



AGENDA NO: C- 3

MEETING DATE: October 8, 2019

**AGENDA CORRESPONDENCE
RECEIVED BY THE CITY COUNCIL FOR
PUBLIC REVIEW PRIOR TO THE MEETING**

Heather Goodwin

From: andrew hampp [REDACTED]
Sent: Tuesday, October 8, 2019 8:46 AM
To: Council
Subject: TMD
Attachments: TMD.pdf

Dear Mayor,
Dear Council Members,

Attached letter regarding the San Luis Obispo County TMD agenda item.

Sincerely,
Andy Hampp

October 8, 2019

Dear Mayor,
Dear Council Members:

Five years ago the Morro Bay RV parks opposed the San Luis Obispo County TMD. At the time we warned that once the TMD was in place, the assessment would likely increase over time--and here we are!

The Morro Bay RV parks oppose the increase from 1% to 1.5%:

- We don't see why RV parks should pay to fill the projected 2,000 new hotel beds, which according to the TMD petition is a key reason for the 50% assessment increase.
- A vast majority of the parks in the county are exempt from the TMD exacerbating an uneven playing field.
- We don't need it.

However, looking beyond the RV park issue I strongly urge the City Council to consider other factors:

- The tourism boom over the last five years has provided a TMD budget well beyond initial projections--yet it still isn't enough! A 50% increase locked in for 10 years is huge.
- Please be wary of the ROI calculations. Folks who have worked in private industry know that marketing returns are not so easily quantified--the TMD was able to ride a boom in national/international tourism growth. The next recession will show how elusive the ROI projections are.
- Excessive tourism will not solve problems, but create more of them. Too much tourism requires more infrastructure, which requires more public services, which require more employees with Cal Pers benefits, which require more tax revenues, which require more hotels... This super-charged cycle puts even more pressure on housing and is not sustainable and not compatible with what makes our county unique. Do we really want our county to be another Napa with year-round tourism-induced congestion?

- **Last but not least, the TMD assessment increase will severely damper support for a Morro Bay infrastructure TBID the council has been contemplating.**

Enough is enough. The TMD needs to work within the boundaries of the existing assessment.

Unfortunately I won't be able to attend the Council meeting, but please consider the above in your deliberations.

Sincerely,

Andrew Hampp

Cypress RV & MH Park
1121 Main St.
Morro Bay, CA 93442



AGENDA NO: C-4

MEETING DATE: October 8, 2019

**AGENDA CORRESPONDENCE
RECEIVED BY THE CITY COUNCIL FOR
PUBLIC REVIEW PRIOR TO THE MEETING**

Heather Goodwin

From: Sean Green [REDACTED]
Sent: Tuesday, October 8, 2019 11:24 AM
To: Council; Scott Collins; Jennifer Callaway
Cc: Dana Swanson
Subject: 10/8/19 Agenda Correspondence - Item C-4

Council and Staff,

While I continue to disagree with Council and TBID's mandatory inclusion of VRs into a voluntary assessment that has yet to demonstrate clear value, I do wish to present a positive side effect and golden opportunity for the people of Morro Bay that will come about as a result of your likely approval of Item C-4 today.

City Manager Scott Collins recently announced a contract with Host Compliance to begin enforcement protocol regarding unpermitted VRs throughout our city—a big win for the people of Morro Bay. Better yet, a closer look at the services offered by Host Compliance, in addition to VR enforcement, reveals several more opportunities that Morro Bay absolutely must consider at this time. One in particular—a compliance audit of occupancy tax—presents a remarkable and rare revenue opportunity this City so desperately needs. In your motion to approve VR inclusion today, please do the people of Morro Bay a favor and demand a long overdue external audit of lodging receipts and subsequent recoupment of lost revenues.

To provide context, Morro Bay's Transient Occupancy Tax of 10% was passed back in 1996, which levies a 10% tax on all overnight stays at lodging establishments within city limits. Since then, roughly \$500M in hotel receipts have been reported and roughly \$50M in hotel occupancy taxes have been remitted, including \$2.8M in the most recent FY ending June 2019. Numbers this big, you'd expect, would render them worthy of the kind of attention we pay to numbers and issues much smaller, yet, aside from a rumored 2009 audit (which I've yet to locate anywhere in our online public record), Morro Bay's TOT has essentially gone unchecked in 23 years. For a city that relies heavily on tourism dollars, and especially given TOT's impact on our struggling general fund, it's almost unthinkable that we've gone so long operating under what's essentially an honor system of self-reporting.

Thankfully, today's likely inclusion of VRs into TBID presents an opportunity for that to change. As tourism marketing dollars must soon focus on VR offerings up to the ratio they pay into the BID (relative to hotels), it follows that enforcement and compliance dollars must be spent by roughly the same ratio. For too long, the City's lodging entities (all classes) have been required to complete 1-page, often handwritten reports of last month's receipts requiring little backup, and with it, enclose payment based on a predetermined formula that the owner or owner's agent then calculates, again often by hand. This quaint, antiquated system relies heavily on the honesty and competency of the individual completing the form and lacks the credible threat that, say, an IRS or regularly scheduled external audit would provide. One of two solutions to this clear problem would be to better link all lodging establishments electronically to the City, possibly even creating a system of direct tax collection from booking services to City that removes lodging owner discretion altogether—an unlikely and expensive venture at this time, but something to begin researching for future implementation. The second solution—regular audits of lodging receipts and tax remittance—is an absolute no-brainer.

As a former public auditor myself, I spent weeks at a time sampling financial data of governments, nonprofits, and public and private businesses. Surprisingly, errors in reporting were par for the course, but the good news was that most could be corrected if done through proper channels. Rarely did it feel as if such errors were the result of maliciousness, which was also encouraging, but failure to catch underreported revenues, for example, does end up hurting someone somewhere. To what extent this is happening in Morro Bay cannot be determined without actually testing the data, but given the tens of thousands (often hundreds of thousands) of dollars in additional tax revenues recovered by cities and counties nationwide as the result of occupancy tax audits over the past decade, it's time to see if our humble system, responsible for self-policing a lodging revenue pool of over \$30M annually, is working.

With Halloween coming up, no doubt a handful of optimistic Morro Bay homeowners will place a bowl of candy out on their porch along with a sign that reads "Please take one." The conflict of interest that results in the mind of each and every kid that approaches the bowl is akin to what Morro Bay lodging establishments face on a monthly basis. For individual taxpayers submitting their annual 1040s, the credible threat of IRS audit serves to eliminate most reporting conflicts of interests. Morro Bay, on the other hand, has one piece of paper, a handful of overworked finance staff, a TOT report that pools all revenues together rather than report by individual entity, and a history of letting sleeping giants lie. Taking an extra candy bar or two wouldn't hurt anyone, thinks the child, no one will notice. But candy bars add up, just as years of potentially lost tax revenue can add up if allowed to go mostly unchecked, and the bowl empties faster than it otherwise would have. Please consider an external audit of TOT in your motion today that aims to recoup lost revenues for the people of Morro Bay and establishes a better system of occupancy tax reporting that encourages transparency, accuracy, and compliance moving forward.

Respectfully submitted,

Sean Green
Morro Bay, CA