



COUNTY OF HUMBOLDT

Legislation Text

File #: 24-979, **Version:** 1

To: Board of Supervisors

From: Supervisor Natalie Arroyo and Supervisor Michelle Bushnell

Agenda Section: Departmental

Vote Requirement: Majority

SUBJECT:

Measure J Recommendations For Fiscal Year 2024-25

RECOMMENDATION(S):

That the Board of Supervisors:

1. Allocate \$250,000 from Measure J Revenues (Hotel & Motel Tax - 107010) in the following amounts for Fiscal Year (FY) 2024-25:
 - a. \$150,000 to the Ink People Center for the Arts for projects with an economic driver;
 - b. \$45,000 to the Aviation Department for destination marketing;
 - c. \$30,000 to the Humboldt-Del Norte Film Commission as match funding for the Forest Moon Festival;
 - d. \$25,000 to the Economic Development Division for administrative costs to manage all three of the above projects and contracts; and
2. Approve holding the remaining Measure J funds totaling \$750,000 as a budgeted reserve while working to stabilize the General Fund for future tourism considerations; and
3. Consider providing direction for future fiscal years.

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 May 7, your Board considered allocations for the voter-approved Measure J Transient Occupancy Tax (TOT) funds beyond FY 2023-24. Measure increased TOT by 2% and applies the tax to private RV parks and campgrounds. Rather than allocate funding at the May 7 meeting, your Board approved a motion to have Supervisor Arroyo and Supervisor Bushnell return at a later date with a recommended spending plan. This item presents a plan that attempts to meet the moment and 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.

As a reminder, your Board previously approved a 2-year spending plan for contributions to housing (which was designated for a housing trust fund), arts (Ink People), safety (Sheriff) and film (Film Commission) at the following amounts:

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%	\$ -	\$ -
Total	100%	\$ 440,000	\$ 880,000

The plan being presented differs from the prior plan in that the allocations are meant to create a tourism-related return on investment. Specifically:

- The arts allocations is intended to be focused on promotion and support for arts-related events, performances, and cultural gatherings designed to draw visitors and locals, as well as to support economic vitality, especially in unincorporated areas.
- The allocation to the Aviation Department would be to support marketing efforts such as destination marketing.
- The Film Commission’s allocation supports the 3-Day Forest Moon Festival.
- The allocation to the Economic Development Division (EDD) is equal to 10% of the total spending plan as the division will monitor the contracts and services to be provided. EDD is primarily grant funded and does not currently have a funding source to support these efforts.

County staff will work with the arts, film, and tourism organization(s) through the contracting process to ensure a focus on economic development, including guidelines for reporting.

This plan also recommends the remaining \$750,000 to remain in the General Fund as unallocated revenue. If it remains unallocated, funds will be available to help the county maintain essential services in future years should the funding be necessary, however should that not be needed, the funds will be available for additional tourism activities.

The plan does not provide an allocation for housing or public safety. Your Board could choose to provide funding to housing and/or the Sheriff’s Office. A housing contribution would increase the amount available in the Housing Trust Fund to be utilized for future housing developments opportunities. A Sheriff’s Office contribution would reduce the Sheriff’s Additional Request for General Fund Appropriation (ARGFA).

The Measure J TOT tax collected in calendar year 2023 totaled \$1.06 million. For FY 2023-24, staff estimate the total will be similar to that amount. Staff also expect that there will be some growth in the Measure J TOT tax in FY 2024-25, but in order to conservatively estimate revenues staff are projecting \$1 million in the coming year.

It should be noted that Measure J is only a portion of TOT funds. Of the remaining funds, 18% is allocated annually to the Humboldt County Visitors Bureau for tourism-related services. 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.

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%

In addition, the Film Commission receive 5% of TOT, plus \$20,000 annually. In FY 2023-24 these allocations totaled \$776,781.

SOURCE OF FUNDING:

Measure J (Hotel & Motel Tax 107010)

FINANCIAL IMPACT:

<i>Expenditures (Fund, Budget Unit)</i>	FY23-24	FY24-25 Projected*
<i>Budgeted Expenses</i>	<u>\$880,000</u>	<u>\$250,000</u>
<i>Additional Appropriation Requested</i>		
<i>Total Expenditures</i>	<u>\$880,000</u>	<u>\$250,000</u>

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

<i>Funding Sources (Fund, Budget Unit)</i>	FY23-24	FY24-25 Projected*
<i>General Fund</i>	<u>\$880,000</u>	<u>\$1,000,000</u>
<i>Total Funding Sources</i>	<u>\$880,000</u>	<u>\$1,000,000</u>

**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 actual 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, though staff are conservatively projecting \$1 million for the coming year. Should your Board choose to allocate \$250,000 as recommended, that will allow for \$750,000 in discretionary revenue to be held in budgeted reserves in the General Fund for future allocation considerations.

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. Should you Board approve this allocation, it would reduce their ARGFA for FY 2024-25.

OTHER AGENCY INVOLVEMENT:

Ink People Center for the Arts, Humboldt-Del Norte Film Commission

ALTERNATIVES TO STAFF RECOMMENDATIONS:

Board discretion.

ATTACHMENTS:

None

PREVIOUS ACTION/REFERRAL:

Meeting of: Feb. 7, 2023, Feb. 6, 2024, May 7, 2024

File No.: 23-129, 24-34, 24-387