Mayor and Council —

At the recent candidate forum, I explained why the argument in favor of Measure R—signed by Chris Thomas, Joe Amelio, and Chaps Poduri—is highly misleading about both how the proposed tax would be spent and who would pay it.

The argument promotes streets, storm drains, parks, public facilities, and emergency services as though the additional revenue will be dedicated to those purposes. It will not. Measure R is a general tax whose proceeds will go into the General Fund and may be spent for *any* lawful municipal purpose. Whether the advertised improvements are funded will remain entirely within the City Council's discretion. Given the status of the City's current MOUs with its labor groups, I believe the additional revenue is very likely to be used for employee salary increases instead.

The argument is equally misleading about who will pay the tax. It tells voters that "visitors will help cover the cost" and claims that Pacific Grove will receive "$1 million or more" for every $500,000 contributed by residents. It closes by asking voters to "ask visitors to help pay their fair share."

Those statements invite voters to believe that visitors will contribute at least twice as much as residents. At the same candidate forum, Mayor Nick Smith repeated this claim by describing the tax as "70% visitor borne" and saying it would "primarily go onto the visitors." Council appointee Cynthia Garfield went further, claiming that "74% of the sales tax is paid by people who do not live here," meaning residents would pay only "a quarter for every dollar - that's a pretty good deal."

The limited four-page HdL analysis, *City of Pacific Grove Resident/Non-Resident Analysis*, was issued in January 2020—more than six years before Garfield described it as "the latest research" and **before the COVID shutdowns provided real-world evidence against its assumptions**.

The attached charts provide real-world evidence that these "visitor borne" claims are unsupported. More importantly, HdL never measured who actually paid the tax. Its percentages were model-generated estimates—not observed facts. HdL did not identify purchasers or determine where they lived. Instead, it estimated resident and nonresident shares using indirect indicators such as per-capita sales, daytime and trade-area populations, estimated retail supply, and selected business information.

Pacific Grove's actual revenue performance during COVID provides a useful test of those assumptions. **Sales-and-use-tax revenue fell about 7% in the first pandemic fiscal year and was only 2.7% below its pre-pandemic level by FY 2020-21, while the City's visitor-dependent hotel-tax revenue remained down 41.5%**. If Pacific Grove's sales-tax base had depended on visitors to the degree being claimed, sales-tax revenue should have fallen far more sharply when tourism collapsed.

There is also a separate and secondary problem: the ballot argument and the statements by Smith and Garfield misrepresent even what the HdL model purported to show. HdL's "non-resident" category included all individuals and businesses outside Pacific Grove—not merely tourists. Its 73.9% estimate applied to the existing Bradley-Burns tax, while its model produced a 63.1% estimate for the proposed transactions-and-use tax.

Even if the 63.1% model estimate were accepted solely for comparison, the ballot argument's "$1 million or more" claim would exceed it. Receiving $1 million from nonresidents for every $500,000 contributed by residents implies a nonresident share of at least 66.7%. Smith increased that claim to 70%, and Garfield increased it again to 74%—while all three presentations improperly equated "nonresidents" with visitors.

The COVID shutdowns cannot establish the exact percentage of sales tax paid by residents, but they provide a powerful real-world test of the "visitor borne" claim. When tourism collapsed, Pacific Grove's sales-tax revenue did not. That result strongly undermines the claim that visitors bear most of the sales-tax burden.

Residents are therefore being asked to support a general tax based on two misleading assurances: that the revenue will fund the specific improvements promoted to voters and that visitors will bear most of the cost. The first is not guaranteed, and the City's own revenue data strongly undermine the second. The attached charts document that evidence.

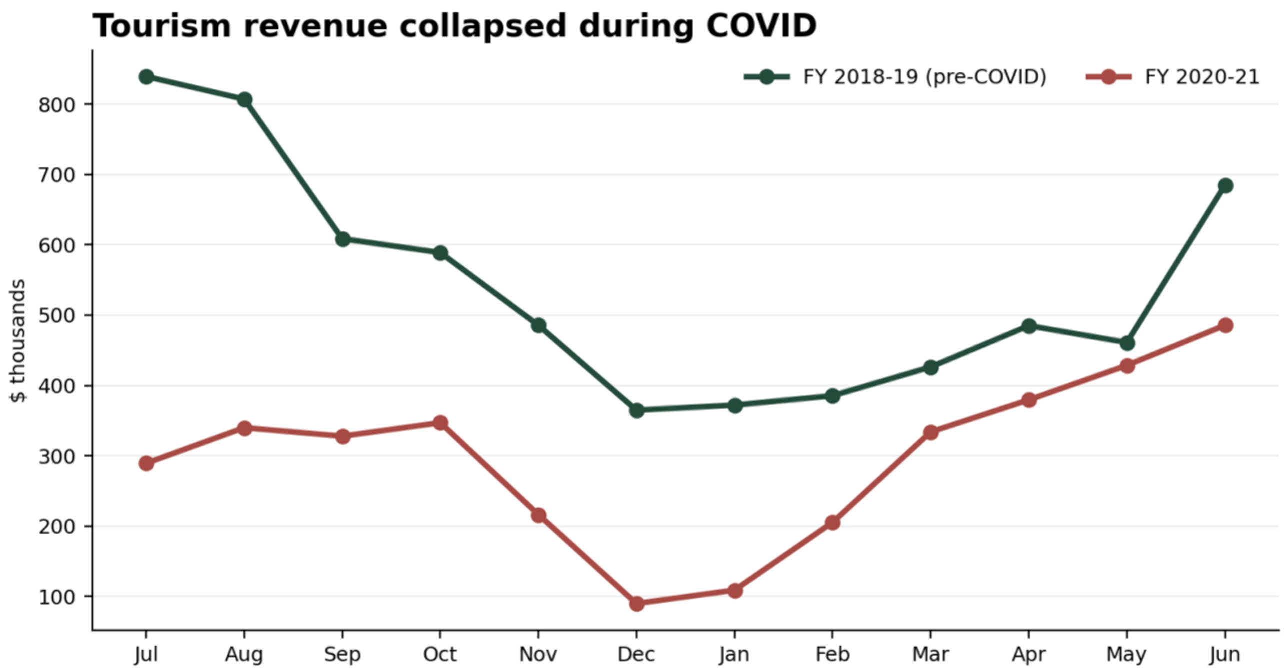
Finally, I formally request that the City and all elected officials ensure that no further misleading or inaccurate information is presented to voters, whether through public statements, official communications, or **voter mailers.**

Sincerely,

Luke Coletti
Mayoral Candidate

Visitor-dependent revenue collapsed during COVID

The City's July 2021 Core Revenue Report said transient-occupancy tax (TOT) was "significantly impacted by COVID-19," while the effect on sales and use tax was "less significant when compared to TOT." The monthly TOT receipts below show the depth of the tourism shock used as the real-world test described above.

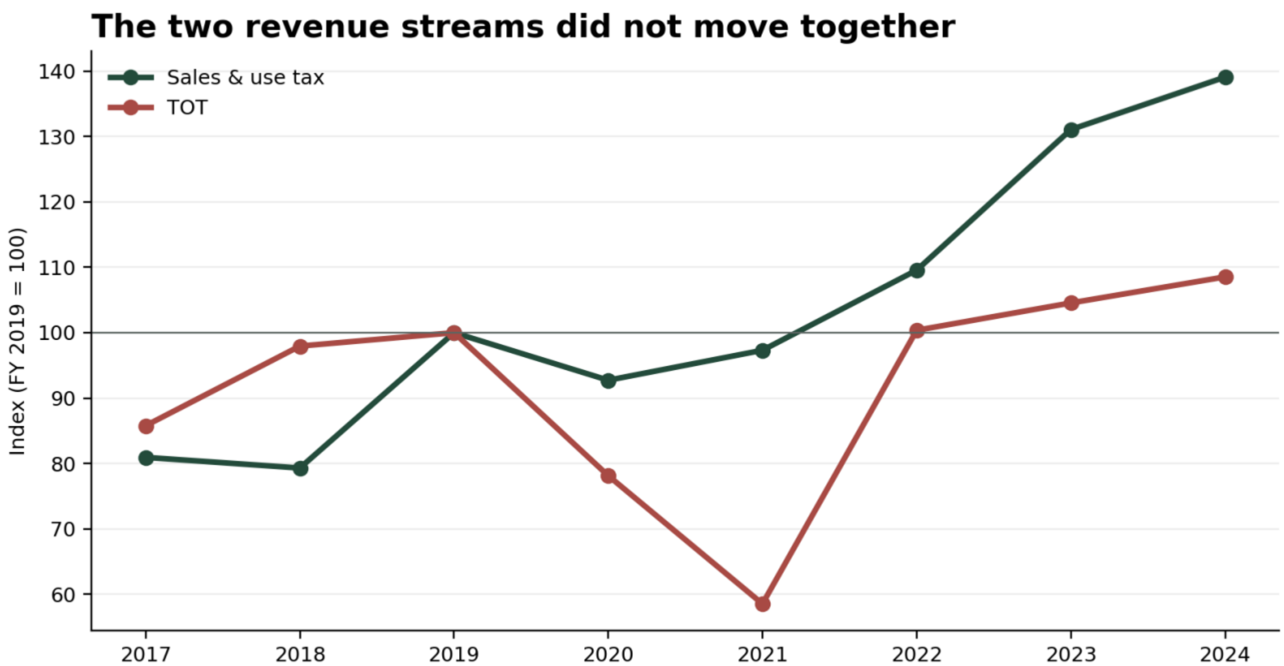


Source: City of Pacific Grove, July 2021 Core Revenue Report. Lodging-period monthly receipts; FY 2018-19 compared with FY 2020-21.

This graph does not estimate who paid sales tax. It establishes that visitor-dependent revenue experienced a severe shock, making the period a useful test of claims that Pacific Grove's sales-tax base was overwhelmingly visitor-borne.

Sales tax did not move with tourism

Using the City's audited annual revenue amounts, TOT fell from $6.796 million in FY 2018-19 to $3.979 million in FY 2020-21—a 41.5% decline. Over the same period, sales-and-use-tax revenue fell from $5.139 million to $5.001 million—only 2.7%—after declining 7.3% in the first pandemic fiscal year. The annual series below shows the divergence.



Source: City of Pacific Grove FY 2023-24 ACFR, General Governmental Tax Revenue by Source. FY 2019 is indexed to 100. Measure A increased the local TUT rate beginning in October 2022, so later growth is not wholly organic.

If Pacific Grove's sales-tax base had depended on visitors to the degree claimed, sales-tax revenue should have fallen far more sharply when tourism collapsed. COVID cannot establish an exact resident share, but the observed revenue behavior is inconsistent with treating sales tax as predominantly a tourist revenue source.