



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: May 3, 2016  
Placement: Administrative  
Estimated Tme: NA  
Continued Item:  
If Yes, date from:  
Vote Required: 4/5

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**TO:** Board of Supervisors

**FROM:** Department Director(s) Mona Miyasato, County Executive Officer, 568-3400

Contact Info: Terri Nisich, Assistant County Executive Officer, 568-3400  
Joseph Toney, Interim Deputy CEO, 568-3400

**SUBJECT:** Transient Occupancy Tax (TOT) Increase Ballot Measure for November 2016  
General Election Ballot

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**County Counsel Concurrence**

As to form: Yes

**Auditor-Controller Concurrence**

As to form: Yes

**Recommended Actions:**

- a) Adopt (Second Reading) an ordinance amending Section 32-12 of the Santa Barbara County Code to increase the Transient Occupancy Tax rate from the current level of ten percent (10%) to twelve percent (12%) of the rent charged in the unincorporated areas of the County; and
- b) Adopt 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 8, 2016 General Election on said tax rate increase.

**Summary Text:**

During the great recession, the County reduced services, cut expenditures and eliminated staff positions. In the last two years, the County's finances have stabilized but public expectations, long-standing infrastructure maintenance, human service needs, and restoration of basic services have emerged and increased. As one example, the County has witnessed an increase in demand for mental health hospitalizations inside and outside of the county, requiring more funding than before. We have aging infrastructure and \$324.5 million (as reported FY 2015-17 Recommended Operational Plan, page

B-27) in deferred maintenance needs while State and Federal funding for roads has been erratic or declining, requiring more local funding than in the past.

While the County has been responsible in implementing measures to eliminate its employee unfunded liability costs, other costs such as health care and workers compensation costs, continue to rise. Meanwhile, the County's revenues are not growing quickly enough to keep pace with ongoing service demands. Despite steps taken to reduce the size, scope and cost of service delivery, expenditures to produce the quality and quantity of services needed also outpace growth in general revenues. In keeping with the County's prudent fiscal policies and strategies, potential revenue enhancements may be considered to ensure that the long term structural integrity of the County's General fund is maintained. The County's unincorporated area TOT rate of 10% is currently lower than the rates assessed within various cities as noted in the chart below.

City	Tax
Buellton	12%
Carpinteria	12%
Goleta	12%
Santa Barbara	12%
Solvang	12%

The TOT is generated by visitors who will pay the increased rate when staying at any lodging facility (such as a hotel/motel or vacation property rental) for 30 days or less within the unincorporated areas of the County. Since a substantial percentage of the County unincorporated areas hotel or motel guests are out of county residents, visitors or tourists, the increased tax revenue generated would be paid by non-county residents despite that fact that all proceeds will contribute to the cost of providing countywide services.

The ability for the County to levy a TOT is provided under California Revenue and Taxation Code Section 7280. California Constitution, Article XIII C, Section 2 requires that a tax measure be placed on the ballot, and the election shall be consolidated with a regularly scheduled election for members of the governing body of the local government. As a general tax for general purposes, the proposed ballot measure requires a 4/5 vote of the Board and majority voter approval.

This agenda item provides the Board with the option to place a ballot measure before the voters on the November 8, 2016 ballot to increase the TOT from 10% to 12%. This agenda item also provides the Board an opportunity to discuss the proposed ballot language and provide any comments before the resolution is adopted. The proposed ballot question can be no more than 75 words (not including the title).

**Background:**

In 1963 local governments were granted the power to tax the occupancy of a room or living space in a hotel, inn, tourist home or other lodging when rented for 30 days or less. The TOT or hotel bed tax is collected by the operator of an establishment then remitted to the County Treasurer-Tax Collector for deposit as general revenue to the County General Fund. 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.

***History of TOT in Santa Barbara County***

In 1978, the Board of Supervisors amended the Santa Barbara County Code to set a TOT 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 TOT 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%) TOT 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.

For the November 2014 election, the County of Santa Barbara Board of Supervisors voted to place Measure O on the ballot which was a measure to increase the TOT rate in the unincorporated areas of the County from 10% to 12.5%. This measure failed with no votes 58.17% and yes votes 41.83%. A majority vote for increase of a general tax was required for the measure to pass.

***Impact of TOT Increase***

TOT is a general tax meaning that all tax revenue is deposited in the County General Fund and available to pay costs of general County government operations, programs, services and capital needs, without restriction, as approved by the County Board of Supervisors.

Over the past several years, the County has identified the need to generate additional revenue to support the array of general government services mandated by law as well as capital needs expected by the public. The County has taken numerous steps to reduce the size, scope and cost of delivering public services since 2008. Yet, public expectations of service availability and quality remain high.

TOT is the third largest source of discretionary revenue for the County General Fund following property tax and retail sales tax. At the current voter-approved TOT rate of 10% it is expected that the County will receive an estimated \$8.98 million in FY 2015-16. The table below identifies the Auditor-Controller's estimated TOT from hotels in the unincorporated areas at the 10% rate and the 12% rate.

	<b>Current 10% TOT</b>	<b>Proposed 12% TOT</b>
<b>FY 2014-15 Actual</b>	\$8,563,693	
<b>FY 2015-16 Estimated Actual</b>	\$8,980,000	
<b>FY 2016-17 Projected</b>	\$9,429,000	\$10,371,000 <sup>1</sup>
<b>FY 2017-18 Projected</b>	\$9,900,450	\$11,880,540 <sup>2</sup>

<sup>1</sup> Assumes TOT increase takes effect on January 1, 2017 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% (an increase to the same rate in place in the cities of Santa Barbara, Goleta, Carpinteria, Solvang and Buellton) is estimated to increase revenue by \$1.98 million annually in FY 2017-18 when the first full year of collections will occur.

***Process and Timing***

Countywide voter approval is required to update and increase the TOT in the unincorporated portion of the County. A general tax increase measure would require a 4/5 vote by the Board to put on the ballot and majority voter approval.

If the Board chooses to place a TOT increase before the voters, the Clerk, Recorder and Assessor’s Election Division has identified the following deadlines or local measures.

**Schedule:**

<b>July 12, 2016</b>	Final Board Meeting to approve a request for consolidation with the election and request the Auditor to prepare a Fiscal Impact Statement (Note: No Board meetings are scheduled between July 13 and August 22, 2016)
<b>July 19-28, 2016</b>	Period for submitting direct arguments for and against
<b>July 28, 2016</b>	Deadline for Impartial Analysis
<b>July 29-August 8, 2016</b>	Period to submit rebuttal arguments
<b>August 12, 2016</b>	Deadline for Fiscal Impact Statement

***Public Awareness and Education***

Should the Board place a TOT increase before the voters in November 2016, the County may inform the public of the impact the passage or defeat of the measure will likely have on the County revenues stream. Communications must be fact-based. Information such as how much funding the TOT will generate, or what portion of the budget was produced by the increase, are two examples. Due to the complexities and numerous regulations pertaining to communications on ballot measures, proposed public communications will be provided to County Counsel for review.

**Fiscal and Facilities Impacts:**

**Budgeted:**

A decision to place a TOT increase on the November 2016 ballot will cost the County in the range of \$40,000 - \$60,000 for the County’s proportional share of ballot preparation and printing costs. If the TOT increase is successful, approximately \$1.98 million in additional revenue would be received by the County per year.

**Attachments:**

Attachment 1: Proposed Ordinance for 12% TOT

Attachment 2: Resolution to place 12% TOT Ordinance on the November 2016 Ballot

**Special Instructions:**

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

**Authored by:**

Terri Nisich, Assistant County Executive Officer  
Joseph D. Toney, Interim Deputy County Executive Officer

**CC:**

Theo Fallati, Auditor-Controller  
Harry Hagen, Treasurer-Tax Collector