



## MEMORANDUM

**TO:** Arroyo Grande Tourism Business Improvement District Advisory Board

**FROM:** Sheridan Bohlken, Director of Recreation Services

**SUBJECT:** Review and Approve the Preliminary FY 2025-26 Budget for the Arroyo Grande Tourism Improvement District

**DATE:** April 28, 2025

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### RECOMMENDATION:

- 1) Review and provide direction to staff on the Preliminary FY 2025-26 Budget for the Arroyo Grande Tourism Improvement District (AGTBID), and
- 2) Forward the preliminary FY 2025-26 operating budget to the City Council for approval.

### IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Based on projected year-end figures for FY 2024–25, assessment revenues for the upcoming fiscal year are estimated at approximately \$318,270. The proposed AGTBID budget includes a continued allocation of \$5,000 to the City to support a portion of the costs associated with the Community Services Specialist position, which assists with vacation rental code compliance. Additionally, the budget provides \$45,000 to the City for administrative services related to AGTBID operations.

Total proposed expenditures for FY 2025-26 are \$461,850, consistent with the current fiscal year's operating budget. The difference between anticipated revenue and total expenditures will be covered by drawing down the existing fund balance, in alignment with the AGTBID's strategic goal to fully utilize available resources while maintaining effective program delivery.

### BACKGROUND:

The AGTBID was established by City Council ordinance in May 2013 under the Parking and Business Improvement Law of 1989 and codified in the Arroyo Grande Municipal Code ([Title 3, Chapter 3.46](#)<sup>1</sup>). Its purpose is to generate revenue to support services,

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[https://library.municode.com/ca/arroyo\\_grande/codes/code\\_of\\_ordinances?nodeId=CD\\_ORD\\_TIT3REFI\\_CH3.46TOBUIMDILA](https://library.municode.com/ca/arroyo_grande/codes/code_of_ordinances?nodeId=CD_ORD_TIT3REFI_CH3.46TOBUIMDILA)

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activities, and programs that promote Arroyo Grande as a tourist destination and support local lodging businesses. A 2% assessment is levied on all transient occupancies within the AGTBID boundaries.

In December 2014, the ordinance was amended to align AGTBID assessment exemptions with those of the Transient Occupancy Tax and to include vacation rentals and homestays under the definition of "lodging."

AGTBID activities are funded through assessments, which must be used exclusively for marketing, and administration of the AGTBID. Unused funds may be carried over to subsequent years if used in accordance with the ordinance. The City Council considers recommendations from the AGTBID Advisory Board regarding the use of assessment revenues.

**ANALYSIS OF ISSUES:**

The proposed AGTBID budget for the upcoming fiscal year maintains the same funding levels as the previous year across all categories. This approach reflects a consistent commitment to supporting core programs and services, including advertising, public relations, and administrative support.

Maintaining the existing budget allows the AGTBID to continue promoting Arroyo Grande as a tourism destination without disruption, while also ensuring fiscal stability and alignment with projected assessment revenues. No increases or reallocations are proposed currently, as current funding levels have proven effective in sustaining AGTBID initiatives.

As part of a strategic effort to maximize the use of existing assessment revenues, the proposed budget includes continued allocations at prior-year levels while drawing down the current fund balance. This approach ensures the responsible and effective use of accumulated funds by supporting ongoing programs and initiatives until expenditures align more closely with anticipated annual revenues. It reflects a balanced, sustainable strategy to fully leverage available resources in support of AGTBID's mission.

Should the Advisory Board wish to explore a more conservative financial strategy, it may consider establishing a minimum fund balance or reserve policy. This reserve could serve as a safeguard in the event of a decline in Transient Occupancy Tax (TOT) or other unforeseen economic impacts, helping to ensure continuity of core services and long-term program sustainability.

The proposed operating budget for FY 2025–26 is as follows:

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<b>Beginning Fund Balance</b>	<b>\$ 328,350</b>	<b>\$ 405,833</b>	<b>\$ 436,489</b>	<b>\$ 438,185</b>	<b>\$ 295,355</b>
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	<b>FY 2021-22 Actuals</b>	<b>FY 2022-23 Actuals</b>	<b>FY 2023-24 Actuals</b>	<b>FY 2024-25 Adopted Budget</b>	<b>FY 2025-26 Proposed Budget</b>
<b>Revenue</b>					
TBID Assessments	\$ 295,271	\$ 303,626	\$ 281,764	\$ 318,270	\$ 298,700
Interest	(5,257)	4,078	17,990	750	750
<b>Total Revenue</b>	<b>\$ 290,014</b>	<b>\$ 307,704</b>	<b>\$ 299,754</b>	<b>\$ 319,020</b>	<b>\$ 299,450</b>

	<b>FY 2021-22 Actuals</b>	<b>FY 2022-23 Actuals</b>	<b>FY 2023-24 Actuals</b>	<b>FY 2024-25 Adopted Budget</b>	<b>FY 2025-26 Proposed Budget</b>
<b>Expenditures</b>					
<b>Advertising</b>					
Marketing Services	\$ 144,762	\$ 196,254	\$ 218,340	\$ 250,000	\$ 250,000
Photo/Video Assets	10,000	11,595	1,890	25,000	25,000
Promotional Product	-	-	600	5,000	5,000
Website	7,765	16,695	-	-	-
Travel and Trade Shows	-	-	-	7,500	7,500
Coop Advertising	-	-	14,400	50,000	50,000
Sub-total Advertising	<b>\$ 162,527</b>	<b>\$ 224,544</b>	<b>\$ 235,230</b>	<b>\$ 337,500</b>	<b>\$ 337,500</b>

<b>Contractual Services</b>					
Short-term compliance	\$ -	\$ -	\$ 11,350	\$ 11,350	\$ 11,350
Chamber - Contract admin.	42,000	44,500	-	-	-
Sub-total Contractual Services	<b>\$ 42,000</b>	<b>\$ 44,500</b>	<b>\$ 11,350</b>	<b>\$ 11,350</b>	<b>\$ 11,350</b>

<b>Membership &amp; Subscriptions</b>					
CCTC	\$ -	\$ -	\$ 475	\$ 500	\$ 500
Sub-total Membership & Subs.	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 475</b>	<b>\$ 500</b>	<b>\$ 500</b>

<b>Public Relations</b>					
Event Sponsorships	-	-	1,000	50,000	50,000
Influencers	-	-	-	10,000	10,000
Sub-total Public Relations	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 1,000</b>	<b>\$ 60,000</b>	<b>\$ 60,000</b>

<b>Services &amp; Supplies</b>					
City - administrative	\$ 3,000	\$ 3,000	\$ 45,000	\$ 45,000	\$ 45,000
Supplies/Domains	-	-	-	2,500	2,500
Vacation rental code compliance	5,004	5,004	5,004	5,000	5,000
Sub-total Services & Supplies	<b>\$ 8,004</b>	<b>\$ 8,004</b>	<b>\$ 50,004</b>	<b>\$ 52,500</b>	<b>\$ 52,500</b>

<b>Total Expenditures</b>	<b>\$ 212,531</b>	<b>\$ 277,048</b>	<b>\$ 298,059</b>	<b>\$ 461,850</b>	<b>\$ 461,850</b>
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<b>Ending Fund Balance</b>	<b>\$ 405,833</b>	<b>\$ 436,489</b>	<b>\$ 438,185</b>	<b>\$ 295,355</b>	<b>\$ 132,955</b>
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**ALTERNATIVES:**

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

1. Review and provide direction to staff on the Preliminary FY 2025-26 Budget for the AGTBID and Forward the Preliminary FY 2025-26 operating budget to City Council for approval;
2. Adjust line items as determined by the Advisory Board and approve the Preliminary Budget for FY 2025-26 for AGTBID; or
3. Provide other direction to staff.

**ADVANTAGES:**

- Maintains consistent funding levels across all categories from FY 2024-25 to FY 2025-26, ensuring continuity of core marketing and visitor outreach efforts.
- Supports the AGTBID's mission by promoting Arroyo Grande as a vibrant tourist destination.
- Maximizes the impact of collected assessments by funding initiatives that directly benefit the local tourism and lodging industries.

**DISADVANTAGES:**

- Drawing down the fund balance reduces financial reserves, potentially limiting flexibility to respond to unforeseen needs or opportunities in future years.
- One-time investments, while beneficial, may not produce immediate or measurable returns, making it challenging to assess their impact within a single fiscal year.
- Temporary increases in activity may lead to expectations for continued support in future years, which could be difficult to fulfill if the fund balance becomes insufficient to sustain ongoing initiatives.

**ENVIRONMENTAL REVIEW:**

No environmental review is required for this item.

**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.