BOARD OF SUPERVISORS
AGENDA LETTER

Agenda Number:

Clerk of the Board of Supervisors
105 E. Anapamu Street, Suite 407
Santa Barbara, CA 93101
(805) 568-2240

Department Name:	CEO
Department No.:	012
For Agenda Of:	April 22, 2014
Placement:	Departmental
Estimated Tme:	30 minutes
Continued Item:	No
If Yes, date from:	
Vote Required:	4/5

TO: Board of Supervisors

FROM: Department
Director(s)   Mona Miyasato, County Executive Officer, 568.3400

Contact Info: Dennis Bozanich, Assistant to the County Executive. 568-3400

SUBJECT: **Transient Occupancy Tax (TOT) Increase Ballot Measure for November 2014 General Election Ballot**

County Counsel Concurrence	Auditor-Controller Concurrence
As to form: Yes	As to form: Yes

Recommended Actions:

That on April 22, 2014, the Board of Supervisors considers the following c h o i c e s o f actions:

Option 1:

a. Receive and consider a report from staff regarding placing a measure on the November 4, 2014 General Election ballot for a possible transient occupancy tax increase from Ten Percent (10%) to Twelve Percent (12%) in the unincorporated areas of the County;

b. Consider the introduction (First Reading) of an ordinance amending Section 32-12 of the Santa Barbara County Code to increase the Transient Occupancy Tax (TOT) Rate from the current level of Ten Percent (10%) to Twelve Percent (12%) of the rent charged in the unincorporated areas of the County;

c. Read title: "Ordinance Amending Section 32-12 of the Santa Barbara County Code to Increase the Transient Occupancy Tax Rate to Twelve Percent (12%)" and waive reading of the Ordinance in full;

d. Set a hearing on the Administrative Agenda for May 6, 2014 to:

   1. Consider adoption (Second Reading) of an ordinance amending Section 32-12 of the Santa Barbara County Code to increase the Transient Occupancy Tax (TOT) Rate from the current level of Ten Percent (10%)

to Twelve Percent (12%) of the rent charged in the unincorporated areas of the County;

2. Consider the adoption of a Resolution proposing to increase the transient occupancy tax rate to twelve percent (12%), submitting the proposed language for increase to the electorate for approval, and requesting and ordering consolidation with the November 4, 2014 General Election on said tax rate increase; and

3. Direct the Clerk of the Board to forward the Board initiated ordinance to County Counsel for the preparation of an impartial analysis; AND

e. Appoint member(s) of the Board of Supervisors to draft on behalf of the Board an argument in favor of the Transient Occupancy Tax rate increase ballot measure and return to the Board for consideration prior to July 23, 2014.

Option 2:

f. Receive and consider a report from staff regarding placing a measure on the November 4, 2014 General Election ballot for a possible transient occupancy tax increase from 10% to 12.5% in the unincorporated areas of the County;

g. Consider the introduction (First Reading) of an ordinance amending Section 32-12 of the Santa Barbara County Code to increase the Transient Occupancy Tax (TOT) Rate from the current level of 10% to 12.5% of the rent charged in the unincorporated areas of the County;

h. Read title: "Ordinance Amending Section 32-12 of the Santa Barbara County Code to Increase the Transient Occupancy Tax Rate to 12.5%" and waive reading of the Ordinance in full;

i. Set a hearing on the Administrative Agenda for May 6, 2014 to:

1. Consider adoption (Second Reading) of an ordinance amending Section 32-12 of the Santa Barbara County Code to increase the Transient Occupancy Tax (TOT) Rate from the current level of 10% to 12.5% of the rent charged in the unincorporated areas of the County;

2. Consider the adoption of a Resolution proposing to increase the transient occupancy tax rate to 12.5%, submitting the proposed language for increase to the electorate for approval, and requesting and ordering consolidation with the November 4, 2014 General Election on said tax rate increase; and

3. Direct the Clerk of the Board to forward the Board initiated ordinance to County Counsel for the preparation of an impartial analysis; AND

j. Appoint member(s) of the Board of Supervisors to draft on behalf of the Board an argument in favor of the Transient Occupancy Tax rate increase ballot measure and return to the Board for consideration prior to July 23, 2014.

Summary Text:

The ability for the County to levy a Transient Occupancy Tax (TOT) is provided under the California Revenue and Taxation Code Section 7280. As a general tax for general purposes, the ballot measure would require the support of 50%, plus one, of the local electorate. A 4/5 vote of the Board is needed to

adopt a resolution asking the voters to pass a Board-initiated ordinance to increase the Transient Occupancy Tax. Options of the draft resolutions and ordinances for Board consideration are included as attachments to this report.

This agenda item provides the Board with the option to place a ballot measure before the voters on the November 2014 ballot to increase the Transient Occupancy Tax (TOT) from 10% to 12% or 12.5% as was requested by the Board of Supervisors on April 1, 2014. This agenda item also gives the Board an opportunity to discuss the options for proposed ballot language and provide any comments before the resolution is adopted. The proposed ballot language can be no more than 75 words (not including the title).

Background:

Revenue and Taxation Code Section 7280 authorizes the County to levy a tax on the privilege of occupying a room or rooms, or other living space, in a hotel, inn, tourist home or house, motel, or other lodging.

In 1978, the Board of Supervisors amended the Santa Barbara County Code to set a transient occupancy tax in the amount of eight percent (8%) of the rent charged by the operator of any hotel or similar structure designed for transient occupancy.

In 1990, the Board of Supervisors amended the Santa Barbara County Code to increase the transient occupancy tax to ten percent (10%) of the rent charged by the operator of any hotel or similar structure designed for transient occupancy.

In 2010, the Board submitted for voter approval Measure K to ensure the County's Ten Percent (10%) Transient Occupancy Tax was in compliance with Proposition 62. Measure K passed with 72% of the vote.

On July 1, 2012, the County ceased receiving any of the TOT generated in the City of Goleta due to the end of the Revenue Neutrality Agreement's (RNA) mitigation period. In 2011-12, the TOT portion of the RNA mitigation payment was $1.45 million.

Over the past several years, the County has identified the need to generate additional revenue to support the array of services mandated by law and expected by the public. The County has taken numerous steps to reduce the size, scope and cost of delivering public services since 2008. Departmental consolidations, program eliminations, negotiated general member pension reforms, salary and benefit reductions through furloughs and other means, layoffs and a host of other cost reduction strategies have reduced the total cost of government and reduced the cost per employee. Yet, public expectations of service availability and quality remain high. New revenues are needed.

At the current voter-approved Transient Occupancy Tax (TOT) rate of 10% it is expected that the County will receive an estimated $7.1 million in FY 2013-14. The table below identifies the Auditor-Controller's estimated TOT from hotels in the unincorporated area at the 10% rate, the 12% rate, and the 12.5% rate.

	Current 10% TOT	Proposed 12% TOT	Proposed 12.5% TOT
FY 2012-13 Actual	$6,780,490		
FY 2013-14 Estimated Actual	$6,994,000		
FY 2014-15 Projected	$7,193,000	$7,831,000 [1]	$7,990,000 [1]
FY 2015-16 Projected	$7,553,000	$9,063,000 [2]	$9,441,000 [2]

[1] Assumes a 4% increase in TOT collections and that the TOT rate increase takes effect on January 1, 2015 and that half of the annual TOT collections will be at the higher rate.

[2] Assumes a 5% increase in TOT collections and that the TOT rate increase will be collected for twelve months at the higher rate.

Increasing TOT from 10% to 12% (equal to the cities of Santa Barbara, Goleta, Carpinteria, Solvang and Buellton) is estimated to bring in an additional $1.51 million annually when fully implemented in FY2015-16. Increasing TOT from 10% to 12.5% is estimated to bring in an additional $1.89 million annually when fully implemented in FY2015-16. Voter approval is required to increase County Transient Occupancy Tax. A general tax increase measure would require 4/5 vote by the Board to put on the ballot and majority voter approval. A ballot measure to designate an increase in Transient Occupancy Tax to a specific purpose would require a 3/5 vote by the Board to put on the ballot and a 66.7% vote of the public.

Fiscal and Facilities Impacts:

Budgeted:

A decision to place a Transient Occupancy Tax increase on the November 2014 ballot will cost the County in the range of $40,000 - $60,000 for our proportional share of ballot preparation and printing costs. If the Transient Occupancy tax increase ballot measure is successful, approximately $1.51 million to $1.89 million in additional annual revenue would be received by the County.

Attachments:

Attachment 1: Proposed Ordinance for 12% TOT (Option 1)
Attachment 2: Resolution to place 12% TOT Ordinance on the November 2014 Ballot (Option 1)
Attachment 3: Proposed Ordinance for 12.5% TOT (Option 2)
Attachment 4: Resolution to place 12.5% TOT Ordinance on the November 2014 Ballot (Option 2)

Special Instructions:

The Clerk of the Board is requested to publish notice of the Ordinance chosen by the Board in accordance with Govt. Code Section 25124.

Authored by:

Dennis Bozanich, Assistant to the County Executive Officer

cc:

Robert Geis, Auditor-Controller
Harry Hagen, Treasurer - Tax Collector