



MEMORANDUM

TO: City Council

FROM: Sheridan Bohlken, Recreation Services Director

SUBJECT: Public Hearing to Consider Adoption of Resolutions Levying an Annual Assessment for the Arroyo Grande Tourism Business Improvement District (AGTBID) and Approving the AGTBID Budget for FY 2024-25

DATE: April 23, 2024

SUMMARY OF ACTION:

Conduct the public hearing to levy an annual assessment for Fiscal Year (FY) 2024-25 to cover the costs of services, activities, and programs promoting tourism for the benefit of lodging businesses within the Arroyo Grande Tourism Business Improvement District (AGTBID) and approve the FY 2024-25 operating budget for the AGTBID.

IMPACT ON FINANCIAL AND PERSONNEL RESOURCES:

Based on the anticipated year-end results for Fiscal Year 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 \$500,500 in expenditures, which is an increase of \$175,000 compared to the FY 2023-24 AGTBID operating budget.

RECOMMENDATION:

- 1) Conduct a public hearing to receive public comment and protests regarding the City Council's intention to continue the AGTBID and levy an annual assessment for FY 2024-25;
- 2) Determine whether a legally sufficient number of protests have been made;
- 3) If a legally sufficient protest is not made, adopt a Resolution levying an annual assessment for the AGTBID for FY 2024-25;
- 4) Adopt a Resolution approving the FY 2024-25 operating budget for the AGTBID; and
- 5) 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 is not subject to the California Environmental Quality Act ("CEQA") because it has no potential

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to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. (State CEQA Guidelines, §§ 15061, subd. (b)(2)-(3), 15378.).

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 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 AGMC 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 (SHC) and AGMC Section 3.46.100, the City Council appointed an Advisory Board (AGTBID) Pursuant to SHC Section 36533, the AGTBID 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 SHC 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 the [March 26, 2024](#) meeting. At this meeting, the City Council also adopted a Resolution of Intention to provide for a levy of the assessment 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.

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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. At the AGTBID meeting on [April 16, 2024](#), the Advisory Board reviewed and approved a preliminary budget for recommendation to the City Council.

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 over the next year is to conduct a public hearing to consider public comment and protests regarding the continued imposition of 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 2024-25 may be adopted. The statute further provides that the adoption of this Resolution constitutes the levy of the assessment for the fiscal year. A Resolution has been prepared for the City Council's consideration and adoption if there is no legally sufficient protest and is provided as Attachment 1.

Fiscal Year 2024-25 Operating Budget

The FY 2024-25 adopted operating budget provided \$500,500 for expenditures and included the following funding categories:

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FY 2024-25 AGTBID Budget

Beginning Fund Balance	\$ 328,350	\$ 405,833	\$ 436,489	\$ 420,739
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	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Revenue	Actuals	Actuals	Adopted Budget	Proposed Budget
TBID Assessments	\$ 295,271	\$ 303,626	\$ 309,000	\$ 318,270
Interest	(5,257)	4,078	750	750
Total Revenue	\$ 290,014	\$ 307,704	\$ 309,750	\$ 319,020

	FY 2021-22	FY 2022-23	FY 2023-24	FY 2024-25
Expenditures	Actuals	Actuals	Adopted Budget	Proposed Budget
Advertising				
Marketing Services	\$ 144,762	\$ 196,254	\$ 200,000	\$ 250,000
Photo/Video Assets	10,000	11,595	15,000	25,000
Promotional Product	-	-	5,000	5,000
Website	7,765	16,695	-	-
Travel and Trade Shows	-	-	7,500	7,500
Coop Advertising	-	-	15,000	50,000
Sub-total Advertising	\$ 162,527	\$ 224,544	\$ 242,500	\$ 337,500

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

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

Public Relations				
Event Sponsorships	-	-	20,000	100,000
Influencers	-	-	-	10,000
Official AG Merch - Contest	-	-	5,000	-
Official AG Merchandise	-	-	5,000	-
Sub-total Public Relations	\$ -	\$ -	\$ 30,000	\$ 110,000

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

Total Expenditures	\$ 212,531	\$ 277,048	\$ 325,500	\$ 500,500
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Ending Fund Balance	\$ 405,833	\$ 436,489	\$ 420,739	\$ 239,259
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The allocation to the AGTBID budget for FY 2024-25 is recommended to be \$500,500, which reflects an increase of \$175,000. The increased budget provides the following:

- \$50,000 increase in Marketing Services
- \$10,000 increase in Photo/Video Assets
- \$35,000 increase in Co-op Advertising
- \$80,000 increase in Event Sponsorship
- \$10,000 addition for the new sub-category of Influencers
- \$10,000 reduction for Merchandise

In ongoing efforts to optimize the existing fund balance, budget 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.

ALTERNATIVES:

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

1. Conduct a public hearing to receive public comment and protests regarding the City Council's intention to continue the AGTBID and levy an annual assessment for FY 2024-25; 2) Determine whether a legally sufficient number of protests have been made; 3) If a legally sufficient protest is not made, adopt a Resolution levying an annual assessment for the AGTBID for FY 2024-25; 4) Adopt a Resolution approving the FY 2024-25 operating budget for the AGTBID; and 5) 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.).
2. Conduct a public hearing to receive public comment and protests regarding the City Council's intention to continue the AGTBID and levy an annual assessment for FY 2024-25; 2) Determine whether a legally sufficient number of protests have been made; 3) If a legally sufficient protest is made, (a) do not adopt the Resolution levying an annual assessment for the AGTBID for FY 2024-25, (b) do not adopt the Resolution approving the FY 2024-25 Budget, and (c) direct staff to return next year with an item to consider whether to levy the assessment in FY 2025-26.
3. 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 2024-25 operating budget will allow the

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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 2024-25 operating budget.

ENVIRONMENTAL REVIEW:

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 CEQA because these actions have no potential to result in either a direct, or reasonably foreseeable indirect, physical change in the environment. Moreover, the action merely constitutes an administrative activity of the City and is additionally exempt from CEQA on that basis. (State CEQA Guidelines, §§ 15060, subd. (b)(2)-(3), 15378.)

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. Proposed Resolution of Intention to Levy Assessment
2. Proposed Resolution AGTBID FY 2024-25 Budget