CITY OF PACIFIC GROVE

300 Forest Avenue, Pacific Grove, California 93950

AGENDA REPORT

TO:	Honorable Mayor and Members of the City Council
FROM:	Catherine Krysyna, Assistant Finance Officer
MEETING DATE:	May 20, 2015
SUBJECT:	FY 2015-16 Hospitality Improvement District (HID) program
CEQA:	Does not constitute a "Project" under California Environmental Quality Act (CEQA) Guidelines

RECOMMENDATION

1. Determine whether written protests to the proposed assessment are received (and not withdrawn) from district businesses owners who pay 50 percent or more of proposed assessments.

2. If a majority protest is not determined, adopt a resolution that
   a. Approves the annual report;
   b. Levies the annual assessment for the district;
   c. Approves the recommended program for FY 2015-16;
   d. Appoints the HID Advisory Board for 2015-16
   e. Authorizes the City Manager to execute an agreement with the Pacific Grove Chamber of Commerce to administer the approved HID budget.

DISCUSSION

In 2007, the City established Hospitality Improvement District (HID), appointed an advisory board, and established an assessment for the District. The assessment is currently set at $4.00 per room night for full-service lodging establishments and $2.00 per room night for all others. At this time, half of the assessed amount is remitted as dues to the Monterey County Convention & Visitors Bureau (MCCVB) and half remains in Pacific Grove for HID purposes. Currently, Pacific Grove has no full-service hotels or bed and breakfast establishments collecting the higher per room night fee. (Pursuant to Resolution 12-014, full service accommodations are defined as "…generally mid-price, upscale or luxury hotels with a restaurant, lounge facilities and meeting space as well as minimum service levels, often including bell service and room service. These hotels report food and beverage revenue"). HID assessment revenues may be used only for the support and benefit of the hospitality economy of Pacific Grove.

At its May 6, 2015 meeting, the City Council approved a resolution of intent to levy the HID assessment for FY 2015/16 and set a public hearing for June 17, 2015 to consider the levy. California Streets and Highways Code Section 36525 provides that the District shall not be formed if written protests are received from the owners of businesses in the proposed area that will pay 50 percent or more of the assessments proposed to be levied. Staff advertised the public

hearing pursuant to relevant State and Municipal Code sections. Staff has received no protest petitions as of this writing.

The annual report (Attachment 1) reports on District revenues and expenditures for FY 2014-15, proposes a budget for 2015-16, and requests the levy of an assessment for 2015-16. No changes to HID boundaries are recommended for FY 2015-16.

City Council Resolution 07-044 (Attachment 2) outlines the requirements for levying the annual assessment for the District. Staff believes the terms of the Resolution have been met for FY 2014-15. For example, specific points of compliance include:

- *Process for Advisory Board Appointment*: Per the Resolution, the Chamber of Commerce facilitated a noticing of all properties in the HID and a meeting of the HID Advisory Board to fill Advisory Board seats that will expire on June 30, 2015. Results of the election from the Chamber of Commerce are included in the report, with the following recommended Advisory Board for next year:
  - Ed Flatley (Seven Gables Inn), term expires June 30, 2016
  - Victoria Arroyo (Sea Breeze Lodge), term expires June 30, 2016
  - Tim McGill (Asilomar Conference Grounds), term expires June 30, 2016
  - Amrish Patel (Centrella Inn), term expires June 30, 2017
  - Robert Boerner (Pacific Gardens Inn), term expires June 30, 2017
- *Contract with Chamber of Commerce for services* (Attachment 3): The City contracted with the Chamber of Commerce to administer the HID program in compliance with the plan approved by the City Council. The table below shows that the District's expenditures remained within the overall budget. Any unspent revenues will be retained by the Chamber for performance of the FY 2015-16 contract.

Category	Expenditure purpose	14-15 Budget	Actual through 3/31/15	Add'l to be spent by 6/30/15	Total FY 14-15 exp.
1. On-line Marketing	Web content management, Social Media, and on-line advertising	$50,000	$42,847	$6,200	$49,047
2. Support New Events	Support new local events	$3,000	$1,757	$	$1,757
3. Print Media	Advertising	$38,450	$47,415	$5,000	$52,415
4. Promotions and Signage	Marketing, advertising	$4,000	$5,105	$	$5,105
5. Research	Various	$18,000	$5,310	$	$5,310
6. Bookkeeping	Bookkeeping service	$2,200	$1,600	$	$1,600
7. Misc. expense, Education and office supplies	Misc. expense, Office supplies and education	$1,500	$147	$1,176	$1,323
8. Tourist Center	Center lease, operations	$49,650	$42,038	$7,000	$49,038
9. Tourist Center	Staffing, technology	$43,200	$30,405	$14,000	$44,405
TOTAL		**$210,000**	**$176,623**	**$33,377**	**$210,000**

- *Chamber of Commerce financial reporting:* The FY 2014-15 HID report from the Chamber includes a monthly bank statement for each period in which HID expenditure activity occurred.

Proposed FY 2015-16 HID program. Based on estimated revenues and the FY 2014-15 expenditure information supplied by the Chamber, HID resources available for FY 2015-16 will total $396,374 as shown in the table below. Of this amount, $210,000 is requested by the HID Advisory Board for expenditure in FY 2015-16.

HID Financial Summary
FY 2014-15 - FY 2015-16

	FY 2014-15	FY 2015-16
Beginning balance	$149,320	$186,374
Assessment revenues: 7/1/14 – 3/31/15	190,271	210,000
Misc. Deposit (Bank statement)	0	0
Add'l revenue: 3/31/13 – 4/24/13	* 56,783	0
Resources available	396,374	396,374
Expenditures: 7/1 – 3/30	176,623	
Est. expenditures: 3/15 – 6/30	33,377	
Total expenditures	210,000	210,000
Ending balance	$186,374	$186,374

- Amount of assessments collected as of 4/24/15

The HID Advisory Board recommends the following allocation of HID assessment revenues for FY 2015-16, which is forecasted to total $210,000:

Proposed HID Expenditure Budget for FY 2015/16

• Bookkeeping	$ 2,200
• On-line Marketing	35,000
• Marketing Support New Events	1,500
• Print media	35,600
• Promotions and Signage	20,000
• Research	7,000
• Lease & Operations(Information Center)	61,800
• Staffing (Information Center)	45,000
• Technology	900
• Misc. Expenses, office supplies	1,000
Total	$210,000

FISCAL IMPACT
None. Assessment revenues may only be used for district purposes. Therefore, the recommended $210,000 program has no impact on resources for City services.

ATTACHMENTS

1. Resolution establishing the Hospitality Improvement District for FY 2015-16
2. Resolution No. 07-044 (2007) Establishing the District
3. Contract with Chamber of Commerce for Services
4. FY 2014-15 annual report submitted by the Pacific Grove Chamber of Commerce on behalf of the HID Advisory Board

RESPECTFULLY SUBMITTED:

Catherine Krysyna
Assistant Finance Officer

REVIEWED BY:

Thomas Frutchey
City Manager

RESOLUTION NO. 15-xxx

APPROVING THE ANNUAL REPORT AND PROGRAM OF EXPENDITURES, ASSESSING THE LEVY AND APPOINTING AN ADVISORY BOARD FOR THE HOSPITALITY IMPROVEMENT DISTRICT FOR FISCAL YEAR 2015-16

1. The Council conducted a public hearing to consider the levy of the proposed Fiscal Year 2015-16 assessment for the Pacific Grove Hospitality Improvement District on May 20, 2015 at 6:00 pm; and

2. The City Clerk gave notice of the public hearing by causing the resolution of intention, adopted by the City Council on May 6, 2015, to be published in a newspaper of general circulation at least seven days before the public hearing; and

3. At the public hearing, the City Council heard and considered all protests against the fiscal year 2015-16 levy of assessments for the Pacific Grove Hospitality Improvement District, and the rules and procedures used in receiving and considering protests complied with those set forth in Streets and Highways Code sections 36524,36525 and 36534; and

4. Said Improvement Area Law provides, at California Street and Highways Code Section 36530, that the City Council may appoint an advisory board to make recommendations to the City Council regarding expenditure of revenues collected from District business owners, and to make recommendations regarding the method and basis of assessment levy; and

5. This council has requested the Pacific Grove Chamber of Commerce to recommend membership for the advisory board by process of the public nomination and election, and the Chamber has made recommendations that this council desires to follow.

NOW THEREFORE, BE IT RESOLVED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE:

1. The Council determines that each of the Findings set forth above is true and correct and by this reference incorporates those Findings as an integral part of this Resolution.

2. The City hereby levies and shall collect assessments for the Fiscal Year 2015-16 within the Hospitality Improvement District (HID), as described in Section 6.54 of the Pacific Grove Municipal Code.

3. There is no change in the boundaries of the district as established in the prior year and set forth in Section 6.54.030 of the Pacific Grove Municipal Code.

4. The Council approves the annual report prepared by the Advisory Board of the Pacific Grove Hospitality Improvement District.

5. The Council approves the Pacific Grove Hospitality Improvement District program for FY 2015/16, as follows:

Proposed HID Expenditure Budget for FY 2015-16

• Bookkeeping	$ 2,200
• On-line Marketing	35,000
• Marketing Support New Events	1,500
• Print media	35,600
• Promotions and Signage	20,000
• Research	7,000
• Lease & Operations (Information Center)	61,800
• Staffing (Information Center)	45,000
• Technology	900
• Misc. Expenses, office supplies	1,000
Total	$210,000

6. The City Manager is authorized to approve an agreement with the Pacific Grove Chamber of Commerce to administer the program for FY 2015-16.

7. The City Manager is authorized to approve mid-year amendments to the program and agreement with the Pacific Grove Chamber of Commerce within the total amount approved for the year.

8. Pursuant to California Streets and Highways Code Section 26530, the City Council hereby appoints the following (named with their business affiliations) as the advisory board for and on behalf of the Downtown Business Improvement District:

- Ed Flatley (Seven Gables Inn), term expires June 30, 2016
- Victoria Arroyo (Sea Breeze Lodge), term expires June 30, 2016
- Tim McGill (Asilomar Conference Grounds), term expires June 30, 2016
- Amrish Patel (Centrella Inn), term expires June 30, 2017
- Robert Boerner (Pacific Gardens Inn), term expires June 30, 2017

9. The advisory board hereby appointed is subject to all provisions of the Ralph M. Brown Act, and the board hereby is directed to comply therewith.

10. This Resolution shall become effective immediately following passage and adoption thereof.

PASSED AND ADOPTED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 20 day of May, 2015, by the following vote:

AYES:

NOES:

ABSENT:

APPROVED:

_____
BILL KAMPE, Mayor

ATTEST:

_____
SANDRA KANDELL, Deputy City Clerk

APPROVED AS TO FORM:

_____
DAVID C. LAREDO, City Attorney

RESOLUTION 07-044

A RESOLUTION OF THE CITY OF PACIFIC GROVE DECLARING ITS INTENT TO FORM AND CREATE THE PACIFIC GROVE HOSPITALITY IMPROVEMENT DISTRICT AND SETTING A PUBLIC PROTEST HEARING RELATING TO THAT FORMATION

WHEREAS, the City of Pacific Grove (City) desires to form a parking and business improvement district (designated as the Pacific Grove Hospitality Improvement District or PGHID) pursuant to California Streets and Highways Code 36500, *et seq.* for the benefit of hospitality establishments within the City; and,

WHEREAS, the purpose of the Pacific Grove Hospitality Improvement District Shall be to fund promotion, marketing activities, and physical improvements to support and improve the hospitality economy in Pacific Grove; and,

WHEREAS, the City Council desires to convene a public hearing to establish the Pacific Grove Hospitality Improvement District; and,

WHEREAS, the City Council intends this resolution to constitute and resolve its declaration of intent to establish the Pacific Grove Hospitality Improvement District in accord with Streets and Highways Code section 36500, *et seq.* and to adopt the rules and procedures of Streets and Highways Code sections 36524 and 36525 to govern its determination as to the existence or non-existence of a majority protest;

NOW, THEREFORE, THE CITY COUNCIL OF THE CITY OF PACIFIC GROVE DOES RESOLVE AS FOLLOWS:

SECTION 1. The City declares its intention to form a Parking and Business Improvement District pursuant to California Streets and Highways Code 36500, *et seq.*

SECTION 2. The name of Parking and Business Improvement District proposed to be formed shall be the "Pacific Grove Hospitality Improvement District." This District may occasionally be referenced as the "PGHID".

SECTION 3. The boundaries of the Pacific Grove Hospitality Improvement District are the same boundaries as the corporate boundaries of the City.

SECTION 4. The following definitions shall apply to this ordinance, and shall be used for all purposes by the Pacific Grove Hospitality Improvement District:

Accommodations Establishment. The term "Accommodations Establishment" shall refer to either a "Bed & Breakfast Inn", a "Motel", or a "Conference Lodging Establishment" as defined by this Section.

Bed & Breakfast Inn. The term "Bed & Breakfast Inn" shall refer to an establishment that meets the criteria set by Pacific Grove Municipal Code section 23.08.290.

Conference Lodging Establishment. The term "Conference Lodging Establishment" shall refer to any establishment that meets the criteria set by Pacific Grove Municipal Code section 23.08.160, has 300 or more guest rooms, and that offers special venues for meetings, conferences, and special events.

Motel. The term "Motel" shall include the term "Hotel" and shall refer to any establishment that meets the criteria set by Pacific Grove Municipal Code sections 23.08.030 or 23.08.160, but excluding there from any establishment that meets the definition of "Bed & Breakfast Inn" or "Conference Lodging Establishment" as set by this ordinance.

SECTION 5. Assessments levied under the Pacific Grove Hospitality Improvement District may fund promotion, marketing and physical improvements of property in accord with Streets and Highways Code section 36500, *et seq.* for the purpose of improving the hospitality economy of the City.

SECTION 6. Improvements and activities of the Pacific Grove Hospitality Improvement District shall be funded by assessments on all Accommodations Establishments within the PGHID. Except where the Council determines funds to be otherwise available, all improvements of activities of the PGHID shall be funded by the assessment set pursuant to this ordinance.

SECTION 7. An annual assessment shall be levied for the Pacific Grove Hospitality Improvement District upon new or existing Accommodations Establishment within the PGHID. New establishments shall not be exempt. The assessment shall be paid at the time the Accommodations Establishment pays transient occupancy taxes to the City. Accommodations Establishments that meet the criteria of "full-service" as set by the most recent report promulgated by Smith Travel Research, Inc. (STR Report) shall pay an assessment of $1.50 per occupied room per night. All other Accommodations Establishments shall pay an assessment of $1.00 per occupied room per night.

SECTION 8. The Council hereby sets a public hearing to establish the Pacific Grove Hospitality Improvement District on December 5, 2007 at 6:00 pm, or as soon thereafter as the item may be called, at City Hall, 300 Forest Avenue, Pacific Grove, California.

SECTION 8. Streets and Highways Code sections 36524 and 36525 sets forth rules and procedures that govern the filing of protests and the determination of a majority protest. The City shall apply the following procedures to determine the existence of a majority protest:

a. At the public hearing to hear such protests, testimony of all interested persons for or against the establishment of the Pacific Grove Hospitality Improvement District, the extent of the PGHID, or the furnishing of specified types of improvements or activities shall be heard. A protest may be made in writing or orally by any interested person. Any protest pertaining to the regularity or sufficiency of the proceeding shall be in writing and shall clearly set forth the irregularity or defect to which the objection is made.

b. Each written protest shall be filed with the City Clerk on or before December 5, 2007. The City Council may waive any irregularity in the form or content of any written protest, and at the public hearing may correct minor defects in the proceedings. A written protest may be withdrawn in writing at any time before the conclusion of the public hearing.

c. Each written protest must contain a description of the business in which the person subscribing the protest is interested sufficient to identify the business and, if a person subscribing is not shown on the official records of the City as the owner of the business, the protest shall contain or be accompanied by written evidence that the person subscribing is the owner of the business. A written protest which does not comply with this requirement shall not be counted in determining a majority protest.

d. If written protests are received from the owners of Accommodations Establishments in the proposed Pacific Grove Downtown Business Improvement District which will pay 50% or more of the assessments proposed to be levied and protests are not withdrawn so as to reduce the protests to less than 50%, no further proceedings to create the PGHID or to levy the proposed assessment, as contained in this ordinance intention, shall be taken for a period of one year from the date of the finding of a majority protest by the City Council. If the majority protest is only against the furnishing of a specified type or types of improvements or activities within the area, these types of improvements or activities shall be eliminated.

SECTION 9. Upon determination that a majority protest does not exist, the City Council shall be authorized to form the Pacific Grove Hospitality Improvement District, and may thereafter appoint an Advisory Board for the Pacific Grove Hospitality Improvement District. The proposed appointment process shall be by the following process:

a. Membership on the PGHID Advisory Board shall be limited to Accommodations Establishment owners, concessionaires representing Accommodations Establishments, or employees holding the written consent of the Accommodations Establishment, within the PGHID area. To sponsor a member on the PGHID Advisory Board, each Accommodations Establishments shall have fully paid its PGHID assessment at the time of appointment, and remain fully paid during the term of that representative's membership on the Board.

b. The PGHID Advisory Board shall be comprised of five (5) members. Two (2) members shall represent "Motels" as defined by this ordinance. Two (2) members shall represent businesses classified as "Bed and Breakfast Inns" as defined by this ordinance. One member shall represent businesses classified as a "Conference Lodging Establishment" as defined by this ordinance. If an Accommodations Establishment pays more than one-quarter of the City's total transient occupancy tax revenue, that Accommodations Establishment shall be entitled to one of the five seats on the PGHID Advisory Board.

c. PGHID Advisory Board members shall serve two-year terms, with appointments staggered at one-year intervals. The term for the two (2) members representing "Motels" and the term for the two (2) members representing "Bed and Breakfast Inns" shall each be staggered.

d. The PGHID Advisory Board shall be appointed by the City Council, following a nomination process facilitated by the Chamber of Commerce. Each February, the Pacific Grove Chamber of Commerce (Chamber) shall mail a letter to each Accommodations Establishment located in the PGHID. The letter shall announce the Chamber shall hold a meeting at City Hall for the purpose of conducting open elections for the PGHID Advisory Board seats that may be vacant or are scheduled to become vacant as of July 1 of that calendar year. The letter shall further notify each Accommodations Establishment of the Advisory Board selection process.

e. At the noticed meeting, the Chamber shall facilitate a selection process whereby any Accommodations Establishment representative meeting the qualification established in (b) above may be nominated for a seat on the Advisory Board. The Chamber shall conduct the election by secret ballot, and shall count ballots cast at that meeting or received by mail. One representative each Accommodations Establishment in the Pacific Grove Hospitality Improvement District shall be eligible to vote; votes may be cast in person at the meeting, or if the Accommodations Establishment representative is unable to attend the vote may be made by proxy, signed on behalf of the Accommodations Establishment. Each Accommodations Establishment shall be allowed one vote for each open seat.

f. Nominees receiving the most votes shall be deemed to have won the election. The Chamber shall verify the election results and forward the names to the City Clerk no later than April 30. If the results are not transmitted to the City Clerk on or before April 30, the Council shall appoint the PGHID Advisory Board members by the process set forth for appointing boards and commissions in Chapter 3.04 of the Municipal Code.

g. The City Council may accept or reject the election result as to any open seat. Should the Council reject the election result as to a seat, the Chamber shall forward another make a substitute recommendation. PGHID Advisory Board members shall serve at the pleasure of the Council. The Council may, by majority vote, remove any Advisory Board member with or without cause.

SECTION 10. It is proposed that the Pacific Grove Hospitality Improvement District Advisory Board shall meet at least two (2) times per year. The Advisory Board shall be deemed a "legislative body" for all purposes of the Ralph M. Brown Act, Government Code section 54950, *et seq.* Each meeting of the Advisory Board shall be open and public as required by that Act.

SECTION 11. It is proposed that the City Manager may authorize the Chamber of Commerce, by contract, to spend PGHID assessment revenues on behalf of the City provided each expenditure is made in accord with the Pacific Grove Hospitality Improvement District program and budget as approved by the City, and in compliance with all City purchasing regulations, or as otherwise set by ordinance.

SECTION 12. It is proposed that the PGHID Advisory Board shall prepare and file an annual report with the City regarding the Pacific Grove Hospitality Improvement District. The report shall, among other things, itemize improvements and activities for the fiscal year, state the cost of activities, the amount of surplus or deficit revenues carried over from a previous fiscal

year, and contributions other than assessments. The report shall meet the requirements of California Streets and Highways Code section 36533. The City Council shall review each report, and may approve the report as filed or modify any portion of the report and approve it as modified.

SECTION 13. It is proposed that after approving the annual report, the City shall adopt an annual resolution of intention to levy the assessment for that fiscal year, publish a notice and hold a public hearing on the assessment. This action may be taken by resolution

SECTION 14. This resolution is exempt from provisions of the California Environmental Quality Act ("CEQA") pursuant to CEQA Guidelines.

RESOLVED BY THE COUNCIL OF THE CITY OF PACIFIC GROVE this 7th day of November, 2007, by the following vote:

AYES: Bennett, Cort, Davis, Miller, Nilmeier, Stilwell

NOES: Cohen

ABSENT: None

APPROVED:

DANIEL E. CORT, Mayor

ATTEST:

CHARLENE WISEMAN, City Clerk

APPROVED AS TO FORM:

DAVID LAREDO, City Attorney

CITY OF PACIFIC GROVE
300 FOREST AVENUE
PACIFIC GROVE, CALIFORNIA 93950
TELEPHONE (831) 648-3100
FAX (831) 375-9863

July 1, 2014

Mr. Moe Ammar, President
Pacific Grove Chamber of Commerce
584 Central Avenue
Pacific Grove, CA 93950

Dear Mr. Ammar,

This letter, once signed by both parties, is intended to serve as the agreement between the City of Pacific Grove and the Pacific Grove Chamber of Commerce regarding the expenditure of Hospitality Improvement District (HID) revenues for FY 2014/15.

On June 18, 2014, the HID Advisory Board recommended and the City Council approved a program and budget of $210,000 for FY 2014/15 HID activities. This agreement reflects the approved activities.

Agreement:

1. The City of Pacific Grove will remit the revenues resulting from HID assessments during FY 2014/15 on a quarterly basis within 30 days of the City's due date for Transient Occupancy Tax payments from lodging establishments.

2. The Pacific Grove Chamber of Commerce will spend the transferred HID proceeds exclusively in the manner specified below:

HID Expenditure Budget for FY 2014-15

• Bookkeeping	2,200
• Marketing Support New Events	3,000
• On-line Marketing	60,000
• Print Media	43,450
• Promotions and Signage	4,000
• Lease & Operations (Visitor Center)	49,650
• Staffing	42,000
• Misc. expenses, office supplies.	1,500
• Research & Technology	4,200
Total	$210,000

Printed on Recycled Paper

3. The Pacific Grove Chamber of Commerce will prepare an annual report for the HID to be submitted along with the recommended program and budget for the following fiscal year. The report shall include, but not be restricted to, the following information:
    - Proposed changes to district boundaries
    - A report of all expenditures from the current year (amount and purpose of expenditure transaction and the budgeted activity to which the expenditure is attributable)
    - A statement reconciling the balances of all bank accounts holding HID revenues to the aforementioned expenditure report.
    - The amount of surplus or deficit revenues projected to be carried over from a previous fiscal year.
    - The amount of any contributions to be made from sources other than district assessments.
    - The activities and/or improvements, along with estimated costs, to be provided for the coming fiscal year.
4. Modifications to the spending plan reflected herein may only occur with the written approval of the Pacific Grove City Manager.

Signed:

Thomas Frutchey, City Manager
City of Pacific Grove

7-21-14
Date

Moe Ammar, President
Pacific Grove Chamber of Commerce

7/19/2014
Date

PACIFIC GROVE
CHAMBER OF COMMERCE
& TOURIST CENTERS

April 16, 2015

To: Catherine E. Krysyna
From: Moe Ammar
Subject: Pacific Grove Hospitality Improvement District Annual Report (HID)

In accordance with the City's approved agreement with Pacific Grove Chamber of Commerce (PGCC), I am submitting the HID annual report.

Election of Board Members

On Thursday, February 5, 2015, the chamber hosted a public meeting and invited all HID members. The purpose of the meeting was to entertain nominations of HID advisory board representatives. The following 2 innkeepers were elected to a two-year term from July 1, 2015 until June 30, 2017:

- Robert Boerner - Pacific Gardens Inn
- Amrish Patel - Centrella Bed & Breakfast Inn

They join the below 3 advisory members that are serving until June 30, 2016:

- Ed Flatley - Seven Gables Inn
- Victoria Arroyo - Sea Breeze Lodge
- Tim McGill - Asilomar Conference Grounds

For your information, the ordinance that created the HID stipulated that "a conference facility", in reference to Asilomar will have one representative on the board at all times.

Income/Beginning Balance

The beginning balance of the HID account was $149,319.74 on July 1, 2014. Total income so far is $190,271.

Expenditures & Detail

Total expense so far in 2014-2015 is $176,622.87
The HID expenditures have been invested in the below main areas:

A. Tourist Center

The Tourist Information Center at 100 Central Avenue continues to attract hundred of visitors that are referred to all Pacific Grove business districts. Since opening in May of 2011, the center revitalized the Central/Eardley business area. The public-private partnership has been well received by the business community and people of Pacific Grove. The center is predominately volunteer-driven with absolutely minimal staffing.

B Website & Social Media

Social media has emerged as the most effective method of reaching targeted market segments in a creative manner. The chamber's facebook page has 5,354 likes. The HID invested funds marketing Pacific Grove on facebook and other sites such the Northern California chapter of American Automobile Association. SF Gate is a promotional site in the greater San Francisco metropolitan area that has been

marketing Pacific Grove accommodation establishments. The HID also partnered with Laguna Seca Raceway to list Pacific Grove as an alternative lodging site.

C. Video Technology

The HID funded 2 promotional videos this year. Pacific Grove-Picture Perfect is an ariel video of the City's attractions, with emphasis on the natural beauty. The video was filmed using drone technology.

The second video is Pacific Grove-Butterfly Town, showcases the quality of life in the City. Images include the recreation trail, butterfly sanctuary, and the Butterfly Parade. Bicycling through town was an emphasis of the video that promotes alternative transportation. Both videos have been viewed by thousands of viewers on several YouTube channels.

D. Promotional Brochures

The HID funded the Pacific Grove walking tour brochure that focuses on architecture and history. The brochure is extremely popular and available at several visitor attractions and lodging establishments. The content of the brochure was developed by the Heritage Society of Pacific Grove.

Secondly, in light of the City's financial situation the HID paid for the City's brochure last year. In the past, it was funded by the City. The brochure is requested by visitors who stop by the Tourist Centers, event planner at Asilomar Conference Grounds and other area locations.

E. Advertising

Northern California and the Central Valley remain the top 2 feeder markets for Pacific Grove. Without a doubt, the City is well positioned in these 2 key strategic markets. Most advertising, print as well as social target these markets. In Northern California, the HID invested in the San Jose Mercury News and San Francisco Chronicle. In the Central Valley The Bee publications are the preferred media channels. The Travel Guide and Marketplace of VIA magazine generate several leads for Pacific Grove. The HID also invests in the electronic newsletter of the American Automobile Association.

F. Promotional Items

The HID funded wine glasses with the Point Pinos Lighthouse logo printed that were distributed to event planners and area hotels. Secondly, long sleeve shirts were distributed to all the lodging establishments. The shirts promote Pacific Grove and were distributed to event planners and repeat guests.

G. Distribution Service

The HID funded the distribution of the Tourist Guide to key locations in the county. Certified Rack Brochure Inc. is a company that specializes in the delivery of brochures in California. Furthermore, the Tourist guide was distributed in the rooms of Asilomar, Lighthouse Lodge, and Sea Breeze Lodge & Inn.

H. Measure U

In an effort to increase the number of hotel rooms in Pacific Grove, the HID retained EMC Planning Group to interpret Measure U that was passed by the voters in November 2013. The City and innkeepers needed a clarification on the lot coverage and compliance with Measure U. The HID funded EMC Planning Services.

I. Research

Last year the HID advisory board approved conducting an extensive research project that will identify the sources of visitors, analyze the demographics, and reasons for visiting Pacific Grove. The survey was conducted between December 1, 2014 and March 31, 2015. Locations selected to conduct the survey were the recreation trail in front of the American Tin Cannery, Lovers Point, and downtown. Several lodging establishments were included in the survey as well as the 2 tourist centers. Results of the survey will be presented at the City Council.

J. Familiarization Tour

During the holiday season and in conjunction with Christmas at the Inns, the HID hosted four travel writers on a familiarization tour of Pacific Grove. So far we enjoyed exposure on the Examiner travel website and radio show in San Louis Obispo.

Between now and the end of the year, we anticipate the following HID expenses:

Social media	$ 6,200
Tourist Center Operation	7,000
Staffing	14,000
Print media	5,000
Misc.	1,177
Total	$33,377

Outlook & Programs

In the last year, transient occupancy tax has exceeded the record level that was set in the year 2000. While the average room rates have increased, occupancy is not increasing at the same level. Presidential election years are not predictable. Travelers get distracted in the fall and are less likely to invest in vacations. The HID advisory board evaluated the marketing programs of the past 4 years. After careful analysis, the board is recommending programs and direction to the City Council that will further improve the City's economy.

Key goals of the HID in 2015-2016 are:

A. Establish a better working relationship with the Monterey Bay Aquarium on programs that will generate TOT.

B. Increase online marketing through networks that specialize in delivering custom digital solutions across every media platform online, display, mobile and social.

C. Produce marketing tools that support all lodging establishments presence online such as ariel videos.

D. Offer online marketing seminars to Pacific Grove innkeepers.

E. Further improve the services of the Tourist Information Centers. Upgrade the curb appeal of the Tourist Center at 100 Central Avenue and add flags of other nations.

F. Subsidize marketing offers that may not be affordable for small innkeepers.

G. Collaborate with major organizations that will benefit Pacific Grove such as Mazda Raceway-Laguna Seca, CourseCo Inc. and all special events that take place in the City.

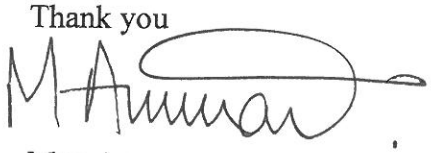
Reserves

The HID balance remains healthy. The advisory board decided to maintain a reserve balance in case of an emergency such as an earthquake, fire, or storm. Secondly. The lease of the Tourist Information Center at 100 Central expires in December of 2018. Most likely the property owners, the Work family will renew the lease. However the reserves are needed in case the center has to be relocated. Finally, the Monterey Peninsula will host the 2019 U.S. Open Golf Championship. U.S. Open years attract thousands to the peninsula. The HID will invest part of the reserves before and after the U.S. Open since most golf fans return to the destination for years.

Inventory

By the end of 2015, the number of vacation rental homes and AirBNB will reach over 200 units. That is approximately 20% of the number of hotel rooms in Pacific Grove. While the impact of the vacation rental market segment on hotel occupancy has not been analyzed, most likely it will present a future challenge to increase occupancy levels. Currently, the City of Monterey is considering allowing short term vacation rentals. The destination will develop a reputation that fosters and offers an alternative to hotel accommodation. Lodging establishments will face some level of competition from vacation rentals. Typically, hotel guests spend more in the local economy than vacation rental guests who select residential units that offer kitchen facilities. Vacation rental guests do not eat out as much as hotel guests.

Thank you



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Pacific Grove Hospitality Improvement
Profit & Loss Budget vs. Actual
July 2014 through March 2015

	Jul '14 - Mar 15	Budget	$ Over Budget
Ordinary Income/Expense			
Income			
Income	190,271.00	210,000.00	-19,729.00
Total Income	190,271.00	210,000.00	-19,729.00
Expense			
Bookkeeping	1,600.00	2,200.00	-600.00
Education	75.00	0.00	75.00
Marketing/Advertising			
Marketing Support New Events	1,757.00	3,000.00	-1,243.00
Online Marketing	42,846.72	50,000.00	-7,153.28
Print Media	47,414.78	38,450.00	8,964.78
Promotions and signage	5,105.19	4,000.00	1,105.19
Total Marketing/Advertising	97,123.69	95,450.00	1,673.69
Miscellaneous Expense	7.58	1,000.00	-992.42
Office Supplies	64.14	500.00	-435.86
Visitor Center			
Construction	86.25	3,000.00	-2,913.75
Contingency	194.72	400.00	-205.28
Furniture and Fixtures	358.54	2,250.00	-1,891.46
Landscaping	146.45	700.00	-553.55
Lease	25,568.67	37,000.00	-11,431.33
Lease Insurance	1,687.00	0.00	1,687.00
Lease Real Estate Tax	3,037.50	0.00	3,037.50
Operating Expense			
Alarm System	315.00	1,300.00	-985.00
Operating Expense - Other	10,643.38	5,000.00	5,643.38
Total Operating Expense	10,958.38	6,300.00	4,658.38
Research	5,310.00	18,000.00	-12,690.00
Staffing	30,277.45	42,000.00	-11,722.55
Technology	127.50	1,200.00	-1,072.50
Total Visitor Center	77,752.46	110,850.00	-33,097.54
Total Expense	176,622.87	210,000.00	-33,377.13
Net Ordinary Income	13,648.13	0.00	13,648.13
Net Income	**13,648.13**	**0.00**	**13,648.13**

Pacific Grove Hospitality Improvement
Balance Sheet
As of March 31, 2015

	Mar 31, 15
ASSETS	
Current Assets	
Checking/Savings	
Rabobank	178,551.87
Total Checking/Savings	178,551.87
Total Current Assets	178,551.87
TOTAL ASSETS	**178,551.87**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Due to/from Chamber	12,244.00
Total Other Current Liabilities	12,244.00
Total Current Liabilities	12,244.00
Total Liabilities	12,244.00
Equity	
Retained Earnings	152,659.74
Net Income	13,648.13
Total Equity	166,307.87
TOTAL LIABILITIES & EQUITY	**178,551.87**

Pacific Grove Hospitality Improvement
Balance Sheet
As of July 1, 2014

	Jul 1, 14
ASSETS	
Current Assets	
Checking/Savings	
Rabobank	149,319.74
Total Checking/Savings	149,319.74
Total Current Assets	149,319.74
Other Assets	
Prepaid Rent	4,000.00
Total Other Assets	4,000.00
TOTAL ASSETS	**153,319.74**
LIABILITIES & EQUITY	
Liabilities	
Current Liabilities	
Other Current Liabilities	
Due to/from Chamber	660.00
Total Other Current Liabilities	660.00
Total Current Liabilities	660.00
Total Liabilities	660.00
Equity	
Retained Earnings	152,659.74
Total Equity	152,659.74
TOTAL LIABILITIES & EQUITY	**153,319.74**

Pacific Grove Hospitality Improvement
Budget Overview
July 2015 through June 2016

	Jul '15 – Jun '16
Ordinary Income/Expense	
Income	
Income	210,000.00
Total Income	210,000.00
Expense	
Bookkeeping	2,200.00
Marketing/Advertising	
Marketing Support New Events	1,500.00
Online Marketing	35,000.00
Printing & Media	35,600.00
Promotions and Signage	20,000.00
Research	7,000.00
Total Marketing/Advertising	121,000.00
Miscellaneous Expense	1,000.00
Visitor Center	
Construction	4,500.00
Contingency	400.00
Furniture and Fixtures	1,800.00
Landscaping	700.00
Lease	38,000.00
Lease Real Estate Tax	3,100.00
Operating Expenses	
Alarm System	1,300.00
Other, PG&E, Water, Cable	12,000.00
Staffing	45,000.00
Technology	900.00
Total Visitors Center	107,700.00
Total Expense	210,000.00
Net Ordinary Income	0.00
Net Income	**0.00**