

City of Morro Bay

Tourism Business Improvement District Advisory Board

Mission Statement

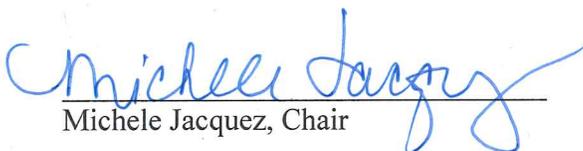
The City of Morro Bay is dedicated to the preservation and enhancement of the quality of life. The City shall be committed to this purpose and will provide a level of municipal service and safety consistent with and responsive to the needs of the public.

NOTICE OF SPECIAL MEETING

THURSDAY, NOVEMBER 19, 2015
MORRO BAY VETERAN'S HALL – 9:00 A.M.
209 SURF STREET, MORRO BAY, CA

- I. ESTABLISH QUORUM AND CALL TO ORDER
- II. PUBLIC COMMENT PERIOD REGARDING ITEMS ON THE AGENDA
- III. APPROVAL OF MINUTES FROM THE OCTOBER 8, 2015 TOURISM BUSINESS IMPROVEMENT DISTRICT (TBID) ADVISORY BOARD SPECIAL MEETING
- IV. APPROVAL OF MINUTES FROM THE OCTOBER 27, 2015 SPECIAL JOINT MEETING OF THE CITY COUNCIL AND TOURISM BUSINESS IMPROVEMENT DISTRICT (TBID) ADVISORY BOARD
- V. ELECTRONIC READER BOARD PARTNERSHIP VERBAL UPDATE
- VI. REVIEW OF TRANSIENT OCCUPANCY TAX (TOT)
- VII. DISCUSSION AND DIRECTION TO CITY COUNCIL REGARDING CITY TOURISM MARKETING AND PROMOTIONS MANAGEMENT
- VIII. DECLARATION OF FUTURE ITEMS
- IX. ADJOURNMENT

DATED: November 13, 2015


Michele Jacquez, Chair

THIS AGENDA IS SUBJECT TO AMENDMENT UP TO 24 HOURS PRIOR TO THE DATE AND TIME SET FOR THE MEETING. PLEASE REFER TO THE AGENDA POSTED AT CITY HALL FOR ANY REVISIONS, OR CALL CITY HALL AT 772-6201 FOR FURTHER INFORMATION.

IN COMPLIANCE WITH THE AMERICANS WITH DISABILITIES ACT, IF YOU NEED SPECIAL ASSISTANCE TO PARTICIPATE IN A CITY MEETING, PLEASE CONTACT THE CITY CLERK'S OFFICE AT LEAST 24 HOURS PRIOR TO THE MEETING TO INSURE THAT REASONABLE ARRANGEMENTS CAN BE MADE TO PROVIDE ACCESSIBILITY TO THE MEETING.

**MINUTES - TOURISM BUSINESS IMPROVEMENT DISTRICT (TBID) ADVISORY BOARD
SPECIAL MEETING – OCTOBER 8, 2015
VETERAN’S MEMORIAL HALL – 9:00 A.M.**

PRESENT:	Michele Jacquez	Chair
	Taylor Newton	Member
	Joan Solu	Member
	Jack Smith	Member
STAFF:	Sam Taylor	Deputy City Manager
	Brooke Austin	Deputy City Clerk

CALL TO ORDER

The meeting was called to order at 9:06 a.m.

PUBLIC COMMENT PERIOD

<https://youtu.be/GclvemVMXZ0?t=1m20s>

The public comment period was opened.

Chuck Davison, President and CEO of Visit SLO County Tourism Group, congratulated Morro Bay on being featured in the Average Joe television commercial for Visit California. It is the first time the Central Coast has been featured nationally. He also introduced new Director of Travel Trade Michael Wambalt.

Michael Wambalt introduced himself and let the board know he looks forward to working with them.

John Solu, business owner and stake holder, thanked the Public Works, Harbor, Fire and Police Departments and the TBID Board for their work on the Harbor Festival. He stated the event was very successful and this year should serve as a model for the future. He also spoke about his concerns with the Staff Report on tourism discussed at the last council meeting.

Jayne Behman, stakeholder, spoke in favor of continued communication between the Council, Board, staff and the community to share education and information. She stated the most successful tourism models are run by TBIDs not Cities.

Lynda Merrill, resident, spoke in opposition to fireworks at the Harbor Festival.

Susan Stewart, business owner and resident, thanked the Board for their time and work. She spoke about tourism and encouraged the City to improve the product, Morro Bay, through street, tree and parking improvements.

The public comment period was closed.

The Board responded to public comments.

I. APPROVAL OF MINUTES FROM THE AUGUST 13, 2015 TOURISM BUSINESS IMPROVEMENT DISTRICT (TBID) ADVISORY BOARD MEETING.

<https://youtu.be/GclvemVMXZ0?t=23m15s>

MOTION: Board Member Solu moved the Board approve the August 13, 2015 minutes. The motion was seconded by Board Member Smith and carried unanimously, 4-0.

II. DISCUSSION AND DIRECTION REGARDING THE SEPTEMBER 22, 2015 CITY COUNCIL PUBLIC WORKSHOP.

<https://youtu.be/GclvemVMXZ0?t=24m44s>

Board Member Solu made a presentation on Streamlining and Improving Tourism Operations for All. It is available at the following link:

<http://ca-morrobay2.civicplus.com/DocumentCenter/View/9148>

In her presentation, she provided clarifications to the pre-MBTB and current City/MBTBID/MBTB organization and accountability structures. She presented City comparisons and pointed out that Morro Bay is outpacing other cities that have city run TBIDs even though being out spent by others. She presented Future Alternative Model “A” and explained how that would work and why it would be good for Morro Bay.

Board Member Newton’s conclusion from the last meeting is that the current model is the best model. He would like tourism season to go all year long. He feels the City needs to accomplish three things: 1) a City pool; 2) recycled water sooner; and 3) power plant property should be used to create consumers, like a Cal Poly marine biology campus (not wind turbines). He would like city staff to focus on those things not on tourism which is successful. We should listen to tourism professionals.

Board Member Smith supported Board Member Solu’s model as a good starting point to bring everyone together. He stated that a hybrid model should include a professional tourism director.

Chair Jacquez spoke in favor of the current TBID model. She stated that the evidence and data make it undeniably clear that this model is successful. Improvements can be made without abandoning the model. She would like a joint meeting with Council.

Board Member Newton also spoke in favor of a joint meeting with Council when Deputy City Manager Taylor was available to attend.

Deputy City Manager Taylor stated that Council would like to hold a joint meeting with the Board on October 27th if they are all available.

Board Member Solu will double check the numbers in her presentation and then provide it to Deputy City Manager Taylor for addition to the website and distribution to Council.

Deputy City Manager Taylor stated a survey is currently being conducted as part of the general plan update to identify the community's vision and values. The City also desires a professional tourism director, and hopes the current one will remain, along with the addition of, hopefully, a sales manager. The public workshop was meant to have a robust community conversation. Regarding a community pool, Measure D was passed to install a pool at Morro Bay High School in the fall of 2016, and the Recreation Department would like to have a program if the school district can make it affordable. The goal of the discussion is to create unity between the City and Tourism Bureau, branding and efficiency in events coordination. The point of the previous staff report was to show that percentages are not a good comparison.

Chair Jacquez stated data must be compared, that's how all banks look at investment REVPAR, ADR and Occupancy. She would ask that those three and TOTPAR be used for comparison purposes. She stated REVPAR is how hotels make an apple to apple comparison and for cities it is a TOTPAR.

The public comment period for this item was opened.

Lynda Merrill spoke in favor of the City's hybrid proposal. It will invite more citizen involvement, more transparency and accountability.

John Myers, resident and former TBID member with a background in banking and finance, stated the City's revenue growth projection would not spurn investment. The return on investment would be far less than what he would expect to receive. He suggested the hoteliers have a service level or performance level agreement with a return of 8.3% for projections.

Deputy City Manager Taylor clarified that the 3.5% projection came from Management Partners Report. He also stated that the City is making a decision regarding its contractor not competing with itself.

The Board recommended adding a future agenda item to discuss fireworks and possibly make a recommendation to the Council regarding establishing a fireworks policy and procedures.

ADJOURNMENT

<https://youtu.be/GclvemVMXZ0?t=1h39m52s>

MOTION: Board Member Solu moved to adjourn the meeting at 10:44 a.m. The motion was seconded by Board Member Smith and carried unanimously, 4-0.

Recorded by:

Brooke Austin
Deputy City Clerk

MINUTES – OCTOBER 27, 2015
JOINT MEETING OF THE MORRO BAY
CITY COUNCIL AND THE TOURISM BUSINESS
IMPROVEMENT DISTRICT (TBID) ADVISORY BOARD
MORRO BAY VETERAN’S HALL
209 SURF STREET – 4:30 P.M.

PRESENT:	Jamie Irons	Mayor
	Christine Johnson	Councilmember
	John Headding	Councilmember
	Noah Smukler	Councilmember
	Michele Jacquez	TBID Advisory Board Chair
	Taylor Newton	TBID Advisory Board Member
	Jack Smith	TBID Advisory Board Member
	Joan Solu	TBID Advisory Board Member
ABSENT:	Matt Makowetski	Councilmember
STAFF:	David Buckingham	City Manager
	Sam Taylor	Deputy City Manager
	Dana Swanson	City Clerk

ESTABLISH QUORUM AND CALL TO ORDER

A quorum was established by the City Council with all members, but Member Makowetski, present.

A quorum was established by the Tourism Business Improvement District Advisory Board with all members present.

The City Council and Advisory Board Members made opening comments.

<https://youtu.be/CB-05BcQUuA?t=1m7s>

The Public Comment period was opened.

<https://youtu.be/CB-05BcQUuA?t=11m9s>

Robert Davis, Morro Bay, encouraged collaboration between staff and the hoteliers to rewrite a recommendation to Council they all support. He also encouraged hoteliers to step up and fill the remaining advisory board positions.

Homer Alexander, Morro Bay, spoke in support of the current tourism model noting it is working well for Morro Bay businesses and the City treasury.

Chuck Davison, President and CEO of Visit San Luis Obispo County, encouraged the Board and Council to maintain a professional tourism director and establish a detailed plan on how the business structure will advance tourism moving forward.

Ashlee Akers, Verdin Marketing, shared there has been a lot to celebrate this past year and a big part of that success is the current business model that allows quick response to opportunities. She encouraged the Council to continue that momentum with the current model.

The Public Comment period was closed.

Councilmembers explained the goal to review the tourism structure was intended to be a healthy analysis of something very dynamic and important to the City's financial health and consider ways it can be improved, particularly with regard to events, economic development and infrastructure. They also discussed the importance of clearly defined roles of the TBID and Tourism Bureau, and a strong relationship between the City and the TBID with the City committed to improving infrastructure while the TBID is focused on marketing, branding and getting a better return on investment.

Advisory Board Members appreciated the opportunity to have a joint meeting with the Council and agreed working together and building trust is important. They requested one year to work with a full board and new staff to further develop the relationship. They noted TOT recorded an all-time high of \$2.9m; they are proud of City and all the partners that went into that. Finally, the City has spent \$600k inviting guests here every year -- their experience and what the City does with the increased TOT is very important.

The joint meeting of the City Council and Tourism Business Improvement District Advisory Board was adjourned at 5:53 p.m.

Recorded by:

Dana Swanson
City Clerk

**CITY OF MORRO BAY
TRANSIENT OCCUPANCY SUMMARY
FISCAL YEAR 2015/16**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)			
					TRAILER PARK	VACATION	VACATION	(B+E+G)			
	MOTEL RECEIPTS	MOTEL TAX COLLECTED	OCC RATE	MOTEL #RMS	RECEIPTS	TAX COLLECTED	RENTAL RECEIPTS	RENTAL TAX COLLECTED	TOTAL TAX COLLECTED	TMD	MBTBID
JULY	\$3,567,987.30	\$356,786.72	85%	914	\$289,535.41	\$28,953.55	\$572,705.49	\$57,047.60	\$442,787.88	\$40,247.05	\$107,036.11
AUGUST	\$0.00	\$0.00	0%	910	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
SEPTEMBER	\$0.00	\$0.00	0%	912	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OCTOBER	\$0.00	\$0.00	0%	909	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NOVEMBER	\$0.00	\$0.00	0%	913	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DECEMBER	\$0.00	\$0.00	0%	908	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
JANUARY	\$0.00	\$0.00	0%	908	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FEBRUARY	\$0.00	\$0.00	0%	906	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MARCH	\$0.00	\$0.00	0%	908	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
APRIL	\$0.00	\$0.00	0%	911	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MAY	\$0.00	\$0.00	0%	910	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
JUNE	\$0.00	\$0.00	0%	913	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	<u>\$3,567,987.30</u>	<u>\$356,786.72</u>			<u>\$289,535.41</u>	<u>\$28,953.55</u>	<u>\$572,705.49</u>	<u>\$57,047.60</u>	<u>\$442,787.88</u>	<u>\$40,247.05</u>	<u>\$107,036.11</u>

July 2015- Another Trailer Park started recording

**CITY OF MORRO BAY
TRANSIENT OCCUPANCY SUMMARY
FISCAL YEAR 2015/16**

	(A)	(B)	(C)	(D)	(E)	(F)	(G)	(H)			
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JULY	\$3,567,987.30	\$356,786.72	85%	914	\$289,535.41	\$28,953.55	\$582,120.49	\$57,989.10	\$443,729.38	\$40,261.05	\$107,036.11
AUGUST	\$3,279,867.36	\$327,989.21	81%	915	\$244,967.70	\$24,496.77	\$428,002.24	\$42,800.20	\$395,286.18	\$37,003.09	\$98,395.53
SEPTEMBER	\$0.00	\$0.00	0%	912	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
OCTOBER	\$0.00	\$0.00	0%	909	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
NOVEMBER	\$0.00	\$0.00	0%	913	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
DECEMBER	\$0.00	\$0.00	0%	908	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
JANUARY	\$0.00	\$0.00	0%	908	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FEBRUARY	\$0.00	\$0.00	0%	906	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MARCH	\$0.00	\$0.00	0%	908	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
APRIL	\$0.00	\$0.00	0%	911	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
MAY	\$0.00	\$0.00	0%	910	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
JUNE	\$0.00	\$0.00	0%	913	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
	\$6,847,854.66	\$684,775.93			\$534,503.11	\$53,450.32	\$1,010,122.73	\$100,789.31	\$839,015.56	\$77,264.14	\$205,431.63

**CITY OF MORRO BAY
TRANSIENT OCCUPANCY SUMMARY
FISCAL YEAR 2015/16**

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JULY	\$3,567,987.30	\$356,786.72	85%	914	\$289,535.41	\$28,953.55	\$582,120.49	\$57,989.10	\$443,729.38	\$40,261.05	\$107,036.11	805.22	\$39,455.83
AUGUST	\$3,279,867.36	\$327,989.21	81%	915	\$244,967.70	\$24,496.77	\$438,303.70	\$43,830.35	\$396,316.33	\$37,082.85	\$98,395.53	741.66	\$36,341.19
SEPTEMBER	\$2,533,734.70	\$253,372.45	70%	915	\$204,270.87	\$20,427.11	\$282,040.77	\$28,214.33	\$302,013.89	\$28,876.22	\$76,011.56		
OCTOBER	\$0.00	\$0.00	0%	909	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
NOVEMBER	\$0.00	\$0.00	0%	913	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
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MAY	\$0.00	\$0.00	0%	910	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
JUNE	\$0.00	\$0.00	0%	913	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00		
	<u>\$9,381,589.36</u>	<u>\$938,148.38</u>			<u>\$738,773.98</u>	<u>\$73,877.43</u>	<u>\$1,302,464.96</u>	<u>\$130,033.78</u>	<u>\$1,142,059.59</u>	<u>\$106,220.12</u>	<u>\$281,443.19</u>		

Q2 2015



City of Morro Bay Sales Tax *Update*

Third Quarter Receipts for Second Quarter Sales (April - June 2015)

Morro Bay In Brief

Receipts for Morro Bay's April through June sales were 8.7% higher than the same quarter one year ago. Actual sales activity was up 0.7% when reporting aberrations were factored out.

Receipts from the restaurant group were inflated by a onetime payment. In addition, payment anomalies temporarily boosted results from autos and transportation.

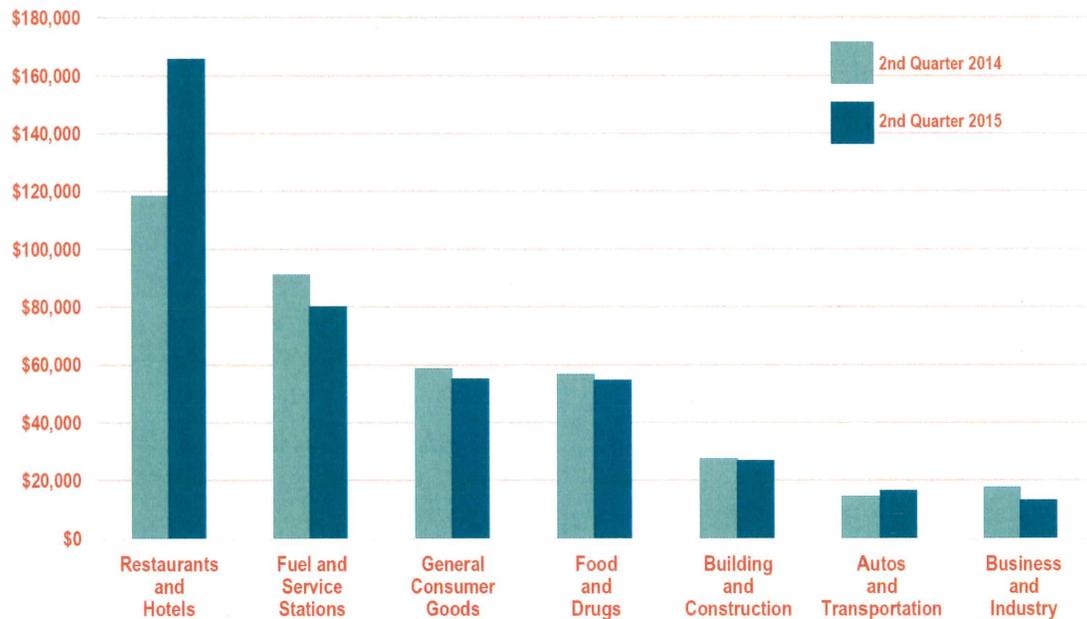
The gains were partially offset by lower receipts from service stations. Business and industry also posted a loss, however the decline was exaggerated by accounting adjustments.

General consumer goods experienced sales declines from multiple categories including home furnishing and specialty stores. The loss posted from food and drugs was due to a double payment that inflated the comparison quarter.

Measure "Q", the city's voter approved transactions tax generated an additional \$276,828 in revenue for the quarter, a 10.3% increase over the same period last year.

Adjusted for aberrations, taxable sales for all of San Luis Obispo County decreased 4.4% over the comparable time period, while the Central Coast region as a whole was up 1.6%.

SALES TAX BY MAJOR BUSINESS GROUP



TOP 25 PRODUCERS

IN ALPHABETICAL ORDER

Albertsons	Morro Bay Mobil
AutoZone	Off The Hook
Bayside Cafe	Otter Rock Cafe
Dorns Breakers Cafe	Rite Aid
Dutchman Seafood House	Spencers Fresh Markets
Galley Seafood Grill & Bar	Taco De Mexico
Giovanis Fish Market	Taco Temple
Great American Fish	Tognazzinis Dockside
Harbor Hut Restaurant	Tognazzinis Dockside Restaurant
McDonalds	Valero Corner Store
Miners Ace Hardware	Wavelengths Surf Shop
Morro Bay Arco AM PM	Windows on the Water
Morro Bay Chevron	

REVENUE COMPARISON

One Quarter - Fiscal Year To Date

	2014-15	2015-16
Point-of-Sale	\$384,387	\$411,913
County Pool	42,446	51,900
State Pool	290	345
Gross Receipts	\$427,123	\$464,159
Less Triple Flip*	\$(106,781)	\$(116,040)
Measure Q	\$251,043	\$276,828

Statewide Sales Tax Trends

Excluding accounting aberrations, the local one cent share of statewide sales occurring April through June was 3.4% higher than the comparable quarter of 2014.

Receipts from the countywide use tax allocation pools accounted for the largest portion of the increase reflecting a continuing shift in consumer preferences from brick and mortar stores to online shopping for merchandise shipped from out of state.

Sales and leases of new cars continued to post impressive gains as did contractor supplies and restaurants. Overall gains were offset by a 17.1% decline in receipts from service stations and petroleum related industries.

The Remaining Fiscal Year

The state's unemployment rate continues to decline and real disposable income is expected to grow 2.5% to 3.0% in the second half of 2015. This improvement in incomes coupled with easy credit conditions should stimulate an increase in housing starts as well as capital investment in equipment, alternate energy and technology.

The auto industry is anticipating continuing strong sales until tapering to more sustainable levels in 2016-2017. Building and construction, the only retail segment yet to return to pre-recession levels, is gaining momentum in several regions and is expected to account for 10% of sales tax growth in the second half of the fiscal year.

Restaurant sales continue to rise although there are some concerns that the strong dollar may impact sales in areas that cater to tourists from abroad. Gains from consumer goods are expected to be modest with the strong dollar cutting prices of imported goods and an ongoing shift in consumer spending from tangible goods to services, entertainment and other non-taxable purchases.

Gasoline prices remain well below the previous year due to a worldwide glut

of oil. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the first half of 2015-16 but begin rebounding in the second half.

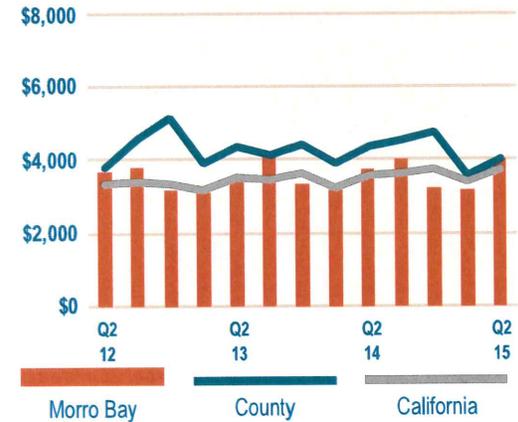
Internet Sales Tax Proposal

HR 2775 (The Remote Transaction Parity Act) is a new proposal by Representative Jason Chaffetz (R-Utah) authorizing states to require remote sellers without physical presence in their state to collect state and local sales tax from in-state buyers.

The bill currently has 52 sponsors and attempts to address objections to elements of the Marketplace Fairness Act that preceded it. The proposal provides for a three year phase in for small businesses, prohibits auditing remote sellers with annual sales under \$5 million, and requires states to provide software to enable remote sellers to collect and remit their tax.

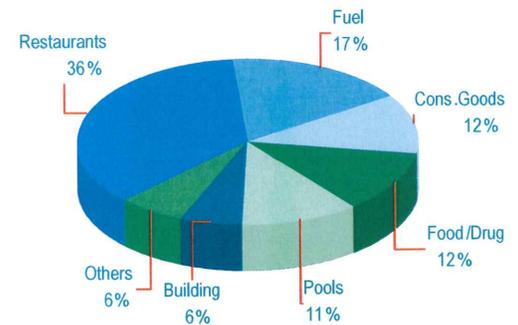
The Board of Equalization estimates that local governments in California currently lose approximately \$44 per capita in uncollected sales and use tax on e-commerce purchases.

SALES PER CAPITA



REVENUE BY BUSINESS GROUP

Morro Bay This Quarter



MORRO BAY TOP 15 BUSINESS TYPES

Business Type	Morro Bay		County	HdL State
	Q2 '15	Change	Change	Change
Art/Gift/Novelty Stores	12,624	-4.3%	0.7%	-0.7%
Automotive Supply Stores	9,572	-1.5%	2.7%	5.5%
Casual Dining	93,160	12.6%	6.6%	6.0%
Contractors	5,119	20.3%	-38.7%	14.3%
Drug Stores	— CONFIDENTIAL —	—	-14.2%	-8.0%
Family Apparel	13,472	1.6%	1.4%	2.8%
Fast-Casual Restaurants	— CONFIDENTIAL —	—	9.4%	9.6%
Fine Dining	— CONFIDENTIAL —	—	19.8%	12.2%
Garden/Agricultural Supplies	7,147	21.1%	0.8%	7.4%
Grocery Stores Liquor	31,379	4.2%	9.3%	3.6%
Hardware Stores	— CONFIDENTIAL —	—	0.7%	3.6%
Liquor Stores	5,907	11.8%	-4.0%	4.8%
Quick-Service Restaurants	56,010	171.3%	18.6%	9.2%
Service Stations	77,975	-12.6%	-10.2%	-11.7%
Sporting Goods/Bike Stores	4,671	8.5%	1.5%	0.0%
Total All Accounts	411,913	7.2%	-6.8%	2.8%
County & State Pool Allocation	52,245	22.3%	6.3%	11.8%
Gross Receipts	464,159	8.7%	-5.5%	3.8%



	2015-16	2016-17
Autos/Transportation	7.9%	4.0%
<p>New vehicle registrations in California exceeded one million units in the first half of 2015 – an 11.5% increase over the same period in 2014. Optimism about the economy, low fuel prices and attractive financing and lease options have consumers moving to higher priced SUVs, crossovers, minivans and pick-up trucks. Some leveling out is expected after 2015-16 as rising supplies of used cars create more affordable options and long term loan obligations preclude new purchases.</p>		
Building/Construction	7.0%	6.0%
<p>Construction continues to gain momentum in several regions. Job growth and expanding wages are expected to lead to higher demand for single and multi-family units over the next two years even though interest rates are anticipated to rise from historic lows. The number of industrial projects, especially those used in logistics and distribution, is expected to grow as are hotels and office buildings.</p>		
Business/Industry	3.8%	3.5%
<p>Technology and life sciences related industries are boosting business and industry sales in the San Francisco Bay area and portions of Orange and San Diego Counties. Other business categories including machinery, electronics, computer hardware and office equipment/furniture are also expected to exhibit gains. Equipment purchases related to renewable energy projects to help meet California's greenhouse gas emission goals should produce onetime use tax boosts in parts of the San Joaquin Valley and the Southern California deserts.</p>		
Food/Drugs	2.7%	3.0%
<p>The retail grocery sector is undergoing a major transformation with increased competition from big box retailers, introduction of new chains and a growing push toward online purchases and home delivery. Volatile gasoline prices partially skew comparisons for those chains that include tax from fuel sales with their sales tax returns.</p>		
Fuel/Service Stations	-7.7%	5.5%
<p>U.S. oil production remains near its highest level in four decades and is exerting downward pressure on crude oil prices as supply exceeds demand. However, gasoline prices have not dropped as much in California due to higher refining costs for the state's unique pollution reducing fuel blends. Barring unexpected supply or refinery disruptions, prices are expected to trend lower through the end of 2015. Purchases of petroleum equipment and supplies will remain soft in the state's oil producing areas as more costly wells are taken out of production.</p>		
General Consumer Goods	2.1%	2.5%
<p>Though lower prices at the pump are saving consumers hundreds of dollars this year, growth in tax receipts from general consumer goods has remained relatively soft. This is partly due to a strong dollar cutting the prices of imported goods, continued household thriftiness and changing consumer preferences for purchasing "experiences" rather than "things". Additionally, the continued acceleration in online shopping for goods shipped from out of state is shifting most of the growth in this segment to the countywide use tax allocation pools.</p>		
Restaurants/Hotels	6.8%	6.0%
<p>Savings from lower fuel prices and an improving economy have meals consumed in restaurants continuing to rise with tax receipts from this segment posting gains in excess of 6% for seven consecutive quarters. The extent to which hikes in the minimum wage and rising food prices will impact the restaurant industry in California is unclear. Meanwhile, the state's travel and tourism industry is booming, but concerns are rising that the strong dollar will impact sales in those areas catering to tourists from abroad.</p>		
State and County Pools	9.8%	9.0%
<p>The acceleration in online shopping for goods shipped from out-of-state, increased private party vehicle transactions registered at the DMV, more on-site installation sales and increased long term equipment leasing made statewide pool allocations the largest component of sales and use tax gains in the second quarter, edging out autos and transportation.</p>		
* TOTAL	4.1%	4.7%

*** Proposition 172 projections vary from statewide Bradley-Burns calculations due to the State's utilization of differing collection periods in its allocation to counties. After excluding the effects of a onetime reimbursement that temporarily inflated 2014-15 totals, an increase of 5.1% is projected for Fiscal Year 2015-16. A statewide gain of 4.5% is forecast for fiscal year 2016-17.**



	2015-16	2016-17
U.S. Real GDP Growth	2.9%	3.0%

Recent U.S. real GDP bounced back strong to 3.9% in the second quarter of 2015 from 0.6% in the first quarter. The rebound was mainly fueled by large contributions from consumer spending, state and local government spending, nonresidential fixed investment and exports. A rise in imports further widened the trade deficit and dampened real GDP growth. However, healthy auto sales, employment, wages, consumer spending, construction, industrial production and business investment are driving overall GDP gains. We project real GDP growth will be 3% this year and approximately 3% in the upcoming years.

U.S. Unemployment Rate	5.2%	5.3%
-------------------------------	------	------

The U.S. unemployment rate held steady in recent months and was recorded at 5.1% in August 2015. We predict the unemployment rate will tick up slightly as labor market improvements encourage the long-term unemployed (individuals who consider themselves out of the labor force) to start job-hunting in the near term. Furthermore, job gains continue to occur across almost all industries and skill levels. In August, only employment in the mining and manufacturing industries declined while healthcare, financial activities, professional/business services and leisure and hospitality showed the biggest gains.

California Total Nonfarm Employment Growth	2.1%	2.5%
---	------	------

California continues outpace the nation with nonfarm employment expanding by 3.0% over the past year compared to a 2.1% growth rate in the United States overall. California's nonfarm employment growth is broad in terms of both geographies and industries. The Bay Area has been leading the way in regional job growth; the cities of San Jose and San Francisco adding the most jobs from July 2014 to July 2015. Following closely behind, are Los Angeles and San Diego as well as Orange County and the Inland Empire. We project that nonfarm payrolls will grow between 2.1% and 2.3% per year through 2016-17.

California Unemployment Rate	6.1%	5.9%
-------------------------------------	------	------

California's unemployment rate fell to 6.1% in August 2015. The labor force continues its upward trajectory with more residents looking for work and more previously unemployed and discouraged workers finding jobs. We project the unemployment rate will reach 5.9% by fiscal year 2016-17 with further declines following as the state approaches its long-run average of 5.5% by the end of our 5-year forecast.

California Population Growth	1.0%	1.0%
-------------------------------------	------	------

California's population grew by 0.9% in 2014, adding 358,000 residents. The Bay Area had the most population growth over the year with San Francisco, Alameda and Contra Costa Counties experiencing the largest gains. On a city-by-city basis, the largest population gains were in Irvine (3.2%), Temecula (2.5%), Clovis (2.4%) and Stockton (2.4%). Population growth has been outpacing new residential construction which tightens the state's housing supply and pushes home prices higher. We forecast stable population growth at 1% annually moving forward.

California Median Existing Home Price Growth	14.5%	10.1%
---	-------	-------

The pace of home price appreciation accelerated again in the second quarter of 2015, up 5.2% from the previous year. Though growing, home prices remain affordable in most parts of the state from a historical standpoint. This is due in large part to low interest rates. However, supply constraints pose a threat to the state's future levels of affordability. We project robust home price appreciation over the next two fiscal years and beyond.

California Existing Home Sales	373,450	386,020
---------------------------------------	---------	---------

California's existing home sales have been making a comeback from their 8-year lows in 2014. The number of homes sold from the third quarter of 2014 to the second quarter of 2015 grew by 2.1%, to 325,670, from the previous four-quarter period. Conventional mortgage rates and interest rates continue to be at historical lows which are helping drive existing home sales. Beacon Economics expects home sales to continue to rise in the coming fiscal years.

	ACTUAL RECEIPTS			ADJUSTED FOR ECONOMIC DATA		
	2Q 2015	2Q 2014	% Change	2Q 2015	2Q 2014	% Change
Monterey County						
Autos And Transportation	2,625,885	2,374,663	10.6%	2,596,846	2,380,770	9.1%
Building And Construction	1,070,634	1,039,019	3.0%	1,057,033	1,001,034	5.6%
Business And Industry	2,229,135	1,924,709	15.8%	2,130,580	1,873,607	13.7%
Food And Drugs	1,102,685	1,086,234	1.5%	1,052,060	1,038,245	1.3%
Fuel And Service Stations	2,164,408	2,448,723	-11.6%	2,094,134	2,450,075	-14.5%
General Consumer Goods	3,183,371	3,049,949	4.4%	3,169,749	3,067,364	3.3%
Restaurants And Hotels	2,724,099	2,542,302	7.2%	2,641,299	2,506,258	5.4%
Transfers & Unidentified	158	721	-78.1%	0	0	- N/A -
County & State Pool	1,593,436	1,577,657	1.0%	1,657,368	1,546,471	7.2%
	16,693,810	16,043,976	4.1%	16,399,068	15,863,822	3.4%
San Benito County						
Autos And Transportation	183,334	147,442	24.3%	177,930	151,657	17.3%
Building And Construction	206,187	158,482	30.1%	210,746	150,836	39.7%
Business And Industry	203,121	299,534	-32.2%	201,704	203,375	-0.8%
Food And Drugs	104,705	102,040	2.6%	104,310	99,011	5.4%
Fuel And Service Stations	250,765	294,386	-14.8%	251,025	285,957	-12.2%
General Consumer Goods	147,030	141,936	3.6%	145,057	142,979	1.5%
Restaurants And Hotels	162,950	138,446	17.7%	152,883	134,471	13.7%
Transfers & Unidentified	0	0	- N/A -	0	0	- N/A -
County & State Pool	275,398	210,746	30.7%	271,275	204,492	32.7%
	1,533,491	1,493,012	2.7%	1,514,930	1,372,779	10.4%
San Luis Obispo County						
Autos And Transportation	1,754,233	1,573,658	11.5%	1,745,614	1,580,666	10.4%
Building And Construction	1,030,477	1,073,119	-4.0%	1,169,411	1,059,582	10.4%
Business And Industry	1,844,662	2,765,083	-33.3%	1,785,673	2,768,108	-35.5%
Food And Drugs	766,532	758,213	1.1%	758,268	723,534	4.8%
Fuel And Service Stations	1,429,846	1,646,076	-13.1%	1,435,761	1,634,938	-12.2%
General Consumer Goods	2,449,762	2,438,652	0.5%	2,448,598	2,426,579	0.9%
Restaurants And Hotels	1,834,615	1,664,788	10.2%	1,766,834	1,643,640	7.5%
Transfers & Unidentified	453	154	194.7%	0	-214	100.0%
County & State Pool	1,409,223	1,325,228	6.3%	1,414,446	1,258,763	12.4%
	12,519,803	13,244,971	-5.5%	12,524,605	13,095,596	-4.4%
*Santa Barbara County						
Autos And Transportation	1,665,447	1,461,885	13.9%	1,653,137	1,460,848	13.2%
Building And Construction	858,703	766,870	12.0%	838,404	763,685	9.8%
Business And Industry	1,564,652	1,468,076	6.6%	1,514,624	1,359,806	11.4%
Food And Drugs	675,087	648,636	4.1%	634,716	640,072	-0.8%
Fuel And Service Stations	1,039,179	1,189,840	-12.7%	1,035,549	1,213,409	-14.7%
General Consumer Goods	1,716,879	1,681,343	2.1%	1,697,582	1,669,727	1.7%
Restaurants And Hotels	1,028,852	950,982	8.2%	1,006,073	905,443	11.1%
Transfers & Unidentified	924	7,556	-87.8%	0	0	- N/A -
County & State Pool	2,057,334	2,101,158	-2.1%	2,036,367	2,075,424	-1.9%
	10,607,056	10,276,347	3.2%	10,416,451	10,088,413	3.3%
Santa Cruz County						
Autos And Transportation	1,000,194	943,656	6.0%	1,006,530	952,488	5.7%
Building And Construction	963,245	874,861	10.1%	953,153	905,969	5.2%
Business And Industry	946,142	879,925	7.5%	927,254	849,220	9.2%
Food And Drugs	951,795	904,908	5.2%	926,569	883,316	4.9%
Fuel And Service Stations	835,678	941,369	-11.2%	831,111	961,729	-13.6%
General Consumer Goods	1,874,831	1,873,470	0.1%	1,854,979	1,873,627	-1.0%
Restaurants And Hotels	1,478,557	1,378,619	7.2%	1,443,145	1,323,254	9.1%
Transfers & Unidentified	28	1,457	-98.1%	0	9,250	-100.0%
County & State Pool	1,105,884	907,585	21.8%	1,051,716	896,489	17.3%
	9,156,354	8,705,850	5.2%	8,994,458	8,655,342	3.9%
*Central Coast Totals						
Autos And Transportation	7,229,093	6,501,305	11.2%	7,180,056	6,526,428	10.0%
Building And Construction	4,129,246	3,912,351	5.5%	4,228,748	3,881,106	9.0%
Business And Industry	6,787,712	7,337,326	-7.5%	6,559,834	7,054,116	-7.0%
Food And Drugs	3,600,804	3,500,032	2.9%	3,475,923	3,384,179	2.7%
Fuel And Service Stations	5,719,875	6,520,393	-12.3%	5,647,580	6,546,107	-13.7%
General Consumer Goods	9,371,873	9,185,350	2.0%	9,315,964	9,180,276	1.5%
Restaurants And Hotels	7,229,073	6,675,137	8.3%	7,010,235	6,513,066	7.6%
Transfers & Unidentified	1,563	9,887	-84.2%	0	9,036	-100.0%
County & State Pools	6,441,275	6,122,374	5.2%	6,431,173	5,981,638	7.5%
	50,510,515	49,764,156	1.5%	49,849,513	49,075,953	1.6%

* Based on partial data

CENTRAL COAST

ACTUAL/ADJUSTED COMPARISON - BY COUNTY AND MAJOR INDUSTRY GROUP

	ACTUAL RECEIPTS			ADJUSTED FOR ECONOMIC DATA		
	2Q 2015	2Q 2014	% Change	2Q 2015	2Q 2014	% Change
HdL State Totals						
Autos And Transportation	251,301,795	227,815,623	10.3%	249,472,431	228,425,643	9.2%
Building And Construction	128,795,454	119,323,476	7.9%	124,810,501	115,888,913	7.7%
Business And Industry	241,768,096	233,376,837	3.6%	240,302,429	229,684,306	4.6%
Food And Drugs	86,313,423	84,837,851	1.7%	84,284,685	82,681,273	1.9%
Fuel And Service Stations	161,781,642	187,919,809	-13.9%	154,326,961	186,290,838	-17.2%
General Consumer Goods	334,272,977	328,799,540	1.7%	332,390,563	326,666,087	1.8%
Restaurants And Hotels	207,438,532	191,271,648	8.5%	202,549,693	188,643,701	7.4%
Transfers & Unidentified	551,514	1,001,165	-44.9%	-9,473	64,630	-114.7%
County & State Pools	198,754,668	177,776,223	11.8%	199,057,944	176,775,309	12.6%
	1,610,978,102	1,552,122,172	3.8%	1,587,185,735	1,535,120,701	3.4%

* Based on partial data



SAN LUIS OBISPO COUNTY ALL AGENCIES

SALES TAX TRENDS FOR ALL AGENCIES - 2Q 2015 SALES

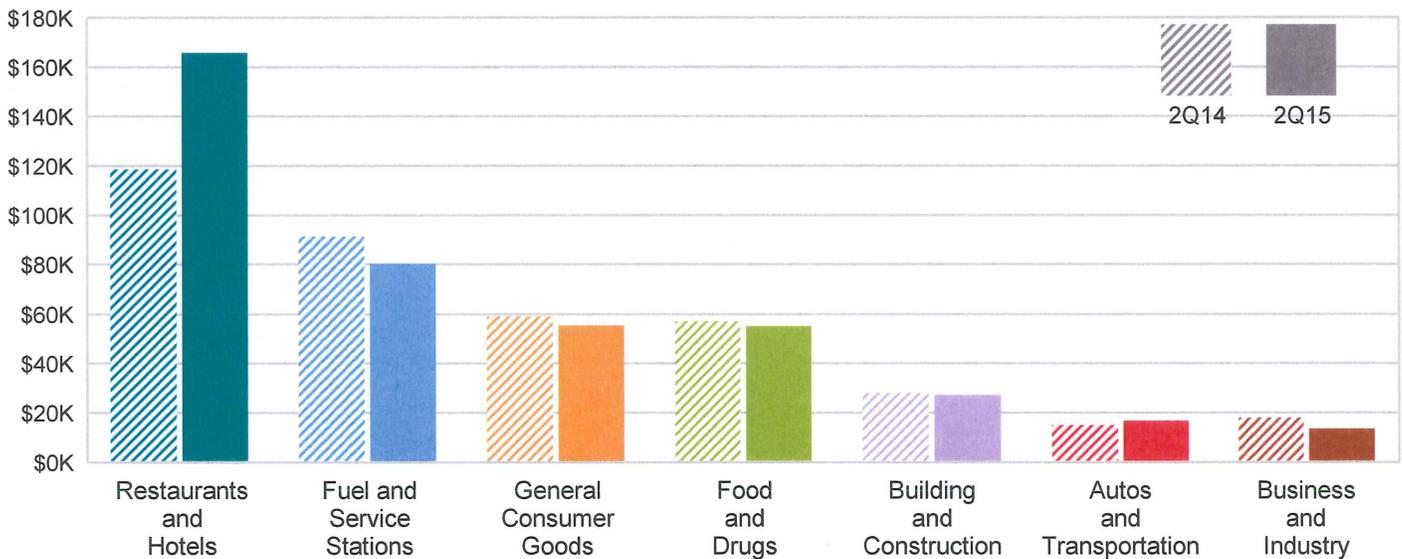
Agency allocations reflect "point of sale" receipts

Agency Name	Count	Current Year 2Q 2015	Prior Year 2Q 2014	Share of County Pool	Actual Receipts % Change	Adjusted* % Change
Grover Beach	467	306,523	276,679	2.8%	+ 10.8%	+ 13.5%
Atascadero	1,055	860,827	813,307	7.7%	+ 5.8%	+ 4.3%
Pismo Beach	550	657,155	641,512	5.9%	+ 2.4%	+ 3.0%
Paso Robles	1,733	2,103,109	1,983,168	18.9%	+ 6.0%	+ 3.0%
San Luis Obispo	2,336	3,558,882	3,469,340	32.0%	+ 2.6%	+ 1.8%
Arroyo Grande	859	786,308	810,642	7.1%	- 3.0%	+ 0.7%
Morro Bay	685	411,913	384,387	3.7%	+ 7.2%	- 2.3%
San Luis Obispo Co. Uninc	4,295	2,425,862	3,540,708	21.8%	- 31.5%	- 27.5%
Totals	11,980	11,110,580	11,919,743	100.0%	- 6.8%	- 6.1%
San Luis Obispo Pool	5,509	1,399,904	1,316,234		+ 6.4%	+ 12.1%

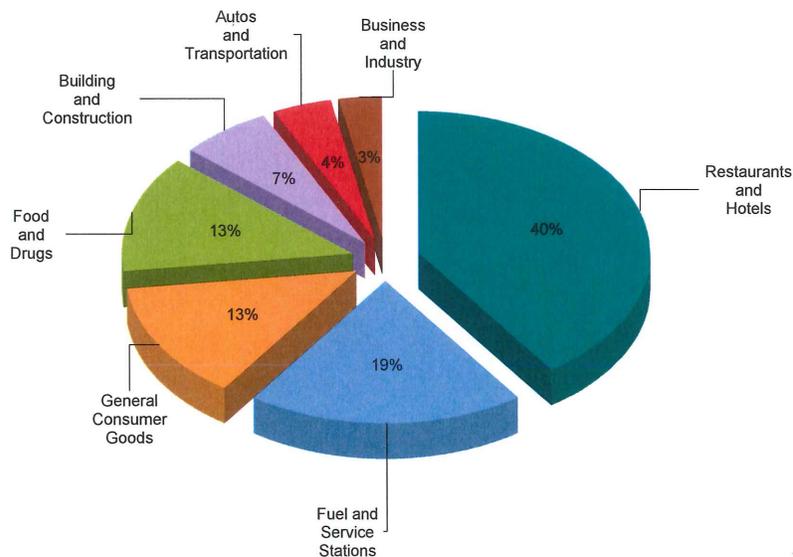
INCREASE IS
DUE TO REVENUE
RECEIVED FROM
AN AUDIT (\$30K)
ACTUAL CHANGE -.01%

Major Industry Group	Count	2Q15	2Q14	\$ Change	% Change
Restaurants and Hotels	87	165,824	118,405	47,419	40.0%
Fuel and Service Stations	6	80,092	91,125	(11,033)	-12.1%
General Consumer Goods	379	54,985	58,640	(3,655)	-6.2%
Food and Drugs	22	54,704	56,599	(1,895)	-3.3%
Building and Construction	30	26,812	27,611	(799)	-2.9%
Autos and Transportation	32	16,360	14,486	1,875	12.9%
Business and Industry	129	13,137	17,521	(4,384)	-25.0%
Transfers & Unidentified	0	0	0	0	-N/A-
Total	685	411,913	384,387	27,526	7.2%

2Q14 Compared To 2Q15



2Q15 Percent of Total





CITY OF MORRO BAY

TOP 25 BUSINESS TYPES LISTED BY ALLOCATION
2Q 2015 COMPARED TO 2Q 2014

ADJUSTED FOR
ECONOMIC DATA

Code	Business Type Description (Count)	AGENCY			COUNTY		HdL STATE	
		2Q 2015	2Q 2014	Change	2Q 2015	Change	2Q 2015	Change
35	Casual Dining (43)	90,809	83,594	8.6%	970,606	7.2%	63,771,639	5.1%
62	Service Stations (5)	77,975	93,317	-16.4%	1,249,591	-11.4%	126,983,903	-14.9%
34	Grocery Stores Liquor (6)	31,379	30,111	4.2%	361,177	8.9%	38,977,505	2.8%
24	Quick-Service Restaurants (30)	23,897	23,785	0.5%	377,915	6.2%	70,528,690	7.4%
51	Hardware Stores (1)				155,539	0.1%	7,728,035	4.4%
27	Drug Stores (3)			3.5%	149,167	0.8%	15,553,361	-1.3%
03	Family Apparel (31)	13,413	13,205	1.6%	313,134	1.0%	41,330,980	3.5%
11	Art/Gift/Novelty Stores (52)	12,344	13,126	-6.0%	71,852	-3.0%	5,473,678	-1.5%
61	Automotive Supply Stores (9)	9,572	9,662	-0.9%	152,985	1.8%	17,565,012	3.5%
37	Fast-Casual Restaurants (3)			-2.7%	129,457	9.0%	10,907,693	10.1%
36	Fine Dining (5)	6,928	5,012	38.2%	133,051	8.6%	34,287,593	10.9%
41	Garden/Agricultural Supplies (8)	6,834	5,870	16.4%	260,514	0.7%	15,542,306	7.9%
22	Liquor Stores (4)	5,907	5,284	11.8%	93,429	0.4%	9,510,562	4.9%
82	Contractors (24)	4,755	4,496	5.8%	311,449	16.4%	43,780,476	10.0%
30	Home Furnishings (15)	4,521	7,659	-41.0%	207,274	-2.9%	28,226,581	6.3%
19	Specialty Stores (97)	4,210	4,830	-12.8%	193,151	4.6%	33,892,547	5.5%
12	Sporting Goods/Bike Stores (14)	4,048	3,277	23.5%	212,326	1.3%	12,261,369	-0.7%
89	Business Services (37)	4,028	5,543	-27.3%	68,679	-1.9%	13,856,255	1.0%
05	Variety Stores (6)	3,234	3,250	-0.5%	39,582	4.0%	7,127,392	6.2%
71	Auto Repair Shops (12)	3,057	2,983	2.5%	128,442	-1.1%	13,614,853	4.0%
21	Food Stores Non-Grocery (5)	3,019	2,541	18.8%	16,694	1.5%	2,821,169	3.6%
31	Electronics/Appliance Stores (3)			-26.4%	214,982	7.8%	30,070,711	-0.8%
72	Repair Shop/Equip. Rentals (11)	2,480	2,916	-15.0%	65,755	-1.5%	10,329,567	5.0%
32	Second-Hand Stores (21)	2,360	2,360	0.0%	25,354	5.2%	2,109,709	3.3%
26	Cigarette/Cigar Stores (2)			-1.2%	34,315	4.6%	2,052,152	7.3%
	All Others (238)	15,131	14,646	3.3%	5,173,739	-13.0%	729,824,050	3.7%
	TOTAL ALL TYPES (685)	377,777	386,749	-2.3%	11,110,159	-6.1%	1,388,127,791	2.2%
Major Industry Groups								
	Autos And Transportation (32)	14,762	14,581	1.2%	1,745,614	10.4%	249,472,431	9.2%
	Building And Construction (30)	26,666	27,780	-4.0%	1,169,411	10.4%	124,810,501	7.7%
	Business And Industry (129)	17,489	17,897	-2.3%	1,785,673	-35.5%	240,302,429	4.6%
	Food And Drugs (22)	54,705	51,802	5.6%	758,268	4.8%	84,284,685	1.9%
	Fuel And Service Stations (6)	80,092	95,260	-15.9%	1,435,761	-12.2%	154,326,961	-17.2%
	General Consumer Goods (379)	52,704	57,067	-7.6%	2,448,598	0.9%	332,390,563	1.8%
	Restaurants And Hotels (87)	131,360	122,361	7.4%	1,766,834	7.5%	202,549,693	7.4%
	Transfers & Unidentified (0)	0	0	na	0	100.0%	(9,473)	-114.7%
	TOTAL ALL GROUPS (685)	377,777	386,749	-2.3%	11,110,159	-6.1%	1,388,127,791	2.2%
	TOTAL ALL BUSINESSES (685)	377,777	386,749	-2.3%	11,110,159	-6.1%	1,388,127,791	2.2%
	ALLOCATIONS FROM COUNTY POOL	52,010	40,361	28.9%				
	ALLOCATIONS FROM STATE POOL	430	231	85.9%				
	GROSS RECEIPTS	430,216	427,341	0.7%				

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Sales Tax by Major Industry Group

Restaurants And Hotels

Count: 87

Fuel And Service Stations

Count: 6

Food And Drugs

Count: 22

General Consumer Goods

Count: 379

Building And Construction

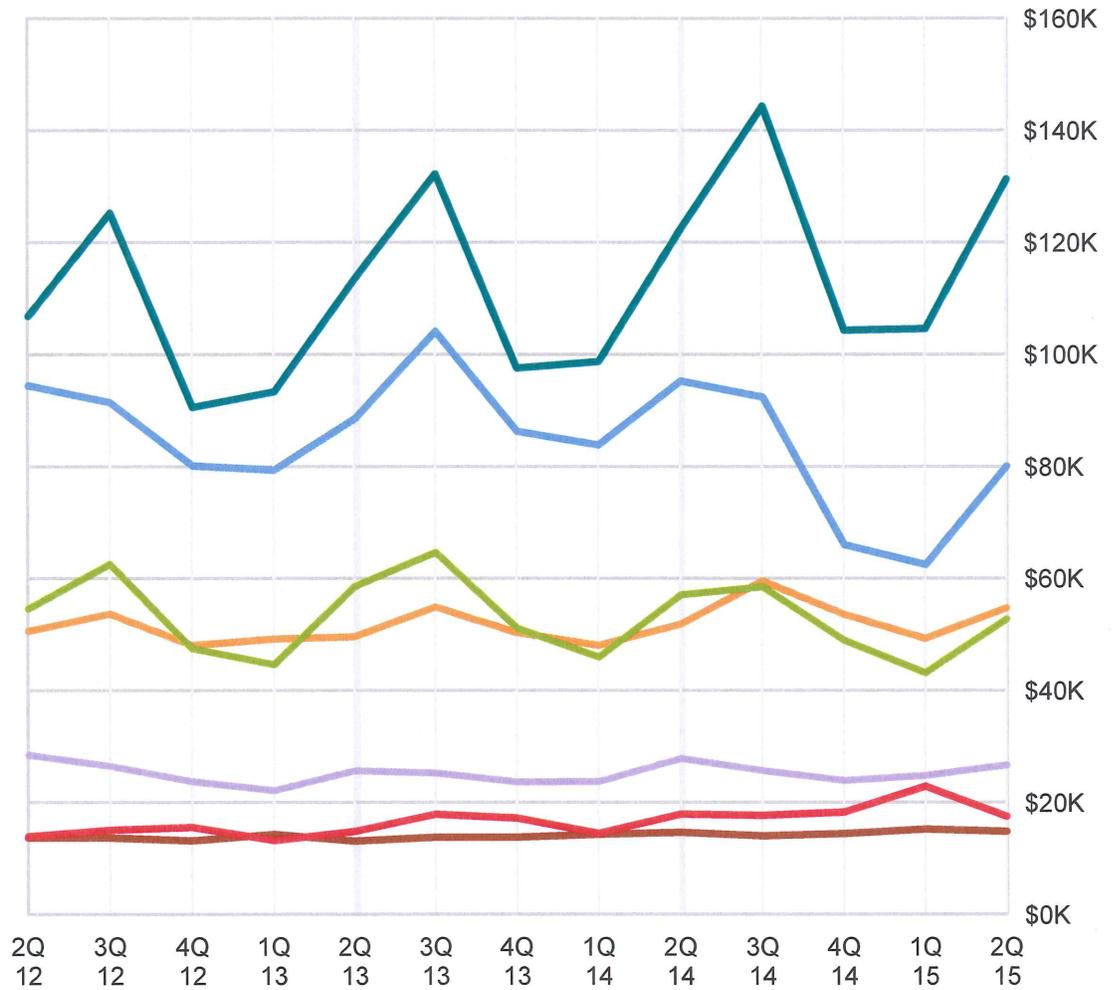
Count: 30

Business And Industry

Count: 129

Autos And Transportation

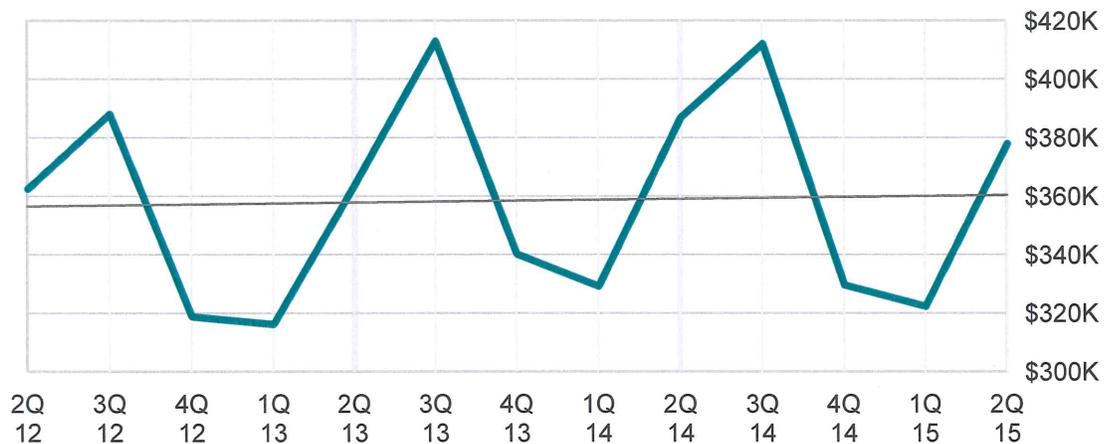
Count: 32



Agency Trend

Morro Bay

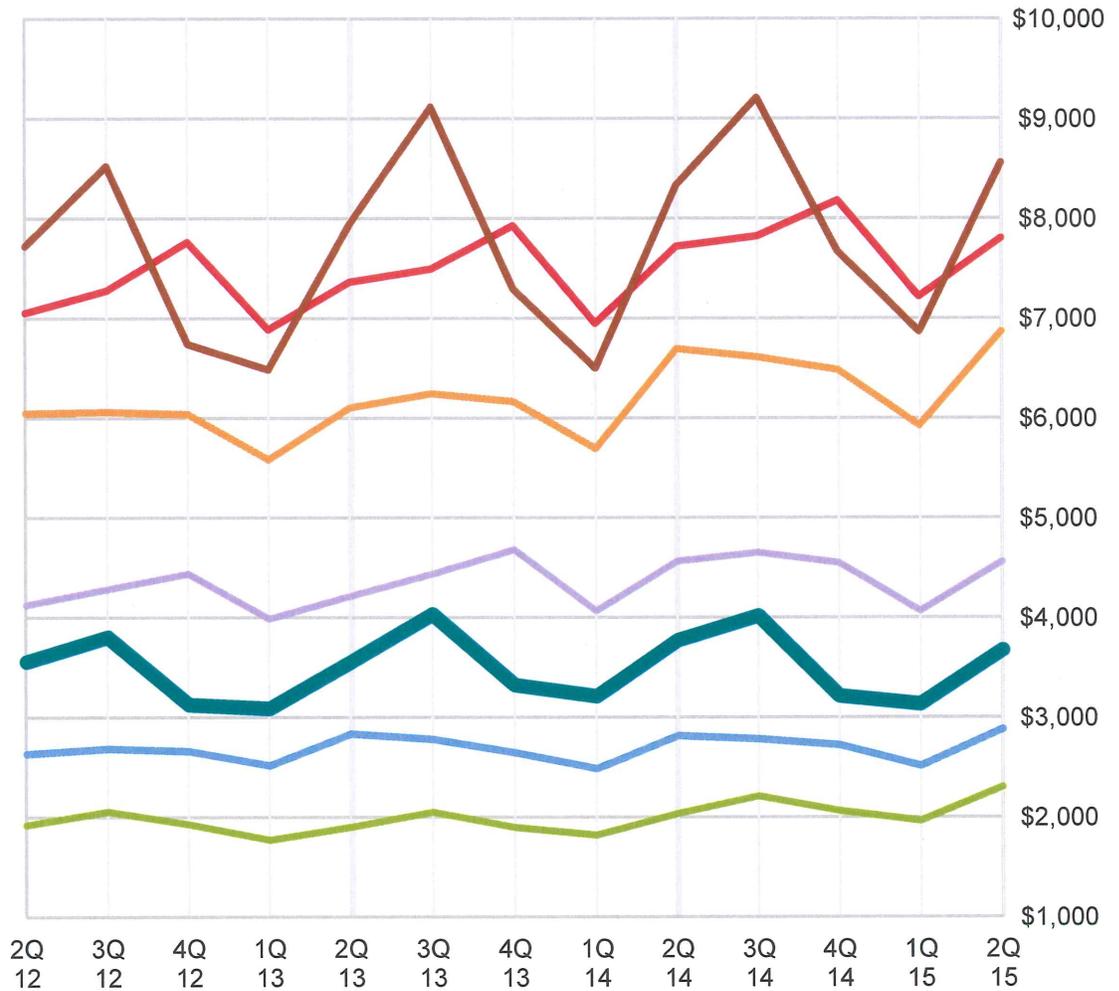
13 Quarter Trend: +1.1%



Periods shown reflect the period in which the sales occurred - Point of Sale

Per Capita Sales

Morro Bay	Count: 685
Atascadero	Count: 1,055
Paso Robles	Count: 1,733
Grover Beach	Count: 467
Arroyo Grande	Count: 859
San Luis Obispo	Count: 2,336
Pismo Beach	Count: 550



Per Capita Sales

Morro Bay
San Luis Obispo County
Central Coast
California



Regional per capita calculations based on partial data
 Periods shown reflect the period in which the sales occurred - Point of Sale

Business Types

Sales Tax by Business Types

Casual Dining

Count: 43

Service Stations

Count: 5

Quick-Service Restaurants

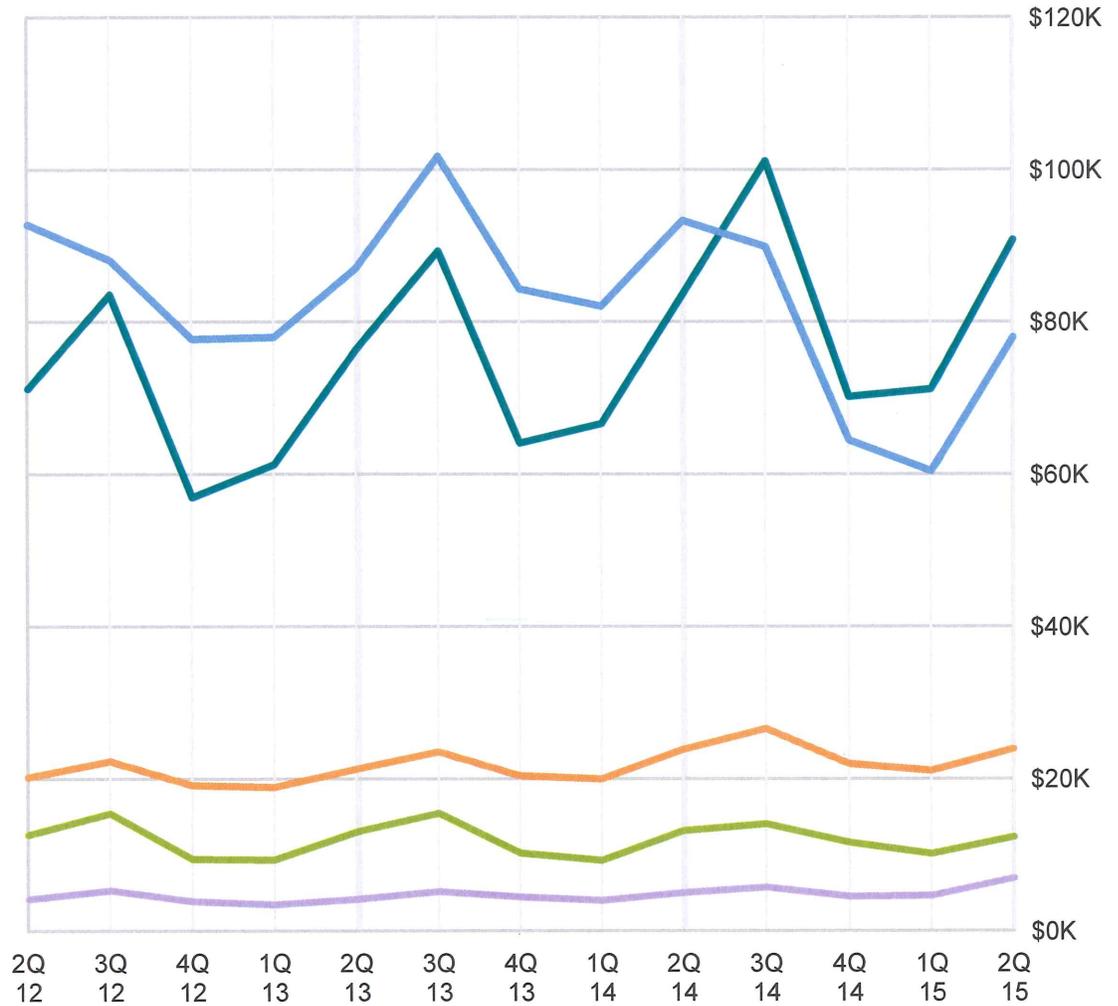
Count: 30

Art/Gift/Novelty Stores

Count: 52

Fine Dining

Count: 5



* Periods Shown Reflect the Period in Which the Sales Occurred - Point of Sale

Per Account sales



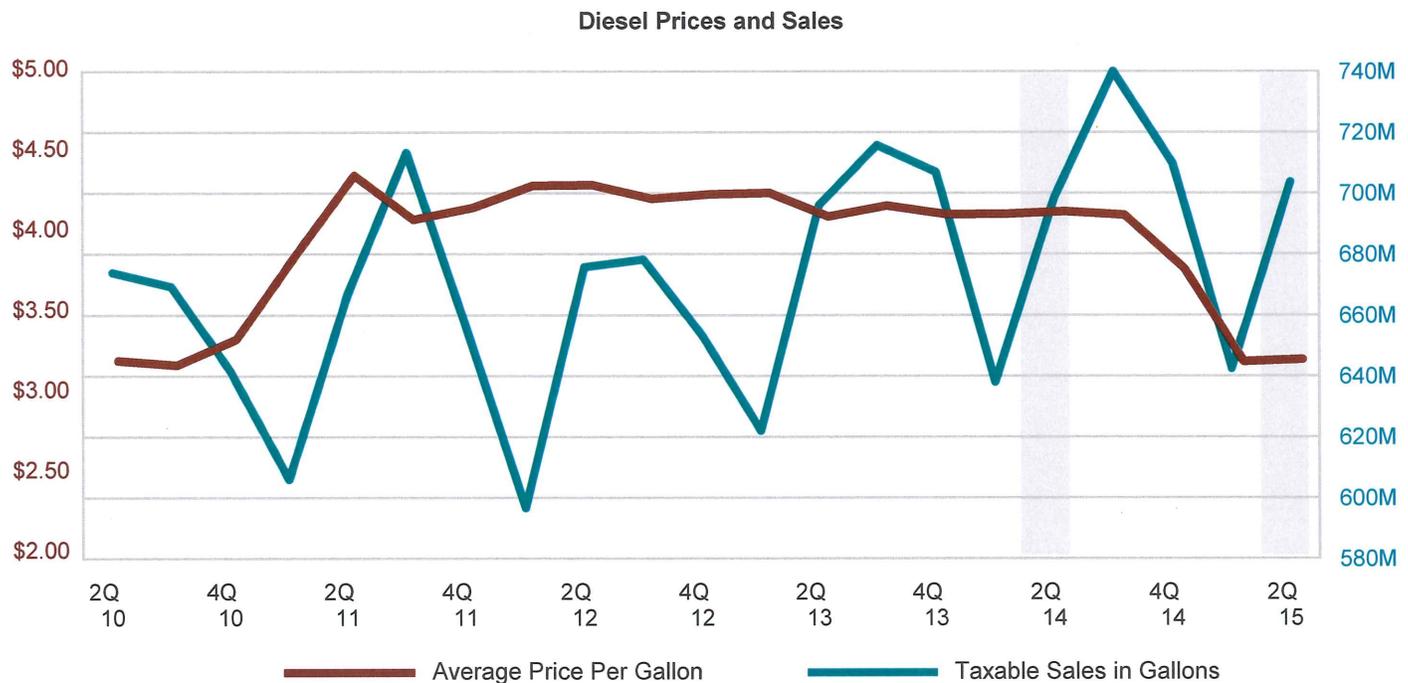
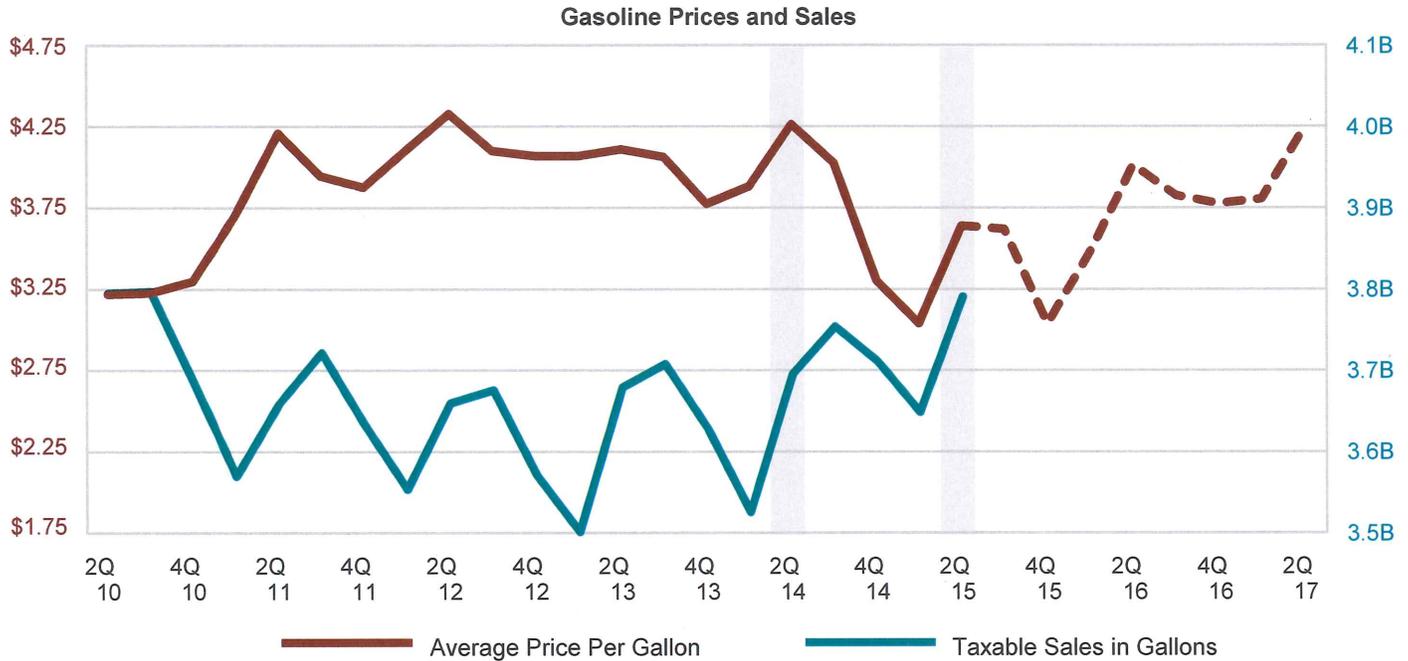
* Periods Shown Reflect the Period in Which the Sales Occurred - Point of Sale

Geographic Area	Count	Current Year			Prior Year 2Q 2014	2Q 2015	1Q 2015	4Q 2014	3Q 2014	2Q 2014	1Q 2014	4Q 2013	3Q 2013
		2Q 2015	% Chg.	% of Ttl.									
0001 - Embarcadero Retailers	90	90,826	4.7%	24.0%	86,787	90,826	69,844	71,744	105,384	86,787	63,977	67,735	101,066
0002 - Downtown Shopping District	92	26,718	-1.6%	7.1%	27,144	26,718	24,240	27,781	29,746	27,144	23,421	25,631	27,519
0003 - Quintana Rd Business Area	56	73,569	1.3%	19.5%	72,637	73,569	68,145	69,624	77,780	72,637	67,179	67,792	73,630
0004 - N. Morro Bay Business Area	39	35,069	-4.9%	9.3%	36,857	35,069	30,223	32,097	39,571	36,857	36,579	32,764	39,855
Totals For Listed Geo Areas	277	226,182	1.2%	59.9%	223,426	226,182	192,452	201,246	252,481	223,426	191,156	193,923	242,070
Totals For All Outlets	685	377,777	-2.3%	100.0%	386,749	377,777	322,161	329,442	412,020	386,749	329,008	340,077	412,856

* Businesses may be in overlapping geo areas. Totals may be greater than 100%.

Gasoline Data	2Q15	3Q15	4Q15*	1Q16*	2Q16*	3Q16*	4Q16*	1Q17*	2Q17*
Average Price Per Gallon	\$3.62	\$3.60	\$3.01	\$3.46	\$4.00	\$3.81	\$3.76	\$3.79	\$4.23
% Change from Prior Quarter	20.21%	-0.57%	-16.39%	14.95%	15.61%	-4.75%	-1.31%	0.80%	11.61%
% Change from Same Qtr Prior Year	-14.92%	-10.30%	-8.27%	14.87%	10.47%	5.83%	24.92%	9.54%	5.75%

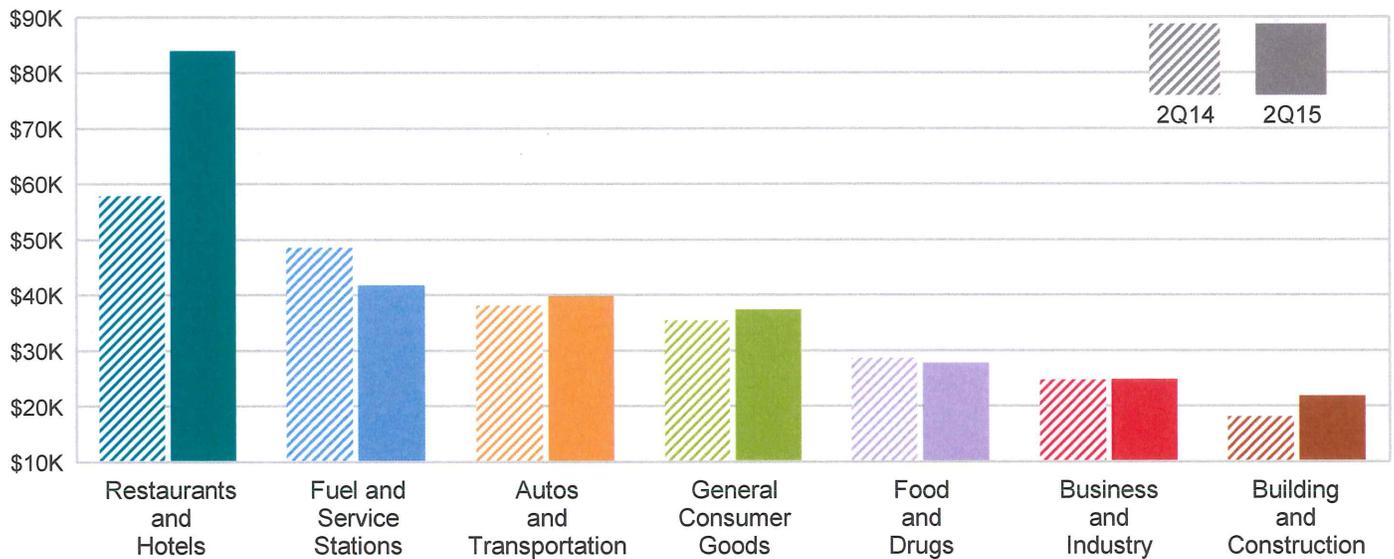
* - Estimate



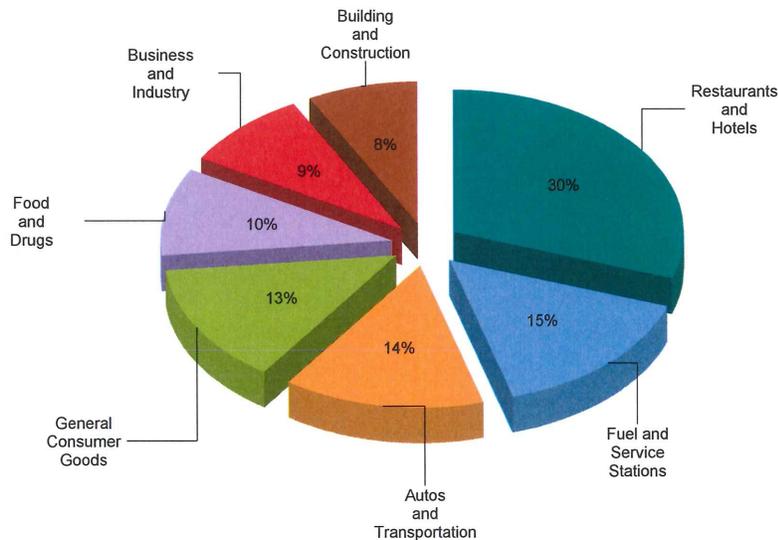
Sources: Board of Equalization, Energy Information Administration, The HdL Companies

Major Industry Group	Count	2Q15	2Q14	\$ Change	% Change
Restaurants and Hotels	33	83,993	57,802	26,191	45.3%
Fuel and Service Stations	14	41,599	48,476	(6,878)	-14.2%
Autos and Transportation	136	39,623	37,953	1,670	4.4%
General Consumer Goods	614	37,242	35,287	1,955	5.5%
Food and Drugs	22	27,581	28,521	(940)	-3.3%
Business and Industry	752	24,589	24,496	93	0.4%
Building and Construction	123	21,631	17,900	3,731	20.8%
Transfers & Unidentified	8	571	608	(37)	-6.0%
Total	1,702	276,828	251,043	25,785	10.3%

2Q14 Compared To 2Q15



2Q15 Percent of Total



CITY OF MORRO BAY MEASURE Q

TOP 25 BUSINESS TYPES LISTED BY ALLOCATION
2Q 2015 COMPARED TO 2Q 2014

ADJUSTED FOR
ECONOMIC DATA

Code	Business Type Description (Count)	AGENCY			HdL STATE		
		2Q 2015	2Q 2014	Change	2Q 2015	2Q 2014	Change
62	Service Stations (6)	39,355	46,795	-15.9%	126,983,903	149,199,011	-14.9%
35	Casual Dining (17)	32,720	43,164	-24.2%	63,771,639	60,663,226	5.1%
60	New Motor Vehicle Dealers (53)	22,147	22,278	-0.6%	152,296,554	139,928,432	8.8%
34	Grocery Stores Liquor (1)	CONFIDENTIAL		4.2%	38,977,505	37,920,327	2.8%
24	Quick-Service Restaurants (9)	11,984	11,859	1.1%	70,528,690	65,665,600	7.4%
51	Hardware Stores (10)	10,521	10,850	-3.0%	7,728,035	7,404,110	4.4%
41	Garden/Agricultural Supplies (6)	8,332	9,660	-13.7%	15,542,306	14,401,944	7.9%
03	Family Apparel (70)	7,317	7,070	3.5%	41,330,980	39,926,034	3.5%
27	Drug Stores (8)	7,208	6,970	3.4%	15,553,361	15,764,530	-1.3%
82	Contractors (89)	6,840	4,215	62.3%	43,780,476	39,787,499	10.0%
64	Used Automotive Dealers (16)	6,277	5,332	17.7%	22,137,578	19,486,452	13.6%
11	Art/Gift/Novelty Stores (20)	5,841	5,927	-1.4%	5,473,678	5,557,241	-1.5%
19	Specialty Stores (168)	4,851	3,945	23.0%	33,892,547	32,117,312	5.5%
61	Automotive Supply Stores (10)	4,820	4,924	-2.1%	17,565,012	16,976,490	3.5%
37	Fast-Casual Restaurants (0)	CONFIDENTIAL		-2.7%	10,907,693	9,903,686	10.1%
30	Home Furnishings (48)	3,695	4,935	-25.1%	28,226,581	26,559,964	6.3%
36	Fine Dining (3)	CONFIDENTIAL		37.3%	34,287,593	30,927,409	10.9%
22	Liquor Stores (3)	CONFIDENTIAL		11.9%	9,510,562	9,066,786	4.9%
28	Non-Store Retailers (71)	2,279	835	172.8%	3,143,382	2,630,244	19.5%
99	Light Industrial/Printers (209)	2,277	2,396	-5.0%	28,513,274	28,747,070	-0.8%
97	Fulfillment Centers (6)	2,260	1,763	28.2%	8,181,792	6,836,615	19.7%
12	Sporting Goods/Bike Stores (30)	2,229	1,812	23.0%	12,261,369	12,352,473	-0.7%
89	Business Services (80)	2,207	2,547	-13.3%	13,856,255	13,718,258	1.0%
31	Electronics/Appliance Stores (25)	2,098	2,038	2.9%	30,070,711	30,321,889	-0.8%
46	Fuel/Ice Dealers (0)	CONFIDENTIAL		115.3%	845,275	1,110,270	-23.9%
	All Others (744)	29,435	27,386	7.5%	552,761,037	541,372,521	2.1%
	TOTAL ALL TYPES (1702)	242,978	252,090	-3.6%	1,388,127,791	1,358,345,392	2.2%
Major Industry Groups							
	Autos And Transportation (136)	39,085	38,397	1.8%	249,472,431	228,425,643	9.2%
	Building And Construction (123)	21,028	18,088	16.3%	124,810,501	115,888,913	7.7%
	Business And Industry (752)	24,029	24,242	-0.9%	240,302,429	229,684,306	4.6%
	Food And Drugs (22)	27,531	26,072	5.6%	84,284,685	82,681,273	1.9%
	Fuel And Service Stations (14)	41,698	48,474	-14.0%	154,326,961	186,290,838	-17.2%
	General Consumer Goods (614)	36,450	34,185	6.6%	332,390,563	326,666,087	1.8%
	Restaurants And Hotels (33)	53,165	62,515	-15.0%	202,549,693	188,643,701	7.4%
	Transfers & Unidentified (8)	(8)	117	-106.8%	(9,473)	64,630	-114.7%
	TOTAL ALL GROUPS (1702)	242,978	252,090	-3.6%	1,388,127,791	1,358,345,392	2.2%
	TOTAL ALL BUSINESSES (1702)	242,978	252,090	-3.6%	1,388,127,791	1,358,345,392	2.2%
	ALLOCATIONS FROM COUNTY POOL	0	0	na			
	ALLOCATIONS FROM STATE POOL	0	0	na			
	GROSS RECEIPTS	242,978	252,090	-3.6%			

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AGENDA NO: VII

MEETING DATE: November 19, 2015

Staff Report

TO: Tourism Business Improvement District Board DATE: November 13, 2015

FROM: Sam Taylor, Deputy City Manager

SUBJECT: City Tourism Marketing and Promotions Management

RECOMMENDATION

TBID Advisory Board members should review this staff report outlining an alternative management model for City tourism marketing and promotions and provide a recommendation to the council regarding this model. The intent of this discussion is to make this alternative model the best it can be for the community and local stakeholders.

ALTERNATIVES

The Board could recommend the alternative management model as presented, modify this potential model, suggest a different management system for tourism marketing and promotions, or recommend doing nothing and keeping the existing contracted organizational system.

FISCAL IMPACT

City staff propose a commitment of \$300,000 in Transient Occupancy Tax funding into the City's largest economic engine: tourism marketing and promotions (staff recommends working up to this level of commitment over five years). The intent of this funding is to alleviate the administrative burden of this important function from the Morro Bay Tourism Business Improvement District (TBID) assessment funding, and to also provide for additional creativity and innovation related to the promotion of Morro Bay as a destination.

Please see the discussion section for additional detail.

BACKGROUND

City Council members adopted FY 15-16 Goals & Objectives that specifically called for staff to enhance economic development operations.

In particular, Goal 6G requires staff to:

“Evaluate, analyze and present to council alternate models for partnerships between the City and both the Chamber of Commerce (Chamber) and the Morro Bay Tourism Bureau (MBTB).”

During a September 22nd Council workshop, staff partially completed this goal by presenting an alternative model to Council whereby the City would manage its own tourism marketing and promotions directly using hired expert tourism staff, as opposed to the existing model of contracting out for this service to the Morro Bay Tourism Bureau.

During the workshop, council members asked staff to provide more detail on the alternative model, including the overall structure and plan for how this model would operate. This staff report seeks to provide full detail on the City managing its own tourism marketing and promotions.

DISCUSSION

As outlined previously, economic development enhancements are crucial to the long-term sustainability of the community.

During a recent financial and organizational study by Management Partners, the firm recommended that the City “Develop a proposal for integrating Tourism Bureau activities with City operations.”

Said Management Partners:

“Having a tourism department housed in city operations has several advantages, including enabling a city to have a coordinated approach to economic development. As Morro Bay’s economic development plan is being completed it will be important to review existing economic development policies to ensure they are still appropriate.”

An alternative model would specifically have expert tourism staff continuing to manage this important function of the City’s economic development strategy. City staff is proposing to offer employment through a contractual relationship to the existing Tourism Bureau staff, to ensure a smooth transition and continue the strong work of that staff, but also reduce redundancy of, and better coordinate, economic development initiatives. It is important to note that the TBID Advisory Board would be heavily involved in reviewing the success of this expert professional staff. City staff is proposing to outline via resolution the crucial elements of this overall plan, including providing for accountability measures that allow for assessment of the staff by the TBID Advisory Board as well as input on any potential new hires in the future. It is important that the City Manager receive this valuable feedback from our stakeholders.

Over the last year, the City has made a strategic investment in its economic development management and oversight in order to begin to work toward diversifying the City’s economy to ensure fiscal sustainability. The City went from having no staff focused on economic development to the hiring of staff specifically for that work. In addition, the creation of a rapid response economic

development team consisting of the city manager, deputy city manager and community development director was undertaken to aggressively focus on facilitating increased economic opportunity for businesses and the community. New economic opportunity will increase General Fund revenue in order to fund essential City services for all residents.

It is clear that the City's tourism marketing and promotions is a crucial leg of the City's economic development stool, which also includes business retention and expansion (and creation of new businesses in the City), and recruitment of businesses. Important efficiency opportunities exist to enhance tourism marketing and promotions so that direct management of this function allows for the contracted tourism staff members to better coordinate the City's overall brand management rather than only the tourism portion. A strong case can be made that the City's overall branding should be under one umbrella since the City's General Fund relies heavily on the 10% TOT collected to provide essential city services for all residents. Other efficiencies in an alternative model include the ability to enhance support of community events that promote both regional tourism and encourage overnight hotel stays as well as to ensure quick and efficient response to marketing and promotions opportunities. As of now, the City must actually ask for permission back from its contractor in order to receive tourism promotions and marketing funding for relevant projects. A more efficient system would provide for the City to make determinations about appropriate expenditures based on an adopted strategic tourism plan and annual work plan recommended by the TBID Advisory Board and approved by Council.

Four major benefits come out of this model and these efficiencies:

- Strategic alignment. Bringing the City's tourism marketing and promotions operations directly within the City structure will strategically align all economic development functions of the City.
- Cost savings. The City will be able to reduce administrative overhead of the Tourism Bureau organization. For instance, extraneous expenditures are no longer necessary for housing tourism staff, attorneys, IT, audits, or accounting. The City already provides these services. The Tourism staff of the City would reside in its facility at 695 Harbor Street. This represents a combined cost savings of \$20,000 to \$30,000 per year, which can further focus expenditure of TBID assessed funds into tourism promotions and marketing efforts.
- Reduce bureaucracy but maintain ability to act nimbly. There are multiple layers of governance now, with City staff focusing on economic development and working off the strategic planning framework of the Council, while a separate tourism office is working off the policy framework of the Tourism Bureau, a separate 501(c) (6) organization. The ability to respond quickly to marketing opportunities that arise will be enhanced by the fact that the City Manager has spending authority to provide for quick execution of budgeted economic development expenditures up to a threshold of \$125,000. As an example, the City was able to quickly commit to the Amgen Tour of California bicycle race because of this economic development efficiency and authority of the City Manager.
- Strengthen the connection with the TBID Advisory Board. This model allows the City to enhance the involvement of this advisory board in strategy determination for citywide

promotions and marketing. As of now, the TBID technically only meets quarterly for fiscal oversight, while all decisions about tourism marketing and promotions occur monthly through the Tourism Bureau board. This has caused questions in the community, with many people confusing these two bodies, which have different missions, but also have the same volunteer members serving on both boards. The alternative model retains the very important TBID Advisory Board, enhances their recommendation authority, streamlines communications and coordination with staff and council, and reduces community confusion.

This presented alternative model recommends that the City enhance tourism marketing and promotions by allowing for TBID assessment funds be focused on the task at hand and less on administrative costs. To that end, staff suggests a model similar to Pismo Beach's, in which the City sets a benchmark based on the most recent fiscal year's Transient Occupancy Tax (TOT) collections and establishes a goal to invest that amount into tourism promotion and destination marketing. It will take time to work up to the full goal amount, but there is a very good argument to having the City make a financial commitment to our most important economic development activity. TOT revenue directly funds essential City services for all residents.

FY14-15 TOT ended at \$2,914,607. Staff proposes setting the benchmark at 10 percent of this amount, rounding up to an even \$300,000. That is the goal amount we want to work up to as a City general fund investment in our most important economic development activity. The plan below has us reaching that target in five years if TOT increases at the minimum rate anticipated by our hotel professionals (8% annual increase).

The proposed calculation follows:

- The City will commit \$60,000 of Transient Occupancy Tax (a General Fund revenue source) to tourism marketing and promotions with the FY16/17 budget and that \$60,000 will serve as the base commitment.
- In subsequent years, 20% of TOT revenues above the current \$3,000,000 will be added to the base amount and directed to support tourism operations, while the remaining 80% of TOT increases remain in the general fund.
- General Fund support to tourism operations will cap, as noted above, at \$300,000.

FY	Projected TOT Revenue	20% of TOT above \$3.0M	GF Investment in Tourism Operations
FY14/15	\$3,000,000		
FY15/16	\$3,240,000	\$48,000	
FY16/17	\$3,499,200	\$99,840	\$60,000
FY17/18	\$3,779,136	\$155,827	\$159,840
FY18/19	\$4,081,467	\$216,293	\$215,827
FY19/20	\$4,407,984	\$281,597	\$276,293
FY20/21	\$4,760,623	\$352,125	\$300,000

In the annual budget process, Staff, TBID Advisory Board members and Council would determine how these General Fund expenditures would supplement the TBID assessment funds.

Following is a recap of the alternative model proposal:

- The City would no longer contract with the MBTB for its tourism marketing and promotions. Instead, the public aspects of tourism activities, including management of TBID assessed funds, would be executed internally by expert tourism staff. The expert tourism staff would report to the Deputy City Manager who is responsible for all aspects of economic development (see attached organization chart).
- Expert City tourism staff will manage all tourism marketing and promotions, including existing endeavors and work plan (to be reviewed and reaffirmed by the TBID Advisory Board and City Council), citywide brand management and destination-promoting projects to enhance Morro Bay's marketability to further encourage hotel stays, provide support for community events that also promote the destination of Morro Bay, and other activities to be outlined in the future based on a multi-year strategic tourism plan, the annual work plan/report, and ensuring the activities promote the destination of Morro Bay and will actively support lodging stays.
- Existing Morro Bay Tourism Bureau staff would be offered contracted employment as the City's expert tourism staff. City staff is hopeful the existing MBTB staff will accept employment by the city, ensuring a smooth transition from the current model to the proposed alternate model. A contracted relationship also reduces overall employment costs – an expressed concern of hoteliers – and ensures the duties are aligned with overall City economic development management.
- Retaining the crucial work of the TBID Advisory Board (the same people as Tourism Bureau, but one less layer of bureaucracy) will provide for nimble execution of adopted policies and work plans by expert tourism staff under direction of City Manager or their designee. The TBID Board would meet monthly to provide oversight and input on all tourism/destination related subjects, including areas of interest not currently under the auspices of the TBID Board, such as City branding, all events, and other destination-related items. The hotel and destination experts composing the TBID Advisory Board will also provide input to the annual evaluation of the City of Morro Bay's tourism manager and would be involved in assessment of any new hires related to this tourism manager position.
- Working with a 5-year goal to reach the full investment level (should TOT revenues increase at the pace expected by the hotelier community), the City intends to work up to an annual commitment of \$300,000 in General Fund revenues (10% of FT14/15 TOT) into tourism marketing and promotions. This allows for 100% of TBID assessment funds to be completely focused on programming for this endeavor as opposed to administrative overhead.
- The Tourism Division professionals would be provided with office space at 695 Harbor Street, co-locating this staff with the Chamber of Commerce for enhanced partnership.
- Expenditures will no longer be necessary for rent, utilities or telecommunications, and since the Tourism Division will be part of the City Staff, they will be able to rely on existing city

services for IT support, legal advice, financial and auditing support, saving further TBID assessed funds to focus on marketing and promotion.

- All agreements in place as of November 17, 2015 will be recognized by the City. This means the Tourism Bureau should not execute new agreements without direct City approval between now and May 2016.
- The City would assist the Morro Bay Tourism Bureau, a private, non-profit 501(c) (6) that it created, to wind down and no longer be in existence.
- The City will begin working with the business community on the future formation of an additional Business Improvement District related to restaurants and retail, and potentially other businesses depending on community conversations and stakeholder outreach. An additional bid will continue to enhance the overall economic engine of the community.

As of the writing of this report, staff has met with the owners or managers of hotel properties that account for about 46 percent of the hotel rooms in the community. Staff has scheduled numerous other meetings with hoteliers that will be occurring prior to this item appearing before the City Council for a decision.

The feedback so far from the hoteliers is that they would like progress and success to continue. Many are not overly concerned about the overall management model – only that we don't take a step backward. They are very focused on their businesses, and they do not want to see any reduction in the success of the City's tourism marketing and promotion, thanks to the creation of the TBID assessment itself. Since the creation of the TBID there have been two different management models.

There are hoteliers who do not support the City undertaking management of its own tourism marketing and promotions. We very much respect their thoughts on this issue, and have tried to address those concerns. We have invited suggestions and solutions on how to make this alternative model the best it can possibly be to respond to concerns, and many of the details of this plan reflect the feedback received.

Based on stakeholder feedback, staff has built an alternative that will be nimble, cost-effective, and provide for greater efficiencies in overall management of City tourism marketing and promotions, so as to reduce the redundant efforts in brand management, event management and support, and to encourage more initiatives that promote Morro Bay as a destination.

CONCLUSION

City Council members specifically asked staff to evaluate, analyze and report on an alternative City tourism marketing and promotions model. Staff has now completed this work, and will recommend the Council provide direction regarding how the City undertakes its tourism marketing and promotions efforts in the future.

TBID Advisory Board members should review this staff report outlining an alternative management model for City tourism marketing and promotions and provide a recommendation to the council

regarding this model. The intent of this discussion is to make this alternative model the best it can be for the community and local stakeholders. The TBID's recommendation will be brought to the City Council by staff during a planned January discussion and potential decision related to the City's tourism operations.

ATTACHMENTS

Tourism Operations Organization Chart

City of Morro Bay

Tourism Marketing & Promotions Operations Model

