



## AGENDA

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### Visit SLO CAL Executive Committee

#### Visit SLO CAL Executive Committee Agenda

Thursday, March 14, 2019

11:30am

The Kinney

1800 Monterey St, San Luis Obispo, CA 93401

1. CALL TO ORDER
2. PUBLIC COMMENT (On Non-Agenda Items)

<b>ANNOUNCEMENTS</b>	<b>C. Davison</b>
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<b>CONSENT AGENDA – motion required</b>	<b>C. Davison</b>
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3. **Approval of February 21, 2019 Executive Committee Meeting Minutes (yellow)**
4. **Approval of January Visit SLO CAL Financials (green)**  
*Staff will request Committee approval of the February 21, 2019 Executive Committee Meeting Minutes, and the January 2019 Visit SLO CAL Financials.*

<b>CEO REPORT</b>	<b>C. Davison</b>
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5. **CEO Report (20 min)**  
*Staff will provide an update on current projects, reporting and areas of focus for the months ahead.*

<b>BUSINESS ITEMS</b>	<b>C. Davison</b>
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6. **TMD Renewal Update (30 min) – motion required**  
*Staff will provide an update on the TMD renewal process, and request feedback and a recommendation for Board approval of the updated draft Management District Plan.*
7. **Destination Management Strategy Update (10 min)**  
*Staff will provide an update on progress to-date for VSC's Destination Management Strategy and outline key next steps.*
8. **Short-Term Rental Housing Impact Research (30 min) – motion required**  
*Staff will request feedback from the Committee on a proposal to conduct a study on the effects of short-term rentals (STRs) on housing, and a recommendation for Board approval to initiate the study.*
9. **Marketing Update (15 min)**  
*Staff will provide an update on key marketing initiatives, along with feedback from the Marketing Committee Retreat held March 12.*

#### ADJOURN.

Brown Act Notice: Each speaker is limited to two minutes of public comment for items not on the agenda. Public comment for each agenda item will be called for separately and is also limited to 2 minutes per speaker. State law does not allow the Executive Committee to discuss or take action on issues not on the agenda, except that members of the Committee may briefly respond to statements made or questions posed by the person giving public comment. Staff may

be directed by the Committee to follow-up on such items and/or place them on the next Committee agenda. The order of agenda items is listed for reference and items may be taken in any order deemed appropriate by the Executive Committee.

ADA Notice: Meeting facilities are accessible to persons with disabilities. If you require special assistance to participate in the meeting, notify Brendan Pringle at (805) 541-8000 at least 48 hours prior to the meeting.



# MINUTES

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## Visit SLO CAL Executive Committee

### Visit SLO CAL Executive Committee Meeting Minutes

Thursday, February 21, 2019

11:30am

Visit SLO CAL Conference Room  
1334 Marsh Street, San Luis Obispo, CA 93401

#### 1. CALL TO ORDER: Clint Pearce

**PRESENT:** John Arnold, Mark Eads, Clint Pearce

**ABSENT:** Aaron Graves, Jay Jamison

**STAFF PRESENT:** Chuck Davison, Brendan Pringle

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Call to Order at 11:35 am.

#### 2. PUBLIC COMMENT (On Non-Agenda Items)

None.

#### ANNOUNCEMENTS

Davison asked the Committee to save the date for Visit SLO CAL's Tourism Exchange on May 9, 11:30am-4:30pm, with a reception from 4:30pm-6:00pm. Visit SLO CAL is asking that all Board members plan to attend the luncheon and general session, which is from 11:30am-1:30pm.

#### CONSENT AGENDA

3. Approval of January 15, 2019 Executive Committee Meeting Minutes
4. Approval of Lori Keller's Marketing Committee Application
5. Approval of Janine Dion's Marketing Committee Application
6. Approval of Joel Peterson's Marketing Committee Application
7. Approval of Anne Steinhauer's Marketing Committee Application

Public Comment – None.

Committee Discussion. Arnold asked how many open seats that leaves on the Marketing Committee. Davison noted that this leaves one open seat, and that the Marketing Committee could not reach consensus on the balance of the applications received. He added that, at the previous direction of the Board, who requested more lodging members on the Marketing Committee, the Committee decided to put forth these names to assure these individuals could attend the upcoming Marketing Committee Retreat as un-official members, with the Executive Committee's approval.

**ACTION:** Moved by Arnold/Eads to approve the Consent Agenda as presented.

**Motion carried: 3:0**

## **CEO REPORT**

### **8. CEO Report**

Davison thanked the Committee for attending the Beginning of Year Bash. He reviewed U.S. Travel's Travel Trends Index for December 2018 versus December 2017. He provided an HR update, noting that Visit SLO CAL had recently hired Haley Cahill on January 21, 2019 to fill the Marketing Coordinator role, which is a backfill of Jordan Carson's position; Derek Kirk, CEO of the Atascadero Chamber, has been hired as the Director of Community Engagement & Advocacy, replacing the VP role held by Christine Robertson, and his first day in the office will be March 4, 2019. Vanessa Robbins has been hired for the Digital Marketing Coordinator position, which was formerly a Digital Manager role vacated in November, and will start February 25, 2019. Visit SLO CAL has begun to schedule interviews for the remaining three open positions: Communications Manager, Partnership & Community Engagement Manager and Communications Coordinator & Film Commission Liaison. Davison explained that none of these are "new" positions, but rather adaptations of previously existing positions that were placed on hold last year as Visit SLO CAL completed its Organizational Assessment. After being asked to pay an exorbitant fee several months ago for an image that was on the website dating back to 2012, Visit SLO CAL and its legal counsel worked with Philadelphia Insurance to settle the claim under its business insurance for a fraction of that amount. In exchange, Visit SLO CAL agreed to no longer use the photograph, which was removed from the website months ago upon notification, in any capacity. On March 25-26, 2019, Visit SLO CAL will hold a 1 ½ day staff planning retreat to better define our scope of work for FY2019/20 prior to launching the budget planning process and finalizing our marketing plan. The marketing plan and budget will be presented to the Board for approval at the May 15, 2019 meeting. Davison reported out on Visit SLO CAL's Operational Plan Quarterly Check-in with Coraggio Group. As part of the check-in, the timeline has been updated and the work refined. Visit SLO CAL is working with Visit California to define the build and activation for its IPW sponsorship in June. Visit SLO CAL has presented additional sponsorship opportunities to the local DMOs, with a deadline of February 28, 2019, and Paso Robles has communicated that they will participate. Davison reported out on local meetings. He noted that, based on the Destination Management Strategy Draft Recommendations set to be complete the last week of March, staff would like to move the March 20, 2019 Board Meeting to Thursday, March 28, 2019. He added that by having the Steering Committee meeting on March 27, followed by the Board Meeting on March 28, Resonance Consultancy would be able to walk the Steering Committee and then the Board through the draft recommendations. The meeting would be scheduled for 2 hours. Davison asked the Committee for feedback. Additionally, he noted that the April 11, 2019 Executive Committee meeting will need to be rescheduled due to a scheduling conflict with his final CDME course, and asked for Committee feedback on rescheduling it for Thursday, April 4, 2019 at 11:30am. He also reported out on his travel schedule for the months ahead.

Public Comment – None.

Committee Discussion – Pearce noted that the additional staffing will be helpful for the TMD renewal with much of the current staff's attention needed for that. With regards to the image usage dispute, Pearce also asked if there was a deductible on Visit SLO CAL's general liability insurance. Davison responded that there was no deductible. The Committee agreed to reschedule the March Board Meeting to March 28, 2019, from 8:30-10:30am, and to reschedule the April Executive Committee Meeting to April 4, 2019, from 11:30am-1:30pm. Eads asked if there is going to be any kind of opportunity offered by the airlines to help hoteliers and lodging partners reach out to the respective new markets. Davison responded that the airline's marketing teams are located at their headquarter offices, but that he will regroup with Kevin Bumen, SLO Airport, on this question. He noted that it could be a list of best practices from the airlines to provide to the lodging group. Pearce asked if any of the infighting happening at the Grover Beach City Council would impact Visit SLO CAL. Davison responded that the organization has a strong relationship with the City of Grover Beach and it should not impact the organization.

## **BUSINESS ITEMS**

### **9. TMD Renewal**

Davison reported out on his meeting with the city managers and county CAO on January 31, 2019 to define middle ground on the terms of the TMD renewal. Prior to this meeting, on January 30, 2019, he met with Pismo Beach City Manager Jim

Lewis to discuss a potential path forward. He noted that the city managers and the county CAO have agreed to support the renewal of the TMD at 1.5 percent and 10 years based on the following terms: Visit SLO CAL and the lodging community agrees to stand down and even advocate for a 1 percent increase in individual community TOT to fund DMS-related initiatives, should individual communities decide to pursue that direction, and Visit SLO CAL would make revisions to the Advisory Committee structure, allowing the government to provide "more feedback and direction." Davison also noted that, based on the Board's approval at the January meeting, Visit SLO CAL has initiated discussions on an ROI study (Organizational Effectiveness Study) with Tourism Economics. Jim Lewis (City Manager, Pismo Beach) and Tom Frutche (City Manager, Paso Robles) reviewed the proposal and offered feedback on behalf of the city managers, which has been delivered to Tourism Economics. An updated draft proposal is expected this week. The study will cost an estimated \$30,000. Visit SLO CAL has asked Tourism Economics to shorten their timeline in order to produce the results prior to the March Board Meeting. Although they don't believe they can have the complete report ready, they do believe they can deliver key findings that will help inform the Board's decision by the March Board meeting date. Davison outlined the next steps in the process. Once Visit SLO CAL meets with the city managers to better understand the terms of the requested changes to the Advisory Committee structure and their specific ask regarding the TOT increase, the presentation of revised terms will come back to the Executive Committee in March and ultimately be delivered to the Board for approval in March. The petition release could then possibly happen by the end of April.

Public Comment – None.

Committee Discussion. Arnold asked if Pismo Beach and Paso Robles were the only communities against the 2 percent/10-year term. Davison responded that Paso has been generally supportive, but that Morro Bay was also opposed. Pearce noted that he didn't feel there are enough Morro Bay lodging investors willing to fight for 2 percent, and that he agreed with the 1.5 percent/10-year term. Eads noted that he was in favor of the 1.5 percent/10-year term, but noted that he was curious to see what kind of control the government officials were seeking in the Advisory Committee. Arnold agreed with Eads, and noted that he would schedule a meeting with Tom Frutche to discuss the Advisory Committee component further.

## **10. Destination Management Strategy Update**

Davison provided a progress update on the Destination Management Strategy (DMS). Visit SLO CAL held four Visioning Workshops from February 19-20 (South County, San Luis Obispo, North County and North Coast). He thanked the Board members who attended and provided feedback, and noted there was strong participation, interest and feedback from the communities. Stakeholders from lodging, industry partners, chambers and local government identified: 1) whether their communities fit into the Manage, Grow or Develop framework; 2) Key community drivers for visitation; 3) Priority community issues for consideration; and 4) Priority community opportunities for advancement. He said that, overall, the majority of the communities ended up in very similar places. Feedback will be developed into draft recommendations for review by the Steering Committee and Visit SLO CAL Board in late March. Davison outlined the next steps on the DMS planning process timeline.

Public Comment – None.

Committee Discussion. Eads asked if there was some way to use the AHLA certification program, assuming a customer service program is one of the DMS recommendations. Davison noted that Cuesta College has just reinstated their hospitality program, adding that they could be a potential partner in this initiative.

## **11. Advocacy Update**

Davison reported out on Visit SLO CAL's short-term rental (STR) advocacy efforts. On February 6, 2019, he and Michael Wambolt (Director of Travel Trade) met with Maggie Juren, Beach-N-Bay Getaways, to discuss the County's desire to levy an impact fee on vacation rentals, as well as the renewal terms of the TMD. That same day, Wambolt attended the Central Coast Management Association Meeting on behalf of Visit SLO CAL to discuss the County's proposed residential vacation rental impact fee; the County is looking to levy a \$2.73 per night surcharge—the rate in the city of San Diego—on vacation rentals to fund workforce housing. Davison noted that there is no research showing that STRs have an impact on affordable housing since most STRs are second homes or are too expensive to offset housing issues. Visit SLO CAL has reached out to Beacon Economics for a proposal to: 1) Provide data and empirical analysis to help inform stakeholders and policymakers in

San Luis Obispo County as to the nature of the STR market as it pertains to AirBnB and similar STR platforms; and 2) Report out on the relationship between STRs and the broader housing market in the county in order to dispel myths and anecdotes, and to adequately define the impact of STRs on workforce housing in the county.

Davison announced that Barb Newton, President & CEO of CalTravel, has agreed to speak at Visit SLO CAL's upcoming Tourism Exchange to provide updates on statewide legislative issues that could impact the tourism industry.

Davison also noted that several Board members have requested that Visit SLO CAL consider developing a PAC to showcase the strength and unity of the tourism industry around items impacting the industry. Davison asked the Committee for feedback on this request.

Public Comment – None.

Committee Discussion. Arnold noted that he fully believed in protecting short-term rentals, and that the study could be beneficial. He also inquired on the specifics of setting up a PAC. Davison responded that PAC would be entirely separate and distinct from the organization, but would potentially have a subset of the Visit SLO CAL board. Pearce noted that Visit SLO CAL has gained power and influence regionally without a PAC up until this point, and questioned whether the organization would be pressured to use the PAC if it started one. Arnold recommended holding off on the establishment of a PAC.

## **12. Marketing Update**

Davison provided an update on travel trade efforts and key marketing initiatives, including the launch of Dallas media. He also reported out on paid, earned and owned media results. He noted that the paid media campaign will start to really build in March.

Public Comment – None.

Committee Discussion.

## **ADJOURNMENT**

**ACTION:** Moved by Pearce/Arnold to adjourn at 1:10 pm.

San Luis Obispo County  
Visitor's & Conference Bureau  
2018/2019 Financial Summary - January

Income	This Month	Budgeted for Month	MTD Variance	MTD Actual v. Budget %	MTD % of Total Income/Expenses	FISCAL YTD	Budget YTD	YTD Variance	YTD Actual v. Budget %	YTD % of Total Income/Expenses
Collected from Prior Year Assessments	\$ -	\$ -	\$ -	100.00%	0.00%	\$ 181,694	\$ 129,000	\$ 52,694	140.85%	6.63%
Other Revenue	\$ 923	\$ 850	\$ 73	108.60%	0.44%	\$ 5,654	\$ 5,950	\$ (296)	95.03%	0.21%
Co-op Revenue	\$ -	\$ 1,750	\$ (1,750)	0.00%	0.00%	\$ 5,051	\$ 1,750	\$ 3,301	288.65%	0.18%
<b>TBID Income:</b>										
SLO County Unincorporated	\$ 68,098	\$ 68,098	\$ -	100.00%	32.10%	\$ 633,514	\$ 620,170	\$ 13,343	102.15%	23.11%
SLO City	\$ 36,919	\$ 36,919	\$ -	100.00%	17.40%	\$ 458,299	\$ 441,383	\$ 16,916	103.83%	16.72%
Pismo Beach	\$ 50,276	\$ 50,276	\$ -	100.00%	23.70%	\$ 610,008	\$ 603,764	\$ 6,244	101.03%	22.25%
Morro Bay	\$ 13,416	\$ 13,416	\$ -	100.00%	6.32%	\$ 206,794	\$ 197,227	\$ 9,567	104.85%	7.54%
Paso Robles	\$ 29,374	\$ 29,374	\$ -	100.00%	13.85%	\$ 299,754	\$ 294,379	\$ 5,374	101.83%	10.94%
Arroyo Grande	\$ 4,572	\$ 4,572	\$ -	100.00%	2.16%	\$ 56,173	\$ 55,617	\$ 556	101.00%	2.05%
Atascadero (quarterly)	\$ -	\$ -	\$ -	#DIV/0!	0.00%	\$ 73,924	\$ 69,056	\$ 4,868	107.05%	2.70%
Grover	\$ 1,567	\$ 1,567	\$ -	100.00%	0.74%	\$ 20,811	\$ 22,193	\$ (1,382)	93.77%	0.76%
Adjustment for Actual TBID Collected	\$ 3,446	\$ 5,000	\$ (1,554)	68.92%	1.62%	\$ 179,506	\$ 163,686	\$ 15,820	109.66%	6.55%
Interest Income	\$ 3,569	\$ 600	\$ -	594.91%	1.68%	\$ 9,989	\$ 600	\$ -	r	0.36%
<b>Total Income</b>	<b>\$ 212,161</b>	<b>\$ 212,422</b>	<b>\$ (3,231)</b>	<b>99.88%</b>	<b>100.00%</b>	<b>\$ 2,741,169</b>	<b>\$ 2,604,776</b>	<b>\$ 127,005</b>	<b>105.24%</b>	<b>100.00%</b>
<b>Expenses</b>										
Contingency Reserve	\$ 10,430	\$ 10,504	\$ (74)	99.29%	3.77%	\$ 136,306	\$ 130,121	\$ 6,185	104.75%	6.82%
G&A	\$ 21,118	\$ 20,488	\$ 630	103.07%	7.63%	\$ 158,785	\$ 165,128	\$ (6,343)	96.16%	7.95%
Industry Research and Resources	\$ 34,812	\$ 41,872	\$ (7,060)	83.14%	12.58%	\$ 305,834	\$ 359,644	\$ (53,809)	85.04%	15.31%
Travel Trade	\$ 17,887	\$ 18,226	\$ (340)	98.14%	6.46%	\$ 164,501	\$ 176,060	\$ (11,559)	93.43%	8.23%
Communications	\$ 22,988	\$ 34,380	\$ (11,392)	66.86%	8.31%	\$ 179,446	\$ 223,720	\$ (44,274)	80.21%	8.98%
Advertising	\$ 143,579	\$ 158,693	\$ (15,114)	90.48%	51.88%	\$ 776,581	\$ 775,289	\$ 1,291	100.17%	38.87%
Promotions	\$ 3,193	\$ 7,388	\$ (4,195)	43.22%	1.15%	\$ 28,682	\$ 48,877	\$ (20,195)	58.68%	1.44%
Events	\$ 25	\$ 0	\$ 25	683604.27%	0.01%	\$ 46,204	\$ 157,074	\$ (110,870)	29.42%	2.31%
Digital Marketing	\$ 21,784	\$ 23,624	\$ (1,839)	92.21%	7.87%	\$ 184,932	\$ 198,165	\$ (13,233)	93.32%	9.26%
Film Commission	\$ 950	\$ 5,645	\$ (4,695)	16.83%	0.34%	\$ 16,746	\$ 28,743	\$ (11,996)	58.26%	0.84%
<b>Total Expenses</b>	<b>\$ 276,763</b>	<b>\$ 320,819</b>	<b>\$ (44,055)</b>	<b>86.27%</b>	<b>100.00%</b>	<b>\$ 1,998,018</b>	<b>\$ 2,262,821</b>	<b>\$ (264,803)</b>	<b>88.30%</b>	<b>100.00%</b>
<b>Surplus(Deficit)</b>	<b>\$ (64,603)</b>	<b>\$ (108,396)</b>	<b>\$ 40,824</b>	<b>59.60%</b>		<b>\$ 743,152</b>	<b>\$ 341,955</b>	<b>\$ 391,808</b>	<b>217.32%</b>	

**Cash Flow**

Surplus (Deficit)	\$ (64,603)	\$ 743,152
Beginning Cash Balance	\$ 2,335,986	\$ 1,214,317
Change in Accounts Receivable	\$ (108,638)	\$ 14,846
Change in Accrued Expenses	\$ 86,750	\$ 112,680
Change in Prepaid Expenses	\$ (20,809)	\$ 3,008
Change in Accounts Payable	\$ 1,235	\$ 16,042
Change in Reserve Contingency	\$ 10,430	\$ 136,306

**Ending Cash Balance**

	\$ 2,240,352	\$ 2,240,352
Contingency Reserve - 5% of Cumulative Revenue	\$ (702,260)	\$ (702,260)

Liability on Balance Sheet

**Net Available Cash**

	\$ 1,538,092	\$ 1,538,092
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**Comments to the Board:**

- \$65k deficit for December (\$41k lower deficit than budgeted). \$743k surplus year-to-date (\$392k larger surplus than originally budgeted). We are projecting an \$17k deficit by year-end if future months come in at budget.
- All TMD amounts accrued through November have been collected, with the exception of City of SLO and Morro Bay.
- Monies received from partners to help fund initiatives (co-op) are now being recorded as Income, versus a credit to Expenses as they have been recorded in the past.

**Visit SLO CAL**  
**Balance Sheet Prev Year Comparison**  
**As of January 31, 2019**

	Jan 31, 19	Jan 31, 18	\$ Change	% Change
<b>ASSETS</b>				
Current Assets				
Checking/Savings				
1010 · Bank of the Sierra - TMD	1,358,659.98	1,476,647.51	-117,987.53	-8.0%
1020 · Bank of the Sierra - Membership	221,293.02	128,991.48	92,301.54	71.6%
1030 · Morgan Stanley - TMD	551,585.86	400,000.00	151,585.86	37.9%
1040 · Morgan Stanley - Membership	102,333.50	100,000.00	2,333.50	2.3%
Total Checking/Savings	2,233,872.36	2,105,638.99	128,233.37	6.1%
Accounts Receivable				
1200 · Accounts Receivable	731,939.00	597,023.16	134,915.84	22.6%
Total Accounts Receivable	731,939.00	597,023.16	134,915.84	22.6%
Other Current Assets				
1320 · Prepaid Rent	4,369.95	3,326.70	1,043.25	31.4%
1340 · Workman's Comp Deposit	367.00	387.00	-20.00	-5.2%
1350 · Prepaid Expenses	128,033.66	-45,315.71	173,349.37	382.5%
1499 · Undeposited Funds	6,479.84	0.00	6,479.84	100.0%
Total Other Current Assets	139,250.45	-41,602.01	180,852.46	434.7%
Total Current Assets	3,105,061.81	2,661,060.14	444,001.67	16.7%
Fixed Assets				
1400 · Fixed Assets				
1405 · Computer Hardware/Software	24,216.44	24,216.44	0.00	0.0%
1410 · Furniture & Fixtures	91,012.07	91,012.07	0.00	0.0%
1415 · Leasehold Improvements	37,301.15	37,301.15	0.00	0.0%
1425 · Office Equipment	14,560.10	14,560.10	0.00	0.0%
Total 1400 · Fixed Assets	167,089.76	167,089.76	0.00	0.0%
1500 · Accumulated Depreciation				
1505 · Comp. Hdwr/Sftwr. Acc. Depr.	-15,088.17	-15,088.17	0.00	0.0%
1510 · Furn. & Fixt. Accum. Depr.	-6,208.00	-6,208.00	0.00	0.0%
1515 · Leasehold Imp. Accum. Depr.	-1,630.00	-1,630.00	0.00	0.0%
1525 · Office Equip. Accum. Depr.	-4,915.00	-4,915.00	0.00	0.0%
Total 1500 · Accumulated Depreciation	-27,841.17	-27,841.17	0.00	0.0%
Total Fixed Assets	139,248.59	139,248.59	0.00	0.0%
Other Assets				
1600 · Intangibles				
1605 · Trademark - Slocal	15,750.00	15,750.00	0.00	0.0%
Total 1600 · Intangibles	15,750.00	15,750.00	0.00	0.0%
Total Other Assets	15,750.00	15,750.00	0.00	0.0%
<b>TOTAL ASSETS</b>	<b>3,260,060.40</b>	<b>2,816,058.73</b>	<b>444,001.67</b>	<b>15.8%</b>
<b>LIABILITIES &amp; EQUITY</b>				
Liabilities				
Current Liabilities				
Accounts Payable				
2000 · Accounts Payable	165,395.60	137,121.45	28,274.15	20.6%
Total Accounts Payable	165,395.60	137,121.45	28,274.15	20.6%
Credit Cards				
2060 · American Express Credit Card	23,337.06	11,551.77	11,785.29	102.0%
2050 · Rabobank Credit Card	0.00	749.70	-749.70	-100.0%
Total Credit Cards	23,337.06	12,301.47	11,035.59	89.7%
Other Current Liabilities				
2070 · Accrued Liabilities	132,197.60	0.00	132,197.60	100.0%
2010 · Deferred Revenue	10,920.00	0.00	10,920.00	100.0%
2100 · Payroll Liabilities				
2115 · Company ETT Payable	13.67	0.00	13.67	100.0%
2125 · Company FUTA Payable	81.98	0.00	81.98	100.0%
2135 · Company SUI Payable	669.55	0.00	669.55	100.0%
2160 · Health Insurance Withheld	-503.16	0.00	-503.16	-100.0%
Total 2100 · Payroll Liabilities	262.04	0.00	262.04	100.0%
Total Other Current Liabilities	143,379.64	0.00	143,379.64	100.0%



3:55 PM

02/20/19

Accrual Basis

**Visit SLO CAL**  
**Balance Sheet Prev Year Comparison**  
**As of January 31, 2019**

	Jan 31, 19	Jan 31, 18	\$ Change	% Change
<b>Total Current Liabilities</b>	332,112.30	149,422.92	182,689.38	122.3%
<b>Total Liabilities</b>	332,112.30	149,422.92	182,689.38	122.3%
<b>Equity</b>				
<b>3120 - Reserved Earnings</b>	702,259.89	491,405.54	210,854.35	42.9%
<b>3130 - Retained Earnings</b>	1,482,536.79	1,125,416.90	357,119.89	31.7%
<b>Net Income</b>	743,151.42	1,049,813.37	-306,661.95	-29.2%
<b>Total Equity</b>	2,927,948.10	2,666,635.81	261,312.29	9.8%
<b>TOTAL LIABILITIES &amp; EQUITY</b>	<b>3,260,060.40</b>	<b>2,816,058.73</b>	<b>444,001.67</b>	<b>15.8%</b>

2020-2030



**SAN LUIS OBISPO COUNTY  
TOURISM MARKETING DISTRICT  
MANAGEMENT DISTRICT PLAN**

*Prepared pursuant to the Property and Business Improvement District Law of  
1994, Streets and Highways Code section 36600 et seq.*

February 26, 2019

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Prepared by  
Civitas



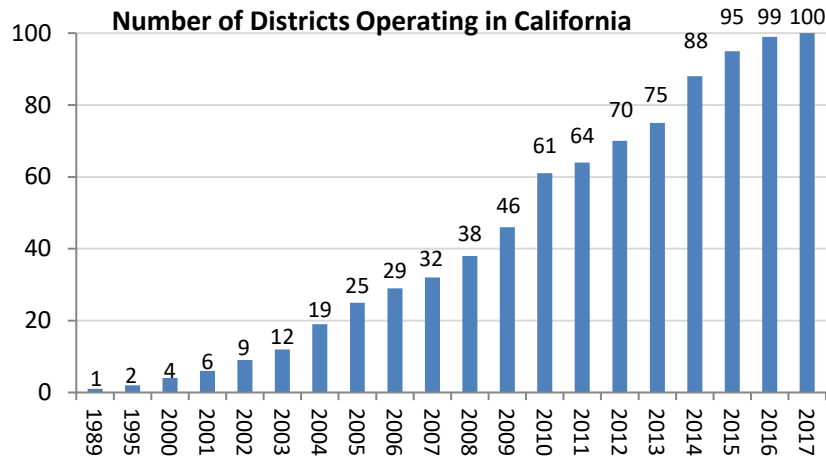
## I. OVERVIEW

Developed by San Luis Obispo County Visitors and Conference Bureau (Visit SLO CAL), the San Luis Obispo County Tourism Marketing District (SLOCTMD) is an assessment district proposed to provide specific benefits to payors, by funding marketing, advertising, and sales efforts for assessed businesses. The countywide TMD is a cooperative effort to collectively market all that San Luis Obispo County (SLO CAL) has to offer for the benefit of assessed lodging businesses.

- Location:* The renewed SLOCTMD includes all lodging businesses located within the boundaries of the cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo, and the unincorporated portions of the County of San Luis Obispo, as shown on the map in Section IV.
- Services:* The SLOCTMD is designed to provide specific benefits directly to payors by increasing awareness and demand for room night sales. Marketing, advertising, and sales will increase demand for overnight tourism and market payors as tourist, meeting and event destinations, thereby increasing demand for room night sales.
- Budget:* The total SLOCTMD annual budget for the initial year of its ten (10) year operation is anticipated to be approximately \$6,000,000.
- Cost:* The annual assessment rate is one and one-half percent (1.5%) of gross short-term room rental revenue. Based on the benefit received, assessments will not be collected on: stays of more than thirty (30) consecutive days; stays by any officer or employee of a foreign government who is exempt from Transient Occupancy Taxes by reason of express provision of federal law or international treaty; stays by employees of Federal Credit Unions while on official credit union business; and stays pursuant to contracts executed prior to July 1, 2015. Stays pursuant to contracts executed between July 1, 2015 and June 30, 2020 shall be subject to assessment at the rate of one percent (1%) of gross short-term room revenue.
- Collection:* The County and cities will be responsible for collecting the assessment on a monthly or quarterly basis (including any delinquencies, penalties and interest) from each lodging business located in the boundaries of the SLOCTMD, within their respective jurisdictions. The County and cities shall take all reasonable efforts to collect the assessments from each lodging business.
- Duration:* The renewed SLOCTMD will have a ten (10) year life, beginning July 1, 2020 through June 30, 2030. Once per year, beginning on the anniversary of SLOCTMD renewal, there is a thirty (30) day period in which owners paying fifty percent (50%) or more of the assessment may protest and initiate a Board of Supervisors hearing on SLOCTMD termination.
- Management:* Visit SLO CAL will continue to serve as the SLOCTMD's Owners' Association. The Owners' Association is charged with managing funds and implementing programs in accordance with this Plan, and must provide annual reports to the Board of Supervisors.

## II. BACKGROUND

TMDs are an evolution of the traditional Business Improvement District. The first TMD was formed in West Hollywood, California in 1989. Since then, over ninety California destinations have followed suit. In recent years, other states have begun adopting the California model – Montana, South Dakota, Washington, Colorado, Texas and Louisiana have adopted TMD laws. Several other states are in the process of adopting their own legislation. The cities of Wichita, Kansas and Newark, New Jersey used an existing business improvement district law to form a TBID. And, some cities, like Portland, Oregon and Memphis, Tennessee have utilized their home rule powers to create TMDs without a state law.



California's TMDs collectively raise over \$250 million annually for local destination marketing. With competitors raising their budgets, and increasing rivalry for visitor dollars, it is important that SLO CAL lodging businesses continue to invest in stable, lodging-specific marketing programs.

TMDs utilize the efficiencies of private sector operation in the market-based promotion of tourism districts. TMDs allow lodging business owners to organize their efforts to increase demand for room night sales. Lodging business owners within the TMD pay an assessment and those funds are used to provide services that increase demand for room night sales.

In California, TMDs are formed pursuant to the Property and Business Improvement District Law of 1994. This law allows for the creation of a benefit assessment district to raise funds within a specific geographic area. *The key difference between TMDs and other benefit assessment districts is that funds raised are returned to the private non-profit corporation governing the district.*

There are many benefits to TMDs:

- Funds must be spent on services and improvements that provide a specific benefit only to those who pay;
- Funds cannot be diverted to general government programs;
- They are customized to fit the needs of payors in each destination;
- They allow for a wide range of services;
- They are ***designed, created and governed by those who will pay*** the assessment; and
- They provide a stable, long-term funding source for tourism promotion.

### III. MAJOR ACCOMPLISHMENTS

From 2015-2020, Visit SLO CAL accomplished significant efforts within the SLOCTMD. These accomplishments are listed below:

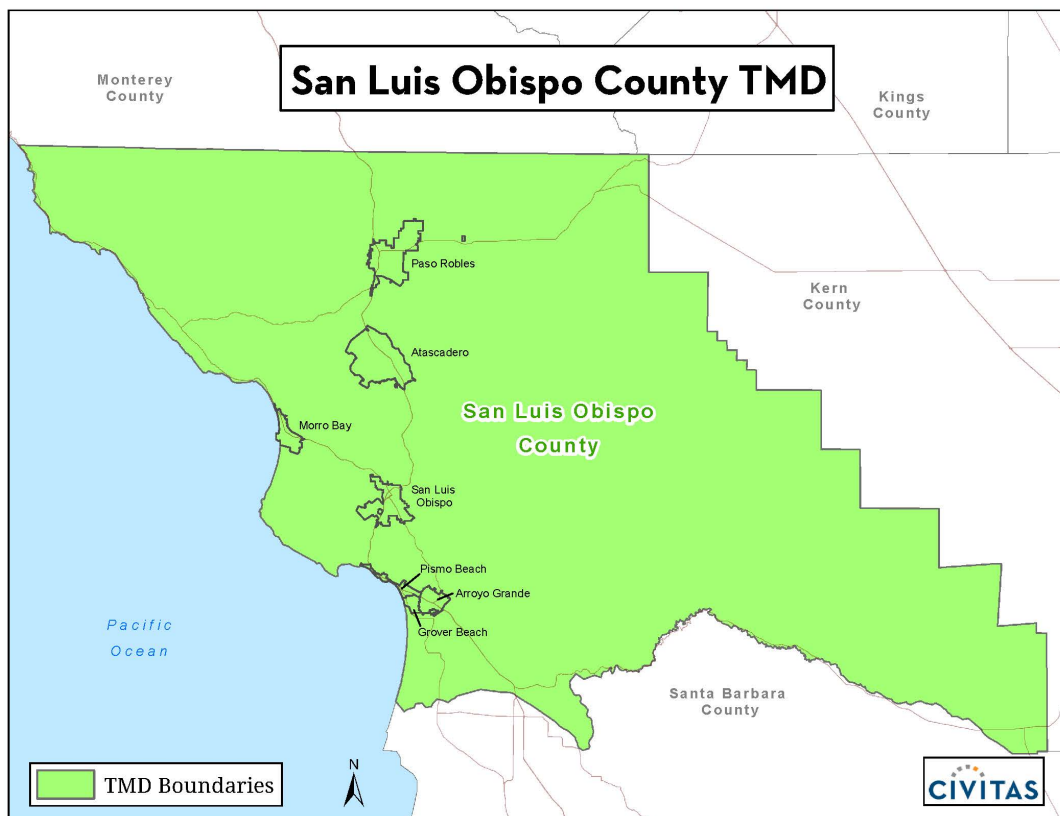
- Tourism Marketing District Approved (June 2015)
- Developed Crisis Communication Plan (September 2015)
- Economic Impact of Tourism Exceeds \$1.5B (December 2015)
- First Shoulder Season Marketing Campaign Launched (January 2016)
- New Booking Engine Partnership (March 2016)
- First-of-their-Kind Countywide Research Studies Completed (April 2016)
- AMGEN Tour of California in SLO CAL (Morro Bay) (April 2016)
- National Advertising Agency Hired (May 2016)
- Strategic Direction 2020 Approved (June 2016)
- Chimney Fire - Crisis Communication Plan Activated (August 2016)
- First SAVOR - A San Luis Obispo County Experience - San Diego (November 2016)
- Highway 1 Closure (November 2016)
- UK Trade & Media Representation Contract Begins (November 2016)
- Inclusion in Visit California Television Ad (Morro Rock) (Winter 2016)
- SLO CAL Brand and Life's Too Beautiful to Rush Campaign Launched (January 2017)
- SAVOR - A San Luis Obispo County Experience – Seattle (February 2017)
- New Air Service to Seattle Begins (April 2017)
- AMGEN Tour of California in SLO CAL (Pismo Beach/Morro Bay) (April 2017)
- Conference Center Feasibility Study completed (April 2017)
- New Air Service to Denver Begins (June 2017)
- \$1M Ad Campaign Launched (October 2017)
- Hired National PR Agency (TURNER PR) (November 2017)
- Inclusion in Visit California Television Ad (Oceano Dunes) (Winter 2017)
- Thomas Fire - Crisis Communication Plan Activated (December 2017)
- Launched SLOCAL.com, SLO CAL Connection and CRM (February 2018)
- Poppy Award for Best Digital Campaign (February 2018)
- Launched Destination Management Strategy Process (May 2018)
- Launched “SLO CAL Storytellers” Ambassador Program (June 2018)
- Received DMAP Accreditation (July 2018)
- Highway 1 Re-Opens (July 2018)
- Visit SLO CAL Champions Dream Drive Event (August 2018)
- \$1M Ad Campaign Launched (September 2018)
- Completion of Destination Management Strategy (Winter 2019)

#### IV. BOUNDARY

The SLOCTMD will include all lodging businesses, existing and in the future, available for public occupancy within the boundaries of the cities of Arroyo Grande, Atascadero, Grover Beach, Morro Bay, Paso Robles, Pismo Beach, and San Luis Obispo, and the unincorporated portions of the County of San Luis Obispo.

Lodging business shall mean any structure, or any portion of any structure, which is occupied or intended or designed for occupancy by transients for dwelling, lodging, or sleeping purposes, and includes any hotel, inn, tourist home or house, motel, studio hotel, short-term vacation rental, bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobilehome or house trailer at a fixed location or other similar structure or portion thereof; and shall further include any space, lot, area or site in any trailer court, recreational vehicle park, mobilehome park, camp, park or lot where a trailer, tent, recreational vehicle, mobile home, motorhome, or other similar conveyance is occupied or intended or designed for occupancy by transients dwelling, lodging or sleeping purposes.

The boundary, as shown in the map below, currently includes [Total # of Lodging Businesses] lodging businesses. A complete listing of lodging businesses within the renewed SLOCTMD can be found in Appendix 2.



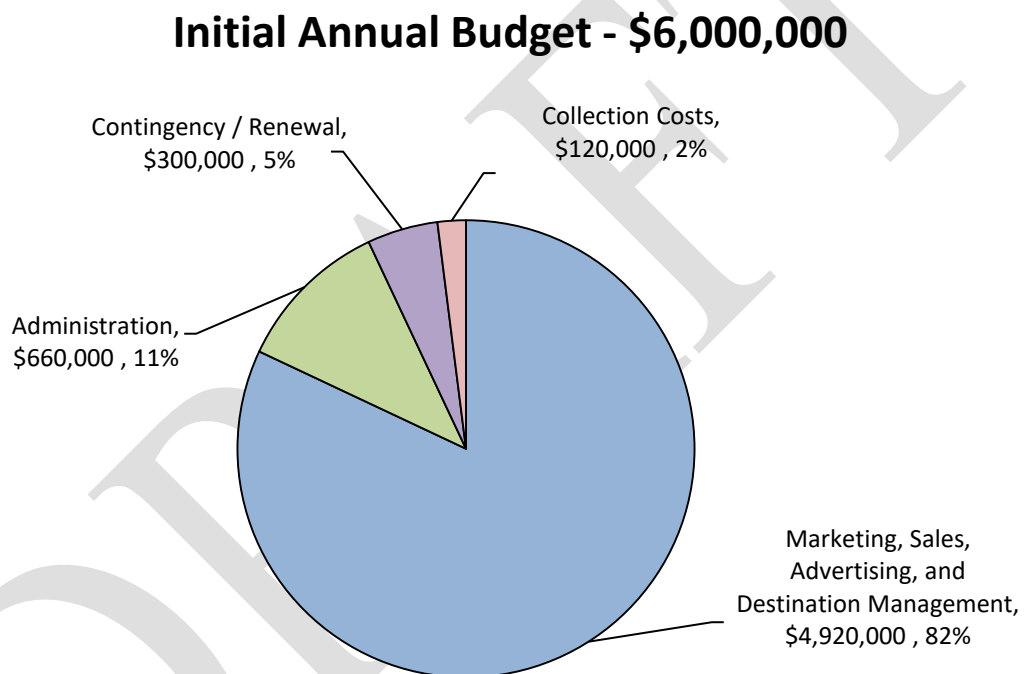


## V. BUDGET AND SERVICES

### A. Annual Service Plan

Assessment funds will be spent to provide specific benefits conferred or privileges granted directly to the payors that are not provided to those not charged, and which do not exceed the reasonable cost to the County of conferring the benefits or granting the privileges. The privileges and services provided with the SLOCTMD funds are marketing, advertising, and sales programs available only to assessed businesses. There shall be industry-specific marketing included in the marketing program, including marketing of bed and breakfasts, vacations rentals, and RV parks.

A service plan budget has been developed to deliver services that benefit the assessed businesses. A detailed annual budget will be developed and approved by the Visit SLO CAL Board. The table below illustrates the initial annual budget allocations. The total initial budget is \$6,000,000.



Although actual revenues will fluctuate due to market conditions, the proportional allocations of the budget shall remain the same. However, the County and the Visit SLO CAL board shall have the authority to adjust budget allocations between the categories by no more than twenty-five percent (25%) of the total budget per year. A description of the proposed improvements and activities is listed below. The same activities are proposed for subsequent years. In the event of a legal challenge against the SLOCTMD, any and all assessment funds may be used for the costs of defending the SLOCTMD.

Each budget category includes all costs related to providing that service, in accordance with Generally Accepted Accounting Procedures (GAAP). For example, the marketing budget includes the cost of staff time dedicated to overseeing and implementing the marketing program. Staff time dedicated purely to administrative tasks is allocated to the administrative portion of the budget. The costs of an individual staff member may be allocated to multiple budget categories, as appropriate in accordance



with GAAP. The staffing levels necessary to provide the services below will be determined by Visit SLO CAL on an as-needed basis.

### **Marketing, Sales, Advertising & Destination Management**

A marketing, sales, advertising, and destination management and advertising program will promote SLO CAL as a tourist, meeting, and event destination. The program will have a central theme of promoting SLO CAL as a desirable place for overnight visits. Sales efforts will be designed to attract group, leisure travel, meetings and conferences and event business to SLO CAL. The program will have the goal of increasing awareness for overnight visitation and demand for room night sales at assessed businesses, and may include the following activities:

- Strategic planning and message positioning to attract overnight visitors to assessed businesses;
- Brand development and management to attract overnight visitors to assessed businesses;
- Digital marketing, advertising and promotions to drive demand for lodging sales at assessed businesses, including blogs, e-newsletters, social media and direct response campaigns;
- Website development and maintenance to drive demand for lodging sales at assessed businesses;
- Media and public relations to increase destination awareness and overnight stays at assessed businesses;
- Radio, print and tv advertising to increase destination awareness and increase overnight stays at assessed businesses;
- Domestic and international sales missions to increase demand for lodging sales at assessed businesses;
- Staff engaged in implementing marketing, advertising, promotions and sales activities to drive overnight visitation to assessed businesses;
- Seasonal and event-related promotions and event guides to drive demand for lodging sales at assessed businesses;
- Strategic partnerships with travel associates designed to drive overnight visitation to assessed businesses;
- Management of a resource library to assist assessed businesses with sales and marketing efforts;
- Event marketing to drive demand for lodging sales at assessed businesses;
- Consumer communication for the benefit of assessed businesses;
- Working with and as the Film Commission (Film SLO CAL) to increase overnight visitation at assessed businesses;
- Attendance of conferences, events, and trade shows to showcase the destination and drive overnight visitation to assessed businesses;
- Research on market conditions and opportunities designed to drive overnight visitation at assessed businesses;
- Management of a destination media kit designed to drive overnight visitation at assessed businesses;
- Development, production and distribution of a destination visitors' magazine to drive overnight visitation to assessed businesses; and
- Destination management for the benefit of assessed businesses.

## **Administration**

The administrative and operations portion of the budget shall be utilized for administrative (non-program) staffing costs, office costs, and other general program-related administrative costs such as insurance, legal, auditing, and accounting fees.

## **Collection Costs**

The County and each City shall retain a fee equal to two percent (2%) of the amount of assessment collected, within their respective jurisdictions, to cover its costs of collection and administration.

## **Contingency/Renewal**

The budget includes a contingency line item to account for uncollected assessments, if any. If there are contingency funds collected, they may be held in a reserve fund or utilized for other program, administration or renewal costs at the discretion of the Visit SLO CAL Board. Policies relating to contributions to the reserve fund, the target amount of the reserve fund, and expenditure of monies from the reserve fund shall be set by the Visit SLO CAL Board. Contingency/renewal funds may be spent on District programs or administrative and renewal costs in such proportions as determined by the Visit SLO CAL Board. The reserve fund may be used for the costs of renewing the SLOCTMD.

## **B. Annual Budget**

The total ten (10) year improvement and service plan budget is projected at approximately \$6,000,000 annually, or \$60,000,000 through 2030. This amount may fluctuate as sales and revenue increase at assessed businesses, but is not expected to change significantly over the term.

## **C. California Constitutional Compliance**

The SLOCTMD assessment is not a property-based assessment subject to the requirements of Proposition 218. Courts have found Proposition 218 limited the term ‘assessments’ to levies on real property.<sup>1</sup> Rather, the SLOCTMD assessment is a business-based assessment, and is subject to Proposition 26. Pursuant to Proposition 26 all levies are a tax unless they fit one of seven exceptions. Two of these exceptions apply to the SLOCTMD, a “specific benefit” and a “specific government service.” Both require that the costs of benefits or services do not exceed the reasonable costs to the County of conferring the benefits or providing the services.

### **1. Specific Benefit**

Proposition 26 requires that assessment funds be expended on, “a specific benefit conferred or privilege granted directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of conferring the benefit or granting the privilege.”<sup>2</sup> The services in this Plan are designed to provide targeted benefits directly to assessed businesses, and are intended only to provide benefits and services directly to those businesses paying the assessment. These services are tailored not to serve the general public, businesses in general, or parcels of land, but rather to serve the specific businesses within the SLOCTMD. The activities described in this Plan are specifically targeted to increase room night sales for assessed lodging businesses within the boundaries of the SLOCTMD, and are narrowly tailored. SLOCTMD funds will be used exclusively to provide the specific benefit of increased room night sales directly to the assessees. Assessment funds shall not be used to feature non-assessed lodging businesses in SLOCTMD programs, or to directly generate sales for non-assessed businesses. The activities paid

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<sup>1</sup> *Jarvis v. the City of San Diego* 72 Cal App. 4<sup>th</sup> 230

<sup>2</sup> Cal. Const. art XIII C § 1(e)(1)

for from assessment revenues are business services constituting and providing specific benefits to the assessed businesses.

The assessment imposed by this SLOCTMD is for a specific benefit conferred directly to the payors that is not provided to those not charged. The specific benefit conferred directly to the payors is an increase in demand for room night sales. The specific benefit of an increase in demand for room night sales for assessed lodging businesses will be provided only to lodging businesses paying the district assessment, with marketing, advertising, and sales programs promoting lodging businesses paying the SLOCTMD assessment. The marketing, sales, and advertising programs will be designed to increase demand for room night sales at assessed lodging businesses. Because they are necessary to provide the marketing, advertising, and sales programs that specifically benefit the assessed lodging businesses, the administration and contingency services also provide the specific benefit of increased demand for room night sales to the assessed lodging businesses.

Although the SLOCTMD, in providing specific benefits to payors, may produce incidental benefits to non-paying businesses, the incidental benefit does not preclude the services from being considered a specific benefit. The legislature has found that, “A specific benefit is not excluded from classification as a ‘specific benefit’ merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific benefit to the payor.”<sup>3</sup>

## ***2. Specific Government Service***

The assessment may also be utilized to provide, “a specific government service or product provided directly to the payor that is not provided to those not charged, and which does not exceed the reasonable costs to the local government of providing the service or product.”<sup>4</sup> The legislature has recognized that marketing and promotions services like those to be provided by the SLOCTMD are government services within the meaning of Proposition 26<sup>5</sup>. Further, the legislature has determined that “a specific government service is not excluded from classification as a ‘specific government service’ merely because an indirect benefit to a nonpayor occurs incidentally and without cost to the payor as a consequence of providing the specific government service to the payor.”<sup>6</sup>

## ***3. Reasonable Cost***

SLOCTMD services will be implemented carefully to ensure they do not exceed the reasonable cost of such services. The full amount assessed will be used to provide the services described herein. Funds will be managed by the Visit SLO CAL Board, and reports submitted on an annual basis to the County. Marketing materials, sales leads generated from SLOCTMD-funded activities, advertising campaigns, and other SLOCTMD-funded services will be designed only to increase additional demand for room night sales at assessed lodging businesses. Non-assessed lodging businesses will not receive these, nor any other, SLOCTMD-funded services and benefits.

The SLOCTMD-funded programs are all targeted directly at providing additional demand for room nights only at assessed businesses. It is, however, possible that there will be a spill over benefit to non-assessed businesses. If non-assessed lodging businesses receive incremental room nights, that portion of the promotion or program generating those room nights may be paid with non-SLOCTMD funds. SLOCTMD funds shall only be spent to benefit the assessed businesses, and shall not be spent

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<sup>3</sup> Government Code § 53758(a)

<sup>4</sup> Cal. Const. art XIII C § 1(e)(2)

<sup>5</sup> Government Code § 53758(b)

<sup>6</sup> Government Code § 53758(b)

on that portion of any program which directly generates incidental room nights for non-assessed businesses.

#### **D. Assessment**

The annual assessment rate is one and one-half percent (1.5%) of gross short-term room rental revenue. Based on the benefit received, assessments will not be collected on: stays of more than thirty (30) consecutive days; stays by any officer or employee of a foreign government who is exempt from Transient Occupancy Taxes by reason of express provision of federal law or international treaty; stays by employees of Federal Credit Unions while on official credit union business; and stays pursuant to contracts executed prior to July 1, 2015. Stays pursuant to contracts executed between July 1, 2015 and June 30, 2020 shall be subject to assessment at the rate of one percent (1%) of gross short-term room revenue.

The term “gross room rental revenue” as used herein means: the consideration charged, whether or not received, for the occupancy of space in a lodging business valued in money, whether to be received in money, goods, labor or otherwise, including all receipts, cash, credits and property and services of any kind or nature, without any deduction. Gross room rental revenue includes, but is not limited to, fees, such as parking fees, resort fees, cleaning fees, pet fees, roll-away bed fees, energy fees, or miscellaneous fees and non-refundable deposits (including reservation fees) charged as a condition of occupying a room or rooms. Gross room rental revenue shall not include any federal, state or local taxes collected, including but not limited to transient occupancy taxes.

The assessment is levied upon and a direct obligation of the assessed lodging business. However, the assessed lodging business may, at its discretion, pass the assessment on to transients. The amount of assessment, if passed on to each transient, shall be disclosed in advance and separately stated from the amount of rent charged and any other applicable taxes, and each transient shall receive a receipt for payment from the business. If the SLOCTMD assessment is identified separately it shall be disclosed as the “TMD Assessment.” As an alternative, the disclosure may include the amount of the SLOCTMD assessment and the amount of the assessment imposed pursuant to the California Tourism Marketing Act, Government Code §13995 et seq. and shall be disclosed as the “Tourism Assessment.” The assessment is imposed solely upon, and is the sole obligation of the assessed lodging business even if it is passed on to transients. The assessment shall not be considered revenue for any purpose, including calculation of transient occupancy taxes.

Bonds shall not be issued.

#### **E. Penalties and Interest**

The SLOCTMD shall reimburse the cities and County for any costs associated with collecting unpaid assessments. If sums in excess of the delinquent SLOCTMD assessment are sought to be recovered in the same collection action by the cities and County, the SLOCTMD shall bear its pro rata share of such collection costs. Assessed businesses which are delinquent in paying the assessment shall be responsible for paying:

1. *Original Delinquency*

Any business which fails to remit the assessment within the time required shall pay a penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment.

2. *Continued Delinquency*

Any business which fails to remit any delinquent remittance on or before a period of thirty (30) days following the date on which the remittance first became delinquent shall pay a second delinquency penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment and the ten percent (10%) penalty first imposed.

3. *Fraud*

If it is determined that nonpayment of any remittance is due to fraud, a penalty of twenty-five percent (25%) of the amount of the assessment shall be added thereto in addition to the above penalties.

4. *Interest*

In addition to the penalties imposed, any business which fails to remit any assessment shall pay interest at the rate of one-half of one percent (0.5%) per month or fraction thereof on the amount of the assessment, exclusive of penalties, from the date on which the assessment first became delinquent until paid.

5. *Penalties Merged with Assessment*

Every penalty imposed and such interest as accrues shall become part of the assessment required to be paid.

## **F. Time and Manner for Collecting Assessments**

The SLOCTMD assessment will be implemented beginning July 1, 2020 and will continue for ten (10) years through June 30, 2030. The cities and County will be responsible for collecting the assessment on a monthly or quarterly basis (including any delinquencies, penalties and interest) from each lodging business located in their respective jurisdictions. The cities and County shall take all reasonable efforts to collect the assessments from each lodging business within their respective jurisdiction. The County and each City shall use ACH (direct deposit) for all TMD assessment collections.

The cities and County shall forward the collected assessment to the Owners' Association within thirty (30) days of receiving the assessments. Any City or County that is delinquent in forwarding the collected assessment to the Owners' Association shall be responsible for paying:

1. *Original Delinquency*

Any City or County which fails to remit the assessment within the time required shall pay a penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment.

2. *Continued Delinquency*

Any City or County which fails to remit any delinquent remittance on or before a period of thirty (30) days following the date on which the remittance first became delinquent shall pay a second delinquency penalty of ten percent (10%) of the amount of the assessment in addition to the amount of the assessment and the ten percent (10%) penalty first imposed.

## **VI. GOVERNANCE**

### **A. Owners' Association**

The Board of Supervisors, through adoption of this Management District Plan, has the right, pursuant to Streets and Highways Code §36651, to identify the body that shall implement the proposed program, which shall be the Owners' Association of the SLOCTMD as defined in Streets and Highways Code §36612. The Board of Supervisors has determined that San Luis Obispo County Visitors and Conference Bureau (Visit SLO CAL) will serve as the Owners' Association for the SLOCTMD.

### **Board of Directors**

The Visit SLO CAL Board will strive to ensure that each jurisdiction is represented in approximate proportion to the amount contributed by lodging businesses in that jurisdiction. Each Director must be the owner or the general manager of an assessed lodging business, except for the County representative. The Directors will include the following:

- At least one representative of a lodging business in each jurisdiction
- At least one representative each from a vacation rental, a bed and breakfast, and an R.V. park
- At least one representative who is appointed by the County of San Luis Obispo
- At least one at-large assessed lodging business member

The Board of Directors shall be selected as follows:

- At least one lodging business representative from each of the cities shall be appointed by the respective jurisdiction's city council or tourism organization, as each city determines
- At least one lodging business representative shall be appointed by the County Board of Supervisors
- At least one additional representative at-large shall be appointed by the County Board of Supervisors
- Nominations shall be sought from the assessed lodging businesses for the remaining at-large seats. Nominations will be verified by the nominating committee, and a slate provided to the Board of Directors for election. The slate will take into consideration the requirement for various business types.

The Board of Directors shall serve for staggered three-year terms.

As part of the annual budget process, the Visit SLO CAL Board will review all staffing costs, including salaries and benefits.

Visit SLO CAL will also maintain two committees that will assist in managing and implementing the TMD funds and programs and communicating with the various jurisdictions.

### **Marketing Committee**

The marketing committee's purpose will be to align marketing objectives and complementary strategies between community and county tourism marketing programming to optimize collaboration and reduce duplication. The committee will consist of managers and marketing professionals who have been selected through an application process that is managed and reviewed by the Visit SLO CAL Board of Directors and staff. The committee's recommendations will be submitted to the Visit SLO CAL Board of Directors for approval.

The Marketing Committee will include the following:

- The DMO manager from each community and the county unincorporated area
- At-large members, representing a mix of different sectors

DMO managers will have a standing seat on the Marketing Committee. At-large members shall serve for staggered three-year terms. At the initial meeting, each at-large member shall draw lots to determine their term.

### **Advisory Committee**

The advisory committee will be comprised of elected officials and city managers, who will participate in semi-annual meetings and liaise back to the communities they represent with programming updates and overall metrics demonstrating the impacts of the TMD on the County and cities. Each participating community will determine its elected representative(s) to the committee.

### **B. Brown Act and California Public Records Act Compliance**

An Owners' Association is a private entity and may not be considered a public entity for any purpose, nor may its board members or staff be considered to be public officials for any purpose. The Owners' Association is, however, subject to government regulations relating to transparency, namely the Ralph M. Brown Act and the California Public Records Act. These regulations are designed to promote public accountability. The Owners' Association acts as a legislative body under the Ralph M. Brown Act (Government Code §54950 et seq.). Thus, meetings of the Visit SLO CAL Board and certain committees must be held in compliance with the public notice and other requirements of the Brown Act. The Owners' Association is also subject to the record keeping and disclosure requirements of the California Public Records Act. Accordingly, the Owners' Association shall publicly report any action taken and the vote or abstention on that action of each member present for the action.

### **C. Annual Report**

The Visit SLO CAL shall present an annual report by October 31, for the previous fiscal year of operation, to the Board of Supervisors pursuant to Streets and Highways Code §36650 (see Appendix 1). The annual report shall include:

- Any proposed changes in the boundaries of the improvement district or in any benefit zones or classification of businesses 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 business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.
- The estimated amount of any surplus or deficit revenues to be carried over from a previous fiscal year.
- The estimated amount of any contributions to be made from sources other than assessments levied pursuant to this part.

### **D. Audits and Accounting**

The County of San Luis Obispo shall be allowed to review the financial records of Visit SLO CAL relative to the SLOCTMD. Visit SLO CAL shall engage either an independent certified public accountant or the County auditor-controller to conduct annual audits. The audit report must be submitted to the County no more than six (6) months after the fiscal year ends.

# TOURISM ECONOMICS

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## **A Competitive Analysis of Visit SLO CAL Destination Marketing Budget**

January 2019

**Proposal prepared for:**  
**Visit SLO CAL**



**TOURISM  
ECONOMICS**

AN OXFORD ECONOMICS COMPANY



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## 1 Statement of the Problem

Tourism is an economic engine in San Luis Obispo County. Visit SLO CAL fuels this engine through tourism marketing and destination development. Currently, a major expansion of San Luis Obispo County's hotel inventory is taking place which, without a concurrent increase in visitors, could negatively impact occupancy rates, room rates, and overall profitability in the county. Visit SLO CAL's efforts will be crucial in attracting additional visitors to ensure sustainable growth of the hotel sector. Given this important role in supporting local economic growth, Visit SLO CAL is seeking an impartial assessment of the competitiveness of its operating budget to ensure the county receives an appropriate amount of destination marketing.

Many of our clients over decades have experienced the strong returns of destination marketing, which has proven to be an essential component of a holistic economic development strategy. Over the past few years, funding for destination marketing has increased substantially across the country, creating an ever-competitive market for attracting a growing (yet finite) number of travelers.

Our recent analysis for many destination marketing organizations (DMOs) has illustrated the effects that changes in marketing budgets can have on market share. Destination marketing is an essential component of competing in the travel marketplace.


The reason for this is that the travel sector faces unique challenges that only destination marketing organizations (DMOs) can overcome.

The success of SLO CAL's tourism economy is directly linked to the investments made in destination promotional programs. The impacts of these investments are significant and felt not only in the tourism industry, but across the entire economy through supply chain (indirect) and income (induced) effects. Lost competitiveness equals fewer visitors, resulting in foregone business activity, employment, household income, and tax generation.

Tourism Economics is pleased to submit this proposal to assess the historic operating budget of Visit SLO CAL and examine its competitiveness and opportunities for great impact.

We believe we are uniquely positioned to perform this work. Tourism Economics advises many of the largest tourism organizations, associations, and companies in every region of the world. We currently support more than 200 DMOs in the US via the Destinations International Event Impact Calculator and regularly consult with DMOs on the economics of destination marketing. Our team brings vast practical experience to the task of understanding marketing ROI, having conducted related analysis for Pennsylvania, Illinois, Brand USA, the Canadian Tourism Commission, Visit California, the San Diego CVB, Columbus CVB, Discover Los Angeles, Lancaster County, Visit Britain, Colorado Springs, Destination DC, and New York State. Our work on the potential impact of national promotion in the USA was integral to the passage of the Travel Promotion Act.

Thank you for this opportunity. We are available if you have any questions or would like to discuss any part of our proposal.



Adam Sacks

President, Tourism Economics



## 2 Management Summary

Tourism Economics recommends the following scope of work:

- Situation analysis, benchmarking tourism promotion budgets across competing destinations
- Explanation of the economic case for destination marketing
- Presentation of both positive and negative case studies of when destination marketing has been well-funded and defunded
- Market share analysis of SLO CAL tourism relative to California *and* its competitive set
- Calculation of potential economic impacts of increases in funding
- Recommendations on funding levels

Even the best research is only as good as its presentation. The Tourism Economics team will develop a professional report, including clear presentation of the findings, including charts and tables as well as a narrative explaining the significance of the information.

The report will be accessible to the layperson with a view towards a diverse set of audiences. Our proven competitive advantage is the ability to communicate complex information in a way that is understandable, relevant and interesting.

In addition, senior staff will be available to discuss the findings with the media, industry leaders, and government officials.

## 3 Work Plan

The envisioned work plan will build a fact-based and compelling evaluation of Visit SLO CAL's current competitiveness and the economic opportunity associated with an increase destination marketing funding.

### 3.1 Review Visit SLO CAL work and achievements in recent past

Visit SLO CAL develops and runs ongoing creative leisure marketing advertising campaigns. Tourism Economics will compile all related key performance indicators (KPIs) to build an analysis of impact in these arenas.

This will include but not be limited to:

- Website data
- Brand lift studies
- Social media activity
- Page views / click throughs / bookings
- Media impressions
- OTA campaign results
- Group sales efforts

In addition, we will analyze existing data to determine the return on investment of marketing efforts.

### 3.2 Benchmark Visit SLO CAL destination marketing budget to competing destinations

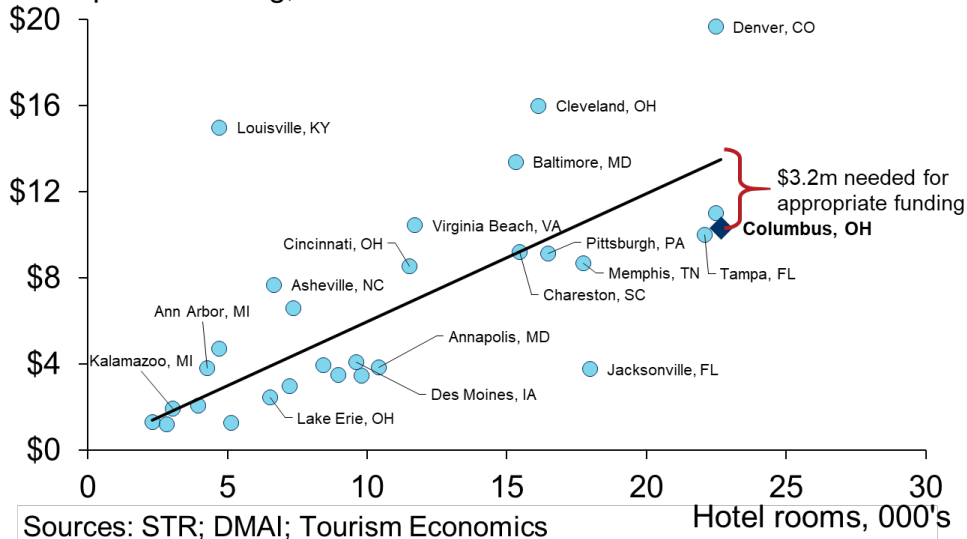
The TE team will develop a competitive analysis of destination marketing across competing destinations. For more perspective, data on DMO budgets will be benchmarked against known measurements for each destination, including:

- Hotel room revenue
- Leisure and hospitality employment
- Hotel sector income

This analysis will indicate the extent to which destination marketing is competitively funded in SLO CAL. Various competitive sets and indicator combinations will be explored to identify those that best highlight the current situation. The chart below shows a similar analysis conducted recently for Columbus, OH. Those destinations below the line were identified as relatively underfunded. The Visit SLO CAL analysis will explore multiple perspectives to provide the most clarity possible on the question of competitive funding.

## DMO funding and hotel inventory

DMO public funding, millions



In addition to analyzing total funding, we will also examine the TOT/assessment rates in these competing markets to determine how SLO CAL taxes and assessments compare.

Based on the findings of the competitive benchmarking analysis, Tourism Economics will identify an optional budget to enable Visit SLO CAL to compete both domestically and internationally. Tourism Economics will make recommendations on funding levels based on the above quantitative analysis. This analysis will include key factors specific to SLO CAL, including new hotel development and other local opportunities in need of investment and marketing.

### 3.3 Define the economic rationale for destination marketing

Tourism Economics will explain the economic importance of destination promotion in SLO CAL. This analysis will describe the competitive nature of tourism, the perishability of the product, seasonality, the value of scale, and the importance of brand development. In all these areas, a case will be built for why destination promotion is an essential part of fostering the economic value of the tourism sector in the state.

This will be based on a combination of economic theory, statistical analysis, and case studies. Recent Tourism Economics research on how destination marketing drives broader economic development will be references to buttress the case for competitive funding.



### 3.4 Case study review

The Tourism Economics team will then present both positive and negative case studies of when destination marketing has been well-funded and defunded. The iconic "Colorado story" as well as the more recent "San Diego story" authored by Adam Sacks of Tourism Economics will provide cautionary tales of what happens to market share when destination marketing is defunded. New case studies, including Illinois, Michigan, various California DMOs, and Pennsylvania will also be included. The reversal of market share fortunes for US international inbound travel will be highlighted in connection with Brand USA funding. Other positive case studies will show how destination marketing funding has consistently generated strong returns on those investments.

Visit SLO CAL key performance indicators (KPIs) will also be leveraged in building the case for the economic benefits of destination marketing investments.

### 3.5 Track SLO CAL competitiveness over time

We will then develop an analysis of SLO CAL's tourism sector performance relative to the nation and its competitive set, which will be defined in consultation with the client.

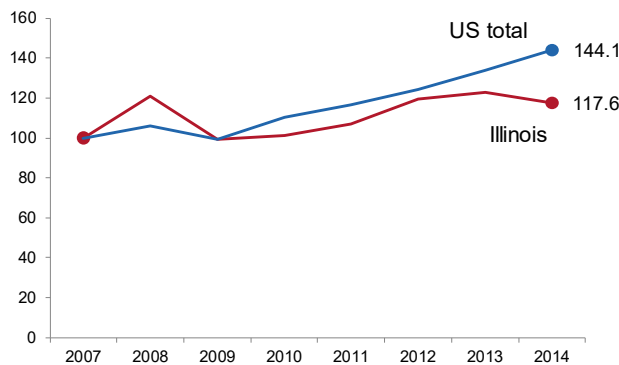
Losses in market share, and the parallel effect on room nights, will be calculated over the past five years.

Room demand, room revenue, leisure & hospitality employment and wages will all be tracked over the past ten years to determine the extent to which SLO CAL is effectively competing (or not) in the tourism market.

The following charts show examples for Illinois and Washington DC, comparing market performance to competing regional destinations. The SLO CAL analysis will also examine the trends in its destination marketing funding relative to market performance to identify any correlation between the two.

## Number of overseas visitors

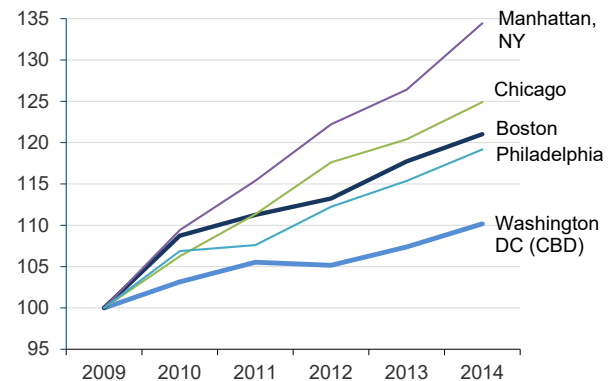
Index (2007=100)



Note: Overseas excludes Canada and Mexico.  
Source: National Travel and Tourism Office; Tourism Economics

## Hotel room demand in downtown areas

Jan 2009=100



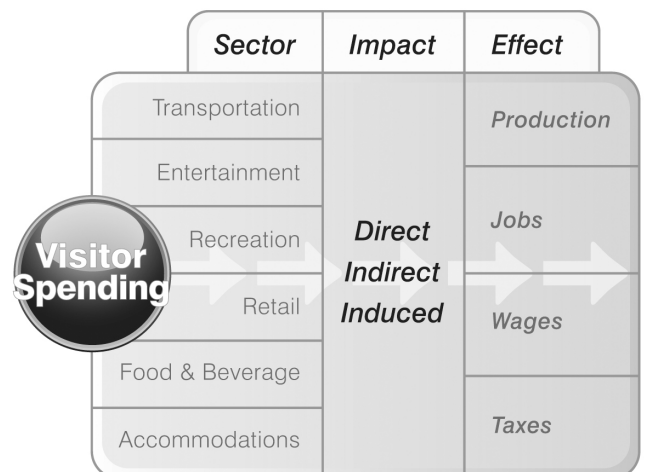
Sources: Smith Travel Research, Tourism Economics

## 3.6 Conduct scenario impact analysis

The last phase of work will produce a calculation the potential benefits of increasing the Visit SLO CAL marketing budget to be in line with its competitive set. Exact scenarios will be determined in consultation with Visit SLO CAL and will likely involve a change in the TMD (tourism marketing district) assessment rate. The scenario will identify key markets for investment, such as the fast-growing Asian markets in which Visit SLO CAL does not currently invest.

Impacts will be measured in terms of visits, business sales, jobs, income, and tax generation. Incremental visits, room nights, and spending that would be realized

### Illustration of IMPLAN impact model flow





through investing more in destination marketing will be calculated using a combination of case studies and Visit SLO CAL ad effectiveness studies from Arrivalist and Miles Partnership.

The IMPLAN economic impact model for the SLO CAL region will be used to calculate direct, indirect, and induced impacts by industry sector. IMPLAN is an input-output model that measures the relationships between and among industries and consumers. For example, the model tracks the flow of a visitor's restaurant expenditures to wages, profits, capital, taxes and suppliers. The supplier chain is also traced to food wholesalers, to farmers, and so on. In this way, the model allows for the measurement of the direct and indirect sales generated by a restaurant meal. The model also calculates the induced impacts of tourism. These induced impacts represent benefits to the economy as employees of tourism sectors spend their wages in the local economy, generating additional output, jobs, taxes, and wages.

Economic impacts will be measured on three levels – direct, indirect, and induced.

The results of the analysis will be shown for two or more scenarios, including a “do nothing” scenario and one or more increased funding scenario over the next five years, to be defined in coordination with the client. We will also analyze several different potential mechanisms to raise the funding necessary to achieve the scenarios.

Special attention will be given to the importance of the jobs created by additional tourism spending, this will include the impact on the local unemployment rate and the number of management jobs created by extra tourism spending.

This section will also address the upcoming increase in hotel room inventory in SLO CAL. We will analyze how occupancy, ADR, RevPar, and hotel taxes/assessment may be impacted by this increase in inventory, with and without the possible increase in DMO funding.

## 4 Prior Experience

### 4.1 Why Tourism Economics / Oxford Economics?

Tourism Economics is an Oxford Economics company with a singular objective: combine an understanding of tourism dynamics with rigorous economics to answer the most important questions facing destinations, developers, and strategic planners. By combining quantitative methods with industry knowledge, Tourism Economics designs custom market strategies, destination recovery plans, tourism forecasting models, tourism policy analysis, and economic impact studies.

With over four decades of experience of our principal consultants, it is our passion to work as partners with our clients to achieve a destination's full potential.

Oxford Economics is one of the world's leading providers of economic analysis, forecasts and consulting advice. Founded in 1981 as a joint venture with Oxford University's business college, Oxford Economics enjoys a reputation for high quality, quantitative analysis and evidence-based advice. For this, it draws on its own staff of 200 highly-experienced professional economists; a dedicated data analysis team; global modeling tools, and a range of partner institutions in Europe, the US and in the United Nations Project Link. Oxford Economics has offices in London, Oxford, Dubai, Philadelphia, and Belfast.

### 4.2 Key factors underpinning our work

#### Travel industry expertise

Tourism Economics has vast experience in providing actionable and credible analysis of travel activity. Our staff has worked closely with clients throughout Europe, the Middle East, Africa, Asia, the Caribbean, South America, and North America to monitor, quantify, and forecast tourism activity. Our work has been with developers of large tourism projects as well as with governments seeking to make optimal strategy and policy decisions.

#### Modeling expertise

Tourism Economics and its partner, Oxford Economics, are founded on state-of-the-art modeling expertise. This is best evidenced by the Oxford global economic model which is used by blue chip companies and governments

around the world, in addition to the US Treasury, World Bank and IMF. Our Tourism Decision Metrics forecasting model is the most rigorous of its kind, taking into account both economic and destination determinants.

#### Economic and tourism databases

Our global tourism database of origin-destination visitor flows and spending has the best country and indicator coverage of any private sector provider through our partnerships with the UNWTO, PATA, and the CTO along with our internal updates of the most recent trends. The Oxford Economics global model covers 190 countries and is updated constantly by our data team in Oxford.

#### Senior staffing

Tourism Economics operates as a boutique tourism consulting company in one important sense: we assign senior staff at the center of each and every project. Our project directors are integrally involved in every stage of work and are directly involved in its development. The principals who represent our work are the same who conduct the work. We have found this to be an optimal way to sustain high quality and maintain close relationships with our clients. It is also the way we enjoy working.

### 4.3 References

We are pleased to provide the following references. We encourage you to contact these individuals with any questions you may have.

Coronado Tourism Improvement District

Scope: Budget analysis

Todd Little, Executive Director

619-319-5174

[todd@coronadotourismdistrict.org](mailto:todd@coronadotourismdistrict.org)

Colorado Springs CVB

Scope: Budget analysis

Doug Price, IOM, President & CEO

719.685.7633

[doug@visitcos.com](mailto:doug@visitcos.com)

Destination DC

Scope: Budget analysis

Kate Thompson, Research Analyst

202.789.7058

[kate.thompson@destinationdc.com](mailto:kate.thompson@destinationdc.com)

San Diego Tourism Marketing District

Scope: Budget analysis (state of California and San Diego)

Lorin Stewart, Executive Director

(619) 209-6108

[lstewart@sdtmd.org](mailto:lstewart@sdtmd.org)

Destination Marketing Association International

Scope: Event Impact Analysis (100+ cities in the US)

Christine "Shimo" Shimasaki, CDME, CMP

858-935-9179 (San Diego)

[shimo@destinationmarketing.org](mailto:shimo@destinationmarketing.org)

NYC & Company

Scope: Economic impact, tourism forecasting, and volume tracking

Donna J. Keren, Ph.D., Senior Vice President, Research & Analysis

+ 1 212 484 1221

[dkeren@nycgo.com](mailto:dkeren@nycgo.com)

#### 4.4 Previous studies

Scope: White Paper on the Effectiveness of the San Diego CVB (Similar research conducted for Brand USA, Discover Los Angeles, and Lancaster County CVB in 2014)

Client: San Diego Tourism Marketing District

Description: Tourism Economics assessed all of the SDCVB marketing and promotion activities to determine the magnitude their impact. We then looked at the ROI of the overall program and the distribution of benefits across industry stakeholders.

Scope: Funding analysis and scenarios

Client: Pennsylvania Restaurant and Lodging Association, Destination DC, Los Angeles TCB, Coronado CVB, Colorado Springs, Visit Britain, Canadian Tourism Commission, Visit California, Experience Columbus, State of Illinois

Description: For each of the above organizations, Tourism Economics conducted separate scenario analysis of increased funding and its potential impact on visitation, spending, and economic activity. These analyses were based on models of future performance with respect to past campaign ROI for each of the destinations of a variety of origin markets.

Scope: Visitor Opportunity Market Assessment

Client: Visit Britain, Netherlands Tourism, NYC & Company, Visit Orlando, Visit Sweden, Peru, Visit California, Visit Florida

Description: A Market Analysis Platform (MAP) was developed for the client that ranked the relative strengths of weaknesses of a broad array of international markets. The MAP combined a wealth of economic forecasts and other relevant indicators for each market to determine a series of scores for each market according to factors such as market size, opportunity, alignment, risk and constraint. By combining the scores for each of these factors the relative attractiveness of each origin market can be determined to inform how a marketing budget can be allocated across the markets. This platform allows flexibility in which markets are analyzed and compared as well as in which factors are considered to be important in determining relative opportunity.

Scope: Return on Investment Model for Canada

Client: Canadian Tourism Commission (CTC), Atlantic Canada, Travel Alberta

Description: Tourism Economics added to existing CTC research on the allocation of marketing investment across key overseas origin markets. Whereas previous analysis had focused on market opportunities, we widened the scope to consider market risks and constraints. Return on investment

multiples were estimated for each market based upon existing conversion studies and other measures of opportunity. These were combined with estimated risk values for each market using optimal portfolio analysis. Multiple combinations of allocating marketing investment were compared and the optimal portfolios which deliver the highest estimated return for a given risk threshold were calculated.

Scope: Overseas market strategy for United States

Client: Discover America Partnership

Description: Tourism Economics conducted analysis to identify key competitors for overseas visitors to the US. Our team then assessed potential market gains as a result of a proposed promotional campaign. The project also included a survey of US and international tourism offices to determine their budgets and strategies for destination marketing and promotion. The analysis formed the backbone of the policy recommendations within the Discover America Partnership Blueprint for Change.

Scope: Visa Waiver Program expansion analysis

Client: U.S. Travel Association

Description: Tourism Economics developed a model based on historical benefits of the Visa Waiver Program to evaluate the likely gains that would be realized through expanding the eligibility criteria to include 10 new countries.

Scope: Analysis of travel to America's cities

Client: Travel Business Roundtable and US Conference of Mayors

Description: Our team conducted a survey of CVBs and Mayors of the top 45 city destinations for overseas visitors to determine the perceived causes and effects of recent declines to the majority of cities. We supplemented this with our own data analysis and review of best practices among competing destinations.

Scope: The economic impact of visas impeding participation in US exhibitions

Client: The Center for Exhibition Industry Research

Description: Tourism Economics assessed the broad economic losses of non-participation in US-based exhibitions as a result of visitor visa issues. This analysis quantified two broad categories of US export losses from business-to-business (B2B) trade shows (exhibitions). 1) Foregone spending by would-be attendees—affecting international demand for hospitality services as well as a wide range of spending at the event itself. (These are measured as service exports in balance of trade measures). 2) Lost exports of US companies who are unable to meet with current or potential prospects.

Scope: Economic impact of tourism and the I Love New York campaign

Client: New York Association of Convention and Visitors Bureaus

Description: Tourism Economics developed a county-by-county tourism economic impact model to measure visitor spending, and related jobs, wages, and taxes. The model quantified tourism value added across each affected industry. We then quantified the impact of the I Love New York campaign across the same metrics using the output of a separate marketing conversion study.

Scope: Economic Impact of Tourism

Client: 15 states, 20 cities, 20 countries

Description: Tourism Economics regularly updates analysis for governments seeking to understand the economic contribution of tourism activity on their city, state, or country. Past US state experience of the TE team includes: North Carolina, South Carolina, Delaware, New Jersey, New York, South Dakota, Pennsylvania, Minnesota, New Mexico, Ohio, Wisconsin, Maryland, and Georgia. (Underlined states are current clients.) We have conducted Tourism Satellite Account analysis for seven states and over twenty countries.

Public examples of our work include:

<http://www.visitnj.org/new-jersey-tourism-research-and-information>

<http://www.visitpa.com/economic-impact-travel-report>

<http://wttc.org/research/economic-impact-research/>

<http://industry.visitmo.com/Portals/1/FY13%20Economic%20Impact%20%20Exec%20Summary.pdf>

Scope: Economic Impact of Events

Clients: 150+ DMOs across the US

The DMAI Event Impact Calculator is an online economic impact analysis tool designed by Tourism Economics for CVBs to calculate the economic value of trade shows, conferences, and other events on their destination. The platform is the established industry standard for economic impact analysis among CVBs.

<http://www.destinationmarketing.org/topics/event-impact-calculator>

Scope: Economic Impact of Business Travel

Client: U.S. Travel Association / World Travel & Tourism Council

Tourism Economics quantified the economic impact of business travel on overall corporate and national economic performance for the US and for each world region.

Scope: Tourism investment strategy

Client: Abu Dhabi Tourism Authority

Description: Tourism Economics staff reviewed current tourism-related investment policies investment policies in Abu Dhabi. We found substantial opportunities to create a more investor-friendly environment through new organizational structures, more refined processes, and liberalized investment restrictions.

Scope: Tourism master plan

Client: Israel Ministry of Tourism

Description: Tourism Economics staff worked on a holistic master plan for Israel in conjunction with Ernst and Young. Tourism Economics staff developed a market potential model to identify best market segments for future growth. Our team also assessed aviation policy in Israel and made recommendations for growth. In addition, we quantified the economic impact of tourism using the tourism satellite account (TSA) standard. Finally, we evaluated investment policies and made recommendations to make Israel more competitive in the midst of regional uncertainties.

Scope: US International Inbound and Domestic Tourism Forecasting

Client: US Travel Association

Description: US Travel has provided forecasts of international and domestic travel to the industry at large for over a decade. Tourism Economics was approached to construct a new model of US tourism to generate these forecasts. This model separately tracks and forecasts travel flows according to market segment (business, leisure), mode of transportation and trip length (day, overnight). The model considers domestic travel relative to international travel and also considers substitution between these different types of domestic trips. Key model drivers are forecasts taken from Oxford Economics' US macroeconomic model as well as the US travel price index.

Scope: Hotel market forecasts

Client: Smith Travel Research

Description: Tourism Economics is STR's forecast partner, developing market-level forecasts of hotel demand, supply, ADR, occupancy, and RevPAR for over 70 markets worldwide.

Scope: State of California Tourism Forecasting

Client: Visit California, Discover Los Angeles, San Diego CVB



Description: Tourism Economics conducts periodic forecasts of travel demand for the state of California, Los Angeles, and the San Diego CVB. These forecasts and related analysis include domestic and international market detail.

Scope: New York City Tourism Forecasting

Client: NYC & Company

Description: Tourism Economics conducts periodic forecasts of travel demand for New York City. These forecasts and related analysis include domestic and international market detail.

Scope: Orlando Tourism Forecasting

Client: Visit Orlando

Description: Tourism Economics conducts periodic forecasts of travel demand for Orlando. These forecasts and related analysis include domestic and international market detail.

Scope: Lodging Demand and Performance Forecasts

Client: Intercontinental Hotels Group

Description: Tourism Economics developed a forecast model of hotel room demand, supply, occupancy, ADR and RevPAR for the US as a whole and for each of the 50 states, using data from Smith Travel Research. Hotel room demand was calculated relative to economic developments in key origin markets for each state. Supply forecasts were based upon Smith Travel room pipeline information, and occupancy was derived as the ratio of demand to supply. ADR was found to follow occupancy (and therefore the imbalance between supply and demand) closely, with a slight lag, as well as inflation in the wider economy.

Scope: Global and European Travel Trends

Client: European Travel Commission

Description: Tourism Economics collects travel demand and supply data for all European countries and analyzes this in a quarterly report that is distributed to all ETC members.

## 4.5 Testimonials

“Tourism Economics’ reputation for excellence is well-deserved. We are confident our forecast product will be an invaluable tool set for decision makers during this budgeting season and beyond.”

BRAD GARNER

Chief Operating Officer, STR

“As always, T.E. was a hit! They have a remarkable ability to make economic trends digestible, even to those who insist they don’t understand economics.”

BERKELEY W. YOUNG

President, Young Strategies, Inc.

“What differentiates TE from any other partner I work with is their desire to truly understand our issues and opportunities of our industry, the open conversations, and the trust that is established to find sustainable solutions.

CHRISTINE “SHIMO” SHIMASAKI, CDME, CMP

Destination Marketing Association International

One of the unique benefits of working with Tourism Economics is the true global and macro-economic environment in which they analyze our travel and tourism performance. Understanding how this industry is integral to the global economy is fundamental to what we think and do on the local level.

DONNA KEREN, PH.D.

Senior Vice President, Research NYC & Company.

“Their reports are consistently informative, easy to interpret and apply, and defensible to various stakeholders. Their responsiveness to questions and professional demeanor ensure satisfaction among all our industry members.”

AMIR EYLON

Director, Ohio Tourism Division

“They are incredibly responsive to requests for support and have gone out of their way to help with last minute queries.”

PETER NASH

Head of Strategy Development & Insights, Tourism Ireland

“Our success in informing national travel policy has been linked to T.E. analysis.”

GEOFFREY FREEMAN

Executive Vice President, U.S. Travel Association

"Thank you for the excellent work you performed in terms of the degree of analysis, and especially the recommendations flowing from them. We went well beyond the initial agreed scope and your assessment was quite useful to us."

DAVID JOHNSON

Director-General, Bahamas Ministry of Tourism

"The Tourism Economics team is a pleasure to work with on projects. They are always willing to talk through different approaches or perspectives to solving problems."

CANDICE SNOOK

Manager, Performance Strategy & Planning, InterContinental Hotels Group

## 4.6 Project Team

### **Adam Sacks – President**

Adam Sacks is the founder and President of Tourism Economics; an Oxford Economics company dedicated to analytically-based consulting to the tourism sector. Over the past seventeen years, Adam has worked with hundreds of travel sector clients to address fundamental economic questions.

On the public sector side, Adam has worked with national, provincial/state and local tourism offices throughout the world. He is an authority on measuring the economic impact of tourism activity—both broadly and for specific initiatives and projects. He has advised destinations on tourism investment policy, the effects of proposed entry procedures, tourism taxation, and marketing strategies. He has provided numerous destinations with analysis on market positioning and emerging opportunities.

Adam has consulted with multi-national hotel chains, airlines, aircraft manufacturers, theme parks, resort developers, and retail operators to measure current and future market opportunities. He has presented to numerous corporate strategic planning teams on the threats and opportunities facing their businesses within the projected travel and economic climate.

He is an expert in developing custom systems for quantifying relevant tourism market segments and tracking the competitive landscape for clients. Adam has developed tourism forecasting models with unrivalled track records.

Adam has implemented the UN-sanctioned methodology for measuring the economic impact of tourism for over a dozen countries and for seven states in the US.

Adam is a compelling and sought-after speaker on issues related to tourism market analysis, the economic impact of tourism and travel-demand forecasting. He also has presented tourism impact results to governments around the world. He was a member of the US Department of Commerce Travel & Tourism Advisory Board from 2012-2014 and is an active member of the Destination

Marketing Association International, the Travel & Tourism Research Association, and the U.S. Travel Association.

**Aran Ryan – Director, Lodging Analytics**

Aran Ryan is a Director with Tourism Economics and focuses on leveraging analytic capabilities to support investment and growth in the tourism sector. Aran has over 15 years of consulting experience applying business analytics, project management, research, and financial analysis skills to support client decision-making. He has worked extensively in the gaming, lodging, and vacation ownership sectors. The following are his relevant project qualifications (includes projects performed prior to joining Tourism Economics):

Prior to joining Tourism Economics, Mr. Ryan was a Director in the Hospitality & Leisure consulting practice at PricewaterhouseCoopers LLP (“PwC”), and focused on lodging, gaming and vacation ownership. In this position, he applied his experience in economics and financial analysis to client engagements including valuation and transaction-oriented analysis, strategic research, and litigation support. He also played a leadership role on the team publishing PwC’s quarterly outlook for the US lodging industry. Before joining PwC, he was employed at WEFA Group (now IHS Global Insight), and conducted economic analysis and forecasts of regional economies. A graduate of Colby College, Aran earned a MBA from The Wharton School at the University of Pennsylvania.

**Zachary Sears – Senior Economist**

Zachary joined Tourism Economics and Oxford Economics from Moody’s Analytics where he worked as a regional and industry analyst. At Moody’s Analytics, Zachary performed regional analysis for U.S. state (including Rhode Island) and metropolitan areas and a broad range of industry analysis. His responsibilities included writing regular updates for subscription-based products, conducting econometric modeling, input-output impact modeling, report editing, and consulting services to public and private sector clients. Prior to his roles at Moody’s Analytics, he worked as a Research Economist for a Vermont-based economics consulting firm, Economic & Policy Resources, Inc. At EPR he served as a consulting economist for the Governor’s Administration and on numerous impact studies covering most industries of the economy. Zachary holds a BA in Justice from American University in Washington, DC, an MA in International Relations from Saint Mary’s University in San Antonio, TX, and an MS in Community Development and Applied Economics from the University of Vermont.

**Michael Mariano – Director of Geospatial Analytics**

Michael has over 12 years of experience in economic and statistical consulting, and his research interests include economic and fiscal impact modeling, econometric forecasting, retail market studies, and GIS (Geographic Information Systems) modeling and geospatial analytics.

Mr. Mariano has consulted and provided expert testimony for various public, private, and non-profit clients and has managed projects examining public housing, economic development, tax policy, market analysis, and real estate impacts. He has worked on economic impact studies for hotels, casinos, and retail parks nationwide and has extensive experience providing job impact estimates for project funding through the U.S. government's EB-5 immigrant investor program.

Prior to joining Tourism Economics, Michael was Managing Director of Geospatial Analytics and GIS Solutions at Econsult Corporation, an economic consulting firm based in Philadelphia. Michael received a Bachelor of Science in economics and marketing from the Wharton School and a Master of Science in Urban Spatial Analytics from The University of Pennsylvania.

### **Chris Pike – Director of Impact Studies**

Christopher Pike is a senior economist within Oxford Economics' Tourism Economics division and is responsible for measuring the economic impact of tourism activity – both broadly and for specific initiatives and projects. With his expertise in economic impact analysis, Chris has worked with dozens of state and local tourism offices. Chris has also been managing a series of consultancy projects related to the tourist sector, including the impact of U.S. visa issues and a quarterly report on Asian Trends and Prospects. Mr. Pike has presented at numerous client sites and at several association meetings along with being quoted in national and local press outlets. Chris received his Masters in International Trade and Public Economics from the University of Pennsylvania. He is an expert in tourism economic impact analysis with over two-hundred destinations analyzed.

### **Geoff Lacher – Senior Economist**

Geoff Lacher has over 13 years of experience examining complex economic issues in the tourism sector. Geoff currently manages a variety of economic impact studies and international travel databases. Additionally, he performs DMO budget analyses, cost-benefit studies, event impact research, and other custom research projects. Geoff frequently speaks at association events and board meetings on topics including tourism's economic impacts, international tourism flows, and best practices in tourism research. Prior to joining Tourism Economics, Geoff worked as an assistant professor at Arizona State University where he managed projects examining the economic impacts of tourism and consumer preferences while teaching classes on sustainable tourism and data analysis. Geoff received a BA from Emory University, an MS from Texas A&M University, and a PhD from Clemson University.

## 5 Agreement

1. Deliverables

- 1.1 A competitive analysis of the Visit SLO CAL tourism marketing budget as described in the above proposal

2. Project schedule

- 2.1 Findings will be delivered within 60 days of contract signing

3. Pricing and payment schedule

Fixed cost: \$30,000

Any in-person presentations will be billed at a daily rate of \$5,500

The project will be invoiced 50% upon contracting and 50% upon delivery of the state, regional, and county impact analysis.

4. Liabilities

- 4.1 Because of the uncertainty of future events and circumstances and because the contents are based on data and information provided by third parties upon which Tourism Economics has relied in good faith in producing the Deliverables, Tourism Economics does not warrant the accuracy of its measurements and forecasts and will not be liable for the contents of any of the foregoing or for the reliance by the Customer on any of the foregoing. Liability is, in any case, limited to the current annual value of this contract

Approved



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Authorized Signature for Client

**Chuck Davison, President & CEO**

---

Printed Name and Title

**2/27/19**

---

Date

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ECONOMICS**

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Credit: "Start Something" by Dylan, CC BY 2.0

# PROPOSAL

Short Term Rentals | San Luis Obispo County

PREPARED FOR:

Visit SLO CAL  
Christine Robertson | Vice President of Community  
Engagement & Advocacy  
Office: 805.541.8000

DELIVERED ON:

March 10, 2019



I	Cover Page
II	Project Approach
III	Deliverable and Fee Schedule
IV	Research Team

Contact  
Email  
Website

+ 1 424 646 4656  
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[www.beaconecon.com](http://www.beaconecon.com)

## Beacon Economics, LLC

5777 West Century Boulevard | Suite 895  
Los Angeles | California | 90045

DEAR MS. ROBERTSON,

The team at Beacon Economics is excited to put forward the proposal contained within the following pages to address Visit SLO CAL's needs as they pertain housing and short-term rentals in San Luis Obispo County. Beacon is prepared to perform expert economic research and policy analysis, in offering Visit SLO CA a suite of services tailored to your goals, needs, and unique policy context in San Luis Obispo County.

Beacon Economics is an independent, data consulting and research firm, specializing in insightful, objectively-based economic research and policy analysis. Led by Ph.D. Economists, Beacon has 50+ years of collective industry experience and wide-ranging expertise conducting housing needs analyses, housing policy and affordable housing policy analyses, land use modeling, industry cluster analyses, employment analyses, economic impact analyses, and economic forecasting for clients across both the state and nation. Given Beacon's particularly deep foothold in California and the significant portfolio of work the firm has sustained over time across California communities, the Beacon team has been able to offer its California-based clients rich geographic comparisons, nuanced policy recommendations, as well as useful, relative benchmarks for success.

The following proposal outlines our proposed scope of work and methodology, highlights our firm's qualifications, introduces the research team, and provides references that can speak to the quality of our work. We believe our extensive experience and knowledgeable team uniquely qualify us to provide the services outlined in the following pages.

I am available to answer any further questions by email ([sherif@beaconecon.com](mailto:sherif@beaconecon.com)) or directly by call at (424) 646-4656. Please do not hesitate to reach out. Thank you for your consideration and the opportunity to work with Visit SLO CAL.



SHERIF HANNA

Managing Partner, Beacon Economics  
5777 W. Century Blvd., Ste. 895  
Los Angeles, CA 90045

## II. PROJECT APPROACH

### I.0 | INTRODUCTION

Short term rentals (STR) are an increasingly popular lodging choice for travelers in almost all communities in the United States. With the growth of online reservation systems such as AirBnB, visitors are better able to select the accommodation style that fits their needs. Communities like San Luis Obispo County are increasingly focused on how best to appropriately incorporate STR properties into their existing regulatory and fiscal framework and better understand the role they play in the local economy. The stakes have never been higher and the toolbox never better for data-driven dialogue around the short term rental market, but still so few actors come to the table with sufficient resources to host an informed conversation and provide a strategic vision to guide it.

### I.1 | CAPABILITIES & DIFFERENTIATORS

**Firm Overview:** Founded in 2006, Beacon Economics, an LLC and certified Small Business Enterprise (SBE) with the state of California, is an independent research and consulting firm dedicated to delivering accurate, insightful, and objectively based economic analysis. Leveraging unique proprietary models, vast databases, and sophisticated data processing, the company specializes in services like industry analysis, economic policy analysis, economic impact analysis, and economic forecasting. Unlike many other consulting groups in this space, Beacon Economics is led by, and works with, Ph.D. and Master's level economists. The academic training, credentials, and experience of its experts set the firm apart and are at the root of its commitment to data-driven analysis and informed recommendations.

Through its Sustainable Growth and Development practice, Beacon partners with policymakers, communities, businesses, and elected officials to data-drive discourse and decision-making processes around sustainability, economic growth, and equity. Beacon leverages its quantitative and qualitative competences as well as its policy-related expertise to help clients translate their goals into measurable metrics for success.

## II. PROJECT APPROACH

### 1.2 | SITUATIONAL ANALYSIS / CONTEXT

Recent reporting has shown moderate growth in the tourism industry in San Luis Obispo County. Cities have seen upticks in transient occupancy tax largest collection often meeting or exceeding city forecasted and budgeted growth. Occupancy has remained stable aside from slight seasonal variation due to regional weather patterns over the last five years. Notably, however, the closure of Highway 1 by the California Department of Transportation from November 2016 to July 2018 pushed down occupancy in the North Coast region. Aside from the North Coast, Average Daily Rate (ADR) and revenue per available room (RevPAR) have seen growth – leaving properties across the county with net growth despite weather-related seasonal variations in occupancy.

Short-Term Rentals (STRs) have grown to represent an important economic engine for many local economies across the United States. Paired with the strength of the tourism economy in San Luis Obispo County there may be synergy in providing a wide range of lodging options for an ever diverse consumer base, however, given the state's ongoing housing crisis, the conversation surrounding STRs has become muddled.

Beacon Economics has robust experience navigating local policymaking environments, tailoring its work and especially its presentations to not only the audience's perspective, but also the audience's general interests or agenda in the context of the broader policy landscape. In partnership with the Visit SLO CAL Beacon puts forward the following scope of work to serve in guiding general education and awareness building around the nature of the STR market in San Luis Obispo County.

### 1.3 | TECHNICAL APPROACH

Beacon Economics understands the goals of Visit SLO CAL as they pertain to this engagement to be two-fold:

- (1) The first goal is to provide data and empirical analysis to help inform stakeholders and policymakers in San Luis Obispo County as to the nature of the STR market as it pertains to AirBnB and similar STR platforms.
- (2) The second goal is to report out on the relationship between STRs and the broader housing market in the county in order to objectively quantify the impact of STRs on the supply of workforce housing in the county.

Beacon Economics will conduct this analysis in four phases:

Phase 1	Kick-off meeting and data collection process	Facilitate kick-off meeting with Visit SLO CAL to articulate the parameters of the data available for analysis.
Phase 2	AirBnB and STR Analysis	Conduct analysis and provide insight on the mix of listings, bookings, average daily rates and other relevant AirBnB STR metrics in SLO County for 2014-2018.
Phase 3	Housing Market Analysis	Conduct analysis and provide insight on total housing inventory by type, building trends, and other relevant housing metrics since 2010.
Phase 4	Synthesis and Recommendations	Provide findings and recommendations for Visit SLO CA as they relate to the tourism economy and next steps based on the report's empirical evidence of the role STRs play in the local economy and supply of workforce housing.

## II. PROJECT APPROACH

### PHASE 1 | KICKOFF MEETING

Task: Facilitate Kick-off Meeting. Beacon looks forward to meeting with staff members from Visit SLO CA to discuss the project, its overarching goals, and confirm the project schedule. The Beacon team will perform a preliminary review of available information related the scope of the project in advance of the kickoff meeting to prepare for conversations and questions with Visit SLO CA.

### PHASE 2 | AIRBNB DATA ANALYSIS

Task: Conduct county-wide analyses on the nature of the STR market. Beacon will utilize STR data to analyze the characteristics of the market in the county. Relevant metrics may include:

Metric(s)	Description	Notes
Property type	Entire residence, private room, shared room.	Type of accommodations offered
Bedrooms	Studio, 1 bedroom, 2 bedrooms, etc.	Number of bedrooms in a vacation rental listing
County Submarkets	Relevant city breakouts within the county	City aggregations based on where rental property is located
Annual Trends	Available listings, booked listings, occupancy rate, average daily rate, RevPAR	Listings who's calendars had at least one day classified as available during reporting period, listing booked during reporting period, average daily rate of booked nights, revenue per available rental

### PHASE 3 | HOUSING MARKET ANALYSIS

Task: Conduct county-wide analyses on the nature of the housing market. Beacon will utilize various data sources to analyze the characteristics of the housing market in the county. Relevant metrics may include:

Metric(s)	Description	Notes
Total housing units, occupancy, tenure (including primary residence v. second home)	Single family, multifamily	American Community Survey (ACS)
Home prices and sales; Apartment rents and vacancy rates	Single family, multifamily	Corelogic; Axiometrics
Changes in stock	Building permits	California Homebuilding Foundation (CHF)
County Submarkets	Relevant city breakouts within the county	Reported by incorporated city

## II. PROJECT APPROACH

### PHASE 3 & 4 | COMMUNITIES OF INTEREST

Community	Zip Codes
Arroyo Grande	93420, 93421
Atascadero, CA	93422, 93423
Avila Beach, CA	93424
Bradley, CA	93426
Cambria, CA	93428, 93428-3141
Cayucos, CA	93430, 934301
Creston, CA	93432
Grover Beach, CA	93433, 93483
Harmony, CA	93435
Los Osos, CA	93402, 93412
Morro Bay, CA	93442, 93443, 93442-2323
Nipomo, CA	93444
Oceano, CA	93445, 93475
Paso Robles, CA	92422, 93446, 93447, 93446-3628
Pismo Beach, CA	93448, 93449
San Luis Obispo, CA	93401, 93403, 93405, 93406, 93407, 93408, 93410
San Miguel, CA	93451
San Simeon, CA	93452
Santa Margarita, CA	93453
Shandon, CA	93461
Templeton, CA	93465

## II. PROJECT APPROACH

### PHASE 4 | SYNTHESIS AND RECOMMENDATIONS

Tasks:

1. Provide a strategic framework for challenges and opportunities
2. Submit draft and final report for review [professionally designed for print and electronic release]

Phase 4, Task 1 – Using the analysis aforementioned, Beacon will provide a strategic framework through which to examine opportunities and challenges illuminated by the data analysis and by feedback from stakeholders. Beacon will highlight the/a nexus between STRs and workforce housing resultant of this analysis, and/or related to national or state trends of note.

Phase 4, Task 2 – Beacon will put forward actionable strategic recommendations for Visit SLO CAL and the analysis underpinning those recommendations in the form of a final, professionally designed report for public release in print and electronic copy. Beacon will submit a draft report of its findings (including executive summary) for the Visit SLO CAL's review. Pending feedback from the Visit SLO CAL, Beacon will revise the report accordingly. The final report will be laid out and designed by Beacon.

DRAFT

### III. PROPOSED BUDGET

The table below puts forward Beacon's proposed budget, hourly rates, and fee schedule. The standard hourly rates included have been adjusted for the public sector. All work is overseen by a Beacon Ph.D. economist. This allows Beacon to integrate a strategic, high-level vision from the conception of work, and to ultimately offer expert analysis and actionable insight in addition to accurate data.

**Terms:** Services requested by the Client to be provided by Beacon that are beyond the scope of this Agreement would be billed separately to Client. Beacon will work with Client on such requests to define the additional services and will prepare a budget accordingly for Client to approve before such additional services commence.

Proposed Deliverable Schedule	Proposed Fee Schedule	Proposed Staff Plan	Proposed dates
<b>STR and Housing Market in San Luis Obispo County</b>		Chris Thornberg, Ph.D.; Robert Kleinhenz, Ph.D.; Adam Fowler; Alys Hannon; Hoyu Chong; Justin Niakamal; Brian Vanderplas	
<b>Deliverables</b>			
Facilitate Kick off Meeting	\$19,125		April 1
Call: Midway point check-in	\$4,782		June 4
Submit Draft Report to Project Lead, Visit SLO CAL	\$9,563		July 9
Submit Final Report	\$9,563		July 30
<b>Presentation, Discussion, &amp; Deck</b>			
<b>Deliverables</b>			
Presentation and/or Facilitated Discussion	TBD		TBD/Optional
<b>Total, Project Cap:</b>	<b>\$38,250</b>		

Hours		
<i>All rates are adjusted for public sector rates.</i>		
Phase	Hrs	Blended Rate
Phase 1	6	\$250
Phase 2	59	
Phase 3	46	
Phase 4	42	

Fees & Rates		
<i>All rates are adjusted for public sector rates.</i>		
Title	Hourly Rate	Selected Beacon Team Member
Partner/Principal/Executive Director	\$350.00	Chris Thornberg, Ph.D.; Robert Kleinhenz, Ph.D
Manager/Director	\$250.00	Adam Fowler; Alys Hannon
Research Associate	\$200.00	Justin Niakamal, Hoyu Chong; Brian Vanderplas
<b>Blended Hourly Rate</b>	<b>\$250</b>	





# QUALIFICATIONS




Beacon Economics, LLC is a leading independent economic research and consulting firm with extensive experience conducting economic impact analysis, economic and public revenue forecasting, economic policy/legislation analysis, regional economic analysis, industry cluster analysis, real estate market analysis, labor market analysis, and international trade analysis.





Led by Dr. Christopher Thornberg, a renowned and highly experienced PhD economist committed to rigorous research and intellectual integrity, Beacon Economics has built a reputation as one of California's foremost economic research firms. The company first rose to prominence as one of the earliest and most adamant forecasters of the subprime mortgage market meltdown that began in 2007, and is widely credited as being the first group on the West Coast to forecast the global economic recession of 2008-09. Dr. Thornberg is, in fact, one of the West Coast's most recognized and widely published economic forecasters, with over a decade of experience analyzing a wide variety of economic impacts and forecasting the economies of states and the nation. Beacon Economics' highly valued, proprietary economic forecast models are developed by Dr. Thornberg and the firm's staff.

The diversity and prominence of Beacon Economics' clientele is indicative of the firm's objective, nonpartisan standing, and its reputable research products. Clients have ranged from the State of California to a major Wall Street hedge fund. Dr. Thornberg currently serves on California State Treasurer John Chiang's Economic Advisory Council, the body responsible for advising the Treasurer about emerging strengths and vulnerabilities facing the state's economy. Between 2008 and 2012, Beacon Economics served as economic advisors to the California State Controller's Office. Below is a sampling of current and recent clients:

Los Angeles Area Chamber of Commerce  
California Bankers Association  
Chevron  
California State Treasurer  
City and County of San Bernardino  
PGA Tour, Inc.  
Los Angeles Unified School District  
City of Oakland  
Service Employees International Union  
University of California, Riverside  
Sacramento Kings  
Consulate of Canada

County of Monterey  
Paulson & Company, Inc.  
San Jose State University  
Santa Clara Valley Transportation Authority  
California and Nevada Credit Union League  
African Cashew Alliance  
Loyola Marymount University  
City National Bank  
San Mateo County Economic Development Association

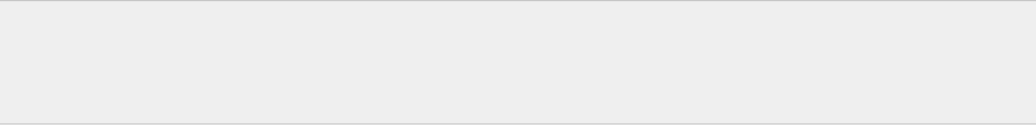
	Beacon Team Member	Role	Experience
	Chris Thornberg	Founding Partner	<p><b>Education:</b> Ph.D., Business Economics, UCLA; B.S., Business Administration, State University of New York, Buffalo</p> <p><b>Experience:</b> State Treasurer John Chiang, Council of Economic Advisors, Member; UCLA Anderson Forecast, Senior Economist</p>
	Taner Osman	Research Manager	<p><b>Education:</b> Ph.D., Urban Planning, UCLA; M.A., Regional Economic &amp; Social Development, University of Massachusetts; M.A., Industrial Economics, Université Lumière; B.A., Legal &amp; Economic Studies, London Guildhall University</p> <p><b>Experience:</b> Postdoctoral Research Fellow, Lewis Center, UCLA; Institute for Research on Labor and Employment, Research Asst.</p>
	Adam Fowler	Director of Research	<p><b>Education:</b> ABD, Political Psychology, UCLA; M.A. Political Science, University of Arkansas; B.A., Political Science, Arkansas Tech University</p> <p><b>Experience:</b> UCLA and Fox Uncertainty Lab, Teaching Asst. and Member</p>

	Beacon Team Member	Role	Experience
	Alysa Hannon	Manager; Sustainable Growth and Development	<p><b>Education:</b> B.S.F.S., Georgetown University, School of Foreign Service</p> <p><b>Experience:</b> New York City Economic Development Corporation, Senior Project Manager, Incubator Portfolio including <u>Made in NY Media Center by IFP</u> and 3 culinary incubators (i.e., Brooklyn FoodWorks).</p>
	Hoyu Chong	Senior Research Associate	<p><b>Education:</b> M.A., Economics, USC; B.A., Economics, UCLA</p> <p><b>Experience:</b> L.A. Behavioral Economics Laboratory, Research Asst.; Center for American Politics and Public Policy, Principal Investigator</p>
	Brian Vanderplas	Senior Research Associate	<p><b>Education:</b> M.A. &amp; B.A., Economics, California State University Long Beach</p>
	Jordan Giali	Senior Research Associate	<p><b>Education:</b> B.A., Economics, Pepperdine University</p>

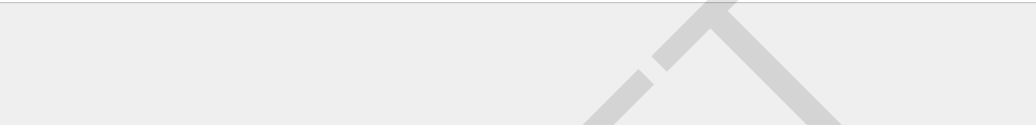
## ACCEPTANCE

If the above proposal by Beacon Economics, LLC is acceptable to Visit SLO CAL please sign this Agreement and return to Sherif Hanna by fax to 424-646-4660 or by email to [sherif@beaconecon.com](mailto:sherif@beaconecon.com).

### Visit SLO CAL



Signature

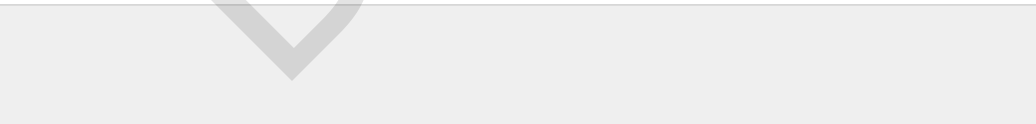


Printed Name & Title



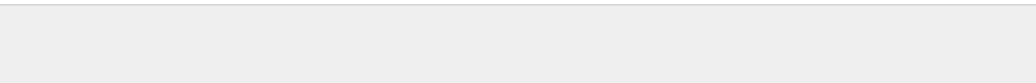
Date

### Beacon Economics, LLC:



Signature

Sherif Hanna, Managing Partner



Date

## NOTIFICATIONS

All communications to the consultant should be directed to the following:

CONSULTANT:  
Beacon Economics, LLC  
Attn: Sherif Hanna, Managing Partner  
5777 W. Century Blvd Suite 895  
Los Angeles, CA 90045  
424-646-4656  
sherif@beaconecon.com

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All communications to the Client should be directed to the following:

CLIENT: \_\_\_\_\_  
Attn: \_\_\_\_\_  
Billing Address: \_\_\_\_\_  
City, State, ZIP \_\_\_\_\_  
Phone number \_\_\_\_\_  
Email Address \_\_\_\_\_

DRAFT



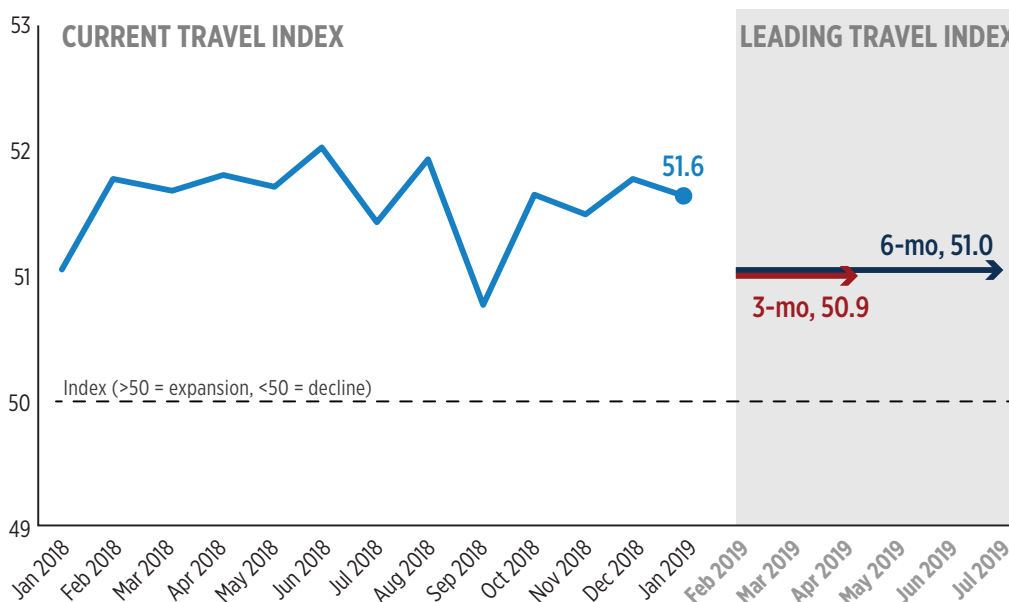
**BEACONECONOMICS**

5777 West Century Boulevard | Suite 895  
Los Angeles | California | 90045

# JANUARY TRAVEL TRENDS INDEX

The Travel Trends Index measures the direction and pace of travel volume to and within the U.S. on a monthly basis. The index includes a Current Travel Index (CTI) and a Leading Travel Index (LTI). Both the CTI and the LTI include subcomponents (domestic, international, leisure and business).

Analysis provided by  
 OXFORD  
ECONOMICS



SOURCE: Oxford Economics, U.S. Travel Association

CTI reading of **51.6** in **January 2019** indicates that travel to or within the U.S. grew **3.2%** in **January 2019** compared to January 2018.

LTI predicts travel growth will continue to moderate through July 2019, a result of softer growth across all travel segments.

Overall travel volume (person trips to or within the United States involving a hotel stay or air travel) grew at a slightly slower year-over-year rate in January 2019 than in December 2018. International inbound and domestic travel both experienced firm growth; domestic demand was supported by both the business and leisure segments.

## HIGHLIGHTS:

\* For CTI and LTI definitions, please see below.

- The Current Travel Index (CTI) has registered at or above the 50 mark for 109 straight months, as the industry enters its tenth consecutive year of expansion.
- The CTI was positive in January, registering 51.6 (indicating 3.2% percent y/y growth). This is approximately equal to the 6-month moving average (51.5).
- International inbound grew 3.2% in January, the ninth consecutive monthly rise. Nevertheless, the Leading Travel Index (LTI) continues to project that inbound travel growth will decelerate over the next six months.
- Domestic leisure travel ticked up again in January, expanding 3.4%, while the business segment grew 2.8%. Each segment increased slightly faster than its respective 6-month moving average.
- The 6-month LTI reading of 51.0 indicates that total U.S. travel volume is expected to grow at a rate of around 2.0% through July 2019. Over the same period, domestic and international inbound travel growth are both expected to converge toward 2.0%, with the potential for international inbound to settle slightly above that rate.

The Oxford/U.S. Travel **Current Travel Index (CTI)** measures the direction and pace of travel volume to and within the U.S. on a monthly basis compared to the same month in the prior year. The index is comprised of a weighting of hotel room demand and air passenger enplanements that represents the overall volume of travelers each month. A score above 50 indicates expansion. A score below 50 indicates decline.

The Oxford/U.S. Travel **Leading Travel Index (LTI)** is an indicator of the future direction and pace of travel volume to and within the U.S. over the coming three and six months compared to the same period in the prior year. The LTIs represent average readings over the next three and six months. The LTI econometric model is based on data sets that have demonstrated to predict near-term future travel: online travel searches and bookings for future travel, consumer travel intentions data, and economic fundamentals. A score above 50 indicates expansion. A score below 50 indicates decline.

# JANUARY TRAVEL TRENDS INDEX (CONT.)

	CTI	3-MONTH LTI*	6-MONTH LTI**
DECEMBER INDEX	51.8	51.2	51.2
JANUARY INDEX	51.6	50.9	51.0
DIRECTION AND SPEED	Travel demand increased; at a slightly slower rate than the previous month	Travel is expected to grow over the coming 3 months; at a slower rate	Travel is expected to grow over the coming 6 months; at a slower rate

\* Average outlook reading for Feb 2019 to Apr 2019  
 \*\* Average outlook reading for Feb 2019 to Jul 2019



*The story remains the same for all travel segments in January: all segments reported growth slightly above the previous 6-month average, and all are expected to grow at a slower rate of around 2% in the medium term.*

**DAVID HUETHER**  
 Senior Vice President, Research

## DETAILED RESULTS:

Domestic travel demand increased 3.2% in January compared to January 2018. Both the business and leisure segments showed firm growth above each segment's respective 6-month trend. The leisure segment (3.4%) outperformed the business segment (2.8%), but by a narrowing margin compared to recent months. Vacation intentions remain elevated despite softening consumer confidence and business investment, likely in response to the 35-day partial government shutdown that ended January 25th, 2019.

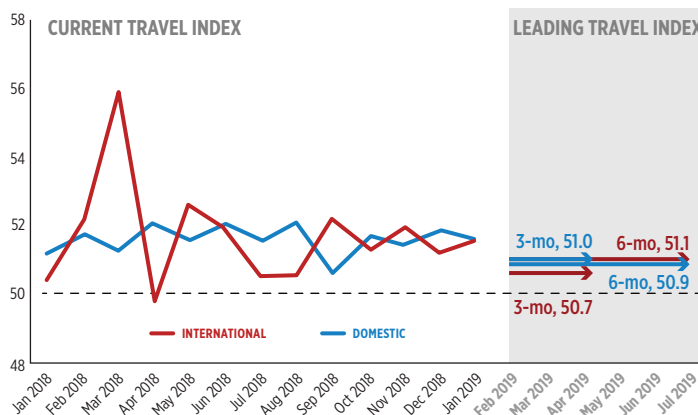
International inbound travel expanded 3.2% in January, faster than its six-month moving average (2.8%). Looking ahead, indicators of global growth and trade activity have cooled and are expected to remain softer through the first half of 2019, supporting expectations of weaker international demand growth.

	CURRENT TRAVEL INDEX (CTI)				LEADING TRAVEL INDEX (LTI)		6-MO LTI VS. CTI 6-MO AVG.	
	6-MONTH AVG	NOVEMBER	DECEMBER	JANUARY	3-MONTH*	6-MONTH**	DIRECTION	SPEED
TOTAL MARKET	51.5	51.5	51.8	51.6	50.9	51.0	Increasing	Slower
INTERNATIONAL	51.4	51.9	51.2	51.6	50.7	51.1	Increasing	Slower
DOMESTIC	51.5	51.5	51.8	51.6	51.0	50.9	Increasing	Slower
BUSINESS	51.3	51.0	51.3	51.4	51.0	50.8	Increasing	Slower
LEISURE	51.6	51.6	52.0	51.7	50.9	51.0	Increasing	Slower

\* Average outlook reading for Feb 2019 to Apr 2019  
 \*\* Average outlook reading for Feb 2019 to Jul 2019

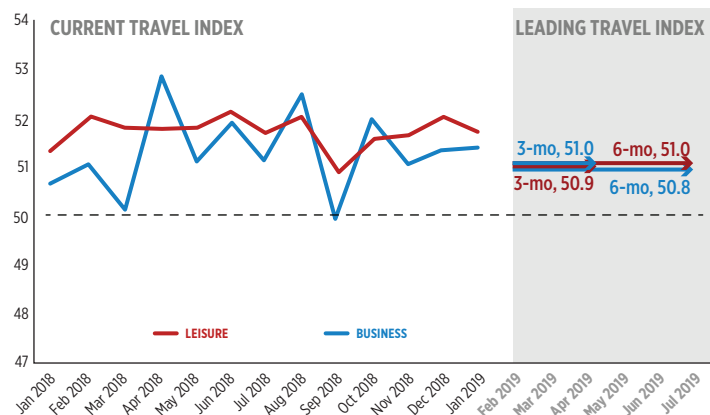
## JANUARY DOMESTIC AND INTERNATIONAL TRAVEL INDEX

Index (>50 = expansion, <50 = decline)



## JANUARY DOMESTIC BUSINESS AND LEISURE TRAVEL INDEX

Index (>50 = expansion, <50 = decline)



The Oxford/U.S. Travel **Current Travel Index (CTI)** measures the direction and pace of travel volume to and within the U.S. on a monthly basis compared to the same month in the prior year. The index is comprised of a weighting of hotel room demand and air passenger enplanements that represents the overall volume of travelers each month. A score above 50 indicates expansion. A score below 50 indicates decline.

The Oxford/U.S. Travel **Leading Travel Index (LTI)** is an indicator of the future direction and pace of travel volume to and within the U.S. over the coming three and six months compared to the same period in the prior year. The LTIs represent average readings over the next three and six months. The LTI econometric model is based on data sets that have demonstrated to predict near-term future travel: online travel searches and bookings for future travel, consumer travel intentions data, and economic fundamentals. A score above 50 indicates expansion. A score below 50 indicates decline.