

Transient Occupancy Tax Fund

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T*o provide funding for Convention Facilities Operations and Maintenance, Cultural Development, and the San José Convention and Visitors Bureau.*

Beginning in 1982, the City Council instituted a 6% Transient Occupancy Tax (TOT) on all hotel/motel rooms in San José. The revenues are collected in the TOT Fund (461) and the increment of growth, over the base fiscal year (1980-1981), is distributed by formula to three program categories: Convention Facilities Operations and Maintenance (50% of the TOT increase), Cultural Development (25% of the TOT increase), and the San José Convention and Visitors Bureau (25% of the TOT increase).

Transient Occupancy Tax Fund

Budget Summary

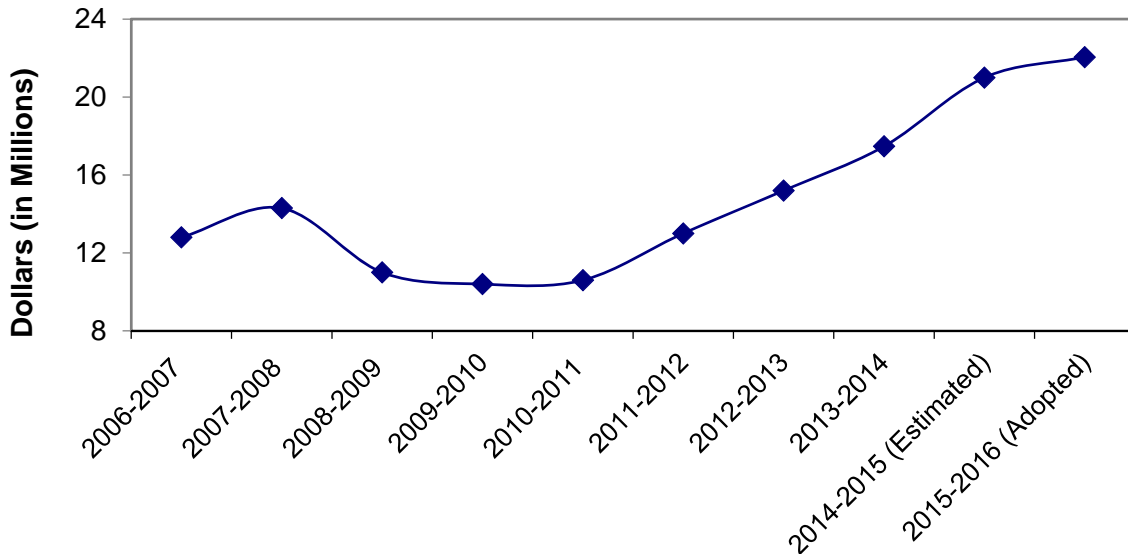
	2014-2015 Adopted	2015-2016 Adopted	Change
Convention Facilities Operations and Maintenance	\$ 9,219,864	\$ 12,699,865	37.7%
Cultural Development	\$ 4,949,885	\$ 6,689,886	35.2%
San José Convention & Visitors Bureau	\$ 4,803,250	\$ 6,543,250	36.2%

Budget Highlights 2015-2016

- In 2014-2015, TOT revenues are projected to exceed the 2013-2014 revenues by 20%. In 2015-2016, TOT revenues are expected to increase by an additional 5%, excluding one-time compliance and miscellaneous revenues.
- In 2015-2016, the resources allocated to the three recipient organizations are increased consistent with projected increases to TOT collections. Included in these allocations is the distribution of \$1.9 million that was placed into a reserve for future distribution when additional TOT revenues were recognized as part of the 2014-2015 Mid-Year Budget Review process, and another \$1.9 million due to continued recent growth and the application of year-to-date compliance and miscellaneous revenues.



10-Year View of TOT Collections



Transient Occupancy Tax Fund

Fund Overview

By ordinance, the Transient Occupancy Tax (TOT) Fund (6% of the 10% TOT) is used to provide funding for Convention Facilities Operations and Maintenance, Cultural Development, and the San José Convention and Visitors Bureau (CVB).

The level of TOT collections is directly related to the status of the economy. When the economy is growing, conventions, business travel, and tourism activity increase, which leads to higher occupancy rates in hotels. With increased occupancy, the hotels are able to raise room rates, which positively impacts TOT collections. Conversely, when the economy is declining, TOT revenues tend to decrease and can do so quite rapidly.

In 2014-2015, Transient Occupancy Tax receipts have again experienced a very healthy increase, with estimated growth of 20.2% as compared to the prior year which experienced year-over-year growth of 15.6%. Due to better than anticipated TOT activity through December 2014, the budgeted revenue estimate was increased by \$1.9 million as part of the 2014-2015 Mid-Year Budget Review, and a Future Distribution Reserve was established to allocate the additional revenue to the three recipient organizations as part of the 2015-2016 budget process. Since that time, collections have continued to increase, raising the estimate by an additional \$1.9 million. The increased collections in 2014-2015 are noteworthy, as year-end estimated collections represent the fifth consecutive year of improved collections following two consecutive years of sharp year-over-year declines. In fact, TOT collections in 2014-2015 are estimated at \$21.5 million (collections include compliance and miscellaneous revenues of approximately \$485,000), nearly \$3.6 million higher than the most recent high point of \$17.9 million achieved in 2013-2014.

The upward trend in this revenue category is anticipated to continue in 2015-2016 with projected growth of 5.0%, excluding the compliance and miscellaneous revenue experienced in 2014-2015. This growth rate reflects the continued overall strength of collections in this category, providing additional valuable resources to each TOT recipient. It is important to note that while TOT is projected to grow by 5.0% in 2015-2016, the allocations for the three recipient organizations reflect higher than 5.0% increases when compared to the 2014-2015 estimate. As mentioned previously, when the 2014-2015 Mid-Year Budget Review increased the TOT revenue estimate by \$1.9 million, action was also taken to set aside that amount in a reserve for future distribution. In addition, TOT revenue is anticipated to grow above the 2014-2015 Modified Budget, by an additional \$1.9 million (\$1.4 million in TOT collections and \$485,000 in compliance and miscellaneous revenues). The total additional revenue of \$3.8 million has been allocated to the recipients as follows: \$1.9 million to Convention Facilities Operations and Maintenance, \$965,000 to Cultural Development, and \$965,000 to the San José Convention and Visitors Bureau.

Transient Occupancy Tax Fund

Fund Summary

	2013-2014 Actual 1	2014-2015 Adopted 2	2014-2015 Estimate 3	2015-2016 Adopted 4	% Change (2 to 4)
Dollars by Sources					
Beginning Fund Balance	\$ 4,848,998	\$ 2,925,105	\$ 5,709,739	\$ 5,467,769	86.9%
TOT Revenues	17,811,237	17,625,000	21,280,000	22,050,000	25.1%
Interest/Other	98,595	33,000	243,000	38,000	15.2%
Total	\$ 22,758,830	\$ 20,583,105	\$ 27,232,739	\$ 27,555,769	33.9%
Dollars by Uses					
Convention Facilities Operations and Maintenance	\$ 8,459,788	\$ 9,219,864	\$ 9,554,780	\$ 12,699,865	37.7%
Cultural Development	4,173,553	4,949,885	7,232,020	6,689,886	35.2%
SJ Convention/Visitors Bureau	4,415,750	4,803,250	4,978,170	6,543,250	36.2%
Ending Fund Balance and Misc.	5,709,739	1,610,106	5,467,769	1,622,768	0.8%
Total	\$ 22,758,830	\$ 20,583,105	\$ 27,232,739	\$ 27,555,769	33.9%

Transient Occupancy Tax Fund

Budget Category: Convention Facilities Operations and Maintenance

Budget Category Overview

Convention Facilities Operations and Maintenance funding is used to support the City's various convention and cultural facilities. Once TOT revenues are received, the funding is transferred to the Convention and Cultural Affairs Fund and, for the past many years, this funding has been used to primarily support Team San Jose administration, maintenance, and operation costs for the Convention Center and other facilities, as well as City funded capital improvements. Because the total operating expenses are not delineated by funding source, the specific operations supported by TOT funding cannot be isolated.

For 2015-2016, the Adopted Budget for this category totals \$12.7 million and reflects a 37.7%, or \$3.5 million, increase from the 2014-2015 Adopted Budget level. This change is the combined result of three factors: 1) estimated growth of 5.0% in 2015-2016 TOT collections applied to the revised ongoing 2014-2015 collection level that will result in an additional \$1.6 million in funding next year; 2) the dissolution of the Future Distribution Reserve established during the 2014-2015 Mid-Year Budget Review, resulting in the addition of \$971,000; and 3) an estimated increase in 2014-2015 TOT revenue collections that are expected to be received by year-end, resulting in an additional \$959,000 that will be distributed to this funding category in 2015-2016.

Budget Category Summary

	2013-2014 Actual 1	2014-2015 Adopted 2	2014-2015 Estimate 3	2015-2016 Adopted 4	% Change (2 to 4)
Convention Facilities Operations and Maintenance	\$ 8,459,788	\$ 9,219,864	\$ 9,554,780	\$ 12,699,865	37.7%
Total	\$ 8,459,788	\$ 9,219,864	\$ 9,554,780	\$ 12,699,865	37.7%

Transient Occupancy Tax Fund

Budget Category: Cultural Development

Budget Category Overview

Transient Occupancy Tax revenues allocated for Cultural Development provide funding for the cultural grant program and fine arts division programs, including funding of cultural grants and expenses of the fine arts division, including, but not limited to, personal and non-personal/equipment expenses, fringe benefits, and overhead.

Each year, the Office of Cultural Affairs solicits and evaluates applications for funding under the Cultural Development category using award criteria approved by the City Council. Grant recommendations are presented to the Arts Commission, which in turn submits recommendations for Cultural Grants and Technical Assistance Grants to the City Council through a Manager's Budget Addendum for consideration during the annual budget process. All unexpended Cultural Development funding is traditionally rebudgeted for expenditure in the next fiscal year.

For 2015-2016, the Adopted Budget for this category totals \$6.7 million and reflects a 35.2%, or \$1.7 million, increase from the 2014-2015 Adopted Budget level. This change is the combined result of three factors: 1) estimated growth of 5.0% in 2015-2016 TOT collections applied to the revised ongoing 2014-2015 collection level that will result in an additional \$775,000 in funding next year; 2) the dissolution of the Future Distribution Reserve established during the 2014-2015 Mid-Year Budget Review, resulting in the addition of \$485,500; and 3) an estimated increase in 2014-2015 TOT revenue collections that are expected to be received by year-end, resulting in an additional \$479,500 that will be distributed to this funding category in 2015-2016.

In 2015-2016, Cultural Development will continue its implementation of the City Council-adopted Cultural Connection: San José's Cultural Plan for 2011-2020. Use of TOT funds will be prioritized to align with these Council-adopted goals and strategies. In addition, the Mayor's March and June Budget Messages for Fiscal Year 2015-2016, as approved by the City Council, directed funding for Independence Day celebrations, the San José Veterans Parade, and East San José Visual Arts, as well as support for the San José Creates & Connects program. More detailed information for the 2015-2016 TOT Cultural Development category, which includes the Cultural Grants/Programs and Services (\$4,721,926) is included at the end of this section. For Cultural Development Administration (\$1,967,960), please refer to the City Departments: City Manager – Office of Economic Development section of this document.

Budget Category Summary

	2013-2014 Actual 1	2014-2015 Adopted 2	2014-2015 Estimate 3	2015-2016 Adopted 4	% Change (2 to 4)
Cultural Development	\$ 4,173,553	\$ 4,949,885	\$ 7,232,020	\$ 6,689,886	35.2%
Total	\$ 4,173,553	\$ 4,949,885	\$ 7,232,020	\$ 6,689,886	35.2%

Transient Occupancy Tax Fund

Budget Category: San José Convention and Visitors Bureau

Budget Category Overview

The City contracts with Team San Jose to operate the San José Convention and Visitors Bureau (CVB) to provide long-term booking of events at the Convention Center, market the Convention Center, promote traveling to San José for business and pleasure, and assist visitors.

In 2015-2016, the CVB is also scheduled to receive \$500,000 from the Convention and Cultural Affairs Fund (shown in the Source and Use of Funds section of this document) as well as revenue from other sources such as San José businesses, restaurants, and hotels, to provide similar services, which are not represented here. In 2014-2015, the funding directed toward CVB included the TOT allocation of nearly \$5.0 million and \$500,000 from the Convention and Cultural Affairs Fund, for a total of approximately \$5.5 million. With the TOT allocation improving to \$6.5 million, combined with a programmed transfer of \$500,000 from the Convention and Cultural Affairs Fund, total City funding for this program in 2015-2016 will be \$7.0 million.

For 2015-2016, the Adopted Budget for this category totals \$6.5 million and reflects a 36.2%, or \$1.7 million, increase from the 2014-2015 Adopted Budget level. This change is the combined result of three factors: 1) estimated growth of 5.0% in 2015-2016 TOT collections applied to the revised ongoing 2014-2015 collection level that will result in an additional \$775,000 in funding next year; 2) the dissolution of the Future Distribution Reserve established during the 2014-2015 Mid-Year Budget Review, resulting in the addition of \$485,500; and 3) an estimated increase in 2014-2015 TOT revenue collections that are expected to be received by year-end, resulting in an additional \$479,500 that will be distributed to this funding category in 2015-2016.

Budget Category Summary

	2013-2014 Actual 1	2014-2015 Adopted 2	2014-2015 Estimate 3	2015-2016 Adopted 4	% Change (2 to 4)
SJ Convention/Visitors Bureau	\$ 4,415,750	\$ 4,803,250	\$ 4,978,170	\$ 6,543,250	36.2%
Total	\$ 4,415,750	\$ 4,803,250	\$ 4,978,170	\$ 6,543,250	36.2%

Transient Occupancy Tax Fund

Budget Category: Cultural Development

Budget Category Overview

Cultural Grants/Programs and Services	Total TOT Allocation
Abhinaya Dance Company of San Jose	\$31,684
AIMusic International Festival	3,778
Almaden Art & Wine Festival	12,904
Alum Rock Educational Foundation	7,000
American Beethoven Society	12,750
Ballet San Jose	241,807
Bark in the Park	16,475
Bay Area Glass Institute	49,242
CAAMFest San Jose	3,778
Cambodian American Resource Agency	10,000
Children's Discovery Museum of San Jose	206,186
Children's Musical Theater San Jose	171,011
Chinese Performing Arts of America	48,293
Christmas in the Park	41,587
Cinequest Film Festival (Festival, Parade and Celebrations Grants Program)	43,284
Cinequest Film Festival	107,629
City Lights Theater Company of San Jose	56,642
CPAA Spring Festival Silicon Valley	12,904
Dancin' on the Avenue	16,930
Dancing Sun Foundation	3,825
Dia de los Muertos	6,397
Dia de Portugal Festival	8,142
Downtown Ice	41,587
East San José Visual Arts Youth Outreach	15,000
Ethiopian New Year - Enkutatash	6,397
Fiesta Navideña	6,555
Firebird Youth Chinese Orchestra	29,183
Gilbert & Sullivan Society of San Jose	15,000
Guitar Solo & Ensemble Festival	6,555
Italian Family Festa	15,872
July 4th Family Fun Festival (District 10) - Almaden Women's Festival	15,000
Kaisahan of San Jose Dance Company	24,265
Luna Park Chalk Art Festival	6,555
MACLA/Movimiento de Arte y Cultura Latino	79,549
Media Poetry Studio	8,400
Mexican Heritage Corporation	37,053
Music in the Park	17,459
Nikkei Matsuri SJ Japantown	3,500
Northside Theatre Company	15,000
Opera Cultura	15,000
Opera San Jose	269,279
Pumpkins in the Park	6,555
Rose, White and Blue 4th of July Festival	500
Rose, White and Blue 4th of July Parade	15,285
Rotary Fireworks (FPC)	7,936

Transient Occupancy Tax Fund

Budget Category: Cultural Development

Budget Category Overview

Cultural Grants/Programs and Services	Total TOT Allocation
Rotary Fireworks	\$50,000
San Jose Center for Poetry and Literature	8,500
San Jose Chamber Music Society	15,000
San Jose Chamber Orchestra	37,891
San Jose Choral Project	15,000
San Jose Downtown Foundation	15,000
San Jose Fountain Blues Festival	8,994
San Jose Institute of Contemporary Art	60,806
San Jose International Piano Competition	15,000
San Jose Jazz	130,773
San Jose Jazz Summer Fest	43,284
San Jose Jazz Winter Fest	15,285
San Jose Jazz (JazzWeek & Jazz Beyond stage)	7,500
San Jose Multicultural Artists Guild	17,724
San Jose Museum of Art	273,849
San Jose Museum of Quilts & Textiles	61,049
San Jose Stage Company	85,303
San Jose Symphonic Choir	15,983
San Jose Taiko	57,952
San Jose Youth Shakespeare	10,625
San Jose Youth Symphony	66,772
School of Arts and Culture at MHP	120,274
SCVPAA for Mission Chamber Orchestra	15,000
Shady Shakespeare Theatre Company	10,000
sjDANCEco	15,000
sjDANCEco 12th Annual Dance Festival	6,397
SJSURF for Center for Literary Arts	12,500
SoFA Street Fairs 2015-16	5,000
South Bay Guitar Society	13,000
Steinway Society - The Bay Area	14,600
Street Market/SubZero	16,475
SV Jewish Film Festival	15,343
Symphony Silicon Valley	213,741
Target Summer Pops Festival	16,401
Teatro Vision	15,000
The Tabard Theatre Company	38,282
TOT Contingency Reserve & Future Programs/Initiatives	1,169,512
Veterans Day Parade (FPC)	5,762
Veterans' Parade	80,000
Viva Fest!	8,142
Vivace Youth Chorus	23,354
Willow Glen Founders' Day Parade	5,762
Winchester Orchestra	12,500
Works/San Jose	12,500
ZERO1	95,358
TOTAL	\$4,721,926

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