



**CITY OF SALINAS
FINANCE COMMITTEE**

DATE: SEPTEMBER 10, 2024
DEPARTMENT: COMMUNITY DEVELOPMENT
FROM: LISA BRINTON, DIRECTOR
BY: MICHAEL GOMEZ, ECONOMIC DEVELOPMENT ANALYST
TITLE: AGREEMENT WITH THE SALINAS VALLEY TVB INC. FOR THE OPERATION OF THE SALINAS CALIFORNIA WELCOME CENTER

RECOMMENDED MOTION:

A motion recommending the City Council approve a Resolution:

- 1) authorizing the City Manager to negotiate and execute a Fiscal Year 2024-2025 Agreement with the Salinas Valley TVB Inc. to operate a California Welcome Center (CWC) in Salinas and to continue evaluation of the Tourism Improvement District Funds (TID);
- 2) directing staff to continue providing the Finance Committee with CWC quarterly reports; and
- 3) directing staff to return to the Committee by January 2025 with a proposed strategic plan for optimizing TID funds including a recommendation to either renew the existing agreement or to pursue another identified approach.

EXECUTIVE SUMMARY:

On September 12, 2023, City Council approved the Agreement between the City of Salinas and the Salinas Valley TBV, Inc. to operate the California Welcome Center (CWC). City Council also directed staff to continue to evaluate the use of the City's Tourism Improvement District (TID) funds and to provide quarterly updates on CWC monthly operation and financial reporting to the Finance Committee. Staff updated the SVTVB reporting requirements and established a reporting template that was used beginning October 2022 to include more quantitative data such as daily visitor count, social media posts, and special events hosted which has been translated to number of overnight stays based on the TID revenue received. For this final FY 2023-24 report the Salinas Valley TVB Inc. also provided a 2024 Portfolio brochure that presents the CWC's initiatives that focus on the forward progress and showcases the CWC's regional economic development programs that aim to generate more economic opportunities for local communities thus promoting overnight stays. Additionally, attached to the report is the CWC Fiscal Year 2023-24 financial statements and proposed FY 2024-25 budget needs letter to operate the CWC.

DISCUSSION:

A local California Welcome Center (CWC) offers significant benefits to a city by boosting its economic, social, and cultural landscape. Economically, it attracts tourists who spend on local businesses, creates jobs, and stimulates investment in infrastructure and amenities. Socially, it fosters community engagement, instills local pride, and provides essential visitor services, enhancing overall satisfaction. Culturally, the CWC promotes local arts and traditions, supports local events, and helps preserve heritage. It serves as a resource hub for information, Educationally, it shares local knowledge with visitors and supports local schools. The detailed annual report of operations for the California Welcome Center is covered under a separate report, which provides comprehensive insights into its performance and impact.

Proposed 2024-2025 Agreement

The proposed Agreement continues allocation of a majority of the City's collected TID assessment towards CWC operations and the promotion of events and points of interest with the objective of increasing overnight stays at lodging facilities within the City. The City has not received an approved 2024-2025 Operating Budget, however, the need from the Salinas Valley TVB Inc. to operate the CWC is estimated at \$130,000. The term of the FY 2024-2025 Agreement is July 1, 2024, to August 30, 2025, to allow sufficient time to analyze performance and recommend a renewal of the agreement for the upcoming fiscal year.

If the TID funding for FY 2024/25 remains at the same level and expenses only increase slightly, the SVTVB expects to approve a budget similar to the previous year's services. Expansion of activities and new initiatives will depend on available funding, including TID contributions and potential grants.

Revised Payment Terms from Original Agreement

Staff have incorporated the following modifications to clarify timing of reports and invoice submission and the amount remitted will be based on the actual amount of TID collected, minus the 1% administration fee.

- Section A Modification: The City shall remit payments to SVTVB based on the total amount collected for each specific quarter, rather than a fixed quarterly amount of \$30,000 and shall not exceed any amount over collections minus 1%.
- Eliminate Section C: Section C, which outlines procedures for handling shortfalls, is to be removed in its entirety.
- Retention of Section C (IV): SVTVB may still request a current fund balance reflecting the amounts of TID funds remitted to the City and the amount of funds paid to SVTVB to date. The City shall reasonably provide this information as available.

All other terms and conditions of the original agreement shall remain unchanged and in full effect.

Evaluation of Use of TID Funds

To enhance the efficiency of the reporting process and to facilitate smoother communication, staff recommends, and the SVTVB agrees to continue with a quarterly reporting schedule, which will also include financial reporting. This adjustment aims to benefit both parties by providing a more manageable timeframe for compiling and reviewing reports while ensuring a more consistent flow.

While the California Welcome Center offers significant benefits to the City, such as economic stimulation, community engagement, and cultural promotion, the City will continue to monitor its performance closely. This ongoing analysis will enable staff to evaluate the effective use of TID Funds. Staff will present quarterly progress reports on the Finance Committee and, by January 2025, will propose a strategic plan for optimizing TID funds to enhance overnight stays. Analysis would evaluate whether to renew the existing agreement or to recommend another approach that better supports and leverages TID funds for the City of Salinas.

FISCAL AND SUSTAINABILITY IMPACT:

This item has no impact to the General Fund. The Agreement will be funded from the TID assessment collected and retained by the City between July 1, 2024, and August 2025, minus 1% to cover administrative costs.

ATTACHMENTS:

None.