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Title: Chief Administrative Office and the Department of Planning and Building, Economic Development Division, recommending the Board provide direction on the use of Transient Occupancy Tax (TOT) funding for Fiscal Year 2021-22 Budget.

FUNDING: Transient Occupancy Tax.

Sponsors:

Indexes:

Code sections:

Attachments: 1. A - TOT Funding Recommendation, 2. B - Use of TOT FY 2013-14 to 2021-22, 3. C - TOT Payments CY 2020, 4. D - WACE Report, 5. E - WACE Report Data Spreadsheet, 6. F - GSEC Fiscal Year 2021-22 Annual Commitment Estimate, 7. G - BOS TOT Minigrant Memo March 8 2021, 8. Public Comment BOS Rcvd 03-05-2021, 9. Public Comment BOS Rcvd 03-08-2021, 10. Public Comment BOS Rcvd 03-09-2021

Date	Ver.	Action By	Action	Result
3/9/2021	1	Board of Supervisors	Failed	Fail
3/9/2021	1	Board of Supervisors	Approved	Pass

Chief Administrative Office and the Department of Planning and Building, Economic Development Division, recommending the Board provide direction on the use of Transient Occupancy Tax (TOT) funding for Fiscal Year 2021-22 Budget.

FUNDING: Transient Occupancy Tax.

DISCUSSION/BACKGROUND

The Transient Occupancy Tax (TOT), or Hotel/Motel Occupancy Tax, is imposed on the daily rental price of a room in a lodging facility, including vacation home rentals, when used by visitors staying in the unincorporated portions of El Dorado County for 30 days or less. Neither the tax code nor El Dorado County ordinance require any specific use of TOT funds.

Historically, Policy 10.1.6.4 of the Economic Development Element of the County's General Plan specified that, "The majority of transient occupancy tax generated revenue **shall** be directed toward the promotion of tourism, entertainment, business, and leisure travel in El Dorado County." Based on this policy and direction from the Board, the County's recent practice has been to direct 10% of actual TOT revenue to the Treasurer-Tax Collector budget to cover costs associated with administering the VHR program and collecting TOT, 5% of prior year actual TOT revenue to fund Veteran's Commission grants and activities, at least 51% of TOT revenue to the Economic Development budget, and the remaining amount to the General Fund to offset other general, on-going obligations of the County. Total TOT revenue was budgeted at \$3,735,000 for Fiscal Year (FY) 2020-21 (reduced from the recommended Budget amount of \$4,980,000, due to uncertainty in regard to the effects of the COVID-19 pandemic). TOT was allocated as follows:

Treasurer-Tax Collector - \$373,500
Economic Development Division - \$1,049,480
Promotions Funding Agreements - \$610,940
Wagon Train Contribution - \$10,000
Veteran's Commission - \$131,420
Senior Veteran's Services Officer - \$90,513
General Fund - \$1,554,660

Based on a recommendation from the FY 2019-20 Budget Ad Hoc Committee on December 10, 2019 (Legistar Item #19-1755), the Board approved a General Plan Amendment to remove General Plan Section 10.1.6.4. Also on December 10, 2019 (Legistar Item #19-1818), the Board approved a new Budget Policy (Policy B-16, Section II, No. 13), stating the following: "Transient Occupancy Tax revenue **shall** be directed toward the impact of tourism and economic development, with **consideration** for support of tourism and promotion activities within the County and for continued support for grant fund allocations to support Veteran programs within the County."

Prior to adoption of this policy, to accomplish the goals of the Economic Development Element, as well as the Economic Development Goal in the County Strategic Plan, the County has entered into agreements with various organizations over the years. These include the El Dorado County Chamber of Commerce - Visitors Authority, the El Dorado County Chamber of Commerce - Film Commission, the El Dorado Hills Chamber of Commerce, and the Lake Tahoe South Shore Chamber of Commerce over the past nine years, and the Tahoe Prosperity Center for the past three years, to act on the County's behalf to promote tourism, entertainment, business, and leisure travel. On June 4, 2019 (Legistar Item # 19-0712), the Board approved five two-year Funding Agreements with these organizations totaling \$610,940 for each fiscal year for a total two-year commitment of \$1,221,880.

The funding per year was allocated as follows:

El Dorado County Chamber of Commerce - El Dorado Visitors Authority - \$240,920

- Website, social media, digital marketing, and print promotions and advertising including 83,000 magazine travel guides and two new videos
- Trade Show attendance and Annual Tourism Summit
- Staff Visitor Information Center

El Dorado County Chamber of Commerce - El Dorado Film Commission - \$150,750

- Facilitate filming permit process and respond to filming inquiries
- Marketing, outreach, and advertising for filming locations through associations, trade shows, and filmtahoe.com website
- Annual Film Mixer showcase

El Dorado Hills Chamber of Commerce - California Welcome Center - \$110,320

- Staffing the Welcome Center, highlighting local tourism assets and products

Lake Tahoe South Shore Chamber of Commerce - \$78,950

- Workforce development training and initiatives through educational and career advancement opportunities
- Marketing and events for local shopping, business development, and to establish Tahoe

as a culinary destination

Tahoe Prosperity Center - \$30,000

- Complete Economic Development study
- Promote Workforce development opportunities and housing initiatives
- Expand "Alert Tahoe" fire camera monitoring system

In addition, the Board approved an extension of the agreement with the Greater Sacramento Economic Council (GSEC), totaling \$63,252.

Lastly, the County has historically contributed funding to the Annual Wagon Train event pursuant to General Plan Element, Parks and Recreation, Objective 9.3.5: Historical Events. "The County shall actively encourage major events relating to the County's history and way of life such as historical reenactment of the Pony Express and wagon trains, agricultural festivities, and historical fairs". Prior to 2009, funding for this event was included in the budget for the County Museum. Upon approval of the funding agreement for the 2008 Wagon Train, the Board directed that the funding be budgeted in the Economic Development budget from TOT funds in recognition of that this event in promotes tourism in the County. Since that time, Economic Development has included in their budget \$10,000 each year to support the event, utilizing three-year funding agreements (Legistar #18-0855, 19-0483).

All of these above agreements are budgeted in Economic Development, are funded with TOT revenue, and expire on June 30, 2021.

Several needs have been identified for addressing impacts of tourism. These include:

- 1) Department of Transportation: Funding for road maintenance in tourist-impacted areas. Tourism creates increased traffic along locally-maintained roadways throughout all areas of the county, but especially in popular areas such as Coloma-Lotus, the Tahoe Basin, and Apple Hill. The Board should keep in mind in order to meet their policy goal of allocating \$3 million for road maintenance, approximately \$1.2 million will be allocated from Tribe funds, and the remaining amount of \$1.8 million will need to be identified through TOT or the General Fund.
- 2) Department of Transportation: The purchase of new snow plows. The Tahoe Basin area in the County hosts crowds of tourists each year, with high numbers visiting during the winter. Once in Tahoe, most tourists drive locally, relying on plowed roads. Funding for snow plow equipment could aid Transportation in ensuring that roads are plowed for tourists and residents. Equipment costs vary widely. A new snow plow is estimated at \$500,000, plus various attachments and accessories. While Tahoe has the most demand for snow removal, snow removal equipment is also needed in areas on the West Slope and the Board should keep in mind that snow removal is a mandated function of counties.
- 3) El Dorado County Fire: Funding for search and rescue operations. The many outdoor sports that the County offers, including snow sports, lake and river recreation, mountain climbing and biking, and other activities, are a draw for tourism. However, these sports can also be dangerous, Search and Rescue is often tasked with responding in emergencies. Funding could be used to offset some of the costs associated with search and rescue response on an ongoing basis. El Dorado County Fire has calculated their cost impact from tourist emergencies only to be approximately \$68,000 each year.

- 4) El Dorado Hills Fire: Funding to purchase a fire/EMS/rescue boat to respond to lake rescues and shoreline wildland firefighting emergency calls at Folsom Lake totaling \$203,875.
- 5) Lake Valley Fire: The influx of tourists to the Tahoe Basin increases call volumes, causing strain on local fire districts. Lake Valley Fire has calculated costs for response to visitor-specific calls in Calendar Year 2020 totaling \$290,108.
- 6) Lake Valley Fire: Funding to purchase a Squad/Quick Attack fire apparatus which allow the ability to efficiently maneuver through traffic to respond to emergency calls totaling \$350,000.
- 7) Lake Valley Fire: Funding to pay for two additional fire-fighter Paramedics to provide sufficient staffing on weekends, holidays, and red-flag days during peak season totaling \$107,960. Funding is requested for two years.
- 8) Lake Valley Fire: Funding to purchase other rescue equipment, including a Quint Apparatus and a Fire/Rescue Boat, with a combined total cost of \$1,475,000.
- 9) Lake Valley Fire: Helicopter Rescue Training and Equipment totaling \$16,720.
- 10) Georgetown Fire: Funding to pay for rope rescue equipment in the amount of \$5,800.
- 11) Planning and Building: Funding to pay for Code Enforcement activities related to Vacation Home Rentals. Vacation Home Rentals provide unique lodging opportunities for tourists visiting the County, especially in the Tahoe Basin. The influx of groups vacationing in residential neighborhoods introduces nuisance issues, often which violate County ordinances. The Board has consistently considered enforcement of rules to be a priority for the County; however, limited funding is available to conduct sometimes costly code enforcement activities. The Planning and Building Department has identified a need for an additional Code Enforcement Officer to focus on VHR issues in the Tahoe Basin at an approximate cost of \$106,000 each year. Funding could be directed for this purpose. This is an ongoing need.
- 12) Planning & Building: Funding to pay for one Senior Development Technician to support the additional workload that will be needed if the Board of Supervisors approves a VHR clustering model. While the total cost for this position is approximately \$110,000 annually, it is estimated that permit revenue would offset \$25,000. The total amount requested from TOT is \$85,000.
- 13) Sheriff: Funding to offset General Fund costs associated with Search & Rescue activities, VHR complaints, and VHR Citation Books are estimated at \$265,000 each year.

Additionally, the Board should keep in mind that the new policy direction does not allow for the distribution of remaining TOT revenue to fund other General Fund operations. At the Board's direction, this funding will instead be allocated toward a specific purpose in order to address the impacts of tourism.

Given the change in policy direction, staff is seeking direction from the Board on how this funding should be utilized in the next fiscal year.

For the benefit of the Board, the following are attached to this item:

- A. Recommendation Spreadsheet
- B. Historical TOT Distribution
- C. 2020 TOT Payments by Zip Code
- D. 2018 Western Association of Chamber Executives (WACE) Survey
- E. WACE Survey Data Spreadsheet
- F. Greater Sacramento Economic Council (GSEC) Fiscal Year 2021-22 Annual Commitment Estimate

CAO RECOMMENDATION/COMMENTS

In order to comply with the new Board Budget Policy, the following is recommended for use of TOT funds for FY 2021-22.

This recommendation allocates funding as follows:

- 1) Veteran Programs: Recommended funding amount to the Veteran Affairs Commission is the same as was allocated in FY 2019-20, less the costs of a Senior Veterans Services Officer position that was allocated to HHSA in FY 2020-21. In addition, staff is recommending that future Veteran's funding no longer be allocated based on 5% of the actual TOT received and instead receive this amount as a status quo request. Any additional needs may be requested from the Veteran's Commission as a supplemental request through the annual budget process. Total funding for the Veteran Affairs Commission is recommended at \$175,000. It is recommended to allocate \$15,000 of TOT to the Veterans House Council and \$90,700 of TOT to HHSA for the Senior Veterans Services Officer.
- 2) Treasurer-Tax Collector: Consistent with the Veteran's Commission, no longer allocate 10% of TOT to the Treasurer-Tax-Collector but continue to provide the current amount of \$373,500 as a flat amount to offset costs incurred to collect TOT funds.
- 3) Economic Development: \$1,242,900 which maintains the status quo service levels as approved in the current year budget.
- 4) VHR Code Enforcement: \$105,500 to fund an additional Code Enforcement Officer dedicated to the Tahoe Basin.
- 5) VHR Code Enforcement: \$85,000 to fund a Senior Development Technician to assist in the administration of the VHR Clustering program, if approved by the Board of Supervisors.
- 6) Wagon Train: \$10,000 to offset the costs of the annual Wagon Train event as identified in the County's General Plan.
- 7) Road Maintenance: \$1.3 million allocated to DOT for road maintenance costs and the purchase of a new snow blower along with essential accessories to assist in achieving the Board's policy goal of dedicating \$3 million in discretionary revenues to road maintenance.
- 8) Department of Transportation - Snow removal equipment. As snow removal is a mandated function of the County, it is essential that funding be put in place to begin replacing the aging snow removal fleet. The recommended allocation for this purpose in Fiscal Year 2021/22 is \$546,780.

- 9) El Dorado County Fire: \$68,000 to offset costs associated with search and rescue activities due to tourism.
- 10) Lake Valley Fire: \$222,000 to offset the costs of calls specific to tourists activities.
- 11) Sheriff: \$265,000 to offset Search and Rescue activities, VHR enforcement, and VHR citation book costs.
- 12) El Dorado County Chamber- Film Commission: \$150,750/year for two years.
- 13) El Dorado County Chamber - Visitors Authority: \$240,920/year for two years.
- 14) Lake Tahoe South Shore Chamber of Commerce: \$78,950/year for two years.
- 15) Tahoe Prosperity Center: \$30,000/year for two years.

Funding is not being recommended for the El Dorado Hills Chamber - California Welcome Center or the Greater Sacramento Economic Council (GSEC). According to a 2018 Western Association of Chamber Executives (WACE) survey, of the business chambers in California that receive government funding, only 25% of those chambers receive funding for visitor center operations. As a result, staff is recommending the \$110,000 currently allocated to the El Dorado Hills Chamber be redirected to fund the impacts of tourism.

While GSEC has proven to be a very successful model to increase economic development in the Sacramento region and El Dorado County has benefited from their efforts, staff does not believe the annual cost of \$63,252 is as high of a priority as addressing some of the tourist impact needs.

If the Board approves these recommendations, the total anticipated TOT funding will be distributed in accordance with the Board's policy as follow:

Impacts of Tourism:	59.3%
Economic Development:	24.9%
Promotion of Tourism:	10.2%
Veterans Commission:	5.6%

It should be noted that beginning in 2013 the Veterans Commission was allocated 5% of the prior year actual revenue, not based on budget.

FINANCIAL IMPACT

There is no direct financial impact associated with this item. Upon receipt of direction from the Board, staff will prepare budget recommendations and / or funding agreements that make use of TOT revenue.

STRATEGIC PLAN COMPONENT

- Economic Development
- Healthy Communities
- Public Safety
- Infrastructure

CONTACT

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