



# COUNTY OF HUMBOLDT

For the meeting of: 4/22/2025

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File #: 25-502

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**To:** Board of Supervisors

**From:** County Administrative Office

**Agenda Section:** Departmental

**Vote Requirement:** 4/5th

**SUBJECT:**

Transient Occupancy Tax Fiscal Year 2025-26 Funding Recommendations (4/5 Vote Required)

**RECOMMENDATION(S):**

That the Board of Supervisors:

1. Approve Transient Occupancy Tax (TOT) allocations to be included in the Fiscal Year (FY) 2025-26 Proposed Budget, including Measure J, at the same level as FY 2024-25 with the exception of the Humboldt County Visitor's Bureau (HCVB) allocation (4/5 Vote Required); and
2. Consider allocating funding equal to the HCVB FY 2024-25 allocation of \$145,589 to the Economic Development Division in FY 2025-26 in budget 1120-275, as reimbursement to support Board-directed activities with no associated funding source and the Trellis program; (4/5 Vote Required); and
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 June 10, 2024, your Board received a report from the Travel and Tourism Ad Hoc Committee (Supervisors Bushnell and Madrone) and considered options regarding the future of the Designated Marketing & Management Organization (DMMO) for the County of Humboldt. As a result of this report, your Board took the following action:

- Renewed the contract with Humboldt County Visitor's Bureau (HCVB) to serve as the DMMO for a period of 6 months through Dec. 31, 2024, with termination to occur at the end of the term;
- Directed Economic Development staff to perform a marketing asset and inventory analysis, develop a marketing strategic framework, conduct an assessment of gateway communities and to bring back funding recommendations;
- Funded existing gateway communities their memorialized allocations while studies were being conducted and from Measure J, funded \$25,000 for the McKinleyville Chamber of Commerce and \$10,000 for the Loleta Chamber of Commerce; and
- Reallocated the remaining HCVB allocation to Economic Development to complete the tourism assets and marketing assessment, including necessary staff time.

Additionally, on June 10, 2024, your Board considered FY 2024-25 allocations specific to Measure J TOT funds as recommended by an Ad Hoc comprised of Supervisors Bushnell and Arroyo. The goal of the recommendation was to maintain the commitment stated in the measure approved by voters, balancing the need to maintain essential services and preserve General Fund, while also providing funding for theater/arts and marketing-related services to boost tourism. The recommendation included:

- \$150,000 to the Ink People Center for the Arts for projects with an economic driver;
- \$45,000 to the Aviation Department for destination marketing;
- \$30,000 to the Humboldt-Del Norte Film Commission as match funding for the Forest Moon Festival;
- \$25,000 to the Economic Development Division for administrative costs to manage all three of the above projects and contracts;
- \$750,000 as a budgeted reserve while working to stabilize the General Fund for future tourism considerations.

In addition to the \$35,000 allocated to the additional chambers of commerce in the prior item, after deliberation, your Board elected to fund \$100,000 to the Local Housing Trust Fund, reducing the budgeted reserve to \$615,000. During FY 2024-25, your Board has not utilized this reserve funding. If it is not utilized, the FY 2024-25 funds will roll into the General Fund to support general county services in the coming year. As this reserve is funded with ongoing funds, staff have included it in the funding recommendations for FY 2025-26. This will provide for a contingency of \$615,000 should your Board want to fund additional services in FY 2025-26.

Finally, your Board elected not to provide staff direction on future fiscal years funding and requested staff return to receive direction on FY 2025-26 allocations.

Economic Development staff issued the Request for Proposals (RFP) for the travel and tourism marketing assessment on Dec. 18, 2024 with a deadline of Jan. 25, 2025. Staff will be returning to your Board to award the RFP in May. Staff expects that the marketing assessment will take 6 months to be completed. Given this timeline and the need for this data to inform the ongoing allocations of TOT funds, staff recommend your Board approve the FY 2025-26 TOT allocations at the same level as FY 2024-25, with the exception the HCVB allocation. As the HCVB contract was terminated in Dec. 2024, staff recommend carrying forward that allocation.

As has previously been reported, staff anticipate the Economic Development Fund will dip into the negative in part due to work on unfunded projects as directed by the Board. In addition, Economic Development has a significant number of tasks related to travel and tourism in the 2024-2028 Strategic Plan for which there is no funding source. Your Board may consider allocating the FY 2024-25 HCVB allocation in the amount of \$145,589 to Economic Development to support Board-directed activities with no associated funding source and the Trellis program.

A summary of the FY 2024-25 TOT allocations is represented in the chart below:

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TOT FY 2024-25			
	Base TOT	Measure J	Total TOT
HCVB	\$ 145,589		\$ 145,589
Gateway Communities:			
So Hum Visitors Bureau	\$ 71,079		\$ 71,079
Garberville Chamber	\$ 130,786		\$ 130,786
Orick Chamber	\$ 34,118		\$ 34,118
Willow Creek Chamber	\$ 34,118		\$ 34,118
Arcata Chamber	\$ 28,432		\$ 28,432
McKinleyville Chamber		\$ 25,000	\$ 25,000
Loleta Chamber		\$ 10,000	\$ 10,000
RREEL (Film Commission)	\$ 197,698	\$ 30,000	\$ 227,698
Economic Development	\$ 195,590	\$ 25,000	\$ 220,590
Ink People		\$ 150,000	\$ 150,000
Aviation		\$ 45,000	\$ 45,000
Local Housing Trust Fund		\$ 100,000	\$ 100,000
Measure J Reserve		\$ 615,000	\$ 615,000
<b>Total</b>	<b>\$ 837,410</b>	<b>\$ 1,000,000</b>	<b>\$ 1,837,410</b>

**SOURCE OF FUNDING:**

Transient Occupancy Tax (1100-181-107010)

**FINANCIAL IMPACT:**

<i>Expenditures (1100-181)</i>	FY24-25	FY25-26 Projected*
<b>Budgeted Expenses</b>	<u>\$1,837,410</u>	<u>\$1,837,410</u>
<b>Total Expenditures</b>	<u>\$1,837,410</u>	<u>\$1,837,410</u>

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

<i>Funding Sources (1100-181)</i>	FY24-25	FY25-26 Projected*
<b>Transient Occupancy Tax</b>	<u>\$3,770,000</u>	<u>\$3,440,000</u>
<b>Total Funding Sources</b>	<u>\$3,770,000</u>	<u>\$3,440,000</u>

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

**Narrative Explanation of Financial Impact:**

At the mid-year budget report, staff reported an estimated \$3.77 million in TOT revenues, including Measure J, for FY 2024-25. This is \$330,000 more than budgeted. TOT revenues are still stabilizing since the passage of Measure J, for this reason and current economic uncertainty, staff are estimating the same level of revenues in FY 2025-26 as have been budgeted in FY 2024-25.

**STAFFING IMPACT:**

There is no direct staffing impact to setting TOT allocations at the same level as FY 2024-25, however, any additional allocations will reduce the available General Fund to fund existing county services.

**OTHER AGENCY INVOLVEMENT:**

Ink People, Humboldt-Del Norte Film Commission, Southern Humboldt Visitor's Bureau, Garberville Chamber of Commerce, Orick Chamber of Commerce, Willow Creek Chamber of Commerce, Arcata Chamber of Commerce, McKinleyville Chamber of Commerce, Loleta Chamber of Commerce

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**ALTERNATIVES TO STAFF RECOMMENDATIONS:**

Board Discretion.

**ATTACHMENTS:**

N/A

**PREVIOUS ACTION/REFERRAL:**

Meeting of: June 10, 2024

File No.: 24-979, 24-969