consider recommendations made by the advisory body as to the use of assessment revenue. Additionally, Section 12.42.030 (Authorized Use.), states that TBID revenue is used for the promotion of tourism. Section 12.42.080 (Use of revenue.) then states that funds remaining at the end of any TBID term may be used in subsequent years in which TBID assessments are levied if they are used consistent with the requirements of this section. As such, the TBID Board has recommended the program expenditures outlined in this report to City Council for approval for the execution of marketing programs for the TBID.

Additionally, as outlined in Article 7. Fund Reserve Policy of the Council adopted [TBID Bylaws](#), the TBID maintain a \$100,000 fund reserve. As stated in the bylaws, the purpose of the Fund Reserve policy for the TBID is to ensure stability of the program under economic uncertainties. Under this policy, it is allowable for total expenditures to exceed revenues in a given year; however, the fund reserve can only be used to fund “one-time,” non-recurring expenditures upon TBID Board approval. In the instance funds are used, the reserve fund would be replenished to the established level in the next fiscal year.

DISCUSSION

Background

With the adoption of the [2023-25 Financial Plan](#), the City Council initially approved the program budget and defined the work program for the Community Promotions program for the PCC and the TBID. Then on June 4, 2024, City Council adopted the [FY 2024-25 Supplemental Budget](#), which reduced the projected revenue for the Transient Occupancy Tax collection in the City by 3%, and consequently the revenue for the TBID assessment as well.

Based on the allocated program budgets, both advisory bodies established recommendations for use of funding in FY 2024-25 with respective contract considerations. Both programs are overseen and administered by advisory bodies to the City Council. The PCC makes recommendations regarding the use of Community Promotions funding and the TBID Board recommends the use of the TBID assessment revenue.

Tourism Business Improvement District (TBID)

The TBID began the program development and budget allocation process in May 2024 by discussing the goals, priorities, and direction for the FY 2024-25 program. During this process, the TBID Board communicated the importance of continuing to align the budget direction, program priorities and funding commitments with the implementation of the imperatives outlined in the [2019-2024 TBID Strategic Plan](#), as well as the two-year [TBID Strategic Marketing & Business Plan](#).

The TBID strategic initiatives are to:

1. Elevate the SLO Brand and Experience
2. Deliver Smart Growth
3. Build Meaningful Partnerships
4. Ensure Organizational Excellence
5. Foster Destination Resilience

In FY 2024-25, the TBID will update these guiding program documents, a process that occurs every five years for the TBID Strategic Plan and every two years for TBID Marketing & Business Plan. The areas of focus for the TBID program commitments this fiscal year are largely focused on marketing services and partnerships.

Noble Studios & DCI

FY 2024-25 will commence the first year of a new Main Services Agreement with Noble Studios for comprehensive marketing services, which include Brand Strategy & Management, Account Strategy & Project Management, Creative Services, Paid Media and Search Strategy & Management, Website Maintenance & Services, and Content Development & Reporting. This spring, the TBID completed a thorough Marketing Service RFP evaluation and interview process, and during the [May 1, 2024](#) TBID Board meeting, the Board selected Noble Studios as the recommended agency-of-record for the TBID.

Item 6e

On [May 22, 2024](#), the TBID Board approved the recommended allocations of FY 2024-25 funding totaling \$1,250,000 for the contract, including public relations through a subcontractor partnership with Uniquely Driven, a national boutique public relations firm.

Badger Branding

Badger Branding serves as the Content Agency for the TBID. Services provided by this contractor include the development and implementation of a Social Media Marketing Strategy, Online Community Engagement, Content Creation and Procurement, and Analysis and Reporting for the TBID's Visit San Luis Obispo and ShareSLO social media accounts. The initial contract between the City and Badger Branding for the TBID began in September 2021. In FY 2024-25, the TBID will utilize City's approved on-call consultant agreement with Badger Branding for the content marketing contracted services. The TBID Board has recommended the allocation of \$87,800 to Badger Branding for content marketing services in FY 2024-25.

SLO Chamber of Commerce

The TBID continues to partner with the San Luis Obispo Chamber for Commerce for the continuation of various contracts, including Public Relations and Guest Services, and currently the TBID maintains two-year services agreements with the San Luis Obispo Chamber for Commerce for those work programs in partnership with the PCC. In FY 2024-25, the TBID Board has recommended funding the second year of the Public Relations contract in the TBID amount of \$50,000, the second year of the Guest Services agreement in the amount of \$51,975, which includes the continuation of the phone and availability service and the special promotions support service, and finally the media monitoring service expenditure of \$3,713 to support a joint service with the PCC to monitor media pick-up and story production.

Industry Associations & Programs

The TBID Board also considered membership and programs with the following industry associations within California:

1. Central Coast Tourism Council (CCTC): The Board has recommended maintaining membership with the CCTC in the amount up to \$1,000.
2. California Travel Association (CalTravel): The Board has recommended membership with the CalTravel organization in the amount up to \$1,000.
3. SLO Coast Wine Collective: The Board has recommended membership with the SLO Coast Wine Collective in the amount up to \$5,000.
4. California Hotel and Lodging Association (CHLA): The Board has recommended the investment in the TBID constituent membership with the CHLA in the amount of \$30,000.
5. Kind Traveler: TBID Board has recommended funding the second year of the partnership agreement with Kind Traveler in the amount of \$12,495.

Item 6e

In addition, the TBID will be partnering for the fourth year with the Office of Sustainability and ECOSLO on the continuation of the *Keys for Trees* initiative aimed at offsetting the carbon impact of visitors in San Luis Obispo. The TBID has allocated 1% of the FY 2024-25 projected revenue, approximately \$21,000 to this program which helps plant more than 40 trees annually.

The remaining TBID program funds are allocated to program expenses, including cooperative marketing opportunities with organizations like Visit SLO CAL or Central Coast Tourism Council (CCTC), attendance at industry conferences and additional partnerships and event sponsorships, investment in the Smith Travel Reports and other organizational services, and marketing and promotional initiatives.

These expenditures and contract commitments have been reviewed and approved by the TBID Board and the final complete line-item budget allocations were approved by TBID Board for recommendation to City Council at the TBID Board meeting held on June 13, 2024. (Attachment C – June 13, 2024 DRAFT TBID Minutes)

Promotional Coordinating Committee (PCC)

The purpose of the PCC is to enhance the quality of life for residents of San Luis Obispo and to enhance the experience for visitors to San Luis Obispo. This mission was the guiding force behind the budget consideration for the PCC. During the May 8, 2024, meeting, the PCC finalized the FY 2024-25 budget allocations including the continuation of Visitor Services and Public Relations efforts, strategic initiative investment for community placemaking and recovery efforts, and the funding of the Promotional Grant program of CACP (Attachment D – May 8, 2024 PCC Minutes).

SLO Chamber of Commerce

As stated above, FY 2024-25 will continue the second year of two-year agreements with the San Luis Obispo Chamber for Commerce for various contract partnerships including Public Relations, Guest Services and Grant Promotional Support. The City through the PCC, continues to partner with the San Luis Obispo Chamber for Commerce for the continuation of various services like the production of the printed tear-off maps that are resources for visitors and residents. The City has a long partnership with the San Luis Obispo Chamber for Commerce for these work programs, and the Chamber is uniquely suited to perform this work on behalf to the City through the PCC. Currently the PCC maintains two-year services agreements with the San Luis Obispo Chamber for Commerce for those work programs. The PCC has recommended funding the second year of the contracts, including:

1. Public Relations in the amount of \$50,000.
2. Guest Services the amount of \$121,257.
3. Grant Promotional Support in the amount of \$30,000 for the support of CACP grant awardees with promotional services.
4. Maps: up to \$7,500 for printing of map and materials like the downtown tear-off map and neighborhood maps.

Cultural Arts and Community Promotions (CACP) Grant Program

Through the PCC, the City has been offering promotional grant funding for decades, formerly known as Cultural Grants-In-Aid (GIA). Local non-profit organizations utilize the funding to promote the cultural, recreational, or social activities in our community. In FY 2023-24, the GIA program evolved into the Cultural Arts and Community Promotion (CACP) grant program. This transition occurred in phases over FY23-24, culminating with a new annual competitive grant process for FY 2024-25.

While the new CACP grant program is very similar to how Cultural GIA has operated in recent years and maintains the same purpose (to support the promotion of events in San Luis Obispo), there are some slight changes to the program specifications. The key change to note is that the CACP grants have returned to a competitive annual application for funding as opposed to funding for a fixed amount in a quarterly application cycle. Additionally, and unlike in GIA, in CACP, the PCC will allow for multiple organizations to apply under a single non-profit fiscal sponsor.

The PCC maintained the historical allocation of \$100,000 for the FY 2024-25 Community Promotions program budget for events occurring July 1, 2024 – June 30, 2025. The grant cycle was opened on February 1, 2024, and applications were due on March 18, 2024. Notices were placed throughout City channels to advertise the availability of the grant funding application for local non-profit organizations. Additionally, previous grant recipients are notified via email regarding the grant availability. On February 8, 2024, the PCC held a mandatory meeting with all interested organizations to introduce the grant funding criteria used during the evaluation process and answers any questions from the applicants. At deadline for grant application submittal, the City had received 26 applications with funding requests amounting to \$241,138. CACP applications can be reviewed in the Council Reading File (Available in the City Clerk's Office).

The PCC's CACP subcommittee met to review the applications, compare the requests to the grant criteria, and allocate funding accordingly. Grants are available to nonprofit organizations for the marketing and advertising costs related to the promotion of eligible activities and events in San Luis Obispo. The organization must have attended the mandatory meeting and follow all applicant and event eligibility as seen in the [Program Specifications](#).

On May 8, 2024, the PCC held a public hearing with all applicants to allow for public comment before the recommendation was forwarded to the City Council for consideration and approval as communication to the public during the application process. The committee received three public comments from the grant applicants and ultimately approved the recommendation for the FY 2024-25 funding allocations to 23 organizations. (Attachment E – FY 24-25 CACP Funding Recommendations).

The remaining Community Promotions program funds are allocated to program expenses including attendance at industry conferences, additional partnerships, and marketing and promotional initiatives such as community placemaking and recovery projects. In fiscal year 2023-24 these included the ARTober campaign to celebrate Arts and Humanities Month, a Lunar New Year Drone Show, and the Independence Day Banner Program. Looking ahead to fiscal year 2024-25 the PCC will continue to evaluate similar opportunities to enhance placemaking and recovery efforts.

Previous Council or Advisory Body Action

The following advisory body actions were taken to support these recommendations:

1. PCC approval of the contract and line-item budget allocations on May 8, 2024, for recommendation to City Council.
2. PCC approval of CACP grant awards on May 8, 2024, for recommendation to City Council.
3. TBID approval of contract and line-item budget allocations on June 13, 2024, for recommendation to City Council.

Public Engagement

All TBID and PCC meetings were noticed in accordance with Brown Act standards. The public will also have the opportunity to provide public comment before or during the July 2, 2024 City Council meeting.

ENVIRONMENTAL REVIEW

The California Environmental Quality Act (CEQA) does not apply to the recommended action in this report, because the action does not constitute a “project” under CEQA Guidelines sec. 15378.

FISCAL IMPACT

Budgeted: Yes

Budget Year: 2024-25

Funding Identified: Yes

Fiscal Analysis: Community Promotions

| Funding Sources | Total Budget Available | Current Funding Request | Remaining Balance | Annual Ongoing Cost |
|---------------------------------------|-------------------------------|--------------------------------|--------------------------|----------------------------|
| General Fund: Community Promotions | \$413,234 | \$ 413,234 | \$0 | \$0 |
| Total | \$413,234 | \$413,234 | \$0 | \$0 |

The total FY 2024-25 program budget for Community Promotions (PCC) is \$413,234, as can be referenced on page 134 of the [City's adopted 23-25 Financial Plan](#). No adjustments were made in the Supplemental Budget to the Community Promotions (PCC) budget.

Fiscal Analysis: Tourism Business Improvement District

| Funding Sources | Total Budget Available | Current Funding Request | Remaining Balance | Annual Ongoing Cost |
|------------------------|-------------------------------|--------------------------------|--------------------------|----------------------------|
| TBID Revenue | \$2,117,251 | \$2,117,251 | \$0 | |
| TBID Fund Balance | \$1,026,625 | \$66,500 | \$960,125 | |
| TBID Fund Reserve | \$200,000 | \$0 | \$200,000 | |
| Total | \$3,343,876 | \$2,183,751 | \$1,160,125 | \$0 |

On page 16 of the adopted [FY 2024-25 Supplemental Budget](#), the projected Transient Occupancy Tax (TOT) in FY 24-25 is \$10,586,256. The TBID revenue is based upon 20% of the TOT, making the FY 2024-25 TBID revenue budget projected at \$2,117,251. As referenced on page 29 of the FY 24-25 Supplemental Budget adopted by City Council on June 4, 2024, the TBID program annually aligns its operating budget with its anticipated revenues. The TBID Budget outlined in Table 4b.3. accounts for a TBID program budget of \$2,147,616, exceeding TBID's previously adopted revenue projections by \$30,365 and creating a deficit. Additionally, the adopted budget also includes a 3% reduction in revenues creating a larger deficit. To backfill this deficit, at their June 13, 2024 Special Board Meeting, the TBID Board recommended the transfer of \$66,550 from the available fund balance into the TBID program budget for the use towards marketing programs, resulting in a TBID program budget of \$2,183,751.

Additionally, Staff recommends that the Council fully appropriate the TBID budget for various contracts and program expenditures as outlined in this report and at the recommendation of the TBID Board. It is the fiscal responsibility of the TBID to utilize the maximum amount of revenue each year to further the marketing reach through the district's promotional efforts. If TBID revenues do not reach budget projections, staff recommends that the Council authorize the City Manager to utilize funds in the TBID Fund Reserve to offset those revenues. It is important to approve this action at this time to safeguard the program should this situation arise and ensure there is no delay in funding access for the program.

ALTERNATIVES

The Council could choose to fund the contracts or program allocations at different levels or modify the scope of services. The advisory bodies and staff do not recommend adjustments, as the proposed expenditures are the result of careful review, discussion, and negotiations between the parties.

ATTACHMENTS

- A - TBID FY25 Line-Item Budget
- B - PCC FY25 Line-Item Budget
- C - June 13, 2024 DRAFT TBID Minutes
- D - May 8, 2024 DRAFT PCC Minutes
- E - FY 24-25 CACP Funding Recommendations