



MEMORANDUM

TO: Arroyo Grande Tourism Business Improvement District Advisory Board

FROM: Sheridan Bohlken, Recreation Services Director

SUBJECT: Review and Approve the Preliminary FY 2024-25 Budget for the Arroyo Grande Tourism Improvement District

DATE: April 16, 2024

SUMMARY OF ACTION:

Review and provide direction to staff on the Preliminary FY 2024-25 Budget for the Arroyo Grande Tourism Improvement District (AGTBID).

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Based on the anticipated year-end results for FY 2023-24, the assessments expected to be collected total approximately \$318,270 for FY 2024-25. The AGTBID budget provides \$5,000 to the City to cover a portion of the City's cost associated with supporting a Community Services Specialist position for vacation rental code compliance. The AGTBID budget also provides \$45,000 to the City for administration of the AGTBID. The budget proposes \$415,500 in expenditures, which is an increase of \$100,000 compared to the FY 2023-24 AGTBID operating budget.

RECOMMENDATION:

Approve the preliminary FY 2024-25 operating budget for the AGTBID and forward to City Council for consideration of approval.

BACKGROUND:

In May 2013, the City Council adopted an Ordinance establishing the AGTBID. The AGTBID was formed under the Parking and Business Improvement Law of 1989, Sections 36500 et. seq. of the Streets and Highways Code and incorporated into the Arroyo Grande Municipal Code (AGMC) in Title 3, Chapter 3.46.

The purpose of forming the AGTBID was to provide revenue to defray the cost of services, activities, and programs promoting lodging businesses in the AGTBID through the promotion of scenic, recreational, cultural, and other attractions in the AGTBID as a tourist destination. An assessment is levied on all lodging businesses within the AGTBID

**Arroyo Grande Tourism Business Improvement District Advisory Board
Review and Approve the Preliminary FY 2024-25 Budget for the Arroyo Grande
Tourism Improvement District
April 16, 2024
Page 2**

boundaries and is based upon two percent of the rent charged by the operator per occupied room per night for all transient occupancies.

In December 2014, the City Council adopted an Ordinance amending Chapter 3.46 of the Arroyo Grande Municipal Code to provide that the same exemptions that apply to the Transient Occupancy Tax apply to AGTBID assessments and amended the definition of "lodging" to include vacation rentals and homestays.

In accordance with the provisions in the Streets and Highways Code and AGMC Section 3.46.100, the City Council appointed an Advisory Board. Pursuant to Streets and Highways Code Section 36533, the Advisory Board is to prepare an annual report, which is to be submitted to the City Council for its review and approval. AGMC Section 3.46.060 also provides that the assessments for the AGTBID are to be reviewed annually by the City Council based upon the Annual Report of the Advisory Board, and after approval of the Annual Report, the City Council is to follow the hearing process outlined in Streets and Highways Code Section 36534 for the annual assessment for the upcoming fiscal year. Section 36534 provides for the adoption of a Resolution of Intention to levy an annual assessment for that fiscal year. The Resolution of Intention also sets a public hearing date in order to receive any written or oral protests against the continuation of the AGTBID as required by the applicable statute.

On [February 20, 2024](#), the AGTBID Advisory Board reviewed and approved the Annual Report prepared by Verdin Marketing. The report was forwarded to the City Council for consideration and was approved at its [March 26, 2024](#) meeting. At this meeting, City Council also adopted a Resolution of Intention to levy an assessment on lodging businesses for FY 2024-25. A public hearing was scheduled for April 23, 2024, to consider protests and complete the process to continue collecting and utilizing the AGTBID revenue for the promotion of activities that will support lodging businesses within the City.

The AGTBID Advisory Board is also responsible for developing an annual preliminary budget, detailing anticipated expenditures, and submitting the proposed budget to City Council for approval.

ANALYSIS OF ISSUES:

The Preliminary FY 2024-25 operating budget provides \$415,500 for expenditures which reflects an increase of \$100,000 when compared to FY 2023-24. The increased budget provides the following adjustments:

Advertising Category:

- \$50,000 increase in Marketing Services
- \$10,000 increase in Photo/Video Assets

**Arroyo Grande Tourism Business Improvement District Advisory Board
Review and Approve the Preliminary FY 2024-25 Budget for the Arroyo Grande
Tourism Improvement District
April 16, 2024
Page 3**

- \$10,000 increase in Co-op Advertising

Public Relations Category:

- \$20,000 increase in Event Sponsorships
- \$10,000 addition for the new sub-category of Influencers

In ongoing efforts to optimize the existing fund balance, budgetary allocations are proposed to temporarily increase spending in specific categories, thereby spending down the current fund balance until expenditures are in line with anticipated revenues. This approach ensures that the fund's utilization is both strategic and sustainable.

The proposed operating budget for FY 2024-25 is as follows:

**Arroyo Grande Tourism Business Improvement District Advisory Board
Review and Approve the Preliminary FY 2024-25 Budget for the Arroyo Grande
Tourism Improvement District
April 16, 2024
Page 4**

FY 2024-25 AGTBID Budget

Beginning Fund Balance	\$ 328,350	\$ 405,833	\$ 436,489	\$ 436,489	\$ 430,739
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	FY 2021-22 Actuals	FY 2022-23 Actuals	FY 2023-24 Adopted Budget	FY 2023-24 Projection Budget	FY 2024-25 Proposed Budget
Revenue					
TBID Assessments	\$ 295,271	\$ 303,626	\$ 309,000	\$ 309,000	\$ 318,270
Interest	(5,257)	4,078	750	750	750
Total Revenue	\$ 290,014	\$ 307,704	\$ 309,750	\$ 309,750	\$ 319,020

	FY 2021-22 Actuals	FY 2022-23 Actuals	FY 2023-24 Adopted Budget	FY 2023-24 Projection Budget	FY 2024-25 Proposed Budget
Expenditures					
Advertising					
Marketing Services	\$ 144,762	\$ 196,254	\$ 200,000	\$ 200,000	\$ 250,000
Photo/Video Assets	10,000	11,595	15,000	15,000	25,000
Promotional Product	-	-	5,000	5,000	5,000
Website	7,765	16,695	-	-	-
Travel and Trade Shows	-	-	7,500	7,500	7,500
Coop Advertising	-	-	15,000	15,000	25,000
Sub-total Advertising	\$ 162,527	\$ 224,544	\$ 242,500	\$ 242,500	\$ 312,500

Contractual Services					
Chamber - Contract admin.	\$ 42,000	\$ 44,500	\$ -	\$ -	\$ -
Sub-total Contractual Services	\$ 42,000	\$ 44,500	\$ -	\$ -	\$ -

Membership & Subscriptions					
CCTC	\$ -	\$ -	\$ 500	\$ 500	\$ 500
Sub-total Membership & Subs.	\$ -	\$ -	\$ 500	\$ 500	\$ 500

Public Relations					
Event Sponsorships	-	-	20,000	20,000	40,000
Influencers	-	-	-	-	10,000
Official AG Merch - Contest	-	-	5,000	-	-
Official AG Merchandise	-	-	5,000	-	-
Sub-total Public Relations	\$ -	\$ -	\$ 30,000	\$ 20,000	\$ 50,000

Services & Supplies					
City - administrative	\$ 3,000	\$ 3,000	\$ 45,000	\$ 45,000	\$ 45,000
Supplies/Domains	-	-	2,500	2,500	2,500
Vacation rental code compliance	5,004	5,004	5,000	5,000	5,000
Sub-total Services & Supplies	\$ 8,004	\$ 8,004	\$ 52,500	\$ 52,500	\$ 52,500

Total Expenditures	\$ 212,531	\$ 277,048	\$ 325,500	\$ 315,500	\$ 415,500
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Ending Fund Balance	\$ 405,833	\$ 436,489	\$ 420,739	\$ 430,739	\$ 334,259
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**Arroyo Grande Tourism Business Improvement District Advisory Board
Review and Approve the Preliminary FY 2024-25 Budget for the Arroyo Grande
Tourism Improvement District
April 16, 2024
Page 5**

ALTERNATIVES:

The following alternatives are provided for the Council's consideration:

1. Review and approve staff's recommendations for the Preliminary Budget for FY 2024-25 for AGTBID;
2. Adjust line items as determined by Advisory Board and approve the Preliminary Budget for FY 2024-25 for AGTBID; or
3. Provide other direction to staff.

ADVANTAGES:

The advantages of utilizing funds to acquire more assets, promote events, promote sponsorships, and increase advertising for AGTBID will benefit the tourism industry in Arroyo Grande. Using one-time funding for some of these tasks will assist with lowering the fund balance and promote Arroyo Grande as a tourist destination, achieving the goals of the AGTBID.

DISADVANTAGES:

There are no known disadvantages to increasing advertising and marketing methods to encourage tourism in Arroyo Grande.

PUBLIC NOTIFICATION AND COMMENTS:

The Agenda was posted at City Hall and on the City's website in accordance with Government Code Section 54954.2.