

HOLLY L. WOLCOTT
CITY CLERK

GREGORY R. ALLISON
EXECUTIVE OFFICER

City of Los Angeles
CALIFORNIA



ERIC GARCETTI
MAYOR

OFFICE OF THE
CITY CLERK

NEIGHBORHOOD AND BUSINESS
IMPROVEMENT DISTRICT DIVISION
200 N. SPRING STREET, ROOM 224
LOS ANGELES, CA 90012
(213) 978-1099
FAX: (213) 978-1130

MIRANDA PASTER
DIVISION MANAGER

clerk.lacity.org

August 12, 2015

Honorable Members of the City Council
City Hall, Room 395
200 North Spring Street
Los Angeles, California 90012

Council Districts 1 - 15

REGARDING: THE LOS ANGELES TOURISM MARKETING DISTRICT BUSINESS
IMPROVEMENT DISTRICT'S 2015-16 FISCAL YEAR ANNUAL PLANNING
REPORT

Honorable Members:

The Office of the City Clerk has received the Annual Planning Report for the Los Angeles Tourism Marketing District Business Improvement District's ("District") 2015-16 fiscal year (CF 14-0943). The owners' association of the District has caused to be prepared the Annual Planning Report for City Council's consideration. In accordance with Section 36600 et seq. of the California Streets and Highways Code ("State Law"), an Annual Planning Report for the District must be submitted for approval by the City Council. The District's Annual Planning Report for the 2015-16 fiscal year is presented with this transmittal for City Council's consideration as "Attachment 1."

BACKGROUND

The Los Angeles Tourism Marketing District Business Improvement District was established on June 1, 2011 by and through the City Council's adoption of Ordinance No. 181741, which confirmed the assessments to be levied upon properties within the District, as described in the District's Management District Plan. The City Council established the District pursuant to State Law.

ANNUAL PLANNING REPORT REQUIREMENTS

The State Law requires that the District's owners' association shall cause to be prepared, for City Council's consideration, an Annual Planning Report for each fiscal year for which assessments are to be levied and collected to pay for the costs of the planned District improvements and activities. The Annual Planning Report shall be filed with the City Clerk and

shall refer to the district by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following: any proposed changes in the boundaries of the district or in any benefit zones within the district; the improvements and activities to be provided for that fiscal year; an estimate of the cost of providing the improvements and the activities for that fiscal year; the method and basis of levying the assessment in sufficient detail to allow each real property owner to estimate the amount of the assessment to be levied against his or her property for that fiscal year; the amount of any surplus or deficit revenues to be carried over from a previous fiscal year; and the amount of any contributions to be made from sources other than assessments levied.

The District's total 2015-2016 budget has increased due to a large rollover of unspent funds from prior years. The actual 2014-2015 assessment collections will exceed projections in the 2014-2015 Management District Plan so the surplus will be carried forward to the 2015-2016 fiscal year. This surplus will be spent on marketing initiatives and sales programs in line with allocations in the Management District Plan. These programs include expanding target international markets in Mexico, Brazil, the Middle East and India through increased sales outreach activities, customer sales calls, participation in market specific trade shows and increased hotel site visits for tour operators and meeting planners from these markets. The increased funding will allow an adjustment to the sales staff accordingly for these activities but this increase will not change the description of the budget categories from the approved Management District Plan. The City Clerk does not recognize any adverse impact to the benefits received by property owners due to these budget adjustments.

The attached Annual Planning Report, which was approved by the District's Board at their March 12, 2015 meeting, complies with the requirements of the State Law and reports that programs will continue, as outlined in the Management District Plan adopted by the District property owners. The City Council may approve the Annual Planning Report as filed by the District's owners' association or may modify any particulars contained in the Annual Planning Report, in accordance with State Law, and approve it as modified.

FISCAL IMPACT

There is no impact to the General Fund associated with this action.

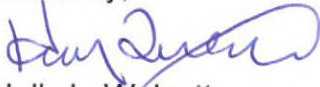
RECOMMENDATIONS

That the City Council:

1. FIND that the attached Annual Planning Report for the Los Angeles Tourism Marketing District Business Improvement District's 2015-16 fiscal year complies with the requirements of the State Law.
2. FIND that the adjustment in the 2015-16 budget concurs with the intentions of the Los Angeles Tourism Marketing District Business Improvement District's Management District Plan and do not adversely impact the benefits received by assessed property owners.

3. ADOPT the attached Annual Planning Report for the Los Angeles Tourism Marketing District Business Improvement District's 2015-16 fiscal year, pursuant to the State Law.

Sincerely,



Holly L. Wolcott
City Clerk

HLW:GRA:MP:RMH:rks

Attachment: Los Angeles Tourism Marketing District Business Improvement District's 2015-16
Fiscal Year Annual Planning Report



Attachment 1

March 13, 2015

Ms. Holly Wolcott
Office of the City Clerk
200 North Spring Street, Room 224
Los Angeles, CA 90012

RE: 2015-2016 Annual Planning Report for the Los Angeles Tourism Marketing District

Dear Ms. Wolcott:

On behalf of the Board of Directors, I submit the following 2015-16 Annual Planning Report for the Los Angeles Tourism Marketing District ("LATMD") to the Office of the City Clerk. The LATMD Board of Directors unanimously approved this planning report at their March 12, 2015 meeting. Through agreement number C120101, the LATMD contracted with the City of Los Angeles to perform the activities outlined in the LATMD Management Plan.

The LATMD has contracted with The Los Angeles Tourism and Convention Board, a California Non-Profit Corporation ("LATCB"), which will be the management company for the administration of District services.

Please contact Neil Tanouye of LATCB at (213) 236-2384 if you have any questions on this report.

Sincerely,

A handwritten signature in blue ink, appearing to read "Javier".

Javier Cano, Chairman
The Los Angeles Tourism Marketing District

2015-16 Annual Planning Report

The Los Angeles Tourism Marketing District

District Name: This report is for the Los Angeles Tourism Marketing District

Fiscal Year of Report: This report applies to the April 1, 2015 to March 31, 2016 fiscal year only.

Background:

The Los Angeles Tourism Marketing District was started in 2011 by a steering committee of dedicated hotel property owners, hotel general managers, and tourism industry business people. The first 5-year agreement with the City of Los Angeles is from April 1st, 2011 to March 31st, 2016.

Boundaries:

The LATMD includes all lodging businesses with fifty (50) rooms or more, existing and in the future, available for public occupancy within the boundaries of the City of Los Angeles. New lodging businesses with 50 or more rooms opening during the term of the district, and lodging businesses expanding to 50 or more rooms during the term of the district, will be assessed in the LATMD upon their expansion or opening. Lodging businesses with 50 or more rooms which reduce the number of rooms to less than fifty during the term of the district will cease to be assessed upon reduction of rooms to less than fifty.

The boundary is estimated to include approximately 181 lodging businesses with 50 or more rooms.

There are no proposed changes to the boundaries for fiscal year 2015 - 2016.

Benefit Zones:

The LATMD has one benefit zone in the district. There are no changes to the benefit zone.

Improvements and Activities for 2015-16:

This planning report is provided for informational purposes. Actual projects are subject to LATMD board approval. Below are the improvements and activities planned for the fiscal year 2015-16. The ideas presented below are subject to change during the course of the year depending on circumstances and availability of funds.

1) Marketing and Sales:

LATMD continues to engage the Los Angeles Tourism & Convention Board to perform the sales and marketing activities in fiscal 2015-16, as outlined in the Management District Plan.

The district's marketing efforts will continue to be directed at improving traveler's perceptions about the size, diversity and complexity of the experience Los Angeles offers. The affordability of Los Angeles, as well as the great weather and the frequency of direct flights from within the US and international destinations will be emphasized to potential hotel travelers. Repeat visitors to Los Angeles have a greater affinity for Los Angeles as a travel destination than first time visitors.

Consumer insights research will continue to identify attitudes and perceptions of attendees at conventions meetings and the leisure traveler. This will focus on traveler perceptions, likes and dislikes about Los Angeles. Previous research found the consumer views Los Angeles as a very large city that is almost too big and diverse to understand. The consumer insights information will allow LATMD to focus on the positives of each region of Los Angeles and market the strengths of each. This regional focus will allow LATMD to provide distinct direct benefits to the TMD hotel members in each region.

Program efforts will include continuing to expand the www.latmd.org website, including making it more user friendly and informative.

Marketing efforts will continue the expanded advertising campaign for Los Angeles, in conjunction with advertising by the Los Angeles Tourism & Convention Board. The television broadcast campaign will include New York, Chicago, and Seattle. Domestic digital campaigns will be conducted in New York, Chicago, Seattle Phoenix, San Francisco, San Diego, Fresno and Sacramento., as well as the five cities in the TV campaign. International digital campaigns will be conducted in Australia, Canada, China and the UK.

Convention sales strategies and initiatives will include continued collaboration with the Los Angeles Convention Center to implement business strategies directed at maximizing revenue for TMD hotels in the City of Los Angeles. This involves re-evaluating vertical and territory market needs, while refining the target list of top priority accounts and identifying high potential sales windows. It includes completing a joint communications plan with LACC for citywide conventions. LATMD will continue partnering with LACC and the hotels to not only meet, but to exceed, client expectations thereby increasing the likelihood of repeat bookings and positive comments in the conventions industry.

Pursuant to requests made by the TMD hotels, sales efforts will continue to focus on the needs of the separate regions to help increase hotel demand, occupancy and rates in those regions. Sales efforts for self-contained hotel business meetings will be increased with the expansion of dedicated sales staffing.

The TMD will focus marketing programs and direct sales activities on the production of Requests For Proposals from associations and businesses

considering Los Angeles as a site for future meetings. The National direct sales structure and lead conversion process will ensure maximum productivity and effectiveness of the sales team.

A coordinated program of trade shows, targeted collateral, partnerships and client familiarization tours will result in direct hotel sales that will increase sales leads and bookings in all regions of the TMD.

Additional promotions, aimed at increasing both meetings and leisure travel to Los Angeles, will be developed. These efforts will also be directed at increasing the length of stay in TMD hotels by those travelers.

2) Administration:

In fiscal 2015-16 the District will continue to work with LATCB, the contracted management company, for administration of District services. LATCB will continue to provide staffing to perform the work required by the District along with an office, and a dedicated phone number. LATCB holds contracts with various companies for marketing and sales services performed on behalf of the District. The management company works with the City of Los Angeles, handling all financial and administrative requirements expected of the Los Angeles Tourism Marketing District as stipulated in its agreement C120101 with the City.

The cost of administration for the LATMD in fiscal 2015-16 is estimated at \$797,100 or approximately 3% of the 2015-2016 budget plus \$265,000 for City of Los Angeles administrative fees.

3) Contingency:

Contingency funds for fiscal 2015-16 are expected to be \$1,329,000 which will be used in the future to cover uncollected assessments and expenditures.

Total Estimate of Costs for Fiscal 2015-16:

A breakdown of the total estimated \$26,570,000 budget for fiscal 2015-16 is attached to this report as Appendix A.

Method and Basis of Assessment:

The LATMD annual assessment rate is 1.5% of gross room rental revenue for lodging businesses with 50 or more rooms. Based on the benefit received, the following stays shall not be subject to assessment:

- (1) A stay for which it is beyond the power of the City to impose the assessment herein provided;
- (2) A stay by any Federal or State of California officer or employee, including employees of federal credit unions, who provides proof that he or she is on Federal or State business;
- (3) A stay by any officer or employee of a foreign government who is exempt by express provision of federal law or international treaty;
- (4) A stay by any person to whom rent is charged at the rate of \$2.00 per day or less;

- (5) A stay for which rent is paid from a fund administered by the Emergency Food and Shelter National Board Program;
- (6) Stays by airline crews;
- (7) Stays of more than thirty (30) consecutive days; and
- (8) Stays pursuant to contracts executed prior to commencement of the LATMD.

The service area includes approximately 181 lodging businesses.

Amount of Surplus/Deficit from previous Fiscal Year:

Because initial funding was not received until late February 2012, the LATMD was not able to begin its sales and marketing activities until then and therefore there were \$5,829,000 of surplus revenues at the end of fiscal 2011-12. A portion of this surplus was rolled over into the 2012-13, 2013-14 and 2014-15 fiscal years. Because 2014-15 collections will exceed the Management District Plan, the surplus will be carried forward into the 2015-16 fiscal year. The LATMD Board of Directors authorized the rollover at the March 12, 2015 Board of Director's meeting.

Furthermore, the LATMD will maintain a budget surplus at the end of each year to ensure adequate cash flow for the first quarter of each operating year.

Amount of Contributions from other sources:

There are no plans to apply for funding from other sources.

Thank you for the opportunity to present our Annual Planning Report for fiscal 2015-16. If you have any questions regarding this report, please call Neil Tanouye of the Los Angeles Tourism & Convention Board at (213) 236-2384.

**APPENDIX A - TOTAL ESTIMATED COSTS FOR THE
LOS ANGELES TOURISM MARKETING DISTRICT
FISCAL 2015 - 2016**

REVENUES

2015 - 2016 ASSESSMENTS	\$22,570,000
2014 - 2015 ESTIMATED CARRYOVER	<u>\$4,000,000</u>
TOTAL ESTIMATED BUDGET	<u><u>\$26,570,000</u></u>

EXPENDITURES

SALES AND CLIENT SERVICES

TRADESHOWS, SITE INSPECTIONS, FAM TRIPS, SALES MISSIONS	\$3,964,000
STAFFING	<u>\$1,350,000</u>

SALES SUBTOTAL **\$5,314,000**

MARKETING

ADVERTISING	\$10,156,000
PROMOTIONAL PROGRAMMING	\$5,897,000
STAFFING	<u>\$2,812,000</u>

MARKETING SUBTOTAL **\$18,865,000**

ADMINISTRATIVE COSTS **\$797,000**

CITY OF LOS ANGELES ADMINISTRATIVE COSTS **\$265,000**

CONTINGENCY AND RENEWAL **\$1,329,000**

\$26,570,000