



AGENCY:	City Council
MEETING DATE:	January 23, 2017
DEPARTMENT:	Administration
PRESENTED BY:	L. Ruffing

## AGENDA ITEM SUMMARY

### **TITLE:**

**RECEIVE REPORT REGARDING OVERSIGHT PROCESS FOR MEASURE AA REVENUES AND PROVIDE DIRECTION TO STAFF**

### **ISSUE:**

On the November 8, 2016 General Election ballot, the voters of Fort Bragg approved Measure AA to increase the Transient Occupancy Tax (a bed tax paid when overnight visitors rent a room) from 10% to 12% effective April 1, 2017. The voters also approved Measure AB, a companion advisory measure, by which the voters advised the City Council to use the additional Transient Occupancy Tax (TOT) revenues in the following manner: (i) One-half of the revenues to substantially increase promotions, events 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 premier 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.

This report provides information and seeks City Council direction regarding a number of items pertaining to the administration and oversight of the Measure AA revenues.

### **RECOMMENDED ACTION:**

Receive report and provide direction to staff on the following topics:

1. Financial management of Measure AA revenues.
2. Council authorization of expenditures for:
  - a. Marketing, promotions and events
  - b. Coastal Trail maintenance and security
  - c. Noyo Center for Marine Science
  - d. Athletic field repair and enhancement

### **ALTERNATIVE ACTION(S):**

None necessary. The requested Council direction is open-ended.

### **ANALYSIS:**

#### **Financial Management of Measure AA Revenues**

Measure AA was a general tax and, therefore, the funds must be kept in the General Fund. The Finance Department proposes to establish a separate account in the General Fund which will receive 16.667% of the total TOT revenues collected after April 1, 2017. Expenditures will be tracked using the general ledger and internal balances will be tracked with Excel spreadsheets. An annual report will be presented each year as part of the mid-year budget review process. This will provide a budget to actual true-up for the prior fiscal year, and an opportunity to start planning for the next fiscal year's budget.

The Finance Department has prepared a letter to be sent to each Fort Bragg lodging establishment notifying them of the April 1<sup>st</sup> increase in the TOT rate. That letter will be sent this month with a follow-up letter in March which includes a new TOT certificate and a new version of the monthly TOT return form.

Staff plans to establish a Measure AA page on the City's website which will include tracking information for Measure AA TOT receipts and authorized Measure AA expenditures.

### **Council Authorization of Expenditures of Measure AA Revenues**

- a. Marketing, promotions and events.** Half of the Measure AA funds will be dedicated to Marketing, promotions and events. This will be in addition to the funds currently dedicated to promotions (i.e., 4% of the prior year's 10% TOT collections). In FY 2017/18, this amount is estimated to be about \$200k+\$90k= \$290k. The City is currently preparing a Tourism Market Research Study to help inform the preparation of a Marketing Plan for FY 2017/18. The Visit Fort Bragg (VFB) committee will play a key role in helping to prepare the Marketing Plan and budget each year. VFB is comprised of representatives from local lodging, retail, restaurants, and other businesses who have their fingers on the pulse of our local tourism and retail economy. Over the next couple months, the City's Community Development Department staff will be meeting with VFB and the Chamber of Commerce staff who currently provide administrative support to VFB and oversee implementation of the City's annual Marketing Plan to map out a strategic plan for substantially increasing the City's marketing and promotion efforts. VFB and Chamber staff are expected to continue to play a key role in this process. The Tourism Market Research Study will be presented to the Council in March, after which a Marketing Plan will be prepared. Community Development Department staff is interested in facilitating preparation of the Marketing Plan. Council direction is not sought at this time, pending more coordination between the various partners involved in Fort Bragg's marketing and promotion efforts.
- b. Coastal Trail maintenance and security.** Staff recommends the expenditure of Measure AA funds for this purpose be authorized through the regular budget process. As discussed at the last Council meeting, covering costs for design, engineering and construction of the new Glass Beach staircase is a priority. Staff will also be evaluating the possible use of seasonal maintenance worker positions to help with Coastal Trail demands during the summer months. In addition, replenishing funds for ongoing restoration and mitigation monitoring is also a high priority. Staff will seek direction from the Council during the mid-year budget review and FY 2017/18 budget workshops regarding expenditure of Measure AA funds.
- c. Noyo Center for Marine Science.** The City of Fort Bragg and the Noyo Center for Marine Science non-profit entered into a Memorandum of Agreement (MOA) in December 2015 that articulates the many agreements and understandings that have developed between the two parties as the Noyo Center evolved from a City-sponsored economic development initiative to a non-profit organization governed by an independent Board of Directors. Staff recommends that the MOA be amended to include a provision whereby the City grants the Measure AA funds to the Noyo Center, funds would be transferred on a quarterly basis, and the Noyo Center would provide mid-year and annual reports to the City Council that identify progress towards its goals and a financial overview of the organization.
- d. Athletic field repair and enhancement.** While Measure AB allows for expenditure of funds on special projects other than repair and enhancement of local athletic fields, the fields were clearly the priority activity. Staff recommends that this portion of the Measure AA funds be set aside and accumulated until the Fort Bragg Unified School District comes forward with a proposal for revamping one or all of the fields. At that time, the two entities can enter into some type of agreement for the expenditure of the funds.

**FISCAL IMPACT:**

Measure AA is expected to generate approximately \$400k per year in revenues and, as time goes on and Fort Bragg's marketing and promotions efforts are more and more successful, that amount is expected to increase. These increased revenues are based on a tax paid by visitors to Fort Bragg, not local residents. Tourism is a vital part of Fort Bragg's economy. In 2014, visitors spent an estimated \$90 million in Fort Bragg – providing essential support for local shops, restaurants, gas stations, lodging, grocery stores and other attractions.

**IMPLEMENTATION/TIMEFRAMES:**

Over the next few months, several actions will be needed to lay the groundwork for the expenditure of Measure AA revenues. The Tourism Market Research Study will be presented to the Council and community in March. Council discussions during the mid-year budget review process will help guide appropriations of Measure AA funds in the FY 2017/18 budget process. Follow-up Council discussions regarding next year's Marketing Plan and its implementation will also be scheduled.

**ATTACHMENTS:**

1. None

**NOTIFICATION:**

1. Visit Fort Bragg members
2. Fort Bragg-Mendocino Coast Chamber of Commerce
3. Noyo Center for Marine Science
4. Fort Bragg Unified School District

**City Clerk's Office Use Only**

Agency Action      ☐ Approved      ☐ Denied      ☐ Approved as Amended

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

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

Vote: \_\_\_\_\_

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

☐ Referred to: \_\_\_\_\_