



MEMORANDUM

TO: City Council

FROM: Sheridan Bohlken, Director of Recreation Services

SUBJECT: Tourism Business Improvement District Public Hearing to Levy Annual Assessment and FY 2025-26 Budget

DATE: May 13, 2025

RECOMMENDATION:

- 1) Conduct a public hearing to receive public comment and protests regarding the City Council's intention to continue the Arroyo Grande Tourism Business Improvement District (AGTBID), confirm the annual report (the "Annual Report"), and levy an annual assessment for FY 2025-26;
- 2) Determine if a majority protest has been received; if no majority protest has been received, adopt a Resolution confirming the Annual Report and assessment to be levied within the AGTBID for Fiscal Years 2025-26;
- 3) Adopt a Resolution approving the FY 2025-26 operating budget for the AGTBID ; and
- 4) Determine that conducting a public hearing to adopt a Resolution confirming the Annual Report and to levy and collect assessments, and adopting a Resolution to approve the AGTBID operating budget is not subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060 (c)(2) and (3), 15378.)

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Based on the anticipated year-end results for Fiscal Year 2024-25, the assessments expected to be collected total approximately \$298,700 for FY 2025-26. 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 \$461,850 in expenditures consistent with the FY 2024-25 AGTBID operating budget, and aims to spend down the assessment's fund balance, projected to be \$132,955 at the conclusion of FY 2025-26.

BACKGROUND:

In May 2013, the City Council adopted Ordinance No. 651 establishing the AGTBID. The purpose of forming the AGTBID was to provide revenue to defray the cost of services,

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activities, and programs promoting lodging businesses in the AGTBID through the promotion of scenic, recreational, cultural, and other attractions as a tourist destination. An assessment is levied on all lodging businesses, inclusive of vacation rentals and homestays less than 30 days, within the AGTBID boundaries and is based upon two percent of the rent charged by the operator to the visitor per occupied room per night for all transient occupancies.

Pursuant to the Streets and Highways Code (SHC) and AGMC Section 3.46.100, the City Council established the AGTBID Advisory Board and, in [April 2023](#)¹, updated the by-laws to appoint one member per Council Member to advise on the administration and use of funds benefiting the lodging industry. As required by the SHC Section 36533 the Advisory Board submitted an Annual Report prepared by Commune Communication (Attachment 3), which was approved by the City Council on [March 25, 2025](#)². In accordance with AGMC Section 3.46.060 and SHC Section 36534 the Council adopted a Resolution of Intention to levy the annual assessment and set a public hearing for May 13, 2025, to receive any protests regarding the AGTBID's continuation.

At the AGTBID Board meeting on [April 28, 2025](#)³, the AGTBID Board recommended approval of a preliminary budget for FY 2025-26. 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:

Public Hearing to Continue Levying Assessment

As noted above, following approval of the Annual Report and adoption of the Resolution of Intent to Levy the Assessment, the next step in the process for collecting assessments for FY 2025-26 is to conduct a public hearing to consider public comment and protests regarding the assessment. This public hearing will allow lodging businesses subject to the assessment an opportunity to submit comments, voice concerns, and protest the assessment. As set forth in Sections 36524 and 36525 of the SHC, the City Council has the ability to continue to levy the AGTBID assessment for the next fiscal year at this public hearing, unless written protests are received from the lodging businesses that pay 50% or more of the proposed assessments. In that event, the City Council cannot consider continuation of the AGTBID for at least one year. If the required number of written protests is not received, SHC Section 36535 provides that at the conclusion of the hearing, a Resolution levying an annual assessment for the AGTBID for FY 2025-26 may be adopted. The statute further provides that the adoption of the Resolution confirming the Annual Report and assessments constitutes the levy of the assessment for the fiscal year.

¹ <https://pub-arroyogrande.escribemeetings.com/filestream.ashx?DocumentId=6427>

² <https://pub-arroyogrande.escribemeetings.com/filestream.ashx?DocumentId=14198>

³ <https://pub-arroyogrande.escribemeetings.com/filestream.ashx?DocumentId=14401>

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Fiscal Year 2025-26 Operating Budget

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 preserving fiscal stability with a projected fund balance of \$132,955 at the end of FY 2025-26. In alignment with the Streets and Highways Code, this ensures that assessment funds are used to directly benefit the lodging businesses that pay into the district through destination marketing and promotional activities. Consistent with Visit California's call to "lean in" during times of economic uncertainty and external challenges such as tariffs, and in support of messaging from the Central Coast Tourism Council, this strategy affirms that Arroyo Grande—and California more broadly—remain open for business and welcoming to visitors. It reflects a responsible and sustainable approach to leveraging available resources in support of AGTBID's mission while reinforcing the regional and statewide tourism brand.

The proposed budget strategically draws down the existing fund balance by temporarily exceeding annual revenues, with the goal of aligning future expenditures with projected income. This measured approach ensures responsible use of funds while continuing to support the promotion of Arroyo Grande's lodging industry. Ongoing market evaluation will guide future planning.

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

	FY 2021-22 Actuals	FY 2022-23 Actuals	FY 2023-24 Actuals	FY 2024-25 Adopted Budget	FY 2025-26 Proposed Budget
Expenditures					
Advertising					
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	\$ 162,527	\$ 224,544	\$ 235,230	\$ 337,500	\$ 337,500

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

Membership & Subscriptions					
CCTC	\$ -	\$ -	\$ 475	\$ 500	\$ 500
Sub-total Membership & Subs.	\$ -	\$ -	\$ 475	\$ 500	\$ 500

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

Services & Supplies					
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	\$ 8,004	\$ 8,004	\$ 50,004	\$ 52,500	\$ 52,500

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

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

1. 1) Conduct a public hearing to receive public comment and protests regarding the City Council's intention to continue the AGTBID, confirm the Annual Report, and levy an annual assessment for FY 2025-26; 2) Determine whether a majority protest has been received:
 - If a majority protest is not achieved:
 - a) Adopt a Resolution confirming the Annual Report and levying an annual assessment for the AGTBID for FY 2025-26;
 - b) Adopt a Resolution approving the FY 2025-26 operating budget for the AGTBID; and
 - c) Determine that conducting a public hearing to adopt a resolution to levy and collect assessments and adopting a resolution to approve the AGTBID operating budget are not subject to the California Environmental Quality Act ("CEQA") because it has no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.);
 - If a majority protest is achieved:
 - a) Do not adopt the Resolution levying an annual assessment for the AGTBID for FY 2025-26;
 - b) Do not adopt the Resolution approving the FY 2025-26 Budget; and
 - c) Direct staff to return next year with an item to consider whether to levy the assessment in FY 2026-27; or
2. Provide other direction to staff.

ADVANTAGES:

Levying the annual assessment will enable the City to extend the AGTBID, which provides a mechanism to generate funding to promote lodging stays and tourism in the City. These efforts, in turn, increase transient occupancy tax revenue and supports local businesses. Approving the AGTBID FY 2025-26 operating budget will allow the continuation of the momentum of the Visit Arroyo Grande's tourism marketing efforts, and to fund anticipated additional marketing opportunities.

DISADVANTAGES:

Levying the assessment will continue to impose a cost to tourists and visitors to Arroyo Grande who pay the assessment. There are no other disadvantages identified by levying the assessment for another year. There are no disadvantages identified with adopting the Resolution to adopt the AGTBID FY 2025-26 operating budget.

ENVIRONMENTAL REVIEW:

No environmental review is required for this item.

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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.

ATTACHMENTS:

1. Resolution for TBID Assessment
2. Resolution for FY 2025-26 Budget
3. Annual Report
4. Resolution 2025-019