



# COUNTY OF HUMBOLDT

For the meeting of: 5/7/2024

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File #: 24-387

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**To:** Board of Supervisors

**From:** County Administrative Office

**Agenda Section:** Departmental

**Vote Requirement:** Majority

**SUBJECT:**

Transient Occupancy Tax (TOT) Fiscal Year (FY) 2024-25 and Future Years Funding Recommendations Related to Measure J

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Consider options for the allocation of Measure J funding for FY 2024-25;
2. Consider providing staff direction on the allocation of Measure J funding for future fiscal years;
3. Authorize the County Administrative Officer to execute agreements and amendments necessary to implement the Board's direction, after review from Risk Management and County Counsel; and
4. Take other action as appropriate.

**STRATEGIC PLAN:**

This action supports the following areas of your Board's Strategic Plan.

Area of Focus: A Diverse, Equitable & Robust Economy

Strategic Plan Category: 2002 - Promote a robust tourism economy

**DISCUSSION:**

On Feb. 7, 2023, your Board reviewed funding recommendations developed by the Transient Occupancy Tax (TOT) workgroup for the allocation of the Measure J voter-approved TOT increase from 10% to 12% and which added RV Parks and Campgrounds. The TOT workgroup provided the Board three proposals for funding through FY 2024-25 for the following services Housing, Arts, Tourism, Film, and Public Safety. Each proposal prioritized a different sector. The anticipated total available allocation was \$880,000.

The first proposal prioritized Housing:

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| Agency        | Project                        | %   | Year 1     | %   | Year 2     | %   | Year 3       |
|---------------|--------------------------------|-----|------------|-----|------------|-----|--------------|
| Housing       | Grant Match                    | 59% | \$ 260,000 | 60% | \$ 530,000 | 50% | \$ 500,000   |
| Arts          | Artist grants                  | 11% | \$ 50,000  | 6%  | 50,000     | 10% | 100,000      |
| Tourism       | 422 1st St                     | 11% | \$ 50,000  | 6%  | 50,000     | 10% | 100,000      |
| Film          | FMD, Sound stage               | 11% | \$ 50,000  | 6%  | 50,000     | 10% | 100,000      |
| Public Safety | Existing deputy, emergency app | 7%  | \$ 30,000  | 23% | 200,000    | 20% | 200,000      |
| <b>Total</b>  |                                |     | \$ 440,000 |     | \$ 880,000 |     | \$ 1,000,000 |

| Cumulative Totals |              | After 1 Year ('22-23) |            | After 2 Years ('23-24) |              | After 3 Years ('24-25) |              |
|-------------------|--------------|-----------------------|------------|------------------------|--------------|------------------------|--------------|
| Housing           | \$ 1,290,000 | 59%                   | \$ 260,000 | 60%                    | \$ 790,000   | 56%                    | \$ 1,290,000 |
| Arts              | \$ 200,000   | 11%                   | \$ 50,000  | 8%                     | \$ 100,000   | 9%                     | \$ 200,000   |
| Tourism           | \$ 200,000   | 11%                   | \$ 50,000  | 8%                     | \$ 100,000   | 9%                     | \$ 200,000   |
| Film              | \$ 200,000   | 11%                   | \$ 50,000  | 8%                     | \$ 100,000   | 9%                     | \$ 200,000   |
| Public Safety     | \$ 430,000   | 7%                    | \$ 30,000  | 17%                    | \$ 230,000   | 19%                    | \$ 430,000   |
| <b>Total</b>      |              |                       | \$ 440,000 |                        | \$ 1,320,000 |                        | \$ 2,320,000 |

The second proposal prioritized Tourism, Film and Arts:

| Agency        | Project                        | %   | Year 1     | %   | Year 2     | %   | Year 3       |
|---------------|--------------------------------|-----|------------|-----|------------|-----|--------------|
| Housing       | Grant Match                    | 42% | \$ 185,000 | 35% | \$ 305,000 | 26% | \$ 260,000   |
| Arts          | Artist grants                  | 17% | \$ 75,000  | 14% | 125,000    | 18% | 180,000      |
| Tourism       | 422 1st St                     | 17% | \$ 75,000  | 14% | 125,000    | 18% | 180,000      |
| Film          | FMD, Sound stage               | 17% | \$ 75,000  | 14% | 125,000    | 18% | 180,000      |
| Public Safety | Existing deputy, emergency app | 7%  | \$ 30,000  | 23% | 200,000    | 20% | 200,000      |
| <b>Total</b>  |                                |     | \$ 440,000 |     | \$ 880,000 |     | \$ 1,000,000 |

| Cumulative Totals |            | After 1 Year ('22-23) |            | After 2 Years ('23-24) |              | After 3 Years ('24-25) |              |
|-------------------|------------|-----------------------|------------|------------------------|--------------|------------------------|--------------|
| Housing           | \$ 750,000 | 42%                   | \$ 185,000 | 37%                    | \$ 490,000   | 32%                    | \$ 750,000   |
| Arts              | \$ 380,000 | 17%                   | \$ 75,000  | 15%                    | \$ 200,000   | 16%                    | \$ 380,000   |
| Tourism           | \$ 380,000 | 17%                   | \$ 75,000  | 15%                    | \$ 200,000   | 16%                    | \$ 380,000   |
| Film              | \$ 380,000 | 17%                   | \$ 75,000  | 15%                    | \$ 200,000   | 16%                    | \$ 380,000   |
| Public Safety     | \$ 430,000 | 7%                    | \$ 30,000  | 17%                    | \$ 230,000   | 19%                    | \$ 430,000   |
| <b>Total</b>      |            |                       | \$ 440,000 |                        | \$ 1,320,000 |                        | \$ 2,320,000 |

The third proposal prioritized Public Safety:

| Agency                   | Project                        | %   | Year 1                       | %   | Year 2                        | %   | Year 3                        |
|--------------------------|--------------------------------|-----|------------------------------|-----|-------------------------------|-----|-------------------------------|
| Housing                  | Grant Match                    | 20% | \$ 90,000                    | 41% | \$ 365,000                    | 30% | \$ 300,000                    |
| Arts                     | Artist grants                  | 11% | \$ 50,000                    | 11% | 100,000                       | 15% | 150,000                       |
| Tourism                  | 422 1st St                     | 11% | \$ 50,000                    | 11% | 100,000                       | 15% | 150,000                       |
| Film                     | FMD, Sound stage               | 11% | \$ 50,000                    | 11% | 100,000                       | 15% | 150,000                       |
| Public Safety            | Existing deputy, emergency app | 45% | \$ 200,000                   | 24% | 215,000                       | 25% | 250,000                       |
| <b>Total</b>             |                                |     | \$ 440,000                   |     | \$ 880,000                    |     | \$ 1,000,000                  |
| <b>Cumulative Totals</b> |                                |     | <b>After 1 Year ('22-23)</b> |     | <b>After 2 Years ('23-24)</b> |     | <b>After 3 Years ('24-25)</b> |
| Housing                  | \$ 755,000                     | 20% | \$ 90,000                    | 34% | \$ 455,000                    | 33% | \$ 755,000                    |
| Arts                     | \$ 300,000                     | 11% | \$ 50,000                    | 11% | \$ 150,000                    | 13% | \$ 300,000                    |
| Tourism                  | \$ 300,000                     | 11% | \$ 50,000                    | 11% | \$ 150,000                    | 13% | \$ 300,000                    |
| Film                     | \$ 300,000                     | 11% | \$ 50,000                    | 11% | \$ 150,000                    | 13% | \$ 300,000                    |
| Public Safety            | \$ 665,000                     | 45% | \$ 200,000                   | 31% | \$ 415,000                    | 29% | \$ 665,000                    |
| <b>Total</b>             |                                |     | \$ 440,000                   |     | \$ 1,320,000                  |     | \$ 2,320,000                  |

Ultimately, your Board elected to fund Housing at 30%, Arts at 30%, Public Safety at 30%, and Film at 10%, with no funding to tourism. Additionally, your Board requested to review these allocations earlier than proposed, only allocating funding through FY 2023-24.

| Measure J TOT |             |                   |                   |
|---------------|-------------|-------------------|-------------------|
| Service       | Percent     | FY 2022-23        | FY 2023-24        |
| Housing       | 30%         | \$ 132,000        | \$ 264,000        |
| Arts          | 30%         | \$ 132,000        | \$ 264,000        |
| Safety        | 30%         | \$ 132,000        | \$ 264,000        |
| Film          | 10%         | \$ 44,000         | \$ 88,000         |
| Tourism       | 0%          | \$ -              | \$ -              |
| <b>Total</b>  | <b>100%</b> | <b>\$ 440,000</b> | <b>\$ 880,000</b> |

**Housing:** The housing allocation provided a portion of grant match funding to build affordable housing, or local housing projects. This funding has been combined with a \$1.5 million allocation that the Board made from the American Rescue Plan Act (ARPA). These contributions will help to provide grant match funding for future housing grant applications.

**Arts:** The arts allocation provided funding to the Ink People for grants to artists to create projects for community benefit; an Underserved Communities Fund; communications and marketing to advertise grants and translate grant materials; funding for public outdoor events such as live music, theater, performances and celebrations; and county-wide events.

**Public Safety:** The public safety allocation provided funding for two Deputy Sheriff positions in the Humboldt County Sheriff’s Office. This allocation did not add deputies but rather supplemental

budget shortfalls in the General Fund to prevent staffing reductions.

Film: The film allocation provided funding to the Humboldt-Del Norte Film Commission for Forest Moon Days, a 3-day Star Wars themed celebration, in addition to the development of a local sound stage.

### **FY 2024-25 Funding Allocation**

The Measure J TOT tax collected in calendar year 2023 totaled \$1.06 million. For FY 2023-24, it is estimated the total will be similar to that amount. It is expected that there will be some growth in the Measure J TOT tax in FY 2024-25.

### **Option 1: Keep Measure J TOT funds in the General Fund**

On Feb. 6, 2024, your Board approved the parameters for staff to begin the FY 2024-25 county budget process. At that time, your Board received the FY 2023-24 mid-year budget report which detailed an ongoing structural budget deficit in the General Fund. Given the impending budget shortfall in the county General Fund and considering that TOT funds, including Measure J, are general funds, your Board may choose not to allocate these funds and rather utilize them to maintain county services in FY 2024-25. Staff anticipate that General Fund resources will be fully expended by FY 2026-27, leaving no fund balance to offset the structural deficit. Should this option be chosen, funds could be earmarked. Should the resources not be needed in FY 2026-27 or later years to balance the General Fund budget, the earmarked funds could be repurposed in a manner that is consistent with prior Board direction. Holding these funds, however, will ensure that resources would be available, should more emergent needs arise in future fiscal years, providing protections for critical essential services. This option is recommended by the County Administrative Officer.

### **Option 2: Allocate Measure J TOT funds**

Your Board may choose to allocate the Measure J TOT funds for another year. Staff recommend that your Board consider changing these allocations to set amounts rather than percentage-based allocations and holding the funding level at \$880,000 rather than increasing for the anticipated growth.

Additionally, the County Administrative Office (CAO) Economic Development Division (EDD) has been tasked with preparing and monitoring the contracts associated with these allocations without any associated funding for staffing to do so. The EDD is primarily grant-funded and due to many years of unfunded project requests, the Economic Development Fund (1120) is anticipated to be in the negative. Should your Board elect to continue to have the EDD monitor any contracts with the community for Measure J TOT funds, staff recommend a 10% administrative allocation to EDD be factored into the contracts for these allocations.

### **Future Funding Allocations**

While staff seek direction for the upcoming FY 2024-25 budget cycle today, your Board may provide

staff direction for multiple years. As Measure J is General Fund revenue, this funding can be used to address local needs, including helping to maintain county services in the coming years.

**SOURCE OF FUNDING:**

General Fund - Hotel & Motel Tax (1100181-107010)

**FINANCIAL IMPACT:**

| <b>Expenditures (1100, 181)</b> | <b>FY23-24</b> | <b>FY24-25 Projected*</b> |
|---------------------------------|----------------|---------------------------|
| <b>Budgeted Expenses</b>        | \$880,000      | \$880,000                 |
| <b>Total Expenditures</b>       | \$880,000      | \$880,000                 |

*\*Projected amounts are estimates and are subject to change.*

| <b>Funding Sources (1100, 181)</b>   | <b>FY23-24</b> | <b>FY24-25 Projected*</b> |
|--------------------------------------|----------------|---------------------------|
| <b>General Fund (TOT- Measure J)</b> | \$1,060,000    | \$1,060,000               |
| <b>Total Funding Sources</b>         | \$1,060,000    | \$1,060,000               |

*\*Projected amounts are estimates and are subject to change.*

**Narrative Explanation of Financial Impact:**

Measure J is General Fund revenue and projected to provide \$1.06 million in additional revenue through the Hotel & Motel Tax (107010) in FY 2023-24 of which your Board allocated \$880,000. It is projected that Measure J will provide at least that much in FY 2024-25. Should your Board choose to allocate \$880,000 again, that will provide \$180,000 in discretionary revenue to the General Fund to help maintain county services in the FY 2024-25.

**STAFFING IMPACT:**

**Narrative Explanation of Staffing Impact:**

Allocating funds to outside agencies requires staff to manage contracts with those agencies and their performance, producing additional workload. As mentioned above, should your Board choose to continue allocating funding to outside agencies, staff recommend that 10% of the value of each contract be provided to Economic Development for related tasks.

There is no impact to staffing allocations as a result of this agenda, however, the public safety allocation does provide funding for existing 2.0 FTE Deputy Sheriff I/II in the Sheriff’s Office. If your Board chooses to move the Measure J allocation away from the Sheriff’s Office, additional funding will be required as this allocation originally helped fill a budget gap for these positions. The Sheriff’s Office has not included this funding in their budget for this year. Should you Board approve this allocation, it would reduce their Additional Request for General Fund Appropriation (ARGFA) for FY 2024-25.

**OTHER AGENCY INVOLVEMENT:**

The Ink People, Humboldt-Del Norte Film Commission

**ALTERNATIVES TO STAFF RECOMMENDATIONS:**

Board discretion.

**ATTACHMENTS:**

N/A

**PREVIOUS ACTION/REFERRAL:**

Meeting of: 2/7/2023, 2/6/2024

File No.: 23-129, 24-34