



## Council Agenda Report

Item 5h

**Department:** Administration  
**Cost Center:** 1006 & 1007  
**For Agenda of:** 7/6/2021  
**Placement:** Consent  
**Estimated Time:** N/A

**FROM:** Greg Hermann, Deputy City Manager  
**Prepared By:** Molly Cano, Tourism Manager

**SUBJECT:** ADOPTION OF FY 2021-22 COMMUNITY PROMOTIONS PROGRAM -  
TBID & 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 various contracts and program expenditures for the TBID not to exceed the 2021-22 program budget of \$1,215,000 (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 approved 2021-22 budget; and
2. Authorize the City Manager to enter into contracts utilizing the TBID Fund un-appropriated fund balance from the 2020-21 fiscal year, following the completion of the City's audit and approved annual comprehensive financial statements, for tourism marketing expenditures in 2021-22 based on the recommendations by the TBID Board; and
3. Authorize the City Manager to use the TBID Fund Reserve of \$100,000 for tourism marketing expenditures in 2021-22 in accordance with the TBID reserve policy; and
4. Authorize the City Manager to enter into various contracts and program expenditures for Community Promotions not to exceed the 2021-22 program budget of \$367,000 (excludes staffing costs) based on the recommendations by the PCC.

### 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 the following program priorities and budget allocations for the focus of the TBID marketing efforts in fiscal year 2021-22.

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1. Tourism Marketing Services: the TBID will maintain the largest budget allocation (approximately 52%) towards their marketing service agreement with the contracted agency-of-record Noble Studios. This is the second year of the current two-year agreement, with an opportunity to extend for an additional two-year term.
2. Content Marketing Services: in order to efficiently manage the ShareSLO channels, the TBID will be retaining local content marketing services for the strategy and management of the ShareSLO program. The vendor will be selected through an RFP process in accordance with the City's purchasing policies.
3. Chamber of Commerce Contract Services: the renewal of agreements with the San Luis Obispo Chamber of Commerce for Guest Services and Public Relations through contracted work efforts.
4. Sustainability Promotion: the TBID will allocate 1% of TBID revenue for a sustainability initiative aimed at offsetting the carbon impact of visitors in the community.
5. Membership in Industry Associations & Programs: including the Central Coast Tourism Council, the California Travel Association, California Hotel and Lodging Association and the annual membership for the TBID with SLO Coast Wine Collective.
6. Research & Program Development: the TBID has earmarked up to \$80,000 or 5.5% of the budget for research and program development in alignment with the 2019-24 TBID Strategic Plan. This budget area is slated to include projects like a Tourism Economic Impact Study, Destination Stewardship Assessment and Plan, and the development of a TBID Sales Strategy.
7. Contingency Fund: the TBID has allocated an operating program contingency fund of \$41,000 for the funding of opportunity projects that may arise including event sponsorships or other marketing expenses.

### **Promotional Coordinating Committee**

As stated in the 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."*

As the City advances in the recovery work from the impacts of COVID-19, the PCC has identified allocations of its program budget to support that effort along with other project to advance community promotions. The following program priorities and budget allocations are the focus of the community promotions efforts in fiscal year 2021-22:

1. Chamber of Commerce Contract Services: the renewal of three agreements with the San Luis Obispo Chamber of Commerce for the two-year agreements for Visitor Center operations; the shared Public Relations services in partnership with the TBID; GIA Promotional Support; and the production & distribution of the City tear-off maps.

2. Community Placemaking & Recovery Projects: 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 2021-23 Major City Goal work efforts and other projects to support community promotion.
3. Modified GIA program: based on the success of the 2020-21 Modified GIA program, the PCC will be continuing the modified program in FY 2021-22 while the events in the community recover and return following the COVID-19 restrictions. The program is funded at \$100,000 total for the fiscal year and will provide to 25 grants annually at \$4,000 each. Applications will be reviewed monthly until the all the available grants have been awarded.

## **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. Both advisory bodies established recommendations for use of funding in FY 2021-22 with respective contract considerations.

### **Tourism Business Improvement District**

The TBID began the program development and budget allocation process in March 2021 by discussing the goals, priorities, and direction for the 2021-22 TBID 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 TBID's strategic clarity plan imperatives which had been revised in January 2021 in response to the changed tourism environment due to COVID-19. (Attachment A- 2019-24 Revised TBID Strategic Plan)

The revised 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 – *new addition*

The revised plan amplified the focus on destination recovery and management through the efforts of resiliency, stewardship and the integration of the City's priorities into the TBID's marketing efforts.

In the budget deliberation, the TBID Board - with the recommendation from the Management Committee - considered all activity and program commitments including strategic partnerships and contracts, marketing and advertising, events promotions, tradeshow, tourism organization and research, and support.

### *Marketing Services Contracts*

The TBID is currently in a two-year agreement with Noble Studios for marketing services as a result of a successful RFP process in the Spring of 2020. Initially the TBID published the RFP for marketing services at \$1 million per fiscal year, however due to COVID-19 budget impacts, the awarded contract was reduced by half. This resulted in a base contract amount with the selected vendor Noble Studios at \$500,000, which includes the account management scope of work and the paid media investment.

As the TBID plans for recovery, the marketing services and paid media for the TBID are of top priority. In FY 2021-22 the TBID Board recommends amending the current agreement in the amount of \$263,000 to provide additional funding to Noble Studios to account for increase in media spend and agency support in the recovery year.

In addition, the TBID has published an RFP for Content Marketing Services related to the management and curation of the social media channels for #ShareSLO. The vendor will be selected through an RFP process in accordance with the City's purchasing policies with the contract commencing September 2021.

In May, the TBID Board received a proposal presentation from the SLO Chamber of Commerce for the continuation of various contract partnerships. Based on the content of the proposals and the recommendation from the Management Committee, the TBID Board recommends that Council authorize the City Manager to enter into separate contracts with the SLO Chamber of Commerce for the specified programs (Attachment B, June 9, 2021 TBID Minutes DRAFT; Attachment C, 2021-23 SLO Chamber TBID Proposal):

1. Public Relations: The Board recommends funding the Public Relations contract (shared with the PCC) in the TBID amount of \$45,000 for a two-year agreement.
2. Guest Services: The Board recommends full funding of the proposal for Guest Services in the amount of \$47,500 which includes the continuation of the phone & availability service and the special promotions support service.

### *Research, Development and Special Promotions*

In FY 21-22 the TBID will be making a significant investment in Research and Development including special promotions. This emphasis and investment are intended to support the advancement of the initiatives outlined in the revised strategic plan for projects like a Tourism Economic Impact Study, Destination Stewardship Assessment and Plan, and the development of a TBID Sales Strategy. These programs will be developed throughout the year in alignment with the project timeline established for the strategic plan implementation.

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In addition, the TBID will be partnering with the Office of Sustainability on the development of an initiative aimed at offsetting the carbon impact of visitors in San Luis Obispo. The TBID has allocated 1% of the 2021-22 projected revenue to this new program.

### *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 \$1000.
2. California Travel Association (CalTravel): The Board recommends membership with the CalTravel organization in the amount up to \$1000.
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 \$27,286.

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, Smith Travel Reports, and marketing and promotional initiatives. (Attachment D– 2021-22 TBID Line-Item Budget)

Any un-appropriated fund balance from 2020-21 will be used for marketing programs in 2021-22. These expenditures will be reviewed and approved by the TBID Board.

### **Promotional Coordinating Committee**

The purpose of the PCC is to enhance the quality of life for residents of San Luis Obispo and to enhance the quality of experience for visitors to San Luis Obispo. This mission was the guiding force behind the budget consideration for the PCC. During the June 9, 2021 meeting, the PCC finalized the 2021-22 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 GIA program. (Attachment E – 2021-22 PCC Line-Item Budget; Attachment F– June 9, 2021 PCC Minutes DRAFT)

### *Chamber of Commerce Contract Services*

During the May 2021 meeting, the PCC received a presentation from the Chamber of Commerce for the proposed on-going contract services, which include Visitor Center Operations, shared Public Relations services in partnership with the TBID, marketing and public relations support of the GIA recipients, and the production of the City tear-off-maps. The Chamber requested an increase in contract funding for Public Relations but maintained the same funding level for Visitor Center Operations, marketing and public relations support of GIA recipients, and the production of the City tear-off-maps. The proposal (Attachment G) also included the request for two-year agreements for Visitor Center Operations, GIA Support, and Public Relations.

During deliberations at the May meeting, the Committee determined that it was of high priority to maintain contract services with the Chamber of Commerce and decided to fully fund and authorize all the proposals for the 2021-22 fiscal year including the establishment of two-year agreements for the Visitor Center Operations, GIA Support, and Public Relations contingent on second-year budget appropriations. (Attachment H – Minutes May 12, 2021, PCC Minutes)

### *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 2020-21 due to COVID-19 and the restrictions on large group gatherings, the PCC modified the regular Cultural GIA application process and established a modified program that met the needs of the community. Based on the success of the program, the PCC has decided to maintain the modified process through FY 2021-22. The Modified GIA program will continue to be available throughout the year on a monthly consideration process. While the full program will be allocated at \$100,000, the funding for individual non-profit applicants will be set at \$4,000 available for up to twenty-five organizations and the program will be discontinued once the funding has been exhausted. Additionally, if not all FY 2021-22 grant funding is awarded then the PCC will request the ability to carry forward the remaining funds to the second year of the financial plan for use in the 2022-23 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. (Attachment E– 2021-22 PCC Line-Item Budget).

### **Previous Advisory Body Action**

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

- TBID approval of the line-item budget and contract terms on June 9, 2021, and recommended to City Council for approval. (Attachment B - June 9, 2021, TBID Minutes DRAFT)
- PCC approval of the line-item budget on June 9, 2021, and contract terms on May 12, 2021 and recommended to City Council for approval. (Attachment F –June 9, 2021 PCC Minutes DRAFT; Attachment H –May 12, 2021 PCC Minutes)

### **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.<sup>1</sup>

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<sup>1</sup> 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.

### Public Engagement

The public engagement was adequately done in order to prepare these recommendations to City Council. All Advisory Body Meetings for the TBID and PCC were noticed in accordance with Brown Act standards.

### 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 (Pg. 139 and 362 of the 2021-23 Financial Plan) Budget Year: 2021-22  
Funding Identified: Yes

#### Fiscal Analysis:

<b>Funding Sources</b>	<b>Total Budget Available</b>	<b>Current Funding Request</b>	<b>Remaining Balance</b>	<b>Annual Ongoing Cost</b>
General Fund	\$ 405,085	\$ 405,085	\$0	\$0
State				
Federal				
Fees				
Other: TBID	\$1,444,000	\$1,444,000	\$0	\$0
<b>Total</b>	<b>\$1,849,085</b>	<b>\$1,849,085</b>	<b>\$0</b>	<b>\$0</b>

The FY 2021-22 budget projected TBID revenue based upon 20% of budgeted Transient Occupancy Tax revenue at \$1,444,000 as can be referenced on page 362 of the City Financial Plan. 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 2021-22 program budget for Community Promotions (PCC) is \$405,085, as can be referenced on page 139 of the City’s adopted 2021-23 Financial Plan.

## **ALTERNATIVES**

The Council could choose to fund the contracts 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 – Revised SLO TBID 2019-24 Strategic Plan
- B – June 9, 2021 TBID Minutes DRAFT
- C – 2021-23 TBID Chamber Proposal
- D – 2021-22 TBID Line-Item Budget
- E – 2021-22 PCC Line-Item Budget
- F – June 9, 2021 PCC Minutes DRAFT
- G – 2021-23 PCC Chamber Proposal
- H – May 12, 2021 PCC Minutes