# TOWN COUNCIL STAFF REPORT

Title: Joint Meeting with Mammoth Lakes Tourism – Tourism Business Improvement (TBID) Focus.

Meeting Date: April 5, 2023

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## RECOMMENDATION:

Staff is seeking agreement to proceed with the renewal of the Tourism Business Improvement District (TBID), consensus on policy questions raised in this report, and consensus to work with Mammoth Lakes Tourism (MLT) and other partners on implementation of the Management District Plan (MDP).

## BACKGROUND:

The current Mammoth Lakes TBID is set to expire on August 31, 2023. The TBID is managed pursuant to a contract with MLT who is charged with the implementation of the MDP. The MDP sets forth the statutorily required contents of the district plan (see section 36622 of the statute, page 23 of the draft plan), including but not limited to the following summary of contents:

- A map of the district.
- The name of the district.
- The boundaries of the district.
- The improvements, maintenance, and activities proposed for the district and costs.
- The total amount of annual assessments to be levied and the assessment rates.
- Time and manner for collecting the assessments.
- The number of years the assessments will be levied (not to exceed 10 years for renewal).
- Rules and regulations to be applied to the district.
- Any other item or matter required to be incorporated by the Council.

The draft Management District Plan complies with the requirements as prescribed in the Statute. The TBID is created under the California Streets and Highways Code, Division 18. Parking. Part 7. Property and Business Improvement Law of 1994 (as amended), sections 36600 through 36640. A copy of the statute is provided in the MDP. The MDP is substantially the same as the two previous Management District Plans. Each MDP has been updated to reflect any changes in State law and refined to reflect the proposed use of funds generated and activities undertaken. The proposed MDP for the next term of the TBID has also been refined to better reflect operations and to articulate the activities to be supported by assessment revenues more clearly.

## ANALYSIS:

The TBID is a specific type of District the Town (City, County, etc.) is authorized to create under State Law. The statutory section of the California Government Code providing for the District creation is provided as an attachment to the Management District Plan. The creation of the District is a function of the Town Council. However, it may only be created with consent of those businesses that will be paying the levied assessments to support the activities of the District. The role of the Town Council is to review and ultimately adopt the required resolutions to form the District and the adoption of the Management District Plan (MDP).

The MDP speaks to the activities supported by the TBID. The success of TBID over the past nine plus years is evidenced in increased tourism resulting in increased financial activity within the Town of Mammoth Lakes. Since the inception of TBID and additional marketing efforts, the Town has realized a significant increase in Transient Occupancy Tax. The Town has also realized additional revenue generated from and increased spending on taxable items and other activities within Town businesses. The TBID Funding Analysis Report prepared by Tourism Economics walks through the financial impacts related to visitor spending in Mammoth Lakes. A copy of the report is attached to the MDP.

While several macro and micro economic factors impact the number of visitors to Mammoth Lakes the one key factor in that equation is the marketing (in all forms) done to attract visitors to Mammoth Lakes. This is done through the TBID and other efforts by MLT and numerous businesses within the community. The fact that TBID funding is used to successfully influence people to visit Mammoth Lakes needs to be acknowledged. Understanding to what level, means and measurement for success, and funding for specific activities, needs to be addressed. The first policy discussion for the Town Council and MLT Board is on the use of the TBID as the appropriate means to support tourism. If the answer is yes, then the discussion can move to the policy questions regarding how the funds generated are to be used to directly benefit those businesses that collect and remit the assessments, as required by the MDP.

**Policy Question 1**. Is there general agreement that the use of the Mammoth Lakes Tourism Business Improvement District is a viable means to induce visitors to support the community's tourism-based economy? If it is an appropriate means to support the local economy by providing specific benefits to the businesses who pay the TBID assessments, then the policy questions focus on the use of the assessment generated revenues. The term of the TBID should also be discussed as it is currently proposed for 10 years, which is the maximum term of a renewal.

The purpose of the TBID since inception has been twofold:

1) To increase funding to support sales, marketing, communications, and media relations efforts to promote assessed businesses as tourist, meeting, and event destinations.
2) To provide a consistent and reliable funding source for air service subsidies. The majority of passengers arriving to the Mammoth Lakes area are destination

visitors and, on average, stay longer and spend more per visit than the drive market visitor.

The TBID budget is split between these two purposes with 47.6% going to the first purpose and 45% going to the second. The budget also includes 5.4% for contingency/reserve and 2% fee paid to the Town. The base budget estimate for the TBID is $6,668,250 (See page 7 of MDP). This allocation represents the Annual Service Plan for the District.

**Sales, Marketing, Communications, and Media Relations (Marketing)**

The Marketing element of the TBID has a substantial amount of flexibility and represents funding of the core mission of MLT, which was established by the Town to be the marketing arm for the Town. This was done in part to move these functions out of Town Government to allow the business community greater oversight and governance authority over a separate entity, e.g. MLT. This allows the MLT Board to hire staff with the skills and abilities to effectively market the community, and to have greater flexibility operating as a separate entity. MLT is often referred to as an NGO or Non-Governmental Organization. The Town provides broad oversight through a contractual relationship, but is not in charge of the day-to-day operations or policy direction of the organization. The initial funding structure for MLT was primarily through the Town allocation of a portion of Transient Occupancy Tax revenues. This funding structure has been modified over time due to a number of factors, with one of those being the creation of the TBID. A separate discussion on non-TBID funding of MLT will be presented as part of the Town Budget development process.

TBID has created a dedicated funding stream to support marketing efforts. The legislative requirement of the TBID is for funds to be used to confer specific benefits upon the assessed businesses located within the District. The language of the MDP and the activities undertaken by the District are structured to meet this legislative requirement. There is also a requirement that the assessments levied in the District be based on estimated benefit to the businesses. The District Plan achieves this through the tiering and defining of the different types of businesses. With the overall benefit to those businesses being assessed linked to support provided by visitors to Mammoth Lakes with the goal to enhance the total number of visitors and repeat visitors tied to the experience and value added benefits of those visiting.

As noted, the structure of the activities under ‘Marketing’ are designed to be broad (Page 8 of the MDP). The activities include traditional marketing efforts, including the concepts of sales, communications, and media relations and supporting activities. Value added elements that have been enhanced over time include support for special events marketing, event development, ‘environmental stewardship’ education to destination visitors, and development of tourism-related infrastructure to increase destination visitation and create or enhance visitor experience. In keeping with the legal structure of the TBID the support for activities often includes support from non-TBID funding to offset benefits beyond those incidental to those businesses paying the assessment. This also supports the allocation of MLT staff operations and personnel costs.

**Policy Question 2.** In considering the renewal of the TBID is the Council confident that businesses supporting the TBID are receiving a benefit from the implementation of the activities called for in the MDP? To assist in answering this policy question, a few questions need to be considered.

- Is the structure of the marketing activities of the TBID achieving the desired outcomes and providing a direct benefit to those businesses paying the assessments and is it generally proportional to the amount assessed?
- Are local business who are paying the assessment receiving a benefit from the increased number of visitors and/or increase in spending supporting their business at increased level?
- Is the overall enhanced number of new and repeat visitors coming to the destination and the resulting economic activity meeting the intent of the TBID?
- Is the examples of the activities that may be undertaken adequate to ensure proportional direct benefits are being created for the assessed business?

The measure of support for the TBID provided for in the statute is the petition process in support for or against the creation (renewal) of the TBID. Because this is a Business Assessment District vs. a Property Based District the petitions are counted based on the estimated amount of the assessment to be paid. There is a limit of 40% of the petition vote that may be credited to any single entity, regardless of the amount of the assessments paid. As a community, there is a goal or desire to see a significant number of local businesses support the TBID, regardless of the amount of assessment paid. While this is a valid desire to gauge support of the TBID, the legal requirement threshold for the Council to consider proceeding with the TBID renewal is to have support from a minimum of businesses that pay 50% of the assessment. As part of the renewal process, petitions for and against the TBID renewal will be presented. At this point and after the formal public hearing the Council may modify the MDP. Town and MLT Staff and the MLT Board are interested in hearing if there is a consensus of the Council regarding the marketing related services as outlined in the Management District Plan.

**Air Service Marketing and Subsidy**

The Air Service-related activities is the second primary purpose of the TBID. The goal of having successful regional, reliable air service has been discussed intently over the past few years. The current air service structure includes commercial service provided by United Airlines through the Inyo/Bishop Airport (BIH) and Scheduled Charter service provided by Advanced Airlines through Mammoth Yosemite Airport (MMH). The TBID support for air service provides both marketing the service and providing a minimum revenue guarantee (MRG) to air service providers, generally referred to as a "subsidy". The subsidy is used to secure the service by limiting the financial risk borne by the provider. Without a subsidy, carriers would not accept risk on small markets, like our region. The provision and value of regional air service is a broader policy discussion topic that extends beyond the TBID renewal process, which is discussed in more detail below.

TBID support for air service is based on the linkage of bringing in destination visitors by air, which creates enhanced direct benefits to assessed businesses. This is seen in the

generation of longer stays and higher spending levels within the community. Balanced with other marketing efforts the goal is have these visitors supporting the various assessed businesses. The current efforts are also based on information that generally 80% of those flying are visitors that support businesses within Mammoth Lakes. This limits the amount of TBID funds that may be used to support air service. The proposed MDP also places a cap on the amount of TBID funds that may be used for the MRG or subsidy for air service to 85% of the budget allocated for Air Service Marketing and Subsidy.

Having air service to the region is based on the ability of the air carriers to generate revenues at a level that justifies the service versus having the same aircraft and crews committed to other routes that generate better revenue to the provider. To secure air service, a MRG or subsidy level is negotiated with each provider. The value of air service to the community extends beyond just visitation. Air service is used by local residents for both pleasure and business. The air service supports the airports through FAA grants for infrastructure. The airports provide for general aviation services (private aircraft), staging areas for firefighting air support, air ambulance services and search and rescue operations. Delivery services utilize the airports and the Air National Guard and others use them for training missions. While the primary focus for the TBID discussion is on generating visitor based activity, the support generated through this activity generating grants and other revenues supports a much broader community resource.

Supporting the concept of successful, reliable, regional air service requires the Council, MLT and other partners to address several policy questions. At this point in time, with the renewal of the TBID moving forward, the basic question for the Town Council is whether or not the current use of TBID assessment revenue and the limits put in place are acceptable. If the structure and use of these revenues are acceptable, then the following policy questions need to be addressed, which will include discussions with partners engaged in air service funding. The following chart is provided to give Council information on the funding structure for Winter 2023 air service. The final amounts to be paid will change based on the success (number of passengers and value of tickets sold) and cost of the service provided. The charts reflect the maximum financial resources committed to Air Service. While the charts show the total amounts, keep in mind that the TBID amount is less due to the limit based on an allocation of support of 80% linked to the percentage of visitors expected to come to Mammoth Lakes.

| | Winter 2023 |
|---|---|
| **Advanced Airlines Maximum Revenue Guarantee (Cap)** | **$875,000** |
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| **Mammoth Lakes Tourism Initial Commitment** | **$425,000** |
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| **Town of Mammoth Lakes Maximum Commitment** | **$200,000** |
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| **Mammoth Lakes Tourism Additional Maximum Commitment** | **$250,000** |

| | Winter 2023 |
|---|---|
| **United Airlines Maximum Revenue Guarantee (Cap)** | **$2,347,000** |
| | |
| **Mammoth Lakes Tourism Commitment** | **$1,410,000** |
| **Inyo County Maximum Commitment** | **$500,000** |
| **Mammoth Mountain Ski Area Maximum Commitment** | **$437,000** |

The air service update report showing load factors by carrier and locations served provided to the MLT Board is attached to provide additional detailed information on current service numbers.

There are several policy questions that will need to be addressed at the Council level and with regional partners.

**Policy Question 3**. Are current activities supporting air service as proposed in the MDP adequate to proceed with the TBID renewal? As provided for in the MDP, the annual budget may be adjusted by 20% between the service categories. For example if the MRG is decreased a decision may be made for the impacted Fiscal Year to shift 20% of the Air Service and Marketing budget to the general Marketing budget. The maximum cap on air service support would still be retained. Funds could also flow the other direction. The MDP is designed based on the current Air Service program and agency partnerships.

**Policy Question 4**. In working with partners do we need a clear definition of what is meant by the statement: Successful, Reliable, Regional Air Service? This definition will drive the level of financial support needed to achieve and articulate the goal over time. For example, if reliable means year-round service what does that require in subsidy? Is reliable only tied to the actual arrival and departure of schedule air service on limited seasonal service? Does regional mean moving to a single airport and if so what does that mean for other air related resources and capital investment? Is success defined as a no or low subsidy level? Is success for air service tied to expanded markets, even if only seasonal?

**Policy Question 5**. Is the continued use of TBID and other Town resources as the primary funding source for air service at this time, dependent on securing funding support from other partners beyond what is currently received? This question is designed to ask the

question of what is the value of having reliable, regional air service to partner agencies and does that translate into a financial commitment.

The existing forum to generate a broader discussion on these questions is to use the Mono Inyo Working Air Group (MIWAG), which is a subcommittee of the Eastern Sierra Council of Governments. A representative from each agency sits on the MIWAG (Inyo and Mono County, City of Bishop and Town of Mammoth Lakes). This forum allows for public meetings to be held with participation from other partners with an interest in air service. Staff is currently working to set a meeting date of this group as part of the TBID renewal process.

**TBID Renewal Calendar and Meetings**

The proposed meeting schedule and actions necessary to approve the renewal of the Mammoth Lakes Tourism Improvement District is as follows (is also in the attached schedule provided by CIVITAS).

April 5 – Joint meeting with MLT and TC to discuss TBID – Policy Discussion / Management District Plan –

April 12* – Budget meeting – To include discussion on MLT "Measure A" Funding – Deliverables - Direction

April TBD – Mono Inyo Working Air Service Group – ESCOG Subcommittee meeting – Date to be set.

April 26* – Resolution of Intention to Renew TBID- With Modified District Plan so directed.

May 17 – Required public meeting on TBID – Introduce Ordinance of Formation – Opportunity to further discuss the TBID with the public prior to the formal public hearing.

June 14* – Public Hearing on TBID – Adopt Resolution of Formation and 2nd reading to adopt Ordinance of Formation

July 14 – Ordinance Effective

August 13- End of the Contest period for TBID

Sept. 1- Renewed TBID Effective

* Notes special meeting dates.

**SUMMARY:**

The joint workshop between the Town Council and the Mammoth Lakes Tourism Board (MLT) is focused on the process to move forward with the consideration of adopting a renewal of the TBID. The staff report provides a brief overview of the purpose of the TBID. The attached information provides greater levels of detail. As the Council and MLT consider the renewal, there are a number of policy questions to be discussed and to provide any direction regarding potential changes to the Management District Plan. The need to work with regional partners and the community is noted and in process. The proposed calendar of meetings will require a few special Council meetings. This was done to provide more time in the process and still meet a September 1 implementation date. The use of special meetings also provides more dedicated time to discuss the policy questions raised in this report, others that may come froward and to engage with partners and the public. The process is designed to gain alignment between the Town, MLT, Agency Partners, and the Business Community on the TBID. Working together as partners is key to not only the success of the TBID but of having a vibrant, financially healthy local tourism-based economy.