

MINUTES - MORRO BAY CITY COUNCIL
SPECIAL MEETING – OCTOBER 14, 2014
MORRO BAY VETERAN’S HALL
209 SURF STREET – 5:00 P.M.

PRESENT:	Jamie Irons	Mayor
	Christine Johnson	Councilmember
	Nancy Johnson	Councilmember
	George Leage	Councilmember
	Noah Smukler	Councilmember
STAFF:	David Buckingham	City Manager
	Joe Pannone	City Attorney
	Jamie Boucher	City Clerk
	Susan Slayton	Administrative Services Director

ESTABLISH QUORUM AND CALL TO ORDER

PUBLIC COMMENT RE: ITEMS ON THE AGENDA

SPECIAL MEETING AGENDA ITEM:

Mayor Irons and Councilmember Nancy Johnson had to recuse themselves from the dais for the entire Special Meeting as they have a potential financial conflict of interest because they own vacation rentals.

Councilmember Christine Johnson’s intention for bringing this item forward was purely educational. No decision about the TMD will occur until the meeting of December 9, 2104.

I. PRESENTATION OF INFORMATION ON VISIT SAN LUIS OBISPO COUNTY
TOURISM MARKETING DISTRICT BY REPRESENTATIVES FROM VISIT SAN LUIS
OBISPO COUNTY

The public comment period for Item I was opened.

John Barta stated that he was involved in creating our local TBID and change in the way we do our advertising. He is somewhat disappointed in what we haven’t been doing in our own TBID – we haven’t created industry resources, research, education, communication, etc. backed by current data specific to San Luis Obispo County to increase competitiveness against other destinations and to leverage existing research to extrapolate county specific information and identify key data points needed to support room night sales. He doesn’t suggest doing this by raising the TOT. He just wants to ensure this gets done, whether locally or at the County level.

Janice Peters wants to know if a decision will be made tonight. Councilmember Christine Johnson stated that this item is purely for information sharing.

The public comment period for Item I was closed.

Stacie Jacobs and Chuck Davison from Visit San Luis Obispo gave a presentation on the Tourism Marketing District (TMD) proposal.

Based on the competitive set, County to County, San Luis Obispo isn't in the game as part of the marketing mix in the State of California. As an overview, there is a Tourism EcoSystem with Brand USA (outside ring), Visit California (next), Central Coast (next), SLO County (next), City/Town, and Retail (shopping, lodging, restaurants and activities) (inside). They provided a TOT and BID breakdown in the County. It was identified that Morro Bay's competitive set is Monterey and Santa Barbara counties; Napa and Sonoma were also looked at. It has been demonstrated that there is no cookie cutter model but at the same time having a TMD or BID is a proven model. Monterey (12,000 rooms and assess a flat rate), Santa Barbara (4,400 rooms and assess a flat rate) and Napa (5,200 rooms and assess a percentage rate) are all assessed differently but are all TMD success stories; Sonoma (5,300 rooms and assess a flat percentage) voted not to participate. They also stated that SLO County has been working collaboratively with partners but are highly ill funded compared to their competitive set overall. Historically the concept was to invest dollars at the community level, which is great and should continue, but what we need to do is to continue to look at the connection of the rural destination that we have in the attempt to connect cultural, coastal and culinary aspects all together which is our driving force in SLO County. With regards to the SLO County TMD, they are looking to assess all lodging partners 1%, to include hotels, motels, vacation rentals and RV parks, which if using 2012/13 numbers, a 1% assessment would generate approximately \$2.8 million. Your voice will be heard via a 15 person Board of Directors with each board member made up of lodging partners representing an assessed lodging business with the exception of the County representative; there will be 3 year staggered terms; and there will be an Officer Team of 4 members elected annually – Chairman, Vice, Treasurer and Secretary. Each City will have a designated seat with the unincorporated areas having a total of 1 seat for a total of 8; in addition, there will be a vacation rental seat, a bed and breakfast seat, an rv park seat, the County appointed seat and 3 member at large seats. Those 7 appointed seats will go through an application process, forwarding a recommendation to the board for approval. There will be an attempt to ensure diversity of geography as well as take into account assessment contribution; Morro Bay could run a candidate for each of these seats. There will also be a TMD Marketing Committee whose purpose is to align marketing objectives and complementary strategies between community and county tourism marketing to optimize collaboration and reduce duplication. That committee will be composed of destination managers, marketing professionals, and will be comprised of 13-18 members. There will also be a TMD Advisory Council whose purpose is to participate in semi-annual meetings and liaise back to their communities with programming updates from the TMD and overall metrics demonstrating impacts on SLO County and its communities. The Council will be comprised of community liaisons determined by each community and could include elected officials, city managers; there will be 10-20 members on it. They already have the support of Cal Poly, City of Paso, the EVC, Martin Resort, Pismo Beach Hospitality Assn, SLO Chamber, and Visit California. They also have the unanimous support of the Pismo Beach City Council and have scheduled meetings at all other cities. This is a 5 year Plan / Commitment with the following goals: create and increase demand of the SLO County Destination, outside of the markets currently doing it in already, measured by increased TOT revenues, in concert with strategic and

community partners; increase awareness of the SLO County Destination utilizing a suite of marketing tools, in concert with strategic and community partners. They also presented a budget whereby, with the cooperation and approval of those being invited, the current budget of \$940K could grow to \$3 million allowing for an increase in all TMD budget categories. We want to be able to spread the word in a broader base to funnel them into the Central Coast. The objectives of the 5 Year Plan include expanding the Visit SLO County brand to accelerate the destination's competitiveness in California, reach new domestic markets and build on key international markets to bolster tourism for the destination; to manage the Visit SLO County brand platform by leading the integration of a countywide strategic plan working in concert with community partners to reduce duplication of programming, increase efficiency and maximize effectiveness of resources to increase overall reach; and, create industry resources backed by current data specific to SLO County to increase competitiveness against other county destinations by leveraging existing research to extrapolate county-specific information and identify key data points needed to support goals. They finished by saying that every major tourist destination location works under a Countywide TMD. In order to be successful, you need to market the entire area as one destination and then sell this destination holistically. Morro Bay's latest count is that 45% of Morro Bay's properties have signed the petition.

This is a receive and file presentation.

II. PRESENTATION OF THE MORRO BAY TOURISM BUREAU'S STANCE ON THE VISIT SAN LUIS OBISPO COUNTY TOURISM MARKETING DISTRICT

Brent Haugen, the Morro Bay Tourism Director reported on the decision made by the Tourism Bureau at their August meeting. First and foremost, it's important that the decision to participate in the county-wide TMD be made by the Morro Bay lodging community as this impacts each and every property and their business directly. On August 14th, the MB Tourism Bureau voted 4-2 against supporting the countywide TMD as currently presented with an additional 1% levee to all Morro Bay lodging including RV parks and vacation rentals. Conceptually the board and many constituents believe in the TMD but they have concerns with the current plan being proposed. Their concerns include entering into a 5 year commitment with no way out. They also had concerns about the terms as the voting is weighted by the revenue contribution and ours is only at 8% which worries us as to how strong our voice would be as the vote is "represented in approximate proportion to the amount contributed by lodging businesses"; Morro Bay is still in its infancy stage and is working on creating its strategic plan for Morro Bay, overall there was a concern to enter into a 5 year agreement without having our own master plan. There was also concern over budgetary issues, the goals set out in the TMD District Plan states they would put more heads in beds as well as increase the average daily rate charged for those beds. When the board looked at the plan, the total TMD Marketing annual budget and revenue is \$2.8 million over the 5 year time which equates to zero percent growth and it states that budget is not expected to significantly change over the TBD's term. He put together a conservative growth pattern chart, if the Bureau would reflect a conservative 3% growth over the 5 year period, the TMD should see an increase of at least \$865K in revenue from their estimate. Another concern is in their plan; the plan indicates an increase in the group and leisure sales budget; however, there are no additional sales positions indicated in the overall. How will this team structure support the marketing and sales endeavors detailed in their 5 year plan? They also have concerns

of the regularity of short turnaround time on leads and other communications from Visit SLO County and lack of detail in information. Another concern is the increase of 1%; after listening to the TMD sessions, the majority of the Morro Bay hotels and motels like the idea of a TMD but don't feel they can sustain a 1% increase to support the TMD. Currently Morro Bay's TOT is at the highest in the County at 13%. At an additional 1%, Morro Bay would remain the highest and could potentially lose future market share. Ultimately it should be the decision of the lodging community as this directly impacts their business and future revenue.

The public comment period for Item II was opened.

Chuck Davison responded to some of the MB Tourism Bureau's concerns. Regarding budget vs no growth, we did meet with Brent, that issue was speaking directly to the proportion of funds and how they would be directed in the plan. The amount of monies would change, the fluctuations of percentages spent on items, wouldn't change. Regarding the lack of sales positions, they presented the current structure of Visit SLO County; the board would be addressing any new positions. As far as lead times, they get all their leads from Visit CA and VCTC, they can only send them out as they get them.

Noreen Martin spoke representing Martin Resorts. She feels very fortunate to able to serve at the State level with Visit California. Right now, the State California is also trying to raise their TMD. Business stays in the State of California through lifestyle and lifestyle is created through tourism. She asked, how do you promote Morro Bay; as we leverage our monies and resources together we are able to get more bang for the buck. No one City can be a large enough voice.

Andy Hamp read a letter he had sent to council stating Morro Bay RV park's owners opposition to RV parks being a part of the TMD. He stated that in 2006, the SLO Co VCB instigated proceedings for a county tourism business improvement district. The RV parks in Morro Bay were unanimous in their opposition to the assessment and with the help of the Morro Bay City Council; they were excluded from the process. Their opposition to the current proposal is based on issues specific to RV parks and are as follows: state parks and county owned parks neither collect TOT nor will they fall under the TMD assessment, also private parks located in unincorporated areas do not collect TOT, this will exacerbate the rate disadvantage City RV parks already face; RV parks have very little influence in the TMD formation process which they already feel is skewed – the TMD petition wasn't sent to any of the RV parks located in unincorporated areas and even a Morro Bay park was left out; the TMD management plan is hotel/motel centric. Several issues relevant to the lodging industry as a whole also speak against the TMD: the negative weighted vote based on assessment size is undemocratic; centralized marketing activities under the TMD will make it difficult to serve each City's individual needs or interests; the TMD will spend what it collects, there is little incentive for frugality and is a recipe for waste; will it stay at 1%; the assessment will come on top of the threat of increases to TOT, water, sewer and property tax increases; and the assessment encourages local governments to further reduce tourism promotion funding. If Morro Bay isn't included in the TMD, we aren't going to fall off the map.

Doug Claassen agrees with Andy, we have competition that doesn't get taxed and we were never talked to by anybody. We have 2 State Parks and outlying County parks that are still 10% short of what we are.

Janice Peters concern isn't with the concept, it's with how they want to finance it. Our TOT is 30% of our general fund; it's a huge amount of our revenue. We give 3% to our TBID so either 1% comes from the TBID and cut what they've been doing or 1% comes from the general fund. And for that, 30% of our General Fund amount, we only get an 8% voice share, that doesn't figure. We won't have enough representation on the board for how decisions are made.

Jayne Behman stated that a 5 year commitment is a highly questionable term for an investment of this magnitude into any start up business, let alone to the SLOVCB whose business operation has historically financially floundered. Questions to the SLOVCB have still gone unanswered. Marketing efforts to target a market that would appeal to our hoteliers offer coop ads which makes revenue for the SLOVCB. Regarding the foreign market, we have gained market share because of our individual hotel efforts to market through booking sources, not because of the county's efforts. Also, foreign travelers do not equate to repeat business. The County's model states it will only benefit member businesses. Currently County marketing efforts target a market that appeals to events, not stay overs. Large events can't happen here, it's difficult enough for us to sustain the events that we do have. Taxation without representation is pretty blatant, it's important to see how much say we really will have. The ultimate decision is Council's but none of you own or run a business that would pay into the TMD. Having a dot on the map, a misleading petition and door to door visits are all scare tactics and misleading. She likes the purpose of this study session because it's to gather facts. How many hoteliers have you talked to personally and asked why they signed and why they didn't sign. It's important to verify if they even knew what they were signing. Morro Bay's TBID's and general funds have spent \$100K's in funds promoting Morro Bay as a destination location.

Joan Solu thanked the Council for having the Study Session. She looks forward to more conversation. She said there has been some question back and forth as to what a 1% assessment means to the 150 registered vacation rentals would be. In year ending 2014, a 1% assessment should mean, on an average, a \$128/year per vacation rental to be a part of the \$2 million effort.

The public comment period for Item II was closed.

This is a receive and file presentation

III. COUNCIL DISCUSSION AND DIRECTION TO STAFF ON THE CITY'S PARTICIPATION IN THE SAN LUIS OBISPO COUNTY TOURISM MARKETING DISTRICT

Councilmember Smukler would like to see, in preparation for December 9th, an analysis of staff cost and time would be to actually participate in the program; as well as any steps, financial or legal.

Councilmember Christine Johnson asked what the City's legal options for getting involved would be: legally how does Morro Bay join. She realizes this is not a TOT increase. This would be assessment money going towards marketing assessment. We currently only assess hotels but the County is asking for assessment on 2 other areas; can you even shift a 1%; are there parameters to have the BID assess/shift the 1%.

City Attorney Joe Pannone stated that the City has no legal authority to take any of the 3% and give it to the County; none of the 3% of what Morro Bay collects can be spent on anything other than on behalf of Morro Bay.

ADJOURNMENT

The meeting adjourned at 6:21p.m.

Recorded by:

Jamie Boucher
City Clerk