



A Tradition of Stewardship
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NAPA COUNTY BOARD OF SUPERVISORS

Board Agenda Letter

TO: Board of Supervisors

FROM: Leanne Link - County Executive Officer
County Executive Office

REPORT BY: Molly Rattigan, Deputy County Executive Officer - 253-4112

SUBJECT: Discussion regarding Special Projects

RECOMMENDATION

County Executive Officer requests discussion and possible direction regarding the Special Projects Fund distribution beginning in Fiscal Year 2018-2019.

EXECUTIVE SUMMARY

The Special Projects Fund was created by the Board of Supervisors in 2005 and the core principles were further refined in 2006. Beginning in 2006, the annual General Fund appropriations have included the allocation of 12.5% of Transient Occupancy Tax revenue from the previous calendar year to the Special Projects Fund for specific purposes. The Board of Supervisors has extended the Special Projects Fund allocation, most recently in 2012 for a period of five years. The County's current priorities for funding are (1) parks and open space, (2) visitor management and (3) arts and culture.

Fiscal Year 2017-2018 (revenue from Calendar Year 2016 transient occupancy tax), is the final year of the current five-year authorization. An allocation of funds in the amount of \$1,633,208 is included in the Recommended Budget for FY 2017-2018.

Staff is seeking discussion and direction from the Board of Supervisors on how to proceed with the Special Projects Fund in Fiscal Year 2018-2019 and beyond.

PROCEDURAL REQUIREMENTS

1. Staff reports.
2. Public comments.

3. Motion, second, discussion and vote on the item.

FISCAL IMPACT

Is there a Fiscal Impact? No

ENVIRONMENTAL IMPACT

There is no Environmental Impact for this item.

BACKGROUND AND DISCUSSION

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, TOT revenue increased by \$930,000. Although the revenue generated by the 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.

CORE PRINCIPLES

On December 5, 2006, the Board adopted a policy setting the Core Principles for the Special Projects Fund. That policy stated that 1) each year, except during times of fiscal distress, transfer General Fund resources to the Special Projects Fund in an amount equal to 12.5% of the prior calendar year's actual Transient Occupancy Tax (TOT) revenue received by the County; 2) the primary focus of Special Projects Fund expenditures will be on programs or services related to; (1) parks and open space; (2) visitor management; and (3) arts and culture. Over the years and at various points, the Board of Supervisors extended these core principals. These principals were most recently extended in 2012 for a five-year cycle. Since revenues are calculated on a calendar year basis and distributed the following fiscal year, revenues from Calendar Year 2016 will be distributed in Fiscal Year 2017-2018 as the final year of the existing five-year cycle. Staff typically begins the allocation process in January of each year.

ALLOCATION PLAN AND PROCESS

The Board of Supervisors made changes to the allocation of funds over the years. However, the County's Special Projects policy was never updated to reflect changes made by the Board of Supervisors. The attached document (Exhibit A) is a redlined version of the Special Projects Fund Policy that is updated to reflect previous Board actions.

Most significantly, it is important to note that the Board of Supervisors canceled the designation for the purchase of Skyline Park in order to contribute nearly \$1 million in Special Projects funding towards the purchase and renovation of the Health and Human Services Campus on Napa Valley Corporate Drive. This decision was made at a time when the State was unwilling to sell Skyline Park at an agreeable price. While the purchase of Skyline Park remains a priority in the County's Legislative Platform, Special Project Funds are no longer being saved for

the purchase.

The competitive grant programs are administered by County staff. The Board of Supervisors-appointed Arts Committee reviews applications and makes and recommendations to the Board of Supervisors. The current allocation formula is as follows:

For all General Fund resources transferred to the Special Projects Fund in a particular year (Fiscal Year 2017-2018 budgeted funds in parenthesis):

- | Allocate 60% for parks and open space programs or services, including Parks and Open Space District Operating Costs and the purchase of Skyline Park. These funds are currently directly allocated to the Napa County Park and Open Space District (\$979,925).
- | Allocate 30% for visitor management programs or services. Of these funds, 66.67% will be allocated directly to Visit Napa Valley (\$326,658) and 5% will be allocated directly to Arts Council Napa Valley for the Arts in April Event (\$24,498). The remaining funds will be allocated to competitive grants offering tourism generating programs (\$138,806).
- | Allocate 10% for arts and culture services. Of these funds, 25% will be allocated directly to Arts Council Napa Valley for operating expenses (\$40,830). The remaining funds shall be competitively awarded capacity-building grants for arts and culture agencies (\$122,491).

A five year history of the allocation of funds is provided as Exhibit B. In Fiscal Year 2017-2018, a total of \$1,633,208 will be available for allocation based on TOT revenues received in Calendar Year 2016. TOT revenues are growing significantly and revenue dedicated to the Special Projects fund increased by \$142,476 in 2016.

Board of Supervisors Direction

Staff is seeking following direction from the Board today:

1. Should the Board continue to allocate 12.5% of TOT revenues to the Special Projects Fund except in years of fiscal distress beginning in FY 2018-2019?
2. Is there any desire to modify the priority funding areas (parks and open space, visitor management and arts and culture) or the allocation of funds for the next funding cycle?
3. How long should the funding cycle beginning in Fiscal Year 2018-2019 last? The current funding cycle of five years has allowed for grantees to leverage funds and plan for needs. This is particularly a concern for the Parks and Open Space District. Staff recommends a minimum three year funding cycle for this purpose.
4. If the Board wishes to revisit the Guiding Principles, indicate which principles the Board would like to reconsider and/or what changes the Board would like to make.
5. Direction from the Board on the initial process to begin working on the update to the Special Fund Projects policy. In previous policy updates, the Board chose to form an Ad Hoc Committee comprised of two Board members (Supervisors Luce and Dodd at that time) who worked with staff and created the documents that were later adopted by the whole Board. If the Board wishes to take the same approach, staff requests that the Board appoint two of its member to serve on the committee.

SUPPORTING DOCUMENTS

- A . Exhibit A- Redlined Special Projects Fund Policy
- B . Exhibit B-Special Projects Fund History

CEO Recommendation: Approve

Reviewed By: Molly Rattigan