

**TO:** City Council  
**FROM:** James L. App, City Manager  
**SUBJECT:** **Tourism Promotion Service Agreement**  
**DATE:** October 1, 2002

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**NEEDS:** For the City Council to consider an agreement with the Paso Robles Visitors & Conference Bureau for tourism promotion services.

**FACTS:**

1. The City's 1991 General Plan established a vision for Paso Robles as a place where one could "live, work, and shop." The community's Economic Development Strategy identifies five primary objectives to achieve that vision.
2. One of the five primary economic development objectives is to develop Paso Robles into an end destination tourist attraction.
3. To that end, the City sought assistance from the Paso Robles Chamber of Commerce to promote tourism.
4. The Paso Robles Chamber of Commerce, through its' Visitor & Conference Bureau (VCB), has provided tourism promotion services to the City under the terms of a three-year agreement expired June 30, 2002.
5. During the term of the agreement, the City's transient occupancy tax income (a tax levied on lodgers at local hotel/motels and one measure of tourism activity) has increased from \$629,000 in Fiscal Year 1999 to \$1,040,000 in FY 2002, or 65% in just 3 years.
6. Payments to the VCB included an annual base amount plus incentives - a 25% share of TOT income above established targets. The VCB has been paid \$176,000 for FY 2000, \$203,000 for FY 2001, and \$206,000 for FY 2002 services/results.
7. The Council appointed an ad hoc committee, Frank Mecham & Gary Nemeth, to develop and negotiate a new 3-year agreement with the VCB.
8. The Council Committee has met with VCB staff and Chamber Board representatives. Both recommend adoption of the attached agreement.

**ANALYSIS & CONCLUSION:**

The Economic Development Strategy includes a goal to "develop Paso Robles into an 'end-destination' tourist attraction." One of the Strategy's key implementation measures to achieve that objective is to focus on tourism promotion, and to do so by "using a portion of the TOT to financially support the Visitors & Convention Bureau."

The VCB's efforts of the last three years were focused upon tourism promotion. The updated Economic Strategy set an objective to increase TOT to over \$1,000,000 by 2005; the VCB helped accomplish that target as of June 30, 2002. Given their success, the Council ad hoc committee recommends expansion of their efforts, modification and increase of their fee, and adoption of the attached 3-year agreement.

VCB's effort is being expanded to include establishment of a third visitor information center at the Airport, provision of marketing support to Barney Schwartz Park, aid in attracting a new major air show, and establishment of direct liaison with Main Street and their downtown promotion efforts.

The proposed fee structure is similar to that of the predecessor agreement, i.e., base payments plus incentives. However, the base fee is proportionally increased while the incentive is reduced (from 25% to 10% of TOT income [above established targets - the TOT targets are derived from TOT income estimates provided in the City's 4-year financial plan update of July 2002]). A larger proportion of the fee in the base payments is proposed to provide greater predictability of funding. Funding stability is important to the community's efforts to promote future events and commit to longer-term marketing and advertising campaigns.

**POLICY**

**REFERENCE:** 1991 General Plan, Economic Development Strategy, FY 02-05 Budget/Financial Plan, and FY 00-02 VCB Tourism Promotion Service Agreement.

**FISCAL IMPACT:** From FY 2002 payments of \$206,000, \$225,000 in FY 03, \$235,000 in FY 04, and \$245,000 in FY 05 (IF incentive targets are reached).

The adjusted FY 03 budget provides \$206,000, so a supplemental appropriation of \$19,000 will be required. FY 04 & 05 estimated payments would be included in the next budget.

The four-year financial plan projection update presented to the Council on June 18, 2002 indicated, assuming a worst case scenario, that the General Fund could experience a \$(1,255,000) operating loss for fiscal year 2003. Since that presentation, the Council has approved the following additional General Fund budget appropriations:

Public Safety Staffing	\$124,000
Downtown Trash Receptacles	17,000
Paso VCB Incentive Payment	66,500
City Speed Zone Survey	15,000

These additional appropriations plus this request for \$19,000 would increase the projected General Fund deficit to \$1,396,500.

- OPTIONS:**
- A. Adopt Resolution No. 02-xx authorizing the Mayor to Execute the Agreement and Appropriating \$19,000 from General Fund Reserves for FY 2003.**
  - B. Amend, Modify or Reject the Agreement.**

Attachment: Resolution  
FY 03-05 Agreement

RESOLUTION NO. 02-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF PASO ROBLES  
APPROVING A BUDGET APPROPRIATION FOR A TOURISM PROMOTION AGREEMENT  
WITH THE PASO ROBLES CHAMBER OF COMMERCE

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WHEREAS, the City and Paso Robles Chamber of Commerce agree to enter into a tourism promotion contract effective July 1, 2002; and

WHEREAS, this contract calls for payments based partially upon transient occupancy tax collections; and

WHEREAS, the incentive provision for fiscal year 2003 could equate to total FY 2003 payments of \$225,000; and

WHEREAS, the current budget provides a budget appropriation of \$206,000 for said payments; and

WHEREAS, it is desirable to modify the adopted budget with a \$19,000 budget appropriation to cover the incentive payment.

THEREFORE, BE IT HEREBY RESOLVED that the City Council of the City of El Paso de Robles does hereby authorize the Mayor to execute a 3-Year Tourism Promotion Agreement with the Paso Robles Chamber of Commerce/Visitor's & Conference Bureau and appropriate \$19,000 to Budget Account No. 100-110-5224-101 as a one time budget appropriation from General Fund reserves.

PASSED AND ADOPTED by the City Council of the City of Paso Robles this 1<sup>st</sup> day of October 2002 by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

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Frank R. Mecham, Mayor

ATTEST:

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Sharilyn M. Ryan, Deputy City Clerk

AGREEMENT BETWEEN THE CITY OF PASO ROBLES AND THE PASO ROBLES  
CHAMBER OF COMMERCE INC., FOR THE PROVISION OF  
TOURISM PROMOTION SERVICES

THIS AGREEMENT, effective July 1, 2002, is made and entered into this \_\_\_\_ day of \_\_\_\_\_ 2002, by and between the City of Paso Robles, hereafter referred to as the "CITY", and the Paso Robles Chamber of Commerce, Inc., hereinafter referred to as "Chamber," through its Visitors and Conference Bureau, hereinafter referred to as the "VCB".

WHEREAS, the VCB has special knowledge and experience together with available facilities to provide tourism promotion necessary to enhance the economic vitality of Paso Robles; and

WHEREAS, the CITY desires to have the VCB provide these services in order to facilitate economic development throughout the City; and

WHEREAS, the VCB is willing to provide services hereinafter set forth on behalf of the CITY in the manner and for the purpose hereinafter provided.

The City of Paso Robles hereby enters into an agreement for tourism marketing services to be provided by the Paso Robles Chamber of Commerce via its Visitors and Conference Bureau.

1. VCB RESPONSIBILITIES. The VCB's efforts under this agreement shall include, but are not limited to:
  - a. Visitors and Conference Bureau Marketing
    - Maintain and enlarge Paso Robles' market share of the California tourism market
    - Coordinate individuals, organizations, agencies and other tourism-related resources in the community
    - Increase mid-week and off-season tourism
    - Build group and conference business
    - Educate the public as to the importance of tourism in the local economy
  - b. Visitors and Conference Bureau Promotions
    - Coordinate advertising efforts and media relations
    - Develop promotional materials
    - Participate in tourist promotion trade shows
    - Staff and operate 2 visitor centers (downtown and train station) and establish a visitor information center at the Paso Robles Airport
    - Provide marketing support for special events, Barney Schwartz Park, and attracting a new air show
    - Provide research to track visitors and related economic impacts

- c. Local Event Promotion
  - Support local events sponsored by the Mid-State Fair, Paso Robles Main Street, and Paso Robles Vintners and Growers Association
  - Identify and maintain board liaison to the Main Street Board and invite same from Main Street to the Chamber of Commerce/Visitors and Conference Bureau Board

2. COMPENSATION. In consideration of the services performed by the Chamber through its VCB, the CITY will make payments as follows:

- a. Commencing with the Agency's fiscal year beginning July 1, 2002, the Agency shall disburse to Chamber annual amounts as indicated below in equal payments each calendar quarter:

Fiscal Year 2003	\$159,000
Fiscal Year 2004	\$213,700
Fiscal Year 2005	\$218,300

- b. In addition to compensation in 3(a) above, VCB shall be eligible to receive incentive compensation based upon transient occupancy tax revenue collection. Said compensation shall be paid at the rate of \$.10 per \$1.00 in excess of the amounts indicated below:

Fiscal Year 2003	\$1,075,000
Fiscal Year 2004	\$1,253,000

Any incentive payments due under this provision shall be paid on or before September 30<sup>th</sup> of the following fiscal year.

- c. In the event that the City Council is compelled to reduce General Fund budget expenditures in any given year during the term of this agreement, the base contract shall be reduced by the same percentage as the overall General Fund budget reduction. The CITY recognizes that the base contract reductions may result in a reduction of the services provided by the VCB.
- d. This agreement shall not prevent CITY from appropriating additional sums for specific projects, which the CITY may desire to have performed by the CHAMBER through its VCB.

3. VCB'S ANNUAL BUDGET. The Chamber shall, by the first of April each year, submit to the CITY for review by the City Council, a proposed budget and Tourism Marketing Plan for the Visitors and Conference Bureau for each the coming fiscal year covered by this AGREEMENT. This budget shall include all funds proposed to be received from the CITY and how those funds will be spent:

The VCB will also provide an annual and mid-year report of their implementation of the Marketing Plan.

4. VCB'S FINANCIAL RECORDKEEPING AND REPORTING. The CITY shall have the right to audit the books, records, and accounts of the VCB at any reasonable time in the VCB's offices.
5. POLITICAL ACTIVITY. The Chamber shall not use any monies received under this agreement for the endorsement, opposition or participation in any public office campaign or other political or lobbyist activity.
6. HOLD HARMLESS. The Chamber shall defend and hold the CITY, its members, officers, agents and employees free and harmless from any and all liability for any damages whatever arising out of the acts of the Chamber, its officers, employees or agents in carrying out the terms of the agreement.
7. LIABILITY INSURANCE. The Chamber and its VCB agrees to maintain in full force and effect during the term of the agreement public liability insurance in the sum of not less than Five Hundred Thousand Dollars (\$500,000) for death or injury of one or more persons in any one accident; property and products damage insurance in a sum of not less than Twenty-Five Thousand Dollars (\$25,000). All such insurance shall be carried with insurance companies satisfactory to the CITY and shall name the CITY, its officers, agents, and employees as additional insured. The Chamber and its VCB shall cause to be furnished to the CITY certificates of insurance stating that such insurance is in full force and effect; that the premiums thereon have been paid; and that the insurance carrier will give the CITY at least ten (10) days prior written notice of cancellation, termination or modification. The CITY is not liable for the payment of premiums or assessments on this policy.
8. INDEPENDENT CONTRACTOR. Notwithstanding any other representation, oral or written, between the parties, including any and all agents or representatives thereof, the Chamber and its VCB is at all times acting as a free and independent contractor, not as an agent of the CITY.
9. REVERSION OF FUNDS AND PROPERTY. During the term of this agreement should the VCB be dissolved, disbanded, or otherwise cease to function in a manner described in this agreement, all funds attributable to the CITY, and equipment purchased out of funds provided by the CITY, shall revert to ownership of the CITY. For the purpose of this provision, the VCB shall maintain a written record of, and include as part of each annual report, a listing of capital equipment that has been purchased with the funds provided by the CITY.
10. TERM. The term of this agreement shall be for a three-year period, expiring on June 30, 2005, unless terminated earlier in accordance with Section 11 below.
11. NOTICE. This agreement may be terminated in whole or in part at any time by either party hereto upon one year's written notice to the other as identified below, whereupon all rights and obligations of both parties hereto shall terminate, and the payments from the CITY to the Chamber hereunder shall be adjusted on a pro rata basis to the date of the termination.

12. FULL AGREEMENT AND AMENDMENT. This document represents the entire understanding between the parties and supersedes all prior negotiations, representations or agreements, either written or oral. This agreement may only be amended by a writing signed by both parties.

IN WITNESS WHEREOF, this agreement is hereby executed as of the day and year first hereinabove written.

THE CITY OF PASO ROBLES  
1000 Spring Street  
Paso Robles, CA 93446

PASO ROBLES CHAMBER OF COMMERCE, INC.  
1225 Park Street  
Paso Robles, CA 93446

By \_\_\_\_\_  
Frank R. Mecham, Mayor

By \_\_\_\_\_

By \_\_\_\_\_