



COUNTY OF HUMBOLDT

For the meeting of: 12/19/2023

File #: 23-1516

To: Board of Supervisors

From: County Administrative Office

Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:

Report from the Travel and Tourism Ad Hoc Committee Concerning Travel, Tourism and Marketing Services Provided to the County by the Humboldt County Visitors Bureau

RECOMMENDATION(S):

That the Board of Supervisors:

1. Receive a report from the Travel and Tourism Ad Hoc Committee concerning services provided to the county by the Humboldt County Visitors Bureau;
2. Consider altering the contracted amount with the Humboldt County Visitors Bureau, direct staff to perform further analysis on the county's travel, tourism and marketing program, or other options; and
3. Provide other direction at your Board's discretion.

SOURCE OF FUNDING:

1100-181 Transient Occupancy Tax

DISCUSSION:

For more than a decade, Humboldt County has ensured that it has a central marketing function that partners with communities throughout the region to attract visitors to the area. Time and again the county has shown that it places immense value in tourism and marketing, and that it recognizes the integral role that local partnerships have in the success of those ventures. To that end, on Oct. 25, 2022, the Humboldt County Board of Supervisors received an update from the Humboldt County Visitors Bureau (HCVB) regarding its marketing efforts to promote travel and tourism in Humboldt County.

The HCVB update began a conversation with the Board about the future of these services, and this staff report covers information about current marketing efforts and possible options to enhance efforts to promote Humboldt County, while maintaining the crucial link with local communities.

Background

HCVB is the lead contracted agency responsible for marketing and promoting Humboldt County resources and assets, established by the Board as the county's Designated Marketing Organization, and receives liaison support from the County Administrative Office - Economic Development Division. Though the relationship with HCVB goes back many years, the most recent agreement with HCVB was executed on July 5, 2016 (Attachment 1) with amendments in 2018 and 2019 (Attachment 2 and 3). The agreement covers tourism and marketing services with a total payable amount equal to 18% of Transient Occupancy Tax (TOT) received by the county annually from July 18, 2018 through June 30, 2024.

TOT, also known as the hotel or bed tax, is collected on temporary lodging activity in the unincorporated areas of the county and is considered General Fund revenue. Of the TOT paid to HCVB under their agreement, 42% is passed through to Gateway Organizations. Currently, as last amended by your Board on June 21, 2016, the pass through is distributed as follows:

2% of TOT Passed through by HCVB to Southern Humboldt Visitor's Bureau (SHBVB)

Of the remaining 16% of TOT:

- 23% to Garberville Chamber of Commerce
- 6% to Orick Chamber of Commerce
- 6% to Willow Creek Chamber of Commerce
- 5% to Arcata Chamber of Commerce
- 40%

Travel and Tourism Ad Hoc Committee

After HCVB's Oct. 25, 2022 presentation, the Board formed a Travel and Tourism Ad Hoc Committee with two Board members (Supervisor Bushnell and Supervisor Madrone), the County Administrative Officer (CAO) or CAO designee, the Economic Development Director, the Director of Aviation, and other staff as appropriate.

The ad hoc's purpose was to:

- Review HCVB contracts for compliance and scope.
- Review HCVB funding requests and approvals for a 5-year period.
- Audit financials, revenues, and expenditures.
- Consider HCVB Board makeup to include a Board member, members of the public, and other staff.
- Engage with other community partners for insight and feedback.
- Provide recommendations for a comprehensive and collaborative marketing assessment for the County of Humboldt.
- Provide recommendations for long-term marketing strategies based on the assessment, including a reevaluation of current marketing practices.

Note that the ad hoc's purpose also extended to the Humboldt Lodging Alliance (HLA), which also presented to the Board at the same meeting. However, this agenda item is related to HCVB only, and further findings by the ad hoc for HLA are forthcoming.

Ad Hoc Findings for HCVB

Since its formation, the ad hoc has requested documentation and financials from HCVB (Attachment 6). HCVB was unable to provide audit reports to the ad hoc but did provide tax statements which staff have reviewed. After the review of those statements, the contracts, and amendments with HCVB, and discussion regarding the community travel and tourism marketing needs, the ad hoc has made several findings, including questions about the allocation and utilization of funds by HCVB.

These findings are memorialized in the following key issues:

- Concerns in HCVB's use of county funding. A substantial portion is directed to expenses like office rent and meeting space, which are out of scope of HCVB's contract and funded without county consultation.
- Notably, a significant part of HCVB's funds goes to staff salaries, potentially limiting the budget for crucial marketing activities. And the mandatory allocation to Gateway Communities reduces the amount for centralized marketing activity which also hinders efficient TOT revenue use for Humboldt County tourism growth.
- HCVB faces challenges in fulfilling its scope of work and also in adhering to terms of its agreement. For example, there have been lapses in tasks like printing the "map and guide." HCVB has also subcontracted for services without county approval. These deficiencies reduce operational value and hamper transparency and accountability. Optimizing TOT funds for marketing and branding efforts ultimately provides for regional economic prosperity, thus a reevaluation of the funding structure would be valuable.
- In the FY 2023-24 draft budget (Attachment 5), HCVB's annual staff expense is \$132,000, rent is \$50,550, and other operational costs total \$74,300, summing to \$256,850. From the anticipated \$315,874 county TOT revenue, \$59,024 remains after expenses for HCVB to fulfill its duties outlined in the agreement, covering services like Print Collateral, digital and social media, out-of-county marketing, and more.

Recommendations

The ad hoc concluded that the remaining funds allocated to HCVB are insufficient for the bureau's agreed-upon services, especially in marketing and promoting travel and tourism in Humboldt County. The use of funds for other activities places more pressure on the HCVB's ability to provide contracted services. The ad hoc recommends that the Board of Supervisors discuss HCVB's future funding, ensuring adherence to the agreement terms. Because current funding is insufficient for a robust

marketing campaign, the ad hoc recommends the Board either increase funding to HCVB or reallocate TOT funds for county-wide travel and tourism efforts.

Option A: Increase Funding to HCVB

The Board could consider a conditional funding increase for HCVB. If so, the ad hoc recommends that the Board strategically address issues with HCVB while enhancing the effectiveness of travel and tourism promotion in Humboldt County. This would entail consideration for an ongoing funding increase for HCVB that is contingent on addressing agreement defaults and fostering collaboration.

For this scenario, consider the investment into travel and tourism marketing efforts that is made by other jurisdictions. In fiscal year (FY) 2021-22, Del Norte's budget for travel and tourism marketing was \$210,000. Mendocino County's budget for the same period was \$1.7 million. The contract awarded by the City of Eureka to the Virginia-based marketing firm, Eddy Alexander, is \$370,000 per year, plus an additional \$120,000 per year for marketing the Redwood Sky Walk. For FY 2022-23, Humboldt County allocated \$592,264.00 (18% of TOT receipts) toward travel and tourism marketing efforts, however this amount is split six ways between HCVB and the Gateway Communities.

Under an increased funding option, the ad hoc recommends that HCVB be required to provide a budget aligning with the agreement's scope, with potential funding reductions for non-compliance, and that HCVB agree to collaborate, be more inclusive of the county staff and other relevant community partners in its decisions and activities related to the scope of services in the agreement. This includes more input from the county on the composition of HCVB's Board, the content and creation of its marketing materials, and the purpose and use of any space or assets purchased or paid for by HCVB with county funds.

In this scenario, your Board could consider restructuring HCVB's Board for broader representation and implementing oversight measures like regular financial audits and performance metrics. In addition, periodic funding reviews could be required to reallocate funds if obligations are unmet.

However, Option A to increase funding for HCVB is not recommended if doing so would result in an adverse impact to the General Fund. If your Board chooses this option further research would need to be conducted and an alternative funding source.

Option B: Create a Marketing Fund and Travel and Tourism Advisory Committee

Under this option, the Board of Supervisors would terminate the agreement with HCVB for the advertising and promoting of Humboldt County and consider two key initiatives to enhance the management of TOT funding for travel and tourism.

First, this option would include reallocating TOT funding into a new county travel and tourism marketing fund (Marketing Fund), which could streamline and centralize resource allocations for more effective promotion of county assets.

Secondly, your Board could establish a travel and tourism advisory committee through a resolution brought back to your Board at a later date. This committee's primary role would involve championing county resources, coordinating marketing efforts with community partners, overseeing Marketing Fund expenditures, and advising the Board of Supervisors on travel and tourism strategies. The committee's composition, including representatives from various county departments and rotating members from Gateway Communities, could provide valuable input. Additionally, the ad hoc recommends that the committee evaluate current Gateway Community participation and funding levels, recommend changes for their use of TOT funds, and work collaboratively with the Gateway Community funding recipients to enhance travel and tourism initiatives.

One scenario for this (which can be modified based on input from your Board) would look as follows:

- Terminate the Agreement with HCVB for the advertising and promoting of Humboldt County; and
- Reallocate the TOT funding paid under that agreement to a new county travel and tourism marketing fund (Marketing Fund); and adopt the aforementioned resolution establishing a new county-led travel and tourism advisory committee whose primary purpose would be to promote county resources and assets, coordinate travel and tourism marketing efforts with community partners, oversee expenditure activity of the Marketing Fund, and advise your Board on travel and tourism strategies; and
- Continue funding the current Gateway Community entities already receiving TOT and direct the tourism advisory committee to work with Gateway Communities to evaluate travel and tourism needs in their regions; and return to your Board with recommendations concerning how to expend and track TOT funds more effectively in Gateway Communities for travel and tourism efforts.

The ad hoc recommends that the resolution spell out committee membership as:

- The Aviation Director (or designee)
- The Economic Development Director (or designee)
- County Administrative Officer (or designee)
- Public Works Director (or designee)
- Two BOS appointees
- One Member from the Gateway Communities (rotating each year)

Should your Board choose Option B to create a Marketing Fund and related advisory committee, staff recommend that your Board consider doing so over a transition period of not to exceed 1 year, and with a termination and transition plan as drafted by the tourism advisory committee, to allow assets and resources (such as the website, lease, and other marketing materials) be transferred to the county, marketing strategies and initiatives can be renewed or terminated, new points of contact between Humboldt County and other state and regional tourism partners (i.e., Visit California, Brand USA, and the North Coast tourism Council, etc.) be established, and to allow for HCVB to take necessary action to respond to the termination of this contractual agreement.

FINANCIAL IMPACT:

**Projected is based on budgeted amounts and subject to change.*

Expenditures (1100, 181)	FY22-23 Adopted	FY23-24 Projected	FY24-25 Projected
Budgeted Expenses	\$592,263.67	\$639,712.01	\$540,000.00
Total Expenditures	\$592,263.67	\$639,712.01	\$540,000.00
Funding Sources (1100, 181)	FY22-23 Adopted	FY23-24 Projected*	FY24-25 Projected*
General Fund	\$592,263.67	\$639,712.01	\$540,000.00
Total Funding Sources	\$592,263.67	\$639,712.01	\$540,000.00

Current Impact

The attached Agreement with HCVB has a total payable sum of, “not to exceed 18% of the total TOT received by the county in the fiscal year ended twelve months prior to the fiscal year in which payment of TOT is made to the County”. This is paid to HCVB in two equal payments, twice per year.

For the period representing July 2021 - Jun 2022, paid in FY 2022-23, the amount payable to HCVB for the 6-month period was \$296,131.84. Should your Board choose Option A, staff recommends that your board be cautious about impacts to the general fund should you increase funding to HCVB.

Total TOT	\$3,290,353.70	FY Jul 21-Jun 22	
<i>(Based on actuals collected in fiscal year ended 12 months prior)</i>			
18%	\$592,263.67	To HCVB	
<i>At one half</i>	\$296,131.83	Paid bi-annually	
2%	\$65,807.07	Passed thru to SHBVB	
<i>At one half</i>	\$32,903.54	Paid bi-annually	
	\$526,456.59	To HCVB minus SHBVB	
	<u>\$263,228.30</u>	Paid bi-annually	
Gateway Pass Thru's			
23%/2	\$60,542.51	Garberville Chamber of Commerce	<i>At one half</i>
6%/2	\$15,793.70	Orick Chamber of Commerce	<i>At one half</i>
6%/2	\$15,793.70	Willow Creek Chamber of Commerce	<i>At one half</i>
5%/2	\$13,161.41	Arcata Chamber of Commerce	<i>At one half</i>
40%/2	\$105,291.32		
	\$157,936.93	Remaining to HCVB for Travel and Tourism	

Impact for Option A: Increased Funding

The immediate impact for Option A is unknown, however an increase in compensation to the current agreement using the same revenue source (TOT) would adversely impact the General Fund and is not recommended. If your Board chooses this option further research would need to be conducted and an alternative funding source identified.

Impact for Option B: Creation of a Marketing Fund and Advisory Committee

For this option there would be no net impact to the General Fund as the recommendation is for the allocation to remain the same but to be reallocated according to Board direction and the recommendations laid out Option B which is to reallocate the 18% of total TOT paid under the HCVB Agreement to a new county travel and tourism marketing fund (Marketing Fund).

STAFFING IMPACT:

Economic Development staff are currently providing liaising support to HCVB for the management of their contract and for oversight of the scope of work under their agreement. This staff support amounts to 80-100 hours per year and is currently unfunded. Although this would be eliminated under Option B, an estimated 180 hours of staff time per year would be needed to support a new travel and tourism advisory committee. This cost is estimated at \$11,700 annually. It is recommended that this new staff expense be reimbursed by the savings resulting from terminating the agreement with HCVB and be represented in a supplemental request brought back to your Board.

STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by supporting business, workforce development and creation of private-sector jobs.

OTHER AGENCY INVOLVEMENT:

County of Humboldt Department of Aviation

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board Discretion.

ATTACHMENTS:

1. Original HCVB Agreement dated July 5, 2016
2. First Amendment to the HCVB Agreement dated July 5, 2016
3. Second Amendment to the HCVB Agreement dated July 5, 2016
4. Third Amendment to the HCVB Agreement dated July 5, 2016
5. HCVB 23_24 Budget Draft
6. CAO HCVB Letter (8-25-22)
7. HCVB Audit and Records Request Letter (7-21-23)
8. County Invoice #1 2023-2024 Revised

File #: 23-1516

PREVIOUS ACTION/REFERRAL:

Meeting of: October 25, 2022

File No.: 22-1277, 16-4423