CITY OF ELK GROVE
CITY COUNCIL STAFF REPORT

AGENDA TITLE:	**Receive the Elk Grove Tourism Marketing District Annual Report for Fiscal Year 2018-19**
MEETING DATE:	**October 23, 2019**
PREPARED BY:	**Rachael Brown, Economic Development Manager**
DEPARTMENT HEAD:	**Darrell A. Doan, Economic Development Director**

RECOMMENDED ACTION:

Staff recommends that the City Council receive the Elk Grove Tourism Marketing District Annual Report for Fiscal Year 2018-19.

BACKGROUND INFORMATION:

On February 11, 2015, the City Council adopted Resolution No. 2015-027 establishing the Elk Grove Tourism Marketing District (EGTMD), a benefit assessment district, to help fund marketing and sales promotion efforts for Elk Grove lodging businesses. The EGTMD includes certain existing and future lodging businesses located within the boundaries of the City of Elk Grove and a portion of unincorporated Sacramento County.

On December 9, 2015, the City Council approved a Memorandum of Understanding and Cooperative Agreement between the City of Elk Grove and Visit Elk Grove (VEG). The effect of this approval was to formally establish VEG as the contracted non-profit Management Entity responsible for administration of funds raised through the EGTMD.

The EGTMD and VEG must prepare and deliver an annual report to the governing legislative body; in this case, that is the Elk Grove City Council. The attached report covers the fiscal year for VEG and the EGTMD ending June 30, 2019. California Streets and Highways Code section 36610 and the adopted District Management Plan further outline certain requirements for the EGTMD annual report, including specific financial and performance indicators from the prior fiscal year. In addition, the VEG bylaws require basic financial statements such as a balance sheet, an income statement, and an independent auditor's report.

FISCAL IMPACT:

There is no impact to the City as a result of receiving this Report. Revenues generated by the EGTMD, which are administered by VEG, come from a 2% surcharge assessed on gross short-term (stays for a period of 30 days or less) room rental revenues of hotels within the District and located within the City of Elk Grove, and 1% for lodging businesses located within the District and located in the unincorporated portion of Sacramento County.

ATTACHMENT:

1. EGTMD Annual Report for FY 2018-19

Elk Grove Tourism Marketing District
Annual Report for FY 2018-19

Table of Contents

I.	Boundaries and Business Classifications	3
II.	Improvements and Activities	3
III.	Annual Assessment Rate	4
IV.	Surplus or Deficit Carried Over	4
V.	Contributions from Other Sources	5
VI.	Financial Statements for Visit Elk Grove	6
VII.	Estimated 2019 – 2020 Budget	12
VIII.	Current Board of Directors	14
IX.	Summary of Next Steps	14

I. Boundaries and Business Classifications

There are no proposed changes in the boundaries of the improvement district or in any benefit zones or classification of businesses within the district.

II. Improvements and Activities

Improvements and Activities to be provided for FY 2019 – 2020:	
"Improvements" are specified in Streets and Highways Code 36610 as any of the following:	
Parking facilities	None
Benches, booths, kiosks, display cases, pedestrian shelters, and signs	None
Trash receptacles and public restrooms	None
Lighting and heating facilities	None
Decorations	None
Parks	None
Fountains	None
Planting areas	None
Closing, opening, widening, or narrowing of existing streets	None
Facilities or equipment, or both, to enhance security of persons and property within the area	None
Ramps, sidewalks, plazas, and pedestrian malls	None
Rehabilitation or removal of existing structures	None
"Activities" are specified in Streets and Highways Code 36613 as any one of the following:	
Promotion of public events which benefit business or real property in the district	On an on-going basis, the district Management Entity will evaluate and, as warranted, produce, partner with, or sponsor public events to the extent they benefit the businesses within the district.
Furnishing of music in any public place within the district	On an on-going basis, the district Management Entity will evaluate and, as

	warranted, produce, partner with, or sponsor public events to the extent they benefit the businesses within the district.
Promotion of tourism within the district	The district Management Entity will continue to devote a major portion of district revenue and activities to development and implementation of a comprehensive destination branding effort to the benefit of the businesses within the district, with particular emphasis on attracting events, meetings, and conferences to the district.
Marketing and economic development, including retail retention and recruitment	The district Management Entity will continue to prioritize its partnership with the City's Office of Economic Development and work with the same as potential economic development opportunities arise to the extent they benefit the businesses within the district.
Providing security, sanitation, graffiti removal, street and sidewalk cleaning, and other municipal services supplemental to those normally provided by the municipality	None
Activities which benefit businesses and real property located in the district	The district Management Entity will continue its efforts to market the destination, attract events, conferences, and meetings to the designation, and develop industry partnerships, all in order to attract hotel room night guests to the hotels within the tourism marketing district.

III. Annual Assessment Rate

The annual assessment rate is two percent (2%) of gross short term (stays for a period of 30 days or less) on room rental revenue for lodging businesses in the City of Elk Grove, and one percent (1%) for lodging businesses in the unincorporated portion of Sacramento County.

IV. Surplus or Deficit Carried over from FY 2018-2019

As of June 30, 2019, there was $351,488 carried over into FY 2019 – 2020.

V. Contributions to be made from sources other than assessments levied.

There are no expected contributions from other sources.

VI. Financial Statements – Visit Elk Grove (begin on next page)

VISIT ELK GROVE

FINANCIAL STATEMENTS
AND
ACCOUNTANT'S COMPILATION REPORT

FOR THE YEAR ENDED
JUNE 30, 2019

Table of Contents

	Page
ACCOUNTANT'S INDEPENENT COMPILATION REPORT	1
FINANCIAL STATEMENTS	
Statement of assets, liabilities, and net assets – tax basis	2
Statement of revenue, expenses and changes in net assets – tax basis	3
Statement of functional expenses – tax basis	4

KEMPER
CPA GROUP LLP
Certified Public Accountants and Consultants

ACCOUNTANT'S INDEPENDENT COMPILATION REPORT

To Management
Visit Elk Grove
Elk Grove, CA 95758

Management is responsible for the accompanying financial statements of Visit Elk Grove (a nonprofit organization), which comprise the statement of assets, liabilities, and net assets- tax basis as of June 30, 2019, and the related statements of revenue, expenses and changes in net assets – tax basis and the related functional expenses – tax basis for the year then ended. We have performed a compilation engagement in accordance with Statements on Standards for Accounting and Review Services promulgated by the Accounting and Review Services Committee of the AICPA. We did not audit or review the financial statements nor were we required to perform any procedures to verify the accuracy or completeness of the information provided by management. Accordingly, we do not express an opinion, a conclusion, nor provide any form of assurance on these financial statements.

The financial statements are prepared in accordance with the tax basis of accounting, which is a basis of accounting other than accounting principles generally accepted in the United States of America.

Management has elected to omit substantially all of the disclosures required by accounting principles generally accepted in the United States of America. If the omitted disclosures were included in the financial statements, they might influence the user's conclusions about the Organization's financial position and changes in net assets. Accordingly, these financial statements are not designed for those who are not informed about such matters.

Kemper CPA Group LLP

Kemper CPA Group LLP
Certified Public Accountants and Consultants

Stockton, California
October 9, 2019

3031 W. March Lane ▪ Suite 133 South ▪ Stockton, CA 95219
Phone: (209) 473-2001 Fax: (209) 473-1761 kempercpa.com

VISIT ELK GROVE
STATEMENT OF ASSETS, LIABILITIES AND NET ASSETS – TAX BASIS
JUNE 30, 2019

ASSETS	
CURRENT ASSETS	
Cash	$ 351,211
TOTAL CURRENT ASSETS	351,211
FIXED ASSETS	
Office furniture and equipment	572
Accumulated depreciation	(295)
TOTAL FIXED ASSETS, NET	277
TOTAL ASSETS	$ 351,488
LIABILITIES AND NET ASSETS	
NET ASSETS	
Unrestricted net assets	$ 351,488
TOTAL NET ASSETS	351,488
TOTAL LIABILITIES AND NET ASSETS	$ 351,488

See accountant's compilation report

2

VISIT ELK GROVE
STATEMENT OF INCOME, EXPENSES AND CHANGES IN NET ASSETS - TAX BASIS
FOR THE YEAR ENDED JUNE 30, 2019

UNRESTRICTED NET ASSETS		
UNRESTRICTED REVENUE		
Program revenue	$	368,241
Interest		61
TOTAL UNRESTRICTED REVENUE		368,302
EXPENSES		
Program services		425,808
Management expenses		98,604
TOTAL EXPENSES		524,412
CHANGE IN UNRESTRICTED NET ASSETS		(156,110)
NET ASSETS - Beginning of year		507,598
NET ASSETS - End of year	$	351,489

See accountant's compilation report

VISIT ELK GROVE
STATEMENT OF FUNCTIONAL EXPENSES – TAX BASIS
FOR THE YEAR ENDED JUNE 30, 2019

	PROGRAM SERVICES	MANAGEMENT EXPENSES	TOTAL EXPENSES
Depreciation expense	$ -	$ 114	$ 114
Dues and subscriptions	10,278	-	10,278
Insurance	-	2,394	2,394
Professional Fees	13,700	25,670	39,370
Meals and entertainment	-	3,725	3,725
Marketing	9,595	-	9,595
Office expense	12,871	12,871	25,742
Conference expense	25,491	-	25,491
Payroll expense	73,691	43,166	116,857
Payroll tax expense	6,062	2,020	8,082
Promotional	177,059	-	177,059
Rent	8,644	8,644	17,288
Sponsorship	82,679	-	82,679
Website	3,332	-	3,332
Travel	2,406	-	2,406
Total Expenses	$ 425,808	$ 98,604	$ 524,412

See accountant's compilation report

VII. Estimated 2019-2020 Budget

Below is the budget that was adopted by the Board of Directors on June 18, 2019.

INCOME		
1001	TBID Assessment	$ 394,400
	PFY Carryover	$ 360,000
1002	Reserve *10% of annual income*	$ (39,000)
	Total Operating Income	**$ 715,400**
EXPENSES		
Acct #	**Operating Expenses**	
1100	**ADMINISTRATION**	
1101	Payroll	$ 147,396
1102	Payroll taxes/fees	$ 22,800
1103	Insurance - Business	$ 1,800
1104	Insurance - Workers Comp	$ 2,800
1105	Office Supplies & Postage	$ 1,000
1106	Adobe Subscriptions	$ 960
1107	Dues & Subscriptions	$ 7,500
1108	Meals / Entertainment	$ 3,000
1109	Professional Fees	$ 175,000
1110	Bookkeeping	$ 2,400
1111	Office Equipment	$ 900
1112	Office Phone	$ 1,200
1113	Office Internet	$ 1,080
1114	Rent	$ 38,160
1115	Staff Training	$ 500
	Sub total	**$ 406,496**
1200	**TRAVEL**	
1201	CalTravel Summit	$ -
1202	CalSAE	$ -
1203	DI Annual Conv	$ -
1204	Visit CA	$ -
1205	Misc. Travel	$ 1,000
	Sub total	**$ 1,000**
1300	**SPONSORSHIPS**	
1301	EG Beer Fest	$ 500
1302	July 4th	$ 500
1303	Walk on the Wild Side	$ 500
1304	Misc. Sponsorship Opportunities	$ -
1305	Pumpkin Fest	$ 2,000
1306	Farm 2 Fork	$ 24,000
1307	Strauss Fest	$ 1,000
1308	History Week	$ 500

1309	Dickens Faire	$	-
1310	Restaurant Week	$	5,000
1311	Bounty on the Blvd	$	500
	Sub total	**$**	**34,500**

1400	**MARKETING**		
1401	Digital	$	35,000
1402	Creative	$	5,000
1403	Contractor Fees	$	15,000
1404	Media Kit Creation & Updates (Online)	$	1,500
1405	Public Relations	$	-
1406	Photography/Video	$	10,300
1407	Social Media	$	20,100
1408	Marketing Collateral	$	12,000
1409	Radio	$	6,000
1410	Email / Newsletter	$	1,200
1411	Travel Industry Content Creation	$	2,000
1412	Travel Industry Representation	$	14,400
1413	Print Ads	$	19,000
1414	TripAdvisor	$	-
1416	Misc. Marketing Opportunities	$	6,000
1417	Wedding Promotion/Advertising	$	5,000
1418	Hospitality Training Program	$	2,000
1419	In Hotel Guest Program	$	4,600
1420	Marketing Research	$	12,000
	Sub total	**$**	**171,100**
1500	**WEBSITE & IT**		
1501	Blog content development	$	4,000
1502	Website Maint & Hosting	$	2,400
1503	IT & Phone Services	$	1,800
	Sub total	**$**	**8,200**
1600	**CONFERENCE/GROUP SALES**		
1601	FAM Trips	$	4,000
1602	Burton Representation	$	39,000
1603	Hotel "Team EG" Events	$	2,000
1604	CalSAE Seasonal	$	2,500
	Sub total	**$**	**47,500**
ANNUAL TOTAL		**$**	**668,796**

VIII. Current Board of Directors of the District Management Entity, Visit Elk Grove

REPRESENTATIVE	HOTEL NAME	ADDRESS
Brittany Davis, Sales Manager	Holiday Inn Express & Suites	9175 W. Stockton Boulevard Elk Grove, CA 95758
Kimberly Albright, General Manager	Hilton Garden Inn	9241 Laguna Springs Drive Elk Grove, CA 95758
Victoria Cheung, Sales Manager	Hampton Inn and Suites	2305 Longport Court Elk Grove, CA 95758
Gabriel Sanchez, General Manager	Holiday Inn Express	2460 Maritime Drive Elk Grove, CA 95758
James Lynton, Regional Sales Director	Extended Stay America	2201 Longport Court Elk Grove, CA 95758
Pratik Patel, General Manager	Fairfield Inn & Suites	8058 Orchard Loop Lane Sacramento, CA 95624
Rachael Brown, Economic Development Manager	City of Elk Grove	8401 Laguna Palms Way Elk Grove, CA 95758

IX. Next Steps (as of October 23, 2019)

The tourism marketing district will expire on March 31, 2020. Consultant firm Civitas has been hired to assist with the renewal of the district. Assuming hoteliers in the district affirmatively petition the City Council to renew the district, the estimated schedule for completing the renewal process will include three City Council meetings, the first of which will occur in December, culminating in a February or March vote by the City Council. The petition drive is currently in process. The renewal process must be completed by March 2020 in order for the new district to continue to exist on April 1, 2020. Should the hoteliers not petition the City for renewal, and/or should the City Council not renew the district, the district will dissolve. Should the Council renew the district, the district would continue to operate going forward.

On July 11, 2019, the Executive Director of Visit Elk Grove resigned. The City of Elk Grove Economic Development staff have been temporarily assisting Visit Elk Grove with management of day-to-day programs and activities since that time. A contract to formalize that arrangement is being prepared and is anticipated to be executed in October 2019. The

duration of the contract will allow the City to assist Visit Elk Grove with management services up until a decision is made on district renewal, and for an additional six months after that time if required.

Visit Elk Grove is currently defending itself and the current Board Chair and former Executive Director against a lawsuit brought by a former consultant alleging, among other complaints for damages, sexual harassment. Given the uncertainties surrounding the resolution of the lawsuit, it is possible that extensive associated time and costs will adversely impact the operations of Visit Elk Grove in Fiscal Year 2019-20. These costs may not be completely reflected in the adopted budget included in this Annual Report because they were unknown at the time the Board adopted the budget. This may necessitate the amendment of the budget by the Board at a later date to reflect costs associated with defending and/or settling the law suit.

Given current uncertainties surrounding renewal, staffing, and the lawsuit, Visit Elk Grove intends to operate at minimal level until those uncertainties are resolved. If and when those uncertainties resolve themselves, the activities of the tourism marketing district will commence again in full force.

Visit Elk Grove and the City of Elk Grove are currently exploring alternative district management structures to improve services provided to the district.