



Agenda Date: 12/5/2006  
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## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Britt Ferguson for Nancy Watt - County Executive Officer  
County Executive Office  
**REPORT BY:** Britt Ferguson, Assistant County Executive Officer, 253-4406  
**SUBJECT:** Special Projects Fund - Resource Allocation Planning

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### **RECOMMENDATION**

County Executive Officer requests that the Board:

1. Receive a report on the development of a plan for allocating Special Project Fund resources; and
2. Provide direction on certain issues related to the development of that plan.

### **EXECUTIVE SUMMARY**

In November of 2004, Napa County voters approved an increase in the Transient Occupancy Tax (TOT) rate charged to visitors renting hotel and motel rooms in the unincorporated area. The increase, from 10.5% to 12%, took effect on January 1, 2005 and was not dedicated to any specific purpose, thus requiring only a majority vote to pass. In FY2005-06, the first full year the additional 1.5% TOT rate was in effect, that rate generated approximately \$930,000 in TOT revenue and it is projected that annual revenue from the 1.5% rate will grow to over \$1.5 million by FY2014-15.

Although the revenue generated by this additional 1.5% TOT rate is fully discretionary, the Board determined that the receipt of additional discretionary revenue provided an opportunity to consider County investments in projects or programs that were a Board priority. To that end, as part of the FY2005-06 County Budget process, the Board established the Special Projects Fund and approved the transfer of \$650,000 from the General Fund to the Special Projects Fund to finance programs or projects in two areas: (1) visitor management; and (2) parks and open space. In the FY2006-07 Budget, the Board approved the transfer of an additional \$900,000 from the General Fund to the Special Projects Fund, which, when added to the Special Project Fund's carry-over balance, resulted in a FY2006-07 appropriation of \$1,425,000.

In terms of actual expenditures, thus far, the Board has approved a two-year, \$500,000 agreement, with the Napa Valley Conference and Visitor's Bureau (NVCVB) to fund the development of a County-wide destination brand strategy (to be completed in FY2007-08). In addition, for FY2006-07, the Board has allocated \$300,000 to cover County parks operating cost and agreed to continue to fund these parks operating costs at least through FY2008-

09, with the expectation that a Parks & Open Space District may be created and funded by then. The Board has also discussed the possible need to use Special Projects Fund money to help cover the cost of purchasing Skyline Park, if the State agrees to sell that property to the County.

Although the Board has approved transferring a certain amount of General Fund money to the Special Projects Fund in each of the last two fiscal years, decided that the initial focus of Special Project Fund investment will be visitor management and parks and open space, and approved expenditures for certain programs or projects, there are still many policy issues that have not yet been addressed and the Board has not yet approved a comprehensive plan for allocating Special Project Fund resources. Among the policy issues yet to be decided are:

- | The amount of General Fund resources to be transferred to the Special Projects Fund each year;
- | The duration of the commitment of Special Projects Fund monies to visitor management and parks and open space;
- | Any other areas the Board may want to finance with Special Projects Fund resources either in addition to, or in lieu of, visitor management and parks and open space;
- | If the Board wishes to maintain the commitment to visitor management and parks and recreation, what the Board's specific goals and objectives are in these areas.

At this point, staff is making the following policy and planning process recommendations:

1. Approve a policy that, starting with FY2007-08 budget, except in times of fiscal distress, staff is to include an annual General Fund Contribution to the Special Projects Fund that is equal to 12.5% of the FY2005-06 actual TOT revenue (the "base year"), adjusted for a 3% annual increase from the base year. In times of fiscal distress, retain money in the General Fund to help cover the cost of high priority County programs.
2. Affirm that the initial focus area for expenditure of Special Projects Fund monies will be visitor management and parks and open space, or designate other focus areas.
3. Direct that the planning process not start and that, with possible limited exceptions to meet critical needs, no Special Projects Fund money spent or committed beyond what has already been committed until: (1) the destination brand strategy being developed by the Napa Valley Conference and Visitor's Bureau is complete; (2) the voters have made decisions on funding for the newly created parks and open space district or the Board has made a decision on the level of long-term County support for the District; and (3) any arrangements regarding the purchase of Skyline Park are finalized.

If these recommendations are approved, the planning process would probably not start until FY2008-09 at the earliest. If the Board wants to proceed with the planning process now, the attached report outlines a number of other recommendations.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	The General Fund.

The issue here, in part, is how much General Fund money is to be transferred to the Special Projects Fund.

The FY2006/07 Budget includes a \$900,000 transfer from the General Fund to

the Special Projects Fund. The total Special Projects Fund budget is \$1,425,000.

Is it Mandatory or Discretionary? Discretionary

Discretionary Justification: The purpose of this agenda item is to determine how much money will be transferred from the General Fund to the Special Projects Fund on an annual basis and to obtain policy direction from the Board on the development of a plan for spending that money.

Is the general fund affected? Yes

Future fiscal impact: This will depend on policy decisions made by the Board.

Consequences if not approved: There will be no direction with regard to such things as how much General Fund money to transfer to the Special Projects Fund and what Special Projects Fund money is to be spent on.

Additional Information:

**ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

**BACKGROUND AND DISCUSSION**

Please see attached report.

**SUPPORTING DOCUMENTS**

A . Report: Development of Plan for Allocating Special Projects Fund Resources

CEO Recommendation: Approve

Reviewed By: Maiko Klieman