

CALL TO ORDER & ROLL CALL

1. The meeting was called to order at 3:03pm by Chair John Arnold with a roll call.

Present: John Arnold, Bill Roof, Alex Villicana, Kathy Bonelli, Paul Haught, Angela McKee, Rich Verruni

Absent: Margaret Johnson, Victor Popp

Staff: Stacie Jacob, Stephanie Bertoux

Public: Mayor Steve Martin (City of Paso Robles), Ty Lewis (City of Paso Robles), Paul Sloan (City of Paso Robles), Kelly Rankin (Civitas), Gina Fitzpatrick (Paso Robles Chamber of Commerce)

AB361

2. Consider Resolution 21-002 to Invoke AB361 for Virtual Meetings.

MOTION: Approve the Resolution 21-002 as presented. It was moved by Bill Roof, seconded by John Arnold, and passed 7-0 with a roll call vote.

PUBLIC COMMENT

3. No public comments received.

ANNOUNCEMENTS

None

CONSENT AGENDA

4. Travel Paso Executive Committee Meeting Minutes from December 8, 2021

MOTION: Approve the Consent Agenda as presented. It was moved by Alex Villicana, seconded by Rich Verruni, and passed 7-0 with a roll call vote.

NEW BUSINESS, UPDATES & DISCUSSIONS

Imperative #1: Actively Lead the Tourism Community in Paso Robles

5. San Jose Earthquakes Sponsorship: Stacie Jacob reported that she has been in contact with Gordon Kane, Director of Partner Management, from the San Jose Earthquakes following the November Board of Directors meeting. He has offered some new incentives for the 2022-2024 MLS seasons that are focused on meeting Travel Paso's goal of engaging corporate meetings and travel planners. The Board reviewed and discussed the additional benefits listed in the updated [Term Sheet](#). Travel Paso will have the option to opt out of the contract at the end of the first year in December 2022.

MOTION: Approve a one-year contract with the San Jose Earthquakes based on the new term sheet as presented. It was moved by Paul Haught, seconded by Rich Verruni, and passed 7-0 with a roll call vote.

Imperative #2: Build and Nurture a Sustainable Destination Marketing Organization

6. PRTID Renewal: Stacie Jacob and John Arnold reported that they met with City Manager to discuss the PRTID Renewal. The City requested that the following items be addressed and/or amended in the MDP. Items Requested from the City of Paso Robles:
 - a. Remove bonding ability
 - b. 2% Assessment, ability to increase to 3% with written approval of City Council
 - c. Short Term Rentals: Recurring assessment of STR market (amount and need), determine licensed/unlicensed STRs and audit TOT remittance (study whether licensed STRs are paying TOT as required/mandated).

- d. Bring forward a proposal/budget (between 10 and 20%) to invest in local projects with a nexus to lodging and tourism. Suggestions include projects to improve safety, appearance, and accessibility to areas frequented by unhoused populations.
- e. Adopt the City's procurement policy to ensure transparency surrounding contracts and finances.
- f. Submit to regular inspection and audit of finances related directly to the TBID.
- g. Provide a detailed accounting of expenses related to salaries and staffing.
- h. Explain how an assessment based on room rental rates correspond to proportional benefit/cost of service, where the services funded with the assessment are the same regardless of business or room rental rates?
- i. Section VI: Does the 15% apply to marketing and visitor services, or also administration and contingency? This seems like a significant amount that can be adjusted. How is the authority to fluctuate exercised? This should be by joint agreement of the City/PRD.
- j. Section VII: Overall, this section of the report should include more specific details as to the specific activities to be funded, and how those provide specific benefits/privileges/services directly to the payor. The description makes sense but is somewhat general. Additionally, the other part of Prop 26 is a requirement that the report demonstrate that the way the assessments are imposed bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. Explain how an assessment tied to room rate, which pays for the same services regardless of room rate, meets this burden. At the very least, the report needs to explain how this prong is met.
- k. The City shall have the right, with reasonable notice, to inspect the records of the PRD relating to the PRTID, in order to determine whether funds collected from the assessment are spent in accordance with the Plan.
- l. PRD shall prior to contracting or procuring any goods, services, or materials, shall comply with the City's contracting and procurement procedures.

The Executive Committee conceptually discussed each item at their meeting on December 8, 2021, and directed Kelly Rankin, from Civitas, to prepare a draft response for review by the Board. Stacie Jacob and Kelly Rankin reviewed the [draft response](#) with the Board (attached). Ty Lewis, City Manager, answered questions and provided clarification on some of the items requested by the City. After discussing the draft response, the Board did not make any substantive changes, but directed Stacie Jacob and Kelly Rankin to clarify and amend the following and submit a formal, written response to the City:

- a. Response #2: Clarify the process for increasing the assessment
- b. Response #3: Add in language to the effect that the PRTID will work in partnership with the City to support accurate tracking and reporting of vacation rentals especially those operating illegally within the PRTID boundaries in accordance with the Management District Plan and as permitted under the '94 law.
- c. Response #4: Add in language to the effect that the PRTID proposes to work collaboratively with City staff and members of City Council to develop a specific Visitor Services criteria. These criteria can serve as a direction to provide equal input and make recommendations to the Owner's Association/Board of Directors for final project approval while working in alignment with the MDP, with a goal of fostering the public/private partnership.

The Board decided to table the approval of amendments to the MDP until the next round of comments is received from the City and discussed at the January 2022 Board meeting.

ADJOURNMENT AT 4:47pm

MOTION: Adjourn the meeting at 4:47pm. It was moved by Alex Villicana, seconded by Paul Haught, and passed 7-0 with a roll call vote.

NEXT MEETING IS SCHEDULED FOR JANUARY 18, 2022, at 3pm

Travel Paso PRTID Renewal
Key Discussion Points from City of Paso Robles

1. Remove bonding ability **Ok**
2. 2% Assessment, ability to increase to 3% with written approval of City Council - **as described in section VII, 2nd paragraph, any changes in the assessment rate will occur through the annual report process which is approved by City Council. We will add language to the MDP to make this process clearer.**
3. Short Term Rentals: Recurring assessment of STR market (amount and need), determine licensed/unlicensed STRs and audit TOT remittance (study whether licensed STRs are paying TOT as required/mandated). **The TID can't accept responsibility to audit or hold any responsibility for TOT remittance; this is strictly the City's purview to enforce. There is language on Page 14 of the MDP that allows the City to be reimbursed for any costs associated with collecting the TID assessment, or portion of costs if collecting TOT in the same manner. For STR compliance efforts, we recommend Granicus (formally Host Compliance) to monitor STR compliance; the County also utilizes their service.**
4. Bring forward a proposal/budget (between 10 and 20%) to invest in local projects with a nexus to lodging and tourism. Suggestions include projects to improve safety, appearance, and accessibility to areas frequented by unhoused populations. **As a reminder, the State Constitution (Proposition 26) requires that all assessment funds be used on programs that provide a "specific benefit" to the payors (the hotels) that is not provided to those not charged the assessment. The specific benefit provided to hotels, in this case, is room night sales. Of the 100+ districts in CA there have been two districts that have been the subject of lawsuits related to the specific benefit requirement. The difficulty with funding the type of improvements you mentioned would be determining how to argue that the improvements provide a specific benefit to only those who are assessed, which in our case are lodging businesses, as required by the Constitution. You can make arguments for some improvements as to how they benefit those who pay, but if the district gets a legal challenge the improvements you are proposing could be difficult to defend. We cannot predict whether the Court would find that they meet the requirements of the Constitution. Because of the uncertainty and additional risk presented by funding these improvements, we would respectfully not recommend including them. Currently, the TID funds Visitor Services which are designed to improve the visitor experience, and we agree to have discussions with the City regarding the projects this service can provide which directly and only benefit the payors.**
5. Adopt the City's procurement policy to ensure transparency surrounding contracts and finances. **Per the 94 law, the Owners' Association is subject to the Brown Act and Public Records Act, so all documents and meetings shall be transparent. Furthermore, the 94 Law requires the Owners' Association to present an annual report which details the estimated budget and services funded by the assessment and other financial details (see section IX of MDP).**

6. Submit to regular inspection and audit of finances related directly to the TBID. Any requested audit language typically lives in the contract between the TID and the City, whereas the MDP focuses on TID services, assessment structure, governance, etc.
7. Provide a detailed accounting of expenses related to salaries and staffing. – See above answer regarding the Public Records Act and annual report requirements. Please note only salaries and staffing relating to TID costs are subject to this.
8. Explain how an assessment based on room rental rates correspond to proportional benefit/cost of service, where the services funded with the assessment are the same regardless of business or room rental rates? Our assessment rate is a percentage of room rental revenue, which creates a level playing field for all size hotels. For example, although a larger hotel may be paying a higher amount in assessments, they are also receiving a higher amount of revenue due to room night sales generated through the TID having a higher Average Daily rate (ADR). Additionally, they'd likely benefit more from the sales programs provided by the TID, such as lead generation activities to bring in groups and meetings, than a smaller hotel would as small hotels cannot accommodate larger groups and most likely don't have meeting space. This has been the structure of the TID, supported by the hotels, for the last 5 years. Either way, we will add additional language in the MDP around this issue.
9. Section VI: Does the 15% apply to marketing and visitor services, or also administration and contingency? This seems like a significant amount that can be adjusted. How is the authority to fluctuate exercised? This should be by joint agreement of the City/PRD. This potential adjustment in the budget allocation would also be included in the annual report, which is approved by City Council. We can add additional language in the MDP to make the process clearer. This is a standard best practice which you'll find in the majority of MDPs. With the proposed renewal term being 10 years, we want to allow the district to have flexibility to avoid having a budget allocation that can't be adjusted in future years. For example, maybe a couple years down the road the district might not need as much money going towards Admin, so they may adjust the budget allocations to provide for additional marketing. Again, this is a standard practice.
10. Section VII: Overall, this section of the report should include more specific details as to the specific activities to be funded, and how those provide specific benefits/privileges/services directly to the payor. The description makes sense, but is somewhat general. The MDP is meant to provide a roadmap for activities and programs that can be funded by the TID. It's then up to the Owners' Association Board to develop more detailed marketing budgets each year based on the needs of the district at that time. We avoid putting specific programming activities in the MDP as to allow for flexibility over the 10-year term. The specific services will be outlined in the forward-looking annual report and once approved by City Council, is available to payors.

Additionally, the other part of Prop 26 is a requirement that the report demonstrate that the way the assessments are imposed bear a fair or reasonable relationship to the payor's burdens on, or benefits received from, the governmental activity. Explain how an assessment tied to

room rate, which pays for the same services regardless of room rate, meets this burden. At the very least, the report needs to explain how this prong is met. **OK. We can add the below language around this issue in the next version of the MDP for your review.**

The assessment was calculated based on the total cost of the activities to be provided for the benefit of the businesses within the PRTID, with costs allocated based on the proportional benefit conferred to each business. Activities funded by the PRTID are specifically targeted to increase room nights at assessed businesses. All room night sales do not represent the same benefit to the payors. For example, a higher-priced room night is of greater benefit than a lower-priced room night because the assessee derives greater revenue. To account for this benefit differential and to make sure the benefits are proportional, an assessment formula based on a percentage of revenue has been selected. The proposed formula accurately reflects greater benefit to assessed businesses with higher-priced room nights.

11. As mentioned above: Inspection Rights

The City shall have the right, with reasonable notice, to inspect the records of the PRD relating to the PRTID, in order to determine whether funds collected from the assessment are spent in accordance with the Plan. **Ok. The City holds two ex-officio positions on the board, and we invite you to attend meetings. And most importantly as I already mentioned, the district is subject to the Brown Act and Public Records Act for transparency purposes.**

12. Contracting and Procurement

PRD shall prior to contracting or procuring any goods, services, or materials, shall comply with the City's contracting and procurement procedures. **Please see above response to this comment. This can be detailed in the contract between the City and Owners Association.**