



**Report of the
FINANCING STRATEGIES WORKING GROUP
November 2005**

“As described in the *North Lake Tahoe Tourism and Community Investment Master Plan*, there are several potential avenues to increase funding and broaden sources of revenue beyond Transient Occupancy Tax. Although none are necessarily easy, the North Lake Tahoe Resort Association needs to take the lead in defining the opportunities, hurdles, and actions to secure several of these sources.”

- Chapter 9, Conclusions and Recommendations
North Lake Tahoe Tourism and Community Investment Master Plan

Financing Strategies Working Group

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INTRODUCTION

In the summer of 2004, following more than one year of work, including significant public outreach and community involvement, the North Lake Tahoe Resort Association Board of Directors and the Placer County Board of Supervisors approved the *North Lake Tahoe Tourism and Community Investment Master Plan*.

The purpose of the Master Plan is to provide a practical roadmap for the tourism industry and community of North Lake Tahoe by defining a **long-term vision and investment plan** for the area that supports the vision and the specific goals and objectives set forth in the plan.

Long-Term Vision

The Vision Statement of the *North Lake Tahoe Tourism and Community Investment Master Plan* reads as follows:

“The natural environment of the North Lake Tahoe region is our greatest economic asset. Because of our community’s unique sense of place and values, the North Lake Tahoe Tourism and Community Investment Master Plan has been developed as a guiding document and investment strategy for the cooperative efforts necessary to achieve economic and environmental sustainability and community improvement. Our goal is to ensure the long-term enhancement of our natural and human environment, and historical and cultural heritage. The result of our vision will be an improved visitor experience and quality of life for residents in the North Lake Tahoe area.”

The *North Lake Tahoe Tourism and Community Investment Master Plan* develops and provides recommendations based on this guiding vision and the principles of environmental stewardship and sustainable tourism by addressing Situational and Competitive Analysis (Chapter 1), Environmental Stewardship (Chapter 2), Marketing (Chapter 3), Transportation (Chapter 4), Visitor and Community Facilities and Services (Chapter 5), Redevelopment (Chapter 6), Community and Workforce Housing (Chapter 7), and Investment Plan Funding (Chapter 8).

Specific recommendations, including the appropriate role of the North Lake Tahoe Resort Association, are identified in each chapter. There is a conclusion and summary of prioritized recommendations (Chapter 9).

Investment Plan

Any investment plan necessarily requires an adequate level of investment (funding) to achieve implementation. Chapter 8 (Funding the Master Plan) identifies Placer County Transient Occupancy Tax (TOT) as the primary funding source currently available to support Master Plan implementation. The County directs approximately 60 percent of the TOT collected within the North Lake Tahoe area to the North Lake Tahoe Resort Association to support the NLTRA's marketing programs, visitor information services, transportation, and infrastructure projects. Although the NLTRA has been successful in leveraging its TOT resources with funds from other sources and organizations, the Master Plan clearly documents and concludes that additional funding resources are necessary to support full Master Plan implementation.

To this end, Chapter 8 recommended that the following potential new funding sources be further examined by the community and various agencies to support marketing investment and transportation improvements, as well as visitor and community infrastructure, facilities, services, and operations/maintenance:

- Additional allocation of Placer County Transportation Development Act funds
- Sales tax for transit and transportation improvements
- Revenue from Community Service Areas (CSA)
- Revenue from Business and Property – Based Improvement District(s) (BID)
- Additional Revenue through the Placer County Redevelopment Agency
- Real Estate Transfer Tax (RETT)
- Recreation Tax
- Business License Tax
- Additional TOT

Under the heading of “Immediate Steps”, Chapter 8 recommended, “the NLTRA should take the lead to convene an ad hoc community-based working group to further examine and discuss the specific funding options recommended in this chapter. This group should develop additional information and detail regarding each proposal, discuss the relative legal and political feasibility of each, and consider development of a shorter list of more likely revenue opportunities. An initial report from this working group should be submitted to the NLTRA, Placer County, and the community for further discussion and consideration.”

This is the Report of the Financing Strategies Working Group, organized and convened by the NLTRA in the fall of 2004, consistent with recommendations of the Master Plan.

PRINCIPLES GUIDING THIS REPORT

Members of the Working Group established the following principles to guide the development of this Report.

1. All funding sources, including, but not limited to, private, public, grant foundations, and others should be explored.
2. Private sector funding sources should be explored and recommended.
3. Identify the practical relationship between who pays and who benefits.
4. Development of an integrated package of new and/or modified funding sources is desired.
5. It is important for any package of funding recommendations to have an overall sense of equability.
6. The relative stability of any proposed new and/or modified funding source should be fully examined, disclosed, and considered before a decision is made to include the source in an integrated funding package.
7. Before any new or modified funding source is proposed, justification for the proposed new funds must be clearly identified.

To assist in the preparation of this report, the NLTRA engaged the services of Mr. Richard Shanahan, Esq., a specialist in California municipal finance. Mr. Shanahan is a founder and senior partner in the law firm of Bartkiewicz, Kronick & Shanahan, a professional corporation headquartered in Sacramento. A summary of the work of the firm and Mr. Shanahan's personal biography are included with this report.

Based on questions submitted by the Working Group, Mr. Shanahan prepared a document entitled *Revenue Options for Funding the North Lake Tahoe Community Investment Master Plan*. This document was presented to the Working Group on March 3, 2005. The information contained in this document has been used to provide the foundation for this Report.

BACKGROUND REGARDING LOCAL GOVERNMENT TAX AND REVENUE AUTHORITY

In California, there are significant limitations and procedural hurdles relating to the approval and implementation of new or increased local government revenue. In particular, Propositions 13, 62 and 218 impose significant legal restraints on the authority of counties, cities and other local government agencies to raise revenue.

Briefly, the major revenue types can be categorized as follows:

A. General Taxes. Taxes are either general taxes or special taxes. A general tax is a tax imposed for general governmental purposes. A special tax is a tax imposed for a specific purpose or purposes. A new or increased general tax requires County Board of Supervisors approval and majority voter approval. General tax revenue is unrestricted revenue and may be used for the authorized specific purpose(s).

B. Special Taxes. A new or increased special tax requires County Board of Supervisors approval and two-thirds voter approval. Special tax revenue is restricted, and may only be used for the authorized specific purpose(s).

When considering the legal restrictions and political realities, there are some critical distinctions between general and special taxes. On the one hand, it may be preferable to pursue any new revenue so it can be “earmarked” specifically to fund objectives in the Master Plan. With an earmarking of tax revenue, however, the tax becomes a special tax that is more difficult to pass because of the two-thirds vote requirement.

If a decision is made to pursue a new revenue source under the definition of a “general tax”, then the tax revenue must be unrestricted and the revenue would be placed in the County general fund. It would be possible for the Resort Association and the Placer County Board of Supervisors to have an informal understanding, even a political commitment that the additional revenue would be spent to implement the Master Plan; however, that understanding would not be a legal restriction and would not bind subsequent Boards of Supervisors. This was, in fact, the approach used by the NLTRA and Placer County Board of Supervisors when North Lake Tahoe voters approved a two percent increase in TOT in 1996 and again in 2002. The Board of Supervisors continues to direct these funds to support implementation of the adopted Master Plan.

C. Service Charges, User Fees, Regulatory Fees and Development Fees. There are a wide variety of local government fees, charges and rates that are paid to use revenue-producing enterprises (e.g., utility service), to cover the cost of providing a particular service, to defray the cost of administering programs, to defray the cost of providing public facilities related to development projects, and to mitigate the impacts of development projects. The use of fee revenue is limited to the purpose or purposes for which the fee is imposed. Generally, fees may be approved by the Board of Supervisors and must be supported by a rate study or other documentation that shows that the amount of the fee does not exceed the estimated reasonable cost of providing the service or other purpose for the fee. If a fee or charge is imposed upon a real

property parcel or upon a person as an incident of property ownership, then Proposition 218 imposes additional requirements and limitations.

D. Assessments. An assessment is a levy or charge upon real property for a special benefit conferred upon the property. Assessment revenue is restricted to the specified services or improvements that benefit the property. A new or increased assessment requires Board of Supervisors approval and majority approval of the benefited property owners, which is determined based on a special Property 218 (California Constitution Article XIII D) ballot proceeding with the majority approval or disapproval, determined based only on those property owners who complete and submit the assessment ballot.

In light of these restrictions on new taxes, assessments and other revenue, it has become very difficult for California cities and counties to approve new revenue. The Financing Strategies Working Group recognizes that in order to be successful, any effort to gain approval for new revenue must be developed and implemented through a sound and effective political and public relations strategy. Such strategies should include polling, marketing, and campaigning by an appropriate advocacy group. Most of the recent successes on new revenue approved by property owners and voters, including some in Placer County, were preceded by careful polling to determine the type and level of new revenues that would be supported by the property owners or voters.

BACKGROUND REGARDING PLACER COUNTY TAX AND REVENUE AUTHORITY

California counties are limited in their authority to levy and collect taxes and other revenue. Generally, Placer County may levy only those taxes and other revenues authorized by state law. The State Legislature must authorize all local taxes because there is no inherent County power to tax.

Placer County is a charter county, meaning that the citizens have adopted a charter, which is a type of local constitution that secures some benefits of local control or home rule. Charter counties, though, have limited powers. Charter county home rule authority is limited to matters concerning the structure and operations of local government. In contrast, charter cities have broader authority to adopt local ordinances with respect to municipal affairs. There is no corresponding “municipal affairs” authority for charter counties. Moreover, the Placer County Charter provides that the general law (i.e., the California Constitution and State Statutes) shall govern the levy and collection of taxes. The Placer County Charter, therefore, provides no additional tax or revenue-raising authority. Consequently, any new or increased tax or revenue must be based on some express authority found in state law.

ANALYSIS OF REVENUE OPTIONS

Note: The options listed below are not listed in any priority order. They are listed in the order in which they appear in the recommendations section of Chapter 8 (Funding the Master Plan) of the *North Lake Tahoe Tourism and Community Investment Master Plan* (pages 109-110).

Additional Allocation of Placer County Transportation Development Act Funds

Under current law, the State of California returns one-quarter of one percent of the existing state sales tax to counties and cities through the Transportation Development Act (TDA). This pass-through is based on a fair-share formula using census data, and is designed to provide support for local transit operations and transportation projects.

Currently, all of the TDA funds made available to the Placer County portion of the Lake Tahoe Basin are used to help support operations of the Tahoe Area Regional Transit System (TART). However, not all of the TDA funds received by the county for areas east of Donner Summit are committed to transit.

Chapter 8 of the Master Plan recommends that given the need for additional transit operating dollars described in the Plan, "Placer County should commit an appropriate additional amount of the TDA funds it receives for that portion of the county east of Donner Summit to transit operations in the North Lake Tahoe area".

Following Placer County Board of Supervisors approval of the TART Five Year Systems Plan (April 19, 2005), Placer County allocated additional TDA funds to support TART operations. Note: In partnership with the increased County TDA allocation, the NLTRA and private business sponsors also increased their financial support for TART operations.

Status/Application of Funding Source: Active and In Use

Sales Tax (Increase) for Transit and Transportation Improvements

In California, a locally approved increase in the sales tax has become a common method used to raise revenues to support transit and transportation system improvements. In 1998, the Resort Association was instrumental in the development and passage of California Senate Bill 1488 creating the North Lake Tahoe Transportation Authority. SB 1488 allowed the Authority to impose a special retail transaction and use tax up to a maximum tax rate of .50 percent, subject to approval by a two-thirds vote of the voters of eastern Placer County, for the purpose of providing a new source of funds for transit and transportation system improvements in eastern Placer County (the North Lake Tahoe area). Measure E, based on the authority in SB

1488, was placed before area voters in the fall of 2000. It failed to garner the two-thirds vote for passage.

Under the auspices of the Placer County Transportation Planning Agency (PCTPA), a steering committee of public agencies, private sector representatives and community-based organizations from throughout Placer County has been engaged in a process to explore options for raising new revenues to support transportation projects and transit system improvements. In a survey conducted in March of 2005, a one-half cent increase in the sales tax emerged as the most promising transportation revenue option. A report that summarized the survey results stated: "It appears that two-thirds support for a transportation tax is feasible but difficult."

Based on this direction, there are two potential courses of action for the North Lake Tahoe area in connection with the need for new funds to support transportation and transit system improvements: 1) should a countywide measure be placed on the ballot, North Lake Tahoe should seek to ensure that it has input on what projects will be funded in our area and that we receive our "fair share" allocation of the revenues generated. With appropriate assurances, North Lake Tahoe should support the ballot measure; 2) should a countywide proposal not be placed on the ballot, or be on the ballot but fail to be approved, North Lake Tahoe should prepare another area-specific proposal using the authority granted under Senate Bill 1488. As previously discussed, a careful strategy should be developed, including polling and opinion research, to determine the mix of projects that voters would be most likely to support at the two-thirds majority level required for passage.

Status/Application of Funding Source: Still An Important and Viable Option

Comparison of Sales Tax Rates in the Region

| | |
|--|--------|
| Placer County | 7.250% |
| Cities in Placer County | 7.250% |
| Nevada County | 7.375% |
| Truckee | 7.875% |
| Washoe County, Nevada (including Incline Village) | 7.375% |
| Douglas County (including Stateline) | 6.750% |
| City of South Lake Tahoe | 7.750% |
| Carson City | 7.000% |

County Service Areas (CSA)

A Community Service Area is, in essence, an improvement district in which certain infrastructure improvements can be funded by special assessments paid for by the owners of properties that benefit from the improvements. The authorization for a county

to form a CSA is based on the County Service Area Law, part of the State Government Code.

Specifically, a CSA can provide (among other services not pertinent for purposes of this report) local park, recreation or parkway facilities and services and any other governmental services (referred to in the statute as miscellaneous extended services), which the county is authorized to perform and which the county does not perform to the same extent on a countywide basis. Miscellaneous extended services include, but are not limited to, the following: street and highway sweeping and lighting; soil conservation and drainage control; transportation services; and road, street, highway and bridge construction, improvement and maintenance, including drainage related facilities.

A county may establish zones within any CSA area with tax rates, service charges, benefit assessments or connection charges varying with the extent of benefit to each zone derived from services provided to the property within each zone or with the availability of other funds within a zone.

The CSA Law also authorizes a county to fund CSA services by imposing a special tax or a service charge. The county is authorized to levy and collect a special tax in any CSA or to fund any one or more services. As a special tax, it requires two-thirds approval of the voters within the CSA. A special tax under the CSA Law must be applied uniformly to all taxpayers or all real property within the county service area or zone, and could not be apportioned or spread based on relative benefits or burdens. The uniform application requirement of the CSA Law limits the flexibility of CSA special taxes.

The CSA Law authorizes a county to levy and collect a service charge to fund CSA services. For purposes of the requirements of Proposition 218, a CSA “service charge” may be either a non-property related service charge (not subject to 218), a property related service charge (subject to 218 and requiring either majority approval by the affected property owners or two-thirds voter approval by the electorate), or an assessment (subject to 218 and requiring majority property owner approval pursuant to an assessment ballot proceeding), depending upon how they are structured and levied.

A charge’s characterization under 218 would depend on the purposes of the charge, who the charge is levied against, how it is collected, and how the charge is calculated and spread among those subject to the charge. For example, if the charge is based upon the estimated benefits from the service to be received by real property parcels, the charge is likely an assessment. If the charge is based upon the nature of the use, the charge likely would constitute a fee or charge; and the application of 218 would depend upon whether the charge is levied and collected against real property.

Status/Application of Funding Source: Placer County currently has a designated CSA in place that covers the entire county. It is theoretically possible for the Board of Supervisors to designate a specific CSA in the North Lake Tahoe area, which would allow revenues to be raised and expended within the CSA boundaries. However, it would be difficult to impose an improvement zone without a vote of support from the property owners within the CSA; and revenues generated would likely be best suited for limited types of public improvements, such as street improvements.

The CSA, as a revenue source for Master Plan implementation, does not appear practical or appropriate. However, should the County's proposed new CSA for the Martis Valley Community Plan area be activated at some point in the future, it is expected to generate funds in support of transit service for the Martis Valley area. If so, it would have relevance and applicability to Master Plan transit and transportation recommendations.

Mello-Roos Community Facilities District Act

The Mello-Roos Community Facilities Act is an alternative method of financing public improvements and certain services through special taxes. Implementation of the Act involves the formation of a community facilities district within a local government agency and the adoption of an ordinance levying the special tax, which must be approved by a two-thirds vote of the registered voters living within the district. A community facilities district is not a separate governmental agency like other special districts, but rather is a funding district analogous to an assessment district.

The types of capital improvement projects that can be financed under the Act are very broad, and include most improvements to real property that a county is authorized to construct. For financing of services, though, the list of authorized services is restricted to (among others) recreation program services; operation and maintenance of museums and cultural facilities; maintenance of parks, parkways, and open space; and operation and maintenance of flood and storm drainage systems.

The Mello-Roos Community Facilities District Act was not specifically identified as a funding source in the *North Lake Tahoe Tourism and Community Investment Master Plan*. However, it was a mechanism being used to help develop and bring to a vote the proposed Regional Recreation Center for North Lake Tahoe. The North Lake Tahoe Recreation Center Authority is the Joint Powers Authority formed by the Tahoe City and North Tahoe public utility districts under provisions of the Mello-Roos Community Facilities District Act.

Status/Application of Funding Source: This source is limited to the specific purposes as set forth in the Act, a method of financing public improvements and certain services through special taxes. It is applicable to certain qualified public improvements and services as identified in the Master Plan, but is not a source of funding for overall Master Plan implementation.

Business Improvement District (BID) and/or Property-Based Improvement District (PBID)

The Parking and Business Improvement Area Law of 1989 authorizes the formation of business improvement districts. Business improvement districts (BIDs) are a type of assessment district in which assessments are levied against business owners for use in improving the business area and/or promoting the business area and tourism within the area.

The county may form BIDs and levy assessments, subject to a protest hearing. The assessment is defeated if written protests are received from business owners in the proposed area that will pay 50 percent or more of the proposed assessments. Absent a majority protest at the hearing, the Board of Supervisors may proceed to levy the assessment.

Because BID assessments under the 1989 law are levied against businesses and business owners and not real property owners, these are not assessments within the meaning of Proposition 218; and the more stringent assessment ballot requirements of 218 do not apply to the levy of BID assessments. A proposed BID assessment, therefore, is more difficult to defeat (easier to pass) because the 50 percent protest is determined based on all assessed businesses, and not just those that submit written assessment ballots. In other words, in calculating 50 percent or one-half, the denominator is larger in a 1989 BID assessment proceeding (all assessed businesses), as compared with a 218 assessment proceeding where the denominator is assessed property owners that complete and submit a ballot.

There is a different but similar business improvement district law known as the Property and Business Improvement District Law of 1994. The services that can be financed under the 1994 law are somewhat broader than the 1989 law. The 1994 law, though, requires that the assessment be approved pursuant to Proposition 218. Consequently, assessments under this law are more difficult to pass.

Status/Application of Funding Source: BIDs/PBIDs can help fund elements of Master Plan recommendations in commercial core areas; in particular, those related to community marketing and promotion and projects and programs to improve business and tourism within the BID area.

As of this writing, commercial property and business owners in Downtown Tahoe City are exploring the use of a PBID or BID to fund marketing and promotional projects and programs to improve business and tourism in the downtown area. This effort is being led by the Tahoe City Downtown Association (TCDA), with support and financial assistance from the North Lake Tahoe Resort Association. Information from the research being developed will be shared with the North Tahoe Business Association (NTBA), as the NTBA has a similar need for dedicated funds to support goals of the Kings Beach Main Street Program and the proposed Kings Beach Commercial Core Improvement Project.

Placer County Redevelopment Agency

The Redevelopment Agency (RDA) has been created by the Placer County Board of Supervisors to develop and manage community improvement projects relating to economic development and infrastructure improvements in its project areas – Tahoe City, Kings Beach, and Tahoe Vista. In addition, the agency has countywide responsibilities for the Workforce Housing Program. The RDA has worked with the downtown business community (its targeted area to develop projects and programs specifically to improve long-term economic conditions).

The NLTRA is an association of businesses from a much broader geographic and business base. It encompasses the downtown areas that are the primary focus of the Redevelopment Agency. It has membership income as well as TOT revenue allocated to it by the Board of Supervisors, supported by local voters. The NLTRA's current

investment strategies are guided by the 2004 *North Lake Tahoe Tourism and Community Investment Master Plan*, adopted by the NLTRA Board of Directors and the Placer County Board of Supervisors. Although broader than the Redevelopment Agency's area of responsibility, the NLTRA Master Plan has significant areas of correlation.

As a result, the Redevelopment Agency and the NLTRA are logical partners on planning, economic revitalization, infrastructure and related projects that will positively affect the downtown areas of Tahoe City, Kings Beach and Tahoe Vista. It is anticipated that the RDA and Resort Association will partner on such projects as appropriate. Note that in addition to its adopted North Lake Tahoe Redevelopment Plan, the RDA has a Redevelopment Implementation Strategy which it updates every five years.

Status/Application of Funding Source: Active and In Use

Note: Based on current authorization by the Placer County Board of Supervisors, which serves as the Board of the Redevelopment Agency, the Agency's powers expire in 2026. All Agency debt must be repaid no later than 2041. The Agency's ability to use eminent domain expires in 2008. The Agency and its powers can be renewed and extended by specific action of the Board of Supervisors acting as the Redevelopment Agency Board.

Documentary Transfer Tax (Real Estate Transfer Tax)

The Master Plan identifies a real estate transfer tax levied at the time of purchase and transfer of real property as a potential funding source. California law authorizes such a tax, known as a documentary transfer tax. The tax may be levied at the rate of \$0.55 for each \$500 of value of the property conveyed.

As identified in the Placer County Code, Placer County already levies a documentary transfer tax (referred to in the Code as a real property transfer tax) at the maximum rate of \$0.55. The revenue generated by this tax funds operation of the Placer County Clerk-Recorder-Elections Department. State law does not authorize the county to increase the rate beyond \$0.55.

Status/Application of Funding Source: Under current law, this is not a funding source available for Master Plan implementation.

Recreation Tax/Business License Tax

The Master Plan suggests adoption of a "recreation use tax" applied to "recreation equipment rentals (boats, kayaks, skis/snowboards, bicycles, etc.). Tax on ski lift tickets is a second level of recreation tax". In his research, Mr. Shanahan reports he was unable to find the legal authority for this type of county tax. However, it may be

possible to accomplish a similar objective through a new (or increased) county business license tax.

The current business license tax essentially covers the cost of administering the license program. If the amount of the tax were increased for the purposes of generating revenue, the increased tax would be subject to approval by the Board of Supervisors and by local voters.

Status/Application of Funding Source: An increase in the Placer County Business License Tax is potentially viable, although the process for securing the required level of support would be challenging. Among its positive attributes, it could generate funding (as an example, for marketing) from businesses that benefit from tourism but do not contribute financially to help fund tourism marketing.

Note: A unique travel and tourism industry “self-assessment” is in place to help fund the promotion of California (statewide) as a premier travel destination. More information about the California Tourism Assessment Program is set forth in the Appendix to this report.

Additional Transient Occupancy Tax

A two-percent increase in Placer County Transient Occupancy Tax in eastern Placer County (the North Lake Tahoe area) was the primary source of “new funding” for Master Plan implementation approved following adoption of the 1995 *North Lake Tahoe Tourism Development Master Plan*. The Board of Supervisors initially approved the two percent increase (from eight to ten percent); local voters have twice approved the increase - once in 1996 and again in 2002. The so-called “two percent” TOT will require voter approval again in 2012.

As reported in the *North Lake Tahoe Tourism and Community Investment Master Plan*, one percentage point of TOT generates approximately \$700,000 annually. Projecting a conservative growth rate of five percent, one percentage point of TOT would generate about \$1,000,000 annually by the year 2012. Because the TOT is paid entirely by the visitor, it may appear to be an ideal method of funding the needs and impacts of a tourism-based economy. However, there is a point at which the visitor considers the TOT to be excessive, and the room rate becomes non-competitive when compared with other destinations. Additionally, as stated several times during development of the 2004 Master Plan, lodging providers believe that it is unfair for one segment of the economy to provide funding for the programs and projects that benefit many others. TOT alone does not, and would not, provide sufficient revenues to meet all the identified or agreed-upon needs.

Comparison of TOT Rates in the Lake Tahoe-Truckee Region

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|---|-----|
| North Lake Tahoe Area (Placer County) | 10% |
| City of South Lake Tahoe | 10% |
| City of South Lake Tahoe - Redevelopment Area | 12% |
| Douglas County (Tahoe Township) | 10% |
| Washoe County (Incline Village-Crystal Bay) | 12% |
| Truckee | 10% |

Status/Application of Funding Source: TOT is an active, in-use source of funding for Master Plan implementation. Historically, Placer County has allocated approximately 50 percent of the eight percent “base” TOT collected within the North Lake Tahoe area back to the community to fund agreed-upon programs and projects. Since 1995, this revenue has flowed through the NLTRA for marketing, transportation and infrastructure development. Since 1996, TOT revenues flowing to the community through the NLTRA have also included the so-called “two percent” funds. These additional two points of TOT will require voter approval again in 2012.

There are concerns and questions regarding the point at which the percentage of TOT becomes non-competitive; also, that it targets only one segment of North Lake Tahoe’s tourism-based economy.

As documented in *The Economic Significance of Travel to the North Lake Tahoe Area* (Dean Runyan Associates, December 2003), total visitor spending in the North Lake Tahoe area (2002) was summarized as follows:

| | | |
|-----------------|---------------|-----|
| Accommodations | \$74 million | 21% |
| Food & Beverage | \$75 million | 21% |
| Retail & Other | \$79 million | 22% |
| Recreation | \$128 million | 36% |

Clearly, lodging (accommodations) is only one segment of the North Lake Tahoe economy.

Nonetheless, an increase in the TOT remains a viable funding option, particularly if approved in combination with one or more new sources, consistent with the principle of equitability as discussed in this report.

State, Federal, County (Non-TOT) and Private Sector Funding

The North Lake Tahoe Resort Association has successfully maintained a policy of leveraging the expenditure of its project and program funds in partnership with state and federal sources, non-TOT funds from Placer County, and private sector sources. State funding partnerships for infrastructure and /or transportation/transit projects have come primarily from the California Tahoe Conservancy, the State Transportation Development

Act (TDA) and Caltrans. Federal funds have come through the U.S. Forest Service, Federal Transit Administration, U.S. Bureau of Reclamation, and the Federal Highway Administration. Placer County has provided partnership funds through various sources, including the Placer County Redevelopment Agency.

Numerous NLTRA Tourism Division marketing programs are implemented in partnership with other public and private sources. The private sources include NLTRA's member resorts and businesses. As an example, the NLTRA's marketing budget for FY-2004/05 was \$960,000. \$300,000 of this amount was leveraged with other public and private partners to generate additional cooperative marketing funds of \$1.9 million.

With contributions made through the Truckee-North Tahoe Transportation Management Association, the private sector provided \$48,250 during FY-2004/05 to help fund Tahoe Regional Area Transit bus and trolley operations and marketing programs to support these transit services.

Status/Application of Funding Source: Active and in use. The NLTRA will continue its policy of leveraging the expenditure of its project and program funds, looking for opportunities whenever and wherever possible.

Analysis of Existing Public Revenue Sources

As indicated on page 4, one of the principles guiding development of this report states: *"Before any new or modified funding source is proposed, justification for the proposed new funds must be clearly identified."* During the course of their meetings, members of the Financing Strategies Working Group discussed the importance of providing information to taxpayers as to how existing public revenues are spent at the county and local level.

Consistent with this principle, the NLTRA will look for opportunities to encourage or otherwise support studies or other mechanisms by which the public is able to learn how existing public revenues are expended at the county and local level.

SUMMARY

Of the nine potential sources of new public funding identified in the *North Lake Tahoe Tourism and Community Investment Master Plan*, two are currently active, one is viable/in development, three are viable for specific applications, one is potentially viable, and one is not viable.

| <u>Source</u> | <u>Status</u> |
|---|---|
| Transportation Development Act Funds | Active |
| Redevelopment Agency Funds | Active |
| Sales Tax for Transportation Improvements | Viable/In development |
| Mellos-Roos Community Facilities Act | Viable for specific project application |
| Business Improvement District (BID) Property – Based Improvement District (PBID) | Viable for specific application [being explored to help fund downtown promotions and enhancements in Tahoe City and Kings Beach] |
| County Service Area (CSA) | Viable for specific applications [new CSA in the Martis Valley has been established to generate funds for transportation improvements in the Martis Valley] |
| Business License Tax | Potentially viable [currently funds only the cost of administering the tax] |
| Documentary Transfer Tax (Real Estate Transfer Tax) | Not viable under current state law |
| Additional Transient Occupancy Tax | Viable |
| State, Federal, County (Non-TOT) and Private Sector Funding | Active/Viable |

Appendix

Background - The California Tourism Assessment Program

The Tourism Assessment Program was created when the California Tourism Marketing Act was adopted in 1995 with the passage of SB 256. The legislation authorized self-imposition of an assessment by businesses that benefit from travel and tourism. It also authorized the establishment of a non-profit, public benefit corporation, the California Travel and Tourism Commission (CTTC), to oversee the promotion of California as a premier travel destination.

In 2001, the Act was renewed by an 84 percent margin and will subsequently be renewable by industry vote every six years. The CTTC oversees the production of a variety of marketing activities, including advertising, visitor publications and cooperative programs - all designed to promote California to travelers, tourists and the travel trade.

The assessment is not a state law, nor a state tax. The enabling legislation was passed at the urging of the travel industry. The state does not have access to any assessment funds. Decisions regarding expenditures come directly from the travel and tourism industry through the 37 CTTC Commissioners and various industry groups.

As directed by statute, the California Division of Tourism administers the Tourism Assessment Program. As of January 1, 2004, the Division of Tourism was transferred to the Business, Transportation and Housing Agency, where the Agency's Secretary serves as Chair of the CTTC.

The Commissioners are travel and tourism industry leaders representing various regions and industry categories. They are elected by their peers, or appointed to serve on behalf of the Governor.

Businesses that receive the Tourism Assessment Form are identified by various means, including business lists, individual business promotion activities, on-site identification surveys, phone book listings and the Internet. Some businesses may not receive the Form because they do not meet the income threshold (gross revenues exceeding \$1 million, with eight percent coming from tourist oriented revenue). Each year, additional California businesses are contacted regarding the Tourism Assessment program. All potentially assessable businesses in California will eventually receive the Tourism Assessment Form.

The legislation was created because of a dramatic downturn in California's domestic travel market share in the early 1990s. Legislators introduced the bill at the request of travel and tourism related businesses that experienced a resulting loss of business from the decline in market share.

The CTTC promotes tourism throughout the entire state and collectively does what other businesses cannot do individually. The travel industry stated a need to promote “the California destination” because no other organization promotes all of California. Without this program, California would be the only state in the nation without an aggressive marketing program.

In the first six years of the Tourism Assessment Program (starting in 1998), the travel industry raised more than \$36 million. During this period, California’s share of the domestic travel market grew from 9.7 to 11.5 percent. California tourism generates approximately \$78.2 billion each year in spending, employees nearly 900,000 Californians, and contributions \$5 billion annually in state and local taxes.

For more information on the Tourism Assessment Program, go to www.visitcalifornia.com, or call the Tourism Assessment Program at (916) 322-1266. You may also contact the CTTC at (916) 444-4429.