



# COUNTY OF HUMBOLDT

For the meeting of: 4/26/2022

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File #: 22-508

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**To:** Board of Supervisors

**From:** Supervisor Michelle Bushnell

**Agenda Section:** Initiated by Board Member

**SUBJECT:**

Consider the Formation of a Transient Occupancy Tax Work Group (Supervisor Michelle Bushnell)

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Consider the Formation of a Transient Occupancy Tax (TOT) Work Group.

**SOURCE OF FUNDING:**

Hotel & Motel Tax (107010)

**DISCUSSION:**

On Jan. 8, 2021, the Board directed staff to perform an analysis of Transient Occupancy Tax (known as TOT or Hotel Tax) and to return to the Board with recommendations. Subsequently, on June 15, 2021, after receiving a report on a variety of voter issues, the Board directed staff to engage with a firm to conduct public research polling on the county's TOT rate.

Based on polling results, on March 1<sup>st</sup> your Board received a report from staff with a recommendation to place an update of the Transient Occupancy Tax rate on a future ballot for voter consideration. A week later, on March 8, 2022, the Board of Supervisors adopted Ordinance 2690 and Resolution 22-40. This resolution approved a measure to be placed on the June 7, 2022 ballot and, if approved on that date, would make general tax measure amendments and increase the TOT tax from 10% to 12% and would increase the TOT collection pool to include private campgrounds and RV parks.

Following these actions by the Board, stakeholders contacted the county and expressed a desire to be part of the conversation for how TOT funds are distributed in the community. Among these stakeholders included existing TOT recipients i.e., the Film Commission and the Humboldt County Visitors Bureau, as well potential future TOT recipients such as representatives from the arts community. Also included among these was the Humboldt Lodging Alliance.

Therefore, Supervisor Bushnell would like the Board to consider the formation of a TOT Work Group comprised of:

- Two Board members
- The County Administrative Officer, or their designee
- The Economic Development Director
- The Humboldt County Sheriff, or their designee
- The Treasurer-Tax Collector, or their designee
- The Humboldt County Visitor's Bureau Executive Director, or their designee
- The Humboldt County Film Commissioner, or their designee
- A representative chosen by the Humboldt Lodging Alliance
- A representative of the arts community

The TOT Work Group would be charged with reviewing TOT revenue and expenditures and would work with staff to bring a recommendation back to your Board. Such a recommendation could be centered around increases in TOT revenues that are in excess of the total funds currently collected by the county (with 2022 being established as the baseline year), a more extensive review of TOT expenditures, or another approach. The group would not meet annually, and instead would develop a proposal for your Board to consider. As the Board is aware, there continues to be significant pressure on the General Fund, especially as the county heads into Fiscal Year 2022-23 and any recommendation must carefully consider current county obligations with changes to allocations of TOT revenue, which is General Fund revenue and subject to the Board's discretion.

There is precedent for a similar effort as the Board in the early 2000's established a TOT subcommittee and recommended one-time and ongoing allocations of TOT revenue. The TOT Work Group would allow for greater community and stakeholder involvement in the TOT allocation process and would also allow hoteliers additional opportunity to have positive influence over the ways that taxes to their industry will meet the county's goals to create a community which encourages sustainable promotion of travel and tourism into the region.

#### FINANCIAL IMPACT:

The TOT Work Group would recommend to Board allocations of Hotel & Motel Tax revenue (1100-107010). Currently the county has contracts with the Humboldt County Visitor's Bureau, which receives 18% of TOT revenue and passes roughly 40% of that revenue through to other agencies. In addition, the Humboldt County Film Commission receives 5% of TOT, plus \$20,000 annually. In Fiscal Year 2021-22 the county budgeted \$2.2 million in TOT revenue and has already collected \$2.6 million to date. The Board also recently approved placing a measure on the June, 2022 ballot to increase the county's TOT rate from 10% to 12% and include campgrounds and RV parks, which staff estimate would generate an additional \$880,000 per year. Any recommendations on allocations of TOT revenue and subsequent direction provided by your Board could affect the above-stated contracts and other General Fund operations.

#### STRATEGIC FRAMEWORK:

This action supports your Board's Strategic Framework by facilitating the establishment of local revenue sources to address local needs

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**OTHER AGENCY INVOLVEMENT:**

Humboldt Convention and Visitors' Bureau, Humboldt County Film Commission, Humboldt Lodging Alliance

**ALTERNATIVES TO STAFF RECOMMENDATIONS:**

Board discretion

**ATTACHMENTS:**

Resolution 22-40

Ordinance 2690

**PREVIOUS ACTION/REFERRAL:**

Board Order No.: N/A

Meeting of: March 8, 2022

File No.: 21-75 and 22-285