



**CITY OF SALINAS
COUNCIL STAFF REPORT**

DATE: SEPTEMBER 12, 2023

DEPARTMENT: COMMUNITY DEVELOPMENT

FROM: LISA BRINTON, DIRECTOR

BY: MICHAEL GOMEZ, ECONOMIC DEVELOPMENT ANALYST

TITLE: AGREEMENT WITH SALINAS VALLEY TVB, INC FOR THE OPERATION OF THE SALINAS CALIFORNIA WELCOME CENTER

RECOMMENDED MOTION:

A motion to approve a Resolution authorizing:

1. The City Manager or designee to execute an Agreement with the Salinas Valley TVB, Inc. to operate a California Welcome Center (CWC) in Salinas.
2. Directing 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.

EXECUTIVE SUMMARY:

Since June 2019, the City of Salinas (City) has entered into an annual Agreement with the Salinas Valley TVB, Inc (SVTVB) to financially support the operation of a California Welcome Center in Salinas. The California Welcome Center (CWC) is currently located in the Freight Building adjacent to the Salinas Train Station at the Intermodal Transportation Center (ITC). In February 2023 the City Council approved the renewal of the TID operated by the Monterey County Convention and Visitors Bureau (MCCVB) to extend the TID term for ten (10) years (July 1, 2023, to June 30, 2033). Under the TID the City collects a \$2.00 assessment per room-night stay at lodging facilities within its jurisdiction. Of this money, \$1.50 per room night is remitted to the MCCVB and the remaining \$0.50 per room night is retained by the City. Total compensation for services provided under the proposed Agreement are calculated at an amount equal to the total amount of annual assessments retained by the City minus one percent (1%) retained to cover the City's administrative costs. The City's FY 2023-2024 Budget estimates and appropriates an assessment revenue of \$120,000. Under provisions of the Agreement, SVTVB will invoice the City quarterly and provide necessary supportive documentation to enable the City to meet its required MCCVB reporting obligations related to the use of the TID assessment funds. The term of this Agreement is July 1, 2023, to June 30, 2024.

BACKGROUND:

Tourism Improvement Districts (TIDs) are special assessment districts authorized by the State that allow hospitality businesses to enact self-assessments to fund efforts to promote tourism within a particular region. Under the TID the City collects a \$2.00 assessment per room-night stay at lodging facilities within its jurisdiction. Of this money, \$1.50 per room night is remitted to the MCCVB and the remaining \$0.50 per room night is retained by the City. Assessments collected may be spent at the discretion of the City but must be used for the intended purpose of increasing the total number of room-night stays within the City. The City assumes primary responsibility for collecting the assessment and providing expenditure tracking and outcome reporting to MCCVB.

Historically, the City has supported SVTVB's operation of a designated CWC within its jurisdiction. The California Welcome Center program comprises of 22 strategically located official state welcome centers that serve as California's concierges and are managed by Visit California a nonprofit 501 (c) corporation. They are independently operated and are subject to the standards developed by the California Office of Tourism which conducts both announced and unannounced inspections. A CWC can be operated by convention and visitor bureaus, chambers of commerce, government or private entities, or a combination of those.

Since June 2011, the SVTVB has operated a CWC at the Freight Building under a separate lease agreement with the City. The CWC provides visitors with information on local activities, sites of interest, as well as dining and lodging options in Salinas using promotional materials, brochures, and staff. CWC services are provided seven days per week, excluding recognized holidays, and are intended to further the TID objective of increasing overnight room-night stays in Salinas.

DISCUSSION:

2022-2023 Annual Report Summary

Under the Fiscal Year 2022-2023 Agreement, the SVTVB received a total passthrough of \$116,168.15 (see Exhibit A for a breakdown by class) and provided monthly documentation (Exhibit B) of CWC operations that includes, but is not limited to:

- a) the number of visitors to the CWC (on a daily basis),
- b) an itemized summary of marketing materials (whether presented electronically or on a physical medium such as paper or canvas) which provide information regarding potential lodging options within the City of Salinas,
- c) an itemized list of additional marketing materials used to attract visitors to the CWC or the Salinas area,
- d) a summary (when available) of how many printed materials were provided to visitors, the number of visitors to SVTVB's website, and
- e) any additional information which can be collected or derived from collected data using formulas or software commonly utilized and accepted throughout the industry.

All CWC reports are provided as an attachment to this report along with an annual data summary. Highlights of past year activities include:

- The Salinas Intermodal Transportation Center was featured in the California Bountiful, California Farm Bureau magazine for the 2022 July/August issue, Visit California
- In partnership with the Chamber of Commerce debuted “California Welcome Center Program, Bringing Business and Communities Together”.
- An overall monthly average of 350 visitors and 19 social media posts.
- Over three thousand website visits to the CWC website and Soul of CA website.

The SVTVB meets monthly with city staff, Monterey County Convention and Visitor Bureau and other stakeholders to collaborate on strategies aimed at boosting overnight stays within the City of Salinas. The following strategies have been discussed and some have been implemented:

- Gathering hoteliers to have an open discussion on ways to improve overnight stays within Salinas to include SVTVB and MCCVB.
- Communication and sharing of event information for events within the City to be promoted by both SVTVB and MCCVB.
- Sharing current programs and projects to find way to partner and enhance outcomes.

Proposed 2023-2024 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. Exhibit B of the Agreement outlines reporting requirements that will be presented to the Finance Committee on a quarterly basis. The proposed 2023-2024 Operating Budget, Exhibit C to the Agreement, provides a framework to ensure that all parties have a clear understanding of the CWC’s financial capabilities and use of TID funding. The term of the Agreement is July 1, 2023, to June 30, 2024.

Evaluation of Use of TID Funds

In the past, the requirement for both reporting and invoicing has been requested monthly, however; reports have been submitted bimonthly. To enhance the efficiency of the reporting process and to facilitate smoother communication, staff recommends, and the SVTVB agrees to transition to 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.

On August 23, 2022, City Council questioned the direct correlation between CWC operations and overnight stays within Salinas, as the use of TID funds is to increase the number of overnight stays. 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 which can be seen on the attached Annual Data Summary.

Since its establishment in Salinas, the City has sustained the operation of the CWC. Over the years, reporting requirements for operations and finances have been strengthened. It is recommended that Council direct 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.

CEQA CONSIDERATION:

The City of Salinas has determined that the proposed action of approving this Agreement with SVTVB to use the City's TID assessment to fund CWC operations is not a project as defined by the California Environmental Quality Act (CEQA) (CEQA Guidelines Section 15378) because the Agreement and use of TID assessment does not cause a direct or foreseeable indirect physical change on or in the environment. Any subsequent discretionary projects resulting from this action will be assessed for CEQA applicability.

STRATEGIC PLAN INITIATIVE:

The promotion of tourism within the City of Salinas relates to the Council Goal of Economic Development. Increasing the room-night stays in the City leads to increased Transient Occupancy Tax revenue and Sales Tax revenue collection. Visitors staying overnight tend to eat and shop locally, supporting local businesses to thrive and contributing to the community's economic health. In addition, tourism marketing activities also promote Salinas as a desired destination for businesses.

DEPARTMENTAL COORDINATION:

The proposed Agreement was prepared and is administered by the Economic Development Division of the Community Development Department in coordination with both the Finance Department and City Attorney.

FISCAL AND SUSTAINABILITY IMPACT:

This item has no impact to the General Fund. The proposed Agreement will be funded from TID assessment collected and retained by the City between July 1, 2023, and June 30, 2024, minus 1% to cover administrative costs. The City's FY 2023-2024 Budget estimates and appropriates TID assessment revenues of \$120,000. Previously established General Ledger accounts, 8813.81.8141-57.8630 and 8813.81.8141-64.5400, will be used to respectively allocate collected TID assessment revenues and provide payment to SVTVB. Additional Agreement provisions provide the City with alternative payment options should the amount of assessment revenue received, minus the 1% administrative fee, be less than the monthly amount billed by SVTVB.

ATTACHMENTS:

Resolution

Exhibit A - Proposed Agreement

Exhibit B - Annual Quantitative Data

Exhibit C- Proposed FY 23-24 Budget
Exhibit D - to Staff Report- FY 22-23 Budget