



COUNTY OF SONOMA

575 ADMINISTRATION
DRIVE, ROOM 102A
SANTA ROSA, CA 95403

SUMMARY REPORT

Agenda Date: 6/4/2019

To: Sonoma County Board of Supervisors

Department or Agency Name(s): Economic Development Board / ATTC

Staff Name and Phone Number: Al Lerma - 565-6428 - EDB / Paula Johnson - (707) 522-5808 - SCT / Jonathan Kadlec - 565-6124 - ATTC

Vote Requirement: Majority

Supervisory District(s): All

Title:

Annual Tourism Assessment Report & Continuation of Tourism Assessment Without Change in Fiscal Year 2019-20

Recommended Actions:

- A) Conduct a public hearing to consider the Sonoma County Tourism Bureau's annual tourism assessment report to support the continuation of the tourism assessment in fiscal year 2019-20; and
- B) Adopt a resolution confirming the Tourism Bureau's Annual Report and continuing without change the levy of the tourism assessment for the Sonoma County Tourism Business Improvement Area for Fiscal Year 2019-20.
- C) Approve an amendment to the Agreement for Services to extend the term to June 30, 2020 to provide services and programs promoting tourism in Sonoma County funded by assessments from within the Sonoma County Tourism Business Improvement Area.

Executive Summary:

Staff recommends the Board approve a resolution confirming the Annual Report prepared by the Sonoma County Tourism Bureau and continuing the program and assessments as levied without change for fiscal year 2019-20. The Agreement for Services with the Sonoma County Tourism Bureau includes expenditure policy restrictions to carry out the services, activities and programs promoting tourism funded by the assessments for the specific benefit of the lodging establishments within the Sonoma County Tourism Business Improvement Area.

Discussion:

Sonoma County Tourism Business Improvement Area Background

On November 2, 2004, the Sonoma County Board of Supervisors adopted the ordinance creating the Sonoma County Tourism Business Improvement Area (Business Improvement Area) in various cities and in the unincorporated areas of the county. Under the ordinance, lodging establishments generating annual room revenue of \$350,000 or more must pay an assessment equal to 2% of such revenue.

Pursuant to Streets and Highways Code section 36535(d), the levy of the assessment and program to promote tourism has continued without change in the Business Improvement Area since 2004 (BIA).

The Sonoma County Tourism Bureau (Tourism Bureau) is a private, non-profit organization dedicated to increasing overnight stays in Sonoma County. In June 2005, the Sonoma County Board of Supervisors executed an agreement with the Tourism Bureau to carry out services, activities, and programs promoting tourism to Sonoma County, funded by assessments from within the Business Improvement Area.

As it has done every year since 2004, the Tourism Bureau again has submitted its Annual Report which contains information on the activities and corresponding expenditures to carry out in Fiscal Year 2019-20. The Report also contains a budget showing projected revenue from assessments and all other sources sufficient to carry out the services, programs, and activities set forth in the plan. The Tourism Bureau has also submitted its audited financial statements and independent auditor's report which provides a detailed description of the organization's revenue and expenses and the special benefit provided to the lodging establishments within the Business Improvement Area.

Collection of Tourism Assessment and Transient Occupancy Tax

The Sonoma County Treasurer-Tax Collector collects the BIA assessment from all qualifying entities in the unincorporated areas of the County and also remittances from member cities, which include the Cities of Santa Rosa, Rohnert Park, Petaluma, Cloverdale, Cotati, and Sebastopol, and the Town of Windsor. The City of Sonoma and the City of Healdsburg have not approved consent resolutions to join the BIA.

County staff are meeting with Sonoma County Tourism and other stakeholders to review opportunities to coordinate efforts to expand enforcement and collection efforts of the business improvement assessment. In the meantime, County staff recommend proceeding with the annual process to continue the levy of the business improvement assessment without changing the ordinance. We are requesting that the Board accept the Sonoma County Tourism's annual tourism assessment report to support the continuation of the tourism assessment in fiscal year 2019-20 and continue without change the BIA assessment.

In addition to BIA funds, the Sonoma County Tourism Bureau receives funding from the County of Sonoma's Transient Occupancy Tax (TOT). TOT is authorized under State Revenue and Taxation Code Section 7280, as an additional source of non-property tax revenue to local government. This tax is levied in Sonoma County at a rate of 12% for accommodations at lodging and camping facilities in the unincorporated areas of the County. TOT funds are discretionary, in that the Board of Supervisors may direct use of these funds for any legitimate county expense and may grant funds that benefit the community in accordance with Government Code section 26227. The TOT contract with the County of Sonoma and Sonoma County Tourism is forthcoming, pending the completion of the audits.

Findings and Recommendations

Staff and the Tourism Bureau, in its capacity as the Advisory Board, recommends that the Board accept and confirm this Annual Report and continue the assessments as levied without change for the Business Improvement Area in Fiscal Year 2019-2020 pursuant to the Parking and Business Improvement Area Law of 1989 (California Streets and Highways Code section 36535(d) et seq.), subject to the following findings and recommendations:

- 1) That the boundaries of the Business Improvement Area should remain the same, with the recognition that the cities of Santa Rosa, Petaluma, Rohnert Park, Sebastopol, Cloverdale and Cotati, and the Town of Windsor, have not withdrawn their consent to be included within the boundaries of the Business Improvement Area.
- 2) That Tourism Bureau continue to serve as the Advisory Board for the Business Improvement Area.
- 3) That the method and basis of levying the assessment remain unchanged and continue in Fiscal Year 2019-

2020.

4) That the revenues generated by the assessment be used in accordance with the requirements of Sonoma County Code section 33-4 to conduct marketing activities including funding of programs, services, and activities outside of the County designed to increase the number of overnight visits to the County.

5) That Tourism Bureau has retained the services of Pimenti & Brinker LLP and Maze & Associates LLP, an independent certified public accounting firm, to audit the Tourism Bureau's finances and it concluded in its Independent Auditor's Report that there were no material weaknesses or significant audit findings in relation to Business Improvement Area program (Attachment 4).

6) The Tourism Bureau will provide an annual audit of travel and meal expenses per their most recent updated travel and meal reimbursement policy.

Activities, Marketing, Advertising, and Public Relations Program Expenditures

The type of activities intended to be funded by the Tourism Bureau's Business Improvement Area assessment and Transient Occupancy Tax revenues include:

(1) advertising; (2) marketing materials and distribution; (3) tradeshow and sales missions; (4) sales and marketing promotions; (5) destination development; (6) research and development; (7) public relations; (8) sales and marketing tools; (9) labor; and (10) administrative expenses.

Purpose and Specific Benefit

Business Improvement Districts are important to California's economy and provide a number of tourism-related services to California's tourism industry, including marketing of assessed businesses, tourism promotion, and special events to attract tourists. Sonoma County Code section 33-4 requires that revenues from Business Improvement Area assessments must be used to conduct marketing activities designed to increase overnight visits to the area. The term "area" is defined as the territory within the boundaries of the Business Improvement Area, and the term "marketing activities" is defined as activities designed to market the area as a tourist destination, including the expenditure of funds to place advertising in any media, conduct public relations campaigns, perform marketing research, promote conventions and trade shows, and foster improved contacts within the travel industry, for the purpose of promoting tourism within the area. Revenues from assessments may be used for programs, services, and activities outside the area, if such programs, services, and activities are designed to promote and encourage overnight visits to the area. Revenues from assessments may also be used to pay the ongoing reasonable administrative costs associated with the marketing activities.

The focus on increasing overnight visits to the area constitutes a specific benefit to the lodging establishments that pay the assessments. The fact that others may receive incidental benefits from the expenditure of assessments, such as restaurants serving more patrons, does not change the characterization of assessments as a specific benefit to lodging establishments because no additional cost is imposed on the lodging establishments to provide those incidental benefits.

Written and Oral Protests

In advance of this public hearing, written protests may be submitted to the Economic Development Board Director, County of Sonoma, 575 Administrative Drive, Room 100A, Santa Rosa, CA 95403 by 5:00 p.m. on June 3, 2019. At the public hearing, the Board will consider all protests, both written and oral, presented to the Board prior to the close of the hearing. Staff has published notice in the newspaper as directed by the Board and as required by Streets and Highways Code section 36535(d).

Staff recommends the Board accept the Annual Assessment Report for Fiscal Year 2019-20, and adopt the resolution supporting the continuation of the tourism assessment without change.

Prior Board Actions:

4/10/18- The Board adopted a resolution declaring its intention of continuing without change the levy of the Tourism Assessment on the lodging businesses located within the Sonoma County Business Improvement Area and accepted the its FY18-19 Annual Assessment Report.

FISCAL SUMMARY

| Expenditures | FY 18-19 Adopted | FY19-20 Projected | FY 20-21 Projected |
|------------------------------------|-----------------------------|------------------------------|-------------------------------|
| Budgeted Expenses | | | |
| Additional Appropriation Requested | | | |
| Total Expenditures | | | |
| Funding Sources | | | |
| General Fund/WA GF | | | |
| State/Federal | | | |
| Fees/Other | | | |
| Use of Fund Balance | | | |
| Contingencies | | | |
| Total Sources | | | |

Narrative Explanation of Fiscal Impacts:

BIA collections averaged \$4,820,000 for fiscal years 2016-17 and 2017-18. Year to date collections are at \$3,316,000 (includes first 3 quarters of the year) and staff estimates that total collections for fiscal year 2018-19 will be \$4,500,000. Sonoma County Treasurer-Tax Collector retains a two percent administrative fee for recovering the reasonable cost of collecting and administering the BIA in the unincorporated area. Cities who collect BIA also retain a two percent administrative fee for the same purpose to recover their costs to perform this service.

Agenda Date: 6/4/2019

| Staffing Impacts: | | | |
|--------------------------|-----------------------------------|-----------------------|-----------------------|
| Position Title (Payroll) | Monthly Salary Range (A - I Step) | Additions (number) | Deletions (number) |
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Narrative Explanation of Staffing Impacts (If Required):

Attachments:

Attachment 1: BIA Resolution of Intent to Continue BIA Levy

Attachment 2: FY 2019-20 Annual Assessment Report

Attachment 3: Amendment to Agreement for Services

Related Items "On File" with the Clerk of the Board:

Attachment 4: Business Improvement Area Ordinance No. 5525.

Attachment 5: Sonoma County Tourism Bureau Financial Statements and Independent Auditor's Report

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