

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
September 13, 2005
2:00 P.M.

To: Board of Supervisors

From: Department of Economic Development and Intergovernmental Affairs

Subject: REPORT BACK – Transient Occupancy Tax (TOT) Funding Associated With County Department Of Neighborhood Services, The Northern California World Trade Center, The Federal Technology Center, And The Property Based Improvement Districts

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Overview

During the September 7, 2005 Final Budget Hearings, questions arose regarding possible Transient Occupancy Tax (TOT) funding for the County Department of Neighborhood Services, the Northern California World Trade Center (NCWTC), the Federal Technology Center (FTC), and the Property Based Improvement Districts (PBIDS). This report will provide further examination into each of these areas.

Recommendations:

- 1) Make no changes to funding approved in Proposed Budget for Department of Neighborhood Services which already includes No TOT funding.
- 2) Continue Funding for the Northern California World Trade Center (NCWTC) from the TOT Fund as recommended for the 2005-06 Fiscal Year.
- 3) Direct staffs from Department of Economic Development and Intergovernmental Affairs and Department of Airports to examine alternative funding mechanisms for the NCWTC for future years.
- 4) Receive and file information regarding Federal Technology Center.
- 5) Continue funding for Property Based Improvement Districts for fiscal year 2005-06 from the TOT fund as recommended.
- 6) Direct staff to meet with each of the existing PBIDS to determine long-term funding needs and report back on alternatives to funding from TOT prior to next year's budget hearings.

BACKGROUND:

During the September 7, 2005 Final Budget Hearings, questions arose regarding possible Transient Occupancy Tax (TOT) funding for the County Department of Neighborhood Services, the Northern California World Trade Center (NCWTC), the Federal Technology Center (FTC), and the Property Based Improvement Districts (PBIDS). This report will provide further examination into each of these areas.

TOT FUNDING FOR THE COUNTY DEPARTMENT OF NEIGHBORHOOD SERVICES:

During the Budget discussions on Sept. 7, Supervisor Dickinson posed the question whether it would be more appropriate to fund the County's Neighborhood Services Department from the General Fund as opposed to TOT funding.

On March 25, 2004, the Neighborhood Services Department was created by resolution of your Board to facilitate coordination of municipal services and communication with neighborhoods and communities within the Unincorporated Area of the County. Funding for the remainder of Fiscal Year 2003-04 was provided by an Appropriation Adjustment Request (AAR) recognizing Community Initiative resources provided for by the TOT Fund. During the 2004-05 Final Budget Hearings, one time funding was approved utilizing Transient Occupancy Tax (TOT), Community Initiative carryover, DNS carryover, and the Problem Properties Fund. The remainder of the budget was supplemented by the General Fund, Department of Transportation and the Building Inspection Division.

During the preparation of the 2005-06 Final Budget, staff discussions occurred regarding the use of TOT funding. At that time, it was determined that one-time funding from TOT should not be assumed as it was initially provided to assist with start-up costs associated with the program. TOT funding is not currently allocated in the 2005-06 Final Budget. The DNS budget is currently financed by a General Fund allocation of \$1,086,136 (\$647,668 of which is due to Community Councils), Department of Transportation (\$490,860), Building Inspection (\$490,860), and DNS carryover (\$460,038).

NORTHERN CALIFORNIA WORLD TRADE CENTER FUNDING:

At the Sept. 7 hearing, Supervisor Dickinson raised a question whether funding for the Northern California World Trade Center (NCWTC) might be funded from other areas than TOT. He specifically mentioned whether the Department of Airports could better accommodate the request.

Attached to the report is a detailed analysis from the Department of Airports as to their present contribution to the World Trade Center. In addition to Airport funding, the TOT

fund has also contributed to the NCWTC for many years. The current request for the NCWTC is \$35,100 for fiscal year 2005-06.

As Board members recall, the NCWTC's goal and mission is to help businesses in the County effectively compete in the international marketplace. They achieve this by providing technical assistance to businesses trying to expand into international markets. In addition, the NCWTC also sponsors a number of trade missions annually to a variety of countries around the world, brings over 330 international business visitors to our region, and generated – according to their figures - \$2.3 million in new business this past year. NCWTC staff estimates that every dollar spent generates a return of between \$2 to \$3 dollars into our economy.

The County is a founding member of the NCWTC and been a funding partner since its inception. As an affiliate of the Metro Chamber, the NCWTC is also housed at the Chamber Offices. In addition to the County's TOT and Airport Funding, funding for the operations of the NCWTC comes from a variety of other public sources including:

City of Sacramento	\$12,000
City of West Sacramento	\$ 3,000
El Dorado County	\$ 2,500
Placer County	\$10,000
City of Oroville	\$ 1,000
State of California	\$ 2,500
SMUD	\$ 2,500
Los Rios Community College District	\$ 7,500
CSUS	\$10,000
US Dept. Of Commerce	\$25,000

In addition, many other private sector companies also support the NCWTC including PG&E, UPS, SBC, and Mexicana Airlines among others. Other funding comes from federal grants (approximately \$80,000-\$100,000 annually), as well seminar and conferences revenues and other miscellaneous sources. The total budget of the WTC is \$320,000 for this fiscal year.

The combined total between the Airport System and TOT certainly makes up a large portion of the NCWTC budget. Given the magnitude of the County's funding, and the diminishing level of resources in the TOT fund, it may be appropriate that the both the amount of funding and the mixture of funding between TOT and Airports be examined. Given the late date, staff is recommending that funding for this fiscal year be continued as presently recommended, but that staff from Airports and Economic Development review the contribution and sources of contributions and report back to the Board prior to next years budget as to any changes.

FEDERAL TECHNOLOGY CENTER:

The mission of the FTC is to promote economic development by facilitating technology transfer between government and the private sector, and by helping small business successfully compete for government contracts.

The early years of the FTC did not include any local funding from the County or other local agencies as funding was mainly supplied through the federal government. Several years ago, this federal funding and other grants became unavailable, and the FTC began to augment its income from local governments in the region, including the County.

The current County request is for \$19,500 and, if approved by your Board, would make the County the largest local government funding entity for the FTC. Other governments in the region that contribute funds ranging from \$1,000 to our 19,100 include

City of Citrus Heights	\$ 5,000
City of Elk Grove	\$16,000
City of Folsom	\$10,000
City of Lincoln	\$ 2,000
City of Roseville	\$ 5,000
City of West Sacramento	\$ 2,500

Numerous other private and public sector organizations including RT and Los Rios are listed on the FTC website as being “In-Kind” supporters.

Attached to the report is a recent newsletter from the FTC which outlines its most recent activities in detail. In addition, also attached is a one page fact-sheet prepared by FTC staff regarding FTC actions in the County.

PROPERTY BASED IMPROVEMENT DISTRICTS:

Shortly after the formation of the Florin Road Partnership in 1997, the Board of Supervisors passed a formal policy stating that the County would match the amount of money raised by any newly formed Property Based Improvement District (PBID) for its first three years. The purpose behind this policy was to provide an incentive for the formation of these districts in which property owners along a commercial corridor impose a new “tax” on themselves to raise funds to better market or resolve problems in their districts. In addition to providing an incentive, the goal was to also create a partnership and better working relationship between the County and the newly formed districts.

The program has been a resounding success in achieving these goals. Three PBIDs were ultimately formed on Florin Road, Fulton Avenue and Stockton Boulevard. A fourth on Franklin Boulevard has also been achieved in the City of Sacramento portion of the

corridor, and it is hoped and expected that this district will expand into the unincorporated area soon. The County's match for each of these groups (Florin's request of \$250,000, Fulton's request of \$292,000. and Stockton's request of \$148,750) enables these organizations to make enormous strides by doubling the amount of money available, but more importantly, allowing these groups to leverage additional federal and state funds for infrastructure improvement along each of the corridors.

In the early years of this program, funding for the PBIDS was not a direct grant from the TOT fund, but instead money was set aside from the County's then Public Works Department from funds raised from utility billing fees. Funding was strictly limited to infrastructure items.

After funding the initial years in this manner, Public Works staff became very concerned that this funding mechanism was not an appropriate use of these revenues and as a result it was suggested the more appropriate funding be the TOT fund. Since 2000, funding for the PBIDS has been from the TOT fund.

As Florin Road was the first group to form, they were also the first group to reach the three year threshold. At the end of the three years, the partnership had gained a great deal of momentum. Improvements along the corridor were very promising. Businesses were taking a fresh look at the corridor, and the County was in the midst of several long term infrastructure improvements. Both the County and the Partnership wanted to continue the momentum and, therefore, additional requests for continued funding was made and approved by the Board for the fourth, fifth and ensuing years.

Similar success was seen for both the Fulton Ave and Stockton Blvd. corridors. Both the partnership with these groups and the infrastructure improvements were very apparent, and neither side has wanted to stop the success that the PBIDS/County partnership was achieving.

The issue before the Board today is that while the partnership between the PBIDS and County has been a resounding success, the original three year commitment has been exceeded in every case.

In addition, in the years since the Board initiated the 3 year match policy, funding for all County services has been more difficult, and funding in the County's TOT fund continues to decline as a result of incorporations and declining hotel base.

As a result staff is recommending that in the next year discussions begin with the PBIDS as to their long term funding needs and whether PBID funding can be accommodated in other places or in other ways. The success of this partnership is such that staff is not now recommending a dissolution of our funding partnership, but continued annual funding

from TOT may not be the best long term source and the dollar for dollar match may also not be most efficient.

If your Board approves this recommendation, staff from Economic Development, Neighborhood Services, Planning, Transportation and other Departments as appropriate will meet with each PBID and report back prior to next years budget as to long term funding needs and sources of funding. Possible sources could include appropriate enterprise funds for specific infrastructure needs, transportations funds, the general fund, and the potential new economic development fund also recommended to your Board as part of this fiscal year. In addition, these discussions with the PBIDs can take place in the context of the commercial corridor plans which are also being considered as part of this years budget.

While the continued funding and participation of the County in the corridors in which PBIDS are present is paramount, a fresh look at the sources and needs in these corridors should occur before next years budget hearings.

Respectfully submitted,

APPROVED:

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County Executive

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