

# Transient Occupancy Tax Fund

M  
I  
S  
S  
I  
O  
N

**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 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

	2010-2011 Adopted	2011-2012 Adopted	Change
Convention Facilities Operations and Maintenance	\$ 4,757,365	\$ 5,146,365	8.2%
Cultural Development	\$ 4,016,727	\$ 4,240,136	5.6%
San José Convention & Visitors Bureau	\$ 2,572,000	\$ 2,766,500	7.6%

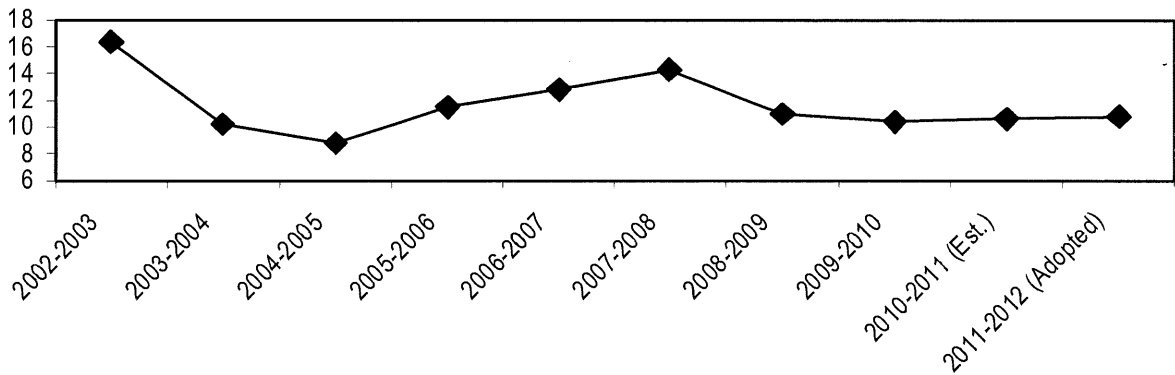
## Budget Highlights 2011-2012

In 2011-2012, the resources allocated to the three recipient organizations have been increased consistent with projected increases to Transient Occupancy Tax collections.

In 2011-2012, TOT revenues are expected to increase slightly (1.8%) from the 2010-2011 estimated collection level.



### 10 Year View of TOT Collections (\$ in Millions)



# Transient Occupancy Tax Fund

## Fund Overview

---

**B**y 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 declines, convention, business travel, and tourism activity decrease, which leads to lower occupancy rates in the hotels. With decreased occupancy, the hotels tend to reduce room rates in an effort to retain and attract business, which negatively impacts TOT collections. Conversely, when the economy is growing, TOT revenues tend to increase.

In 2008-2009, TOT collections fell approximately 20% below 2007-2008 levels. In 2009-2010, collections fell by an additional 9.7%. While TOT receipts will have to increase significantly to get back to peak levels (2007-2008), it does appear that collections have stabilized and some modest growth is being experienced as average room rates, occupancy rates, and revenue per available room (Rev PAR) have increased from 2009-2010 levels. As a result, 2010-2011 year-end collections are anticipated to exceed the budgeted level by 5.9%, or \$589,000. These higher than anticipated collections have been set aside in a reserve, for distribution at a later date.

With an indication that TOT collections may have stabilized, the 2011-2012 Adopted Operating Budget assumes modest growth of 1.8% from the 2010-2011 estimated level. While this represents a decline from the 3.0% growth anticipated in 2010-2011, the lower growth is primarily attributed to the Convention Center expansion and renovation project, which is anticipated to negatively impact TOT collections during the construction project. This project, which is scheduled to begin in 2011-2012 and be complete in 2012-2013, is anticipated to enhance the competitiveness, marketability, and revenue-generating capabilities of the Convention Center.

It should be noted that while TOT is projected to grow by 1.8%, the allocations for the three recipient organizations are projected to increase by a larger percentage, when compared to the 2010-2011 Adopted Budget. The allocations were increased after the adoption of the 2010-2011 Budget based on higher 2009-2010 collections. By formula, the 2011-2012 allocations would be increased after the adoption of the 2011-2012 Operating Budget if 2010-2011 collections exceed budgeted estimates. It is anticipated that these adjustments, which could total \$589,000 between the three recipient organizations, would be brought forward for City Council approval in the 2010-2011 Annual Report. If TOT collections do not grow in 2011-2012, as currently anticipated, the allocations to the three recipient organizations would need to be revised.

# Transient Occupancy Tax Fund

## Fund Summary

	2009-2010 Actual 1	2010-2011 Adopted 2	2010-2011 Estimate 3	2011-2012 Adopted 4	% Change (2 to 4)
<b>Dollars by Sources</b>					
Beginning Fund Balance	\$ 1,730,804	\$ 3,050,521	\$ 3,563,493	\$ 3,572,181	17.1%
TOT Revenues	10,350,000	10,025,000	10,614,000	10,803,000	7.8%
Interest/Other	28,362	8,834	4,834	4,000	(54.7%)
<b>Total</b>	<b>\$ 12,109,166</b>	<b>\$ 13,084,355</b>	<b>\$ 14,182,327</b>	<b>\$ 14,379,181</b>	<b>9.9%</b>
<b>Dollars by Uses</b>					
Convention Facilities Operations and Maintenance	\$ 3,889,922	\$ 4,757,365	\$ 5,017,865	\$ 5,146,365	8.2%
Cultural Development	2,517,472	4,016,727	2,890,031	4,240,136	5.6%
SJ Convention/Visitors Bureau	2,138,279	2,572,000	2,702,250	2,766,500	7.6%
Ending Fund Balance and Misc.	3,563,493	1,738,263	3,572,181	2,226,180	28.1%
<b>Total</b>	<b>\$ 12,109,166</b>	<b>\$ 13,084,355</b>	<b>\$ 14,182,327</b>	<b>\$ 14,379,181</b>	<b>9.9%</b>

# Transient Occupancy Tax Fund

## Budget Category: Convention Facilities Operations and Maintenance

### Budget Category Overview

**C**onvention Facilities Operations and Maintenance supports a portion of the administration, maintenance, and operations costs at the Convention Facilities operated by Team San José, which include the Convention Center, Center for Performing Arts, California Theater, Montgomery Theater, Civic Auditorium, Parkside Hall, and McCabe Hall. The remaining operating costs are funded by operating revenues from these facilities, which are captured in the Convention

and Cultural Affairs Fund. Because the total operating expenses are not delineated by funding source, the specific operations supported by TOT funding cannot be isolated. Personal services and non-personal/equipment expenses, which are partially funded by the increment of growth in the TOT, appear in the Convention Facilities Department section of this document.

### Budget Category Summary

	2009-2010 Actual 1	2010-2011 Adopted 2	2010-2011 Estimate 3	2011-2012 Adopted 4	% Change (2 to 4)
Convention Facilities Operations and Maintenance	\$ 3,889,922	\$ 4,757,365	\$ 5,017,865	\$ 5,146,365	8.2%
<b>Total</b>	<b>\$ 3,889,922</b>	<b>\$ 4,757,365</b>	<b>\$ 5,017,865</b>	<b>\$ 5,146,365</b>	<b>8.2%</b>

# Transient Occupancy Tax Fund

## Budget Category: Cultural Development

### Budget Category Overview

Each year, the Arts Commission solicits and evaluates applications for funding under the Cultural Development category using award criteria approved by the City Council. The Arts Commission then submits recommendations for Cultural Grants and Technical Assistance Grants to the City Council for consideration during the annual budget process. All unexpended Cultural Development funding is traditionally rebudgeted for expenditure in the next fiscal year. It should be noted that the 2010-2011 and 2011-2012 Adopted Budgets include carryover funds from prior years (approximately \$1.3 million). Adjusting for the \$1.3 million in carryover funds, the Cultural Development allocation increased by approximately 8.2%.

Detailed information for the 2011-2012 TOT Cultural Development category, which includes Cultural Grants/Programs and Services (\$3,253,977) and Cultural Development Administration (\$986,159), are listed in this section to provide a picture of the City's Cultural Development Program. It should be noted that the allocations included in the attachment may not represent the entire amount of funding allocated for a particular use, as TOT allocations are sometimes augmented by other revenue sources, such as the Multi-Year Arts Grants Stabilization Fund.

### Budget Category Summary

	2009-2010 Actual 1	2010-2011 Adopted 2	2010-2011 Estimate 3	2011-2012 Adopted 4	% Change (2 to 4)
Cultural Development	\$ 2,517,472	\$ 4,016,727	\$ 2,890,031	\$ 4,240,136	5.6%
<b>Total</b>	<b>\$ 2,517,472</b>	<b>\$ 4,016,727</b>	<b>\$ 2,890,031</b>	<b>\$ 4,240,136</b>	<b>5.6%</b>

# Transient Occupancy Tax Fund

Budget Category: San José Convention and Visitors Bureau

## Budget Category Overview

Approximately 25.6% of the 2011-2012 estimated TOT revenue in this fund is allocated to the San José Convention and Visitors Bureau (CVB). The City contracts with the 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.

The CVB also receives funding from the General Fund (shown in the City-Wide Expenses section of this document), Airport, and other sources such as San José businesses, restaurants, and hotels, to provide similar services, which are not represented here.

## Budget Category Summary

	2009-2010 Actual 1	2010-2011 Adopted 2	2010-2011 Estimate 3	2011-2012 Adopted 4	% Change (2 to 4)
SJ Convention/Visitors Bureau	\$ 2,138,279	\$ 2,572,000	\$ 2,702,250	\$ 2,766,500	7.6%
<b>Total</b>	<b>\$ 2,138,279</b>	<b>\$ 2,572,000</b>	<b>\$ 2,702,250</b>	<b>\$ 2,766,500</b>	<b>7.6%</b>

# Transient Occupancy Tax Fund

Budget Category: Cultural Development

## Budget Category Overview

---

	<b>Total TOT Allocation</b>
<b>Cultural Grants/Programs and Services</b>	
Abhinaya Dance Company of San José	\$23,223
African American Community Service Agency	5,242
Alameda Business Association	5,242
Almaden Valley Women's Club	7,862
Alum Rock Village Business Association	7,862
American Beethoven Society	11,126
Arab Film Festival	12,980
Arts Exposure Transition Support	10,000
Arts Marketing	50,000
Ballet San José	97,420
Bay Area Glass Institute	22,406
Cambodian Cultural Dance Group	2,833
Campus Community Association	9,173
Center for Literary Arts, SJSU	7,726
Children's Discovery Museum of San José	134,455
Children's Musical Theater San José	115,199
Chinese Performing Artists	22,619
Chinese Performing Artists Spring Festival Silicon Valley	3,276
Christmas in the Park, Inc.	12,096
Cinequest, Inc.	73,495
Cinequest Film Festival	28,275
City Lights Theater Company of San José	32,516
Creative Entrepreneur Project Implementation	35,000
CreaTV San José	14,834
Cultural Development Administration	986,159
Cultural Funding Portfolio Review	20,000
Cultural Strategy Implementation	65,000
Firebird Youth Chinese Orchestra	18,095
Friends of Guadalupe River Park & Gardens Pumpkins in the Park	3,863
Friends of Guadalupe River Park & Gardens Spring in Guadalupe Gardens	4,536
Grant Review Expenses	22,500
International Russian Music Piano Competition	10,199
Italian American Heritage Foundation	11,340
Japantown Community Congress of San José	9,173
Kaisahan of San José Dance Company	16,651
Lyric Theatre	9,271
MACLA/Movimiento de Arte y Cultura Latino Americana	43,651
Mexican Heritage and Mariachi Festival	13,608
Mexican Heritage Corporation	58,701
Mission Chamber Orchestra	10,508
New Pathways Innovation Grants	30,000
North 13th Street Business Association	3,863
Northside Theatre Company	9,957
Opera San José	182,357
Poetry Center San José	4,121



# Transient Occupancy Tax Fund

## Budget Category: Cultural Development

### Budget Category Overview

	Total TOT Allocation
<b>Cultural Grants/Programs and Services</b>	
Portuguese Heritage Society of California	\$5,242
Programmatic Reserve	80,000
Public Art Conservation and Maintenance	50,000
Renegade Theatre Experiment	7,159
San José Chamber Music Society	11,126
San José Chamber Orchestra	20,674
San José Dance Theatre	11,126
San José Downtown Association - Downtown Ice	29,133
San José Downtown Association - Music in the Park	14,364
San José Downtown Association - Starlight Cinemas	9,173
San José Downtown Foundation - Downtown Doors	8,241
San José Institute of Contemporary Art	43,246
San José Jazz	66,202
San José Jazz Festival	28,275
San José Jazz Society Winter Fest	4,536
San José Multicultural Artists Guild Dia de los Muertos Celebration	4,536
San José Multicultural Artists Guild	11,892
San José Museum of Art	178,595
San José Museum of Quilts & Textiles	45,243
San José Repertory Theatre	100,482
San José Stage Company	38,564
San José Symphonic Choir	11,180
San José Taiko	45,018
San José Youth Symphony	27,666
Silicon Valley Jewish Film Festival	11,126
sjDANCEco	12,710
Somos Mayfair	9,271
South Bay Guitar Society - Guitar Solo and Ensemble Festival	3,863
South Bay Guitar Society	11,126
Special Event Incentive Initiative	35,000
Steinway Society - The Bay Area	11,121
Symphony Silicon Valley Summer Pops Festival	11,340
Symphony Silicon Valley	124,253
Teatro Vision	27,182
Technical Assistance and Grant Writing Workshop	35,000
The Tabard Theatre Company	10,199
TOT Long-Term Reserve	477,808
TOT Revenue Shortfall Contingency	241,158
United Veterans of Santa Clara County, Inc.	3,276
Vivace Youth Chorus	10,199
Willow Glen Business and Professional Assoc.	12,852
Winchester Orchestra	7,726
Works/San José	6,438
Zero1	48,402
<b>TOTAL</b>	<b>\$4,240,136</b>

**PAGE IS INTENTIONALLY LEFT BLANK**