



Council Agenda Report

Item 5c

Department: Administration
Cost Center: 1006 and 1007
For Agenda of: 7/5/2022
Placement: Consent
Estimated Time: N/A

FROM: Greg Hermann, Deputy City Manager
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SUBJECT: ADOPTION OF FY 2022-23 COMMUNITY PROMOTION PROGRAMS FOR TOURISM BUSINESS IMPROVEMENT DISTRICT (TBID) AND PROMOTIONAL COORDINATING COMMITTEE (PCC)

RECOMMENDATION

As recommended by the Tourism Business Improvement District (TBID) Board and the Promotional Coordinating Committee (PCC):

1. Authorize the City Manager to enter into program expenditures and various contracts for the TBID not to exceed the 2022-23 revenue of \$1,518,609 (excludes staffing costs), based on the recommendations by the TBID Board and the adopted TBID Fund revenue projections as part of the 2021-23 Financial Plan; and
2. This includes approval of the funding of year one of the two-year extension of the contract with Noble Studios for marketing services in the amount of \$900,600; and
3. The funding of the first one-year extension of the contract with Badger Branding for content marketing services in the amount of \$128,200; and
4. Authorize the City Manager to enter into expenditures utilizing the TBID Fund's available un-assigned fund balance in 2022-23 fiscal year based on the most recent audited financials and the recommendations by the TBID Board; and
5. Authorize the City Manager to use the TBID Fund Reserve of \$100,000 for tourism marketing expenditures in 2022-23 in accordance with the TBID reserve policy;
6. Authorize the City Manager to enter into various contracts and program expenditures for Community Promotions not to exceed the 2022-23 program budget of \$367,000 (excludes staffing costs) based on the recommendations by the PCC.

POLICY CONTEXT

As referenced in the City's Municipal Code, Section 12.42.030 (Authorized Use), TBID revenue is used for the promotion of tourism.¹

¹ 12.42.030 – Authorized Use: A. The general promotion of tourism within the district is to include costs as specified in the business plan to be adopted annually by the city council.

REPORT-IN-BRIEF

The City's Community Promotions program is comprised of 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 has identified program priorities and budget allocations for the focus of the TBID marketing efforts in fiscal year 2022-23. The list below includes the most notable allocations (Attachment A):

1. Tourism Marketing Services with Noble Studios: \$900,600
The TBID will maintain their largest budget allocation (approximately 52%) towards the marketing service agreement with the contracted agency-of-record, Noble Studios. This year will be the first year of the 2-year contract extension.
2. Content Marketing Services with Badger Branding: \$128,000
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.
3. Chamber of Commerce Contract Services: \$96,027
Fiscal year 2022-23 is the second year of the two-year agreements with the San Luis Obispo Chamber of Commerce for Guest Services (\$47,500) and the shared Public Relations services in partnership with the PCC (\$45,000 plus \$3,527 for hard costs related to media monitoring service) through contracted work efforts.
4. Cal Poly Athletics Partnership: \$62,000
Fiscal year 2022-23 is the second year of the two-year partnership agreement with Cal Poly Athletics to promote collaboration between local hotels and the needs of Cal Poly athletic program. The contract funding amount of \$62,000.
5. Sustainability Initiative: \$17,272
The TBID will continue to allocate 1% of TBID revenue in the 2022-23 fiscal year for the sustainability initiative called *Keys for Trees* in partnership with EcoSLO aimed at offsetting the carbon impact of visitors in the community.
6. Membership in Industry Associations & Promotional Cooperative Marketing Programs: \$63,000
The TBID will invest collectively approximately \$33,000 in fiscal year 2022-23 to maintain membership in organizations including Central Coast Tourism Council, California Travel Association, California Hotel and Lodging Association and SLO Coast Wine Collective. In addition, the TBID has earmarked \$30,000 for cooperative marketing opportunities with these organization and others.

7. Events and Promotions: \$95,000

The TBID has earmarked up to \$95,000 or 5.5% of the budget for general event promotion, event activations, and seasonal promotions.

8. Contingency Fund: \$20,000

The TBID has allocated an operating program contingency fund of \$20,000 for the funding of opportunity projects that may arise including other marketing expenses.

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.”

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 fiscal year 2022-23: (Attachment B – FY23 PCC Line-Item Budget)

1. Cultural Grants in Aid program: \$125,000

The PCC will be returning the program to more pre-typical specifications in FY 22-23 for the Cultural Grants in Aid Program. The program will offer up to twenty-five \$4000 grants on a quarterly basis with \$1000 in bonus grant options for organizations which incorporate Diversity, Equity, and Inclusion (DEI) and/or Sustainability practices into their events.

2. Chamber of Commerce Contract Services: \$207,127

Fiscal year 2022-23 is the second year of the two-year agreements with the San Luis Obispo Chamber of Commerce Visitor Center operations (\$119,600); the shared Public Relations services in partnership with the TBID (\$45,000 plus \$3,527 for hard costs related to media monitoring service); GIA Promotional Support (\$30,000); and the production & distribution of the downtown tear-off maps (\$9,000).

3. Community Placemaking & Recovery Projects: \$29,873

The PCC has earmarked \$29,873 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 21-23 Major City Goal work efforts and other projects to support community promotion like the implementation of prioritized recommendation from the Public Art Promotion Strategy developed in the previous fiscal year.

DISCUSSION

Background

With the adoption of the 2021-23 Financial Plan, the City Council approved the program budget and defined the work program for the Community Promotions program and the TBID. 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.

In the development of the program expenditures budgets for the Financial Plan Supplement, both advisory bodies established recommendations for use of funding in FY 2022-23 with respective contract considerations.

Tourism Business Improvement District (TBID)

The TBID began the program development and budget allocation process in March 2022 by discussing the goals, priorities, and direction for the 2022-23 TBID program. They also completed contractor evaluations to aid in the considerations to the pending contract extensions. 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 TBID's strategic clarity plan imperatives. (Attachment C- 2019-24 Revised TBID Strategic 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

Marketing Services + Partnership Contracts

Fiscal year 2022-23 will commence the third year of the agreement with Noble Studios for marketing services, as a result of a successful RFP process in the Spring of 2020. That RFP stipulated that the City, based on the recommendation of the TBID Board, reserves the right to renew the agreement for total of four fiscal years, providing funding to do so is appropriated for this purpose in subsequent budgets. After a thorough evaluation and planning process, during the May 25, 2022 meeting the TBID Board recommended extending the Master Service Agreement with Noble Studios for the final two-year term and allocating the funding commitment of \$900,600 for FY 2022-23 to account for an increase in the cost of services with Noble Studios as well as increased work program needs. The work agreement with Noble Studios also includes the subcontractor partnership with DCI, a national public relations firm. (Attachment D - Noble Studios Proposal and Attachment E – May 25, 2022 TBID Minutes)

Following a successful RFP process, in the fall of 2021 the TBID contracted with Badger Branding for Content Marketing Services related to the management and curation of the social media channels for the TBID (aka ShareSLO). The 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. The initial contract between the City and the Badger Branding began in September 2021 and stated that the City - based on the recommendation of the TBID Board - reserves the right to renew the agreement twice for total of three fiscal years. After a thorough evaluation and planning process the TBID Board has recommended renewing the agreement with Badger Branding for fiscal year 2022-23. In addition, the TBID Board has approved expanding the Content Service agreement to include an enhanced scope of work with new social media channels and contracted content creator partnerships similar to influencers. The TBID Board has recommended allocating the funding commitment of \$128,200 to Badger Branding for FY 2022-23. (Attachment E – May 25, 2022 TBID Minutes and Attachment F - Badger Branding Proposal)

The TBID Board continues to partner with the San Luis Obispo Chamber for Commerce for the continuation of various contract partnerships 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 fiscal year 2022-23, the TBID Board recommends funding the second year of the Public Relations contract (shared with the PCC) in the TBID amount of \$45,000, the second year of the Guest Services agreement in the amount of \$47,500 which includes the continuation of the phone & availability service and the special promotions support service, and finally the media monitoring service expenditure of \$3,527 to support a joint service with the PCC to monitor media pick-up and story production.

Industry Associations & Programs

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

1. Central Coast Tourism Council (CCTC): The Board recommends maintaining membership with the CCTC in the amount up to \$1,000.
2. California Travel Association (CalTravel): The Board recommends membership with the CalTravel organization in the amount up to \$1,000.
3. SLO Coast Wine Collective: The Board recommends membership with the SLO Coast Wine Collective in the amount up to \$5,000.
4. California Hotel and Lodging Association (CHLA): The Board recommends the investment in the TBID constituent membership in the amount of \$28,570.
5. Cal Poly Athletics: The Board recommends funding of the second year of the two-year agreement with Cal Poly Athletics for \$62,000 to be used to purchase overnight stays in SLO TBID hotels.

In addition, the TBID will be partnering for the second 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 2022-23 projected revenue, approximately \$17,000 to this program.

The remaining TBID program funds are allocated to program expenses including cooperative marketing opportunities with organizations like Visit SLO CAL or CCTC, attendance at industry conferences and additional partnerships, potential research projects, Smith Travel Reports, and marketing and promotional initiatives.

These expenditures will be reviewed and approved by the TBID Board. The final complete line-item budget allocations were approved by the TBID Board for recommendation to City Council at the TBID Board meeting June 9, 2022. (Attachment G – June 9, 2022, 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 April 13, 2022, meeting, the PCC finalized the 2022-23 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 Cultural GIA program. (Attachment H – Minutes April 13, 2022, PCC Minutes)

PCC Program Commitments

The City through the PCC, continues to partner with the San Luis Obispo Chamber for Commerce for the continuation of various contract partnerships including Public Relations and Visitor Services, Cultural GIA promotional support, and production of the downtown tear-off maps. Currently the PCC maintains two-year services agreements with the San Luis Obispo Chamber for Commerce for those work programs. In fiscal year 2022-23, the PCC recommends funding the second year of the Public Relations contract (shared with the TBID) in the PCC amount of \$45,000, the second year of the Visitor Services agreement in the amount of \$119,600, the Cultural GIA promotional support agreement in the amount of \$30,000, the production of the downtown tear-off maps at \$9000, and finally the media monitoring service expenditure of \$3,527 to support a joint service with the TBID to monitor media pick-up and story production.

Grants-In-Aid (GIA)

The PCC has been offering Cultural GIA funding for decades. Local non-profit organizations utilize the funding to provide cultural, recreational, or social activities in our community. In FY 2021-22 the City continued to use the modified structure of the GIA program due to the continued impact of COVID-19. With in-person events returning following the loosening of restrictions on large events, the PCC has decided to move to a GIA model that is more in line with previous years while keeping many of the advantages that were successful from the modified process through FY 21-22.

The FY 2022-23 Cultural GIA program will be available throughout the year on a quarterly consideration process. Funding will be set at up to \$4000 available to twenty-five granted organizations with an additional bonus grant up to \$1000 for organizations which incorporate either or both DEI (\$500 bonus) and Sustainability (\$500 bonus) practices into their event. In total that makes the possible maximum grant per award of \$5000. The program will be discontinued once the funding has been exhausted.

Additionally, this fiscal year the PCC will consider the name of the Cultural GIA program along with the other advisory bodies reviewing the titles of grant programs. With the increase in the various grant programs the City offers it is important that the title of each program be unique and descript, including the historic Cultural GIA program.

The remaining Community Promotions program funds are allocated to program expenses including attendance at industry conferences, additional partnerships, and marketing and promotional initiatives.

Previous Council or Advisory Body Action

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

- TBID approval of contract allocations on May 25, 2022, and the line-item budget was recommended to City Council for approval on June 9, 2022.
- PCC approval of the line-item budget on April 13, 2022, 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 5th 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: 2022-23

Funding Identified: Yes

Funding Sources	Total Budget Available	Current Funding Request	Remaining Balance	Annual Ongoing Cost
General Fund	\$ 405,826	\$ 405,826	\$0	\$0
State				
Federal				
Fees				
Other: TBID	\$1,727,000	\$1,727,000	\$0	\$0
Total	\$2,132,826	\$2,132,826	\$0	\$0

Fiscal Analysis:

On page 16 of the adopted [2022-23 Financial Plan Supplement](#), the projected Transient Occupancy Tax (TOT) is \$8,636,000. The TBID revenue is based upon 20% of the TOT, making the FY 2022-23 TBID revenue budget projected at \$1,727,000. 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. In the event that 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.

The total FY 22-23 program budget for Community Promotions (PCC) is \$405,826, as can be referenced on page 139 of the [City's adopted 21-23 Financial Plan](#).

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 - FY23 TBID Line Item Budget
- B - FY 23 PCC Line Item Budget
- C - 2019-20 TBID Strategic Clarity Plan
- D - Noble Studios Proposal
- E - May 25, 2022 TBID Minutes
- F - Badger Branding Proposal
- G - June 9, 2022 TBID Minutes
- H - April 13, 2022 PCC Minutes