APPROVAL OF THE 2016 STOCKTON TOURISM BUSINESS IMPROVEMENT DISTRICT BUDGET AND SERVICE PLAN AND THE 2015 ANNUAL REPORT

RECOMMENDATION

It is recommended that the City Council adopt a resolution approving the 2016 Annual Service Plan, Operating Budget and Assessment, and the 2015 Annual Report for the Stockton Tourism Business Improvement District.

Summary

The City of Stockton contracts with the Stockton Convention & Visitors Bureau (Visit Stockton) to manage assessed funds collected from the Stockton Tourism Business Improvement District (STBID) and provide services as described in the approved Management District Plan. The contract requires Visit Stockton to submit an Annual Service Plan for the upcoming year, as well as an Annual Report from the prior year. The 2016 Annual Service Plan consists of the proposed operating budget, assessment, and anticipated goals for this calendar year. The Council is also being asked to review and approve the 2015 Annual Report. The 2016 Annual Service Plan, the 2015 Annual Report, as well as the 2016 Budget for the Stockton Tourism Business Improvement District are Exhibits 1, 2, and 3 to the Resolution, respectively.

DISCUSSION

Background

The STBID was formed and established in December 2010, with a five-year term. Prior to its expiration in 2015, it was renewed and extended for an additional ten years, currently set to expire on December 31, 2025. The STBID includes all lodging businesses, existing and in the future, available for public occupancy within the boundaries of the City of Stockton.

The formation of the STBID was made possible under the California Property and Business Improvement District Law of 1994 to act as a funding mechanism to promote tourism in Stockton. These businesses are annually assessed a 4% rate of gross revenue for short term stays that are less than 31 days. Tourism Business Improvement Districts (TBIDs) allow lodging and tourism-related business owners to use the assessed funds for marketing and tourism-related activities.

The City of Stockton contracts with the Stockton Convention & Visitors Bureau (Visit Stockton) to manage the funds and report annually on services and marketing activities. Its mission statement is
to promote Stockton by increasing the awareness and enhancing the image of the diverse cultural, historical, and recreational assets of Stockton. The contract requires Visit Stockton to submit an Annual Service Plan and Annual Report to be approved by the City Council. The 2016 Annual Service Plan describes the proposed activities, goals, objectives, and budget for the coming year.

The STBID Management District Plan stipulates proportionate budget allocation as follows, per year:

- Sales and Marketing - 75% or greater (Designed to increase occupancy rates)
- Administration and Operations - 20% or less (Office Administrative/Operational Expenses)
- Contingency/Renewal - 5%

The Management District Plan allows for the proportionate budget allocation percentages to fluctuate based on the proposed objectives, but not to exceed 15% per category per year.

Present Situation

The Visit Stockton 2015 Annual Report summarizes the activities and services administered by Visit Stockton last year. These included several special events, the Stockton Ambassador Program, a Stockton Re-Branding Campaign, as well as additional advertising and sports and tourism development.

With the primary goal of Visit Stockton increasing hotel occupancy, 2015 demonstrated a positive increase in the occupancy rate from 58.1% (2014) to 64.5% (2015), representing an 11% increase from the prior year making it the largest year-to-year occupancy rate increase since the TBID was formed. Visit Stockton’s goal for 2015 was to increase the average occupancy rate by 2% to 3%.

Some statistical trends from 2015 demonstrate a positive hotel market performance, benefitting in an overall increase in revenue:

- The 2015 Hotel Occupancy for Stockton was 64.5%, with an overall demand up 11.5% from the prior year.
- The 2015 Average Daily Rate (ADR) for Stockton hotels was at $75.31, up 6.9% year-over-year.
- Stockton has an average of 1,755 hotel rooms sold each night.
- Stockton hotel revenue was up 19.2% and has passed pre-recession levels.

These positive indicators result in additional revenue coming into the STBID annual budget, allowing additional marketing opportunities to expand the efforts of Visit Stockton.

The 2016 Annual Service Plan addresses the proposed budget for the year, as well as the enhanced goals, strategies and objectives of Visit Stockton for this year.
The 2016 Annual Objectives and Strategies are outlined as follows:

**Increase Hotel Demand and Visitor Volume in Stockton**

- Continue to grow the sport and group markets
- Increase room nights in the primarily leisure and transient properties
- Increase presence at targeted industry tradeshows
- Continue local engagement of hotels through meetings, social media, and tours

**Enhance the Stockton Visitor Experience**

- Continue to grow the Stockton Tourism Ambassador Program
- Promote and distribute outreach materials throughout the community
- Promote the Downtown Stockton Visitors Center

**Marketing and Public Relations**

- Launch the new re-branding campaign
- Continue to create positive public relations campaigns that promote the assets of Stockton through multi-media engagement, social media, and collateral materials

**Organizational**

- Continue to work collaboratively with regional partners
- Broaden networking opportunities
- Continue communication methods for sharing information with partners

The anticipated budget for 2016 amounts to $1,558,185. This includes both 2016 anticipated STBID revenue ($1,290,000), miscellaneous revenue ($43,185), and a fund balance carryover from 2015 ($225,000). The anticipated fund balance carryover of $225,000 under line item 9000 is categorized separately from the STBID assessment of $1,290,000 as outlined in the 2016 Visit Stockton Budget.

<table>
<thead>
<tr>
<th>2016 Total Revenue</th>
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<tr>
<td>TBID Assessment</td>
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<tr>
<td>Miscellaneous Revenue</td>
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<td>2015 Fund Balance Carryover</td>
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<tr>
<td>Total</td>
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The majority of the expenditures in 2016 are allocated as follows:

- Sales and Marketing - Total expenditure $1,309,928 or 84%
- Administration and Operations - Total expenditure $172,507 or 11%
- Contingency/Renewal - Total expenditure $75,750 or 5%

The above percentages are consistent with the STBID Management District Plan that was adopted by the City Council on November 4, 2014. The 2016 Service Plan is consistent with the intent of the Tourism Business Improvement District Assessment.

The proposed Resolution summarizes the action items needed for approval.

FINANCIAL SUMMARY

The City will retain 3% of the collected STBID revenue amount (approx. $38,700) to offset the ongoing cost of processing and collection of the assessment. As specified in the new agreement between the City and the Stockton Convention and Visitors Bureau, dated November 12, 2014, a 30% administrative cost recovery will be paid to the City for penalties and interest due as a result of delinquent assessment payments by lodging businesses in accordance with the District Plan. There is no other direct financial impact to the City of Stockton with this action.