



AGENCY:	City Council
MEETING DATE:	June 13, 2016
DEPARTMENT:	City Manager
PRESENTED BY:	Linda Ruffing

## AGENDA ITEM SUMMARY

### **TITLE:**

**RECEIVE REPORT AND (1) CONSIDER INTRODUCTION, BY TITLE ONLY, AND WAIVE FURTHER READING OF ORDINANCE NO. 924-2016 AMENDING CHAPTER 3.12 OF THE FORT BRAGG MUNICIPAL CODE TO INCREASE THE CITY'S TRANSIENT OCCUPANCY TAX FROM 10% TO 12% SUBJECT TO VOTER APPROVAL, AND (2) REVIEW DRAFT RESOLUTION CALLING A SPECIAL ELECTION FOR PURPOSE OF SUBMITTING TO THE VOTERS A GENERAL TAX MEASURE AND NON-BINDING ADVISORY MEASURE AND PROVIDE DIRECTION TO STAFF**

### **ISSUE:**

At the February 8, 2016 City Council meeting, an ad hoc committee comprised of Mayor Dave Turner and Vice Mayor Lindy Peters was formed to explore the possibility of a ballot measure to increase the Transient Occupancy Tax (TOT) rate to generate revenue for activities that will help expand Fort Bragg's slice of the California tourism business. TOT is a tax imposed on visitors staying at lodging facilities. The committee was tasked with talking to local lodging owners and operators to receive feedback on the possibility of a TOT increase. In late February and early March, the committee met with owners and/or operators of nearly all of Fort Bragg's 24 lodging establishments.

At the March 28, 2016 City Council meeting, the ad hoc committee recommended that Council direct staff to prepare two ballot measures to the electorate for consideration: (1) a general tax measure that increases the TOT rate in the City of Fort Bragg from 10% to 12% effective April 1, 2017, and (2) a companion non-binding advisory measure that informs the Council, if the voters approve the general tax measure, about how the revenues generated by the TOT increase should be used.

This agenda item allows the Council to introduce an Ordinance increasing the TOT to 12%, subject to voter approval. In addition, a draft Resolution is presented for Council review and direction. The draft Resolution calls for a special election for the purpose of submitting a general tax measure which would increase the City's Transient Occupancy Tax rate from 10 percent to 12 percent, subject to approval of a majority of the electors voting, and a non-binding advisory measure that informs the Council, if the voters approve the general tax measure, about how the revenues generated by the TOT increase should be used, and requests the Board of Supervisors of the County of Mendocino to consolidate a special and advisory election with the statewide general election to be held on Tuesday, November 8, 2016.

At the June 27, 2016 Council meeting, the Council will have the opportunity to adopt the Ordinance and to adopt a Resolution submitting the TOT increase and the advisory measure to the Fort Bragg electorate.

**RECOMMENDED ACTION:**

1. Introduce, by title only, and waive further reading of Ordinance No. 924-2016 amending portions of Chapter 3.12 of the Municipal Code (Uniform Transient Occupancy Tax Ordinance of the City of Fort Bragg) and make other conforming changes subject to approval of a majority of the electors voting on the tax measure at the November 8, 2016 General Election.
2. Review draft resolution calling a special election for the purpose of submitting a general tax measure which would increase the City's Transient Occupancy Tax rate from 10 percent to 12 percent, subject to approval of a majority of the electors voting, and a non-binding advisory measure that informs the Council, if the voters approve the general tax measure, about how the revenues generated by the TOT increase should be used, and requesting the Board of Supervisors of the County of Mendocino to consolidate a special and advisory election with the statewide general election to be held on Tuesday, November 8, 2016. Provide direction to staff if necessary.

**ALTERNATIVE ACTION(S):**

1. Take no action. Under this alternative, the TOT increase would not be placed on the November 2016 ballot.
2. Continue action on the matter and request additional information.

**FISCAL IMPACT**

A 2% increase in the TOT rate would generate nearly \$400,000 per year in additional revenue. If used for the purposes and in the amounts specified in the advisory measure, this would mean an additional \$200,000 per year for marketing and promotion, \$100,000 to enhance Coastal Trail maintenance and security, \$50,000 to support establishment of the Noyo Center to complete the Oceanarium, and \$50,000 for special projects that support tourism and benefit the community, including, but not limited to, repair and maintenance of the school district's athletic fields.

There would also be costs associated with the election. Because the election would be consolidated with the general statewide election, the City Council election, and possibly other local measures, the costs are estimated to be in the \$5,000 range.

**ANALYSIS:**

The current TOT is 10% of the cost of a room per night; the Ordinance proposes to raise the TOT from 10% to 12%. For the TOT to become effective, the Council must adopt the Ordinance by a two-thirds vote, pursuant to Government Code section 53724, and the TOT increase must be approved by a simple majority of voters in the November 8, 2016 General Election.

State law establishes procedures and requirements for conducting elections, and actions to call and consolidate elections must occur via resolution. In order to submit both the Ordinance and the advisory measure to the voters at the November 8, 2016 General Election, the City Council must adopt the Resolution calling for the special and advisory elections and requesting that the County consolidate those elections with the General Election, no later than Thursday, August 11, 2016.

Staff has worked with legal counsel to prepare an ordinance to increase the TOT from 10% to 12%, effective April 1, 2017, contingent on voter approval, and to provide that the Director of Finance, at the direction and request of the City Manager, shall keep account of how the additional proceeds of the tax are being used, and periodically render an itemized written report to the City Council detailing such expenditures. Staff has also worked with legal counsel to prepare a non-binding advisory measure that informs the Council, if the voters approve the general tax measure, about how the revenues generated by the TOT increase should be used. These documents were then reviewed by the Council's ad hoc committee for the TOT ballot measure (Mayor Turner, Vice Mayor Peters). The ad hoc committee recommended the following language for each measure:

**Measure “\_\_\_\_” - APPROVAL OF INCREASE TO THE TRANSIENT OCCUPANCY TAX**

Shall Ordinance No. 924-2016 amending portions of Chapter 3.12 of the Fort Bragg Municipal Code to increase the City of Fort Bragg's existing Transient Occupancy Tax (a bed tax paid when overnight visitors rent a room) from ten percent (10%) to twelve percent (12%) to fund public services and maintain public areas, effective April 1, 2017, which proposed rate increase and amendment is anticipated to raise an additional \$400,000 per year in revenue and which will continue until repealed by the City Council or the city voters, be adopted?	<b>YES</b>	
	<b>NO</b>	

**Advisory Vote Only.**

If Measure “____” is approved by voters, shall the People of the City of Fort Bragg advise the City Council to use the additional funds in the following manner: (i) One-half of the revenues to substantially increase promotions and marketing for Fort Bragg; (ii) One-quarter of the revenues to enhance Coastal Trail maintenance and security; (iii) One-eighth of the revenues to support establishment of the Noyo Center for Marine Science as a premiere visitor attraction; and (iv) One-eighth of the revenues to undertake special projects that support tourism and benefit the community including, but not limited to, repair and enhancement of local athletic fields?	<b>YES</b>	
	<b>NO</b>	

**CONSISTENCY:**

The proposed ordinance and resolution are consistent with local, State and federal statutes.

**IMPLEMENTATION/TIMEFRAMES:**

The last day to call the election for the measures is no less than 88 days prior to the November 8, 2016 general election. Thus, the deadline for transmitting a ballot measure to the County Elections Office is in mid-August.

**ATTACHMENTS:**

1. Ordinance to increase the TOT subject to election.
2. Draft Resolution calling for special and advisory elections, requesting consolidation of elections, and submitting the Ordinance to increase the TOT and advisory measure to the Fort Bragg electorate.

**NOTIFICATION:**

1. Lodging email list

**City Clerk's Office Use Only**

Agency Action      ☐ Approved      ☐ Denied      ☐ Approved as Amended

Resolution No.: \_\_\_\_\_ Ordinance No.: \_\_\_\_\_

Moved by: \_\_\_\_\_ Seconded by: \_\_\_\_\_

Vote:

\_\_\_\_\_

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☐ Deferred/Continued to meeting of: \_\_\_\_\_

☐ Referred to: \_\_\_\_\_