



City of Morro Bay
595 Harbor Street
Morro Bay, CA 93442
(805) 772-6200
Online: morro-bay.ca.us

A VIEW FROM HARBOR STREET

September 3, 2015

Rethinking Tourism Promotion Models

By David Buckingham, City Manager



To become and remain vibrant, the City must constantly assess and optimize all of our activities and relationships - especially those that have a significant impact on our finances and most important services. Observers and participants in the City's recent budget process will recall, when compared to our requirements, City revenues are at least \$3 Million short. Another way to say that is to be able to pave all of our streets and maintain other important infrastructure and to keep our police, fire and harbor patrol operating at the current level of service; we need to grow our revenues by about 25 percent.

A sizable majority of City revenues comes from sales tax and transient occupancy tax. The sales tax of course is the 8.5 cents residents and visitors pay on each \$1 spent purchasing items at local businesses - from restaurants to retail shops to gas stations. The Transient Occupancy Tax is a 10-percent tax on the lodging bill paid by visitors who stay for overnight in our hotels, RV parks and vacation rentals.

Like in most cities, the Chamber of Commerce exists to encourage the growth and improvement of local businesses - benefitting our residents by increasing sales tax revenue used for general City functions. In Morro Bay, the City-established Tourism Business Improvement District (TBID) exists to encourage tourism, benefitting our tourism-related businesses - especially overnight lodging activities. Increasing tourism in Morro Bay through the assessment levied via the TBID also, benefits our residents and City, as TOT revenues increase with more overnight stays and higher room rates.

Considering the importance of our business community and tourism industry to the viability of the City, the City Council adopted the following important goal for this year: *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)*. Staff and Council are actively working on both facets of this goal.

The recent City decision to partner with the Chamber to provide Visitor Center services is an example of an "alternate model" for the partnership between the City and the business community represented by the Chamber. The City looks forward to other improvements in the City/Chamber partnership.

With the recent Visitor Center partnership approved and being implemented, City staff is now focusing on the second facet of the aforementioned goal - evaluating and analyzing alternate

models for the partnership between the City and the Morro Bay Tourism Bureau. The City Council will discuss that important issue at a Council study session on September 22. Following that study session, the Council may choose to consider the issue further, direct some change, or direct nothing change. The City hopes to get great public input on that issue - so keep reading, participate in the September 22 study session and let us know, anytime, your thoughts and ideas.

The Morro Bay TBID was created, through an official civic process, to provide a source of funds to improve tourism in the community. A goal of most tourism or lodging business improvement districts is to provide the most effective and efficient tourism marketing, lodging marketing and event and activity synchronization possible - not only for the lodging industry, but for the broader tourism "industry" as well. The idea is to promote the overall destination that is Morro Bay – or any municipality – and the result should be more people spending the night in local hotels, spending money at tourism-related businesses, and even increasing revenues for businesses that wouldn't normally be considered tourist-serving.

The Morro Bay TBID, is a public entity created under the authority of the City of Morro Bay, primarily by hoteliers rightly interested in improving the marketing of Morro Bay as a destination and our local hotels in particular. As a public entity, the City Council appoints the seven members of the TBID board and that board provides a similar service as the Public Works Advisory Board or Harbor Advisory Board - they are to advise the Council on the most efficient and effective use of the public funds generated by the TBID. State law provides the parameters for that relationship, as well as some other requirements, like the contents of an annual report to review the activities of the TBID itself.

The City receives TBID funds through a 3-percent assessment on overnight stays in Morro Bay hotels, RV parks and vacation rentals. That revenue can only be used for expenses that benefit the lodging industry - and for the general improvement of tourism in Morro Bay. When a visitor pays their hotel bill, a 3-percent assessment is added to their bill. That assessment is in addition to the 10-percent TOT tax. Unlike the restricted uses for the TBID 3-percent assessment, the 10-percent TOT taxes are general revenues to City..

Under the law, TBID-assessed funds are public monies and the City Council and certain staff have a binding requirement to ensure TBID funds are used appropriately. In short, the Council and staff have a responsibility to provide close oversight over every expenditure involving TBID funds. That is a crucial aspect of TBIDs. It can be easy to forget those are community funds that require thoughtful management by the City. They are not the funds of any specific business, or a group of businesses, and the City controls those funds.

Currently, the City has a contract with a private, non-profit entity, the Morro Bay Tourism Bureau, to provide all TBID-funded tourism related activities in Morro Bay. The Tourism Bureau was created by a past City administration, partly as a way to increase focus on tourism promotion without having City-staff do so. The current administration and Council, however, have placed a large focus on economic development, and have specifically dedicated staff to help enhance those types of functions. The arrangement specifies the City will turn over 98 percent of TBID assessed funds (a 2 percent administration charge is withheld) to the MBTB. The Bureau, as the City's contractor, then makes all decisions regarding the use of TBID assessed funds, which, last year, were about \$700,000. While the MBTB Board is composed of members of the TBID board, the MBTB staff is completely independent of any City oversight and reports solely to the MBTB. There is no direct relationship between the MBTB staff and the City staff.

A large number of California cities, and all cities in SLO County where tourism is a very important function, have a different model. By law, each retains the critical component of an official, Council-appointed Advisory Board with the responsibility to provide advice and advocacy on the use of TBID-assessed funds. Tourism staff in those cities, however, is part of the City staff. In the City of San Luis Obispo, for example, the Tourism Manager reports to the City's Economic Development Manager. In Pismo Beach, Executive Director of the Conference and Visitors Bureau is appointed by, and reports directly to, the City Manager. Paso Robles, Atascadero and Arroyo Grande all have similar models, including the important tourism function as a key component of economic development on the City staff.

Both of the above models have merit, and both are worthy of full evaluation and analysis. The MBTB model, for example, encourages our hoteliers to be heavily invested in the use of TBID-assessed funds. The SLO/Pismo model, while also allowing for closer staff and Council oversight of TBID expenditures, also ensures the City's vision, values and goals are nested with, and complemented by, the tone, flavor and direction of the City's tourism marketing activities.

The Council will be considering those questions at a special study session at 4 p.m. on September 22nd and we look forward to your thoughts and input as we continue to evaluate and analyze to identify the most efficient and effective model to provide exceptional destination marketing for the City of Morro Bay. Thoughtful consideration must be given not only to a model that continues to do well in regards to tourism promotion and helping our wonderful hoteliers enjoy new guests, but also ensures the fiduciary responsibility of the community government is guaranteed and completely transparent.

As always, your comments are deeply valued. You can contact Deputy City Manager Sam Taylor at staylor@morro.bay.ca.us, or send me an email at dbuckingham@morro.bay.ca.us.

Note: An abridged version of this editorial first appeared in Bay News on September 3, 2015.