



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 1, 2014  
Placement: Set Hearing  
Estimated Tme: NA  
Continued Item: No  
If Yes, date from:  
Vote Required: Majority

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**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:** Set hearing for Consideration of Transient Occupancy Tax (TOT) Ballot Measure for November 2014 General Election Ballot on April 22, 2014

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

That on April 1, 2014, the Board of Supervisors considers the following actions:

1. Set a hearing for April 22, 2014 to consider recommendations regarding placing revisions to the Transient Occupancy Tax (TOT) before the voters on the November 2014 General Election ballot, as follows: (Time estimate: 30 minutes)
  - 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 charges in the unincorporated area 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; AND

- d. 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.
2. Further, set a hearing on the Administrative Agenda for May 6, 2014 to:
    - a. 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 charges in the unincorporated area of the County;
    - b. 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
    - c. Direct the Clerk of the Board to forward the Board initiated ordinance to County Counsel for the preparation of an impartial analysis.

### **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.

The hearing on April 22, 2014 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%. This agenda item also gives the Board an opportunity to discuss the 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). The Board will also have the option of appointing one or more members to write the direct argument in support of the measure and potentially a rebuttal to a direct argument opposing the TOT increase.

### **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 (room rate) 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 FY2013-14. The table below identifies the Auditor-Controller's estimated TOT from hotels in the unincorporated area at the 10% rate and the 12% rate. Further information on the Auditor-Controller's estimates of TOT growth can be found at Attachment 1.

	<b>Current 10% TOT</b>	<b>Proposed 12% TOT</b>
<b>FY 2012-13 Actual</b>	\$6,780,490	
<b>FY 2013-14 Estimated Actual</b>	\$7,100,000	
<b>FY 2014-15 Projected</b>	\$7,401,000	\$8,141,100 <sup>1</sup>
<b>FY 2015-16 Projected</b>	\$7,771,000	\$9,325,300 <sup>2</sup>

<sup>1</sup> Assumes TOT increase takes effect on January 1, 2015 and that half of the annual TOT collections will be at the higher rate.

<sup>2</sup> Assumes twelve months of TOT collections 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 increase revenue by \$1.55 million annually in FY2015-16 when a full year of collections will occur. The County Executive Office has begun providing information and outreach to the hotel industry to inform them that a TOT increase is possibly being considered.

Voter approval is required to increase the Transient Occupancy Tax in the unincorporated portion of the County. 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.

If the Board chooses to place a TOT increase before the voters, the Clerk, Recorder and Assessor's Elections Division has identified the following deadlines (Attachment 2) for local measures:

- **July 8, 2014** – Final Board Meeting to approve request for consolidation with the election and request the Auditor to prepare a Fiscal Impact Statement (Note: No Board meetings are scheduled between July 9 and August 19, 2014)
- **July 14-23, 2014** – Period for submitting direct arguments for and against
- **July 24-August 4, 2014** – Period to submit rebuttal arguments
- **August 4, 2014** – Deadline for Impartial Analysis and Fiscal Impact Statement

### **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 is successful, approximately \$1.55 million in additional revenue would be received by the County in FY 2015-16, the first full fiscal year of the new TOT rate.

### **Attachments:**

Attachment 1: Auditor-Controller Annual TOT Report for Fiscal Year ended June 30, 2013

Attachment 2: Clerk, Recorder and Assessor's Election Division Local Measures Calendar of Events for the November 4, 2014 General Election

### **Authored by:**

Dennis Bozanich, Assistant to the County Executive Officer

### **CC:**

Robert Geis, Auditor-Controller

Harry Hagen, Treasurer - Tax Collector