



Staff Reports

File #: 2210-2019, **Version:** 1

To: Honorable Mayor and Members of City Council

From: Vin Smith, Community Development Director

Prepared By: Stephanie Cajina, Senior Development Specialist

TITLE:

Napa Tourism Improvement District FY 2020-21 Budget and Work Plan

RECOMMENDED ACTION:

Adopt a resolution approving the Napa Tourism Improvement District City of Napa Local Governing Committee Budget and Work Plan for Fiscal Year 2020-21.

DISCUSSION:

Background

On June 15, 2010, the Napa County Board of Supervisors approved the Napa Valley Tourism Improvement District (the "District"). The District was renewed for a 10-year term (effective July 2015 -June 2025) and levies a two percent assessment upon the "rent" charged by "lodging businesses" (defined to include short term rentals of 30 days or less in hotels, motels, bed and breakfasts, and inns; and to exclude vacation rentals and campgrounds). The City Council consented to the formation of the countywide District within the City limits on March 16, 2010, and consented to the extended term on February 21, 2017. The City of Napa collects the two percent District assessment for lodging businesses within the City, and transmits 74% of the revenue to Napa County (who transmits the funds to the Napa Valley Tourism Corporation, a non-profit corporation charged with managing the overall non-local destination tourist promotion and marketing activities). From the remaining revenues, the City retains 1% for administration costs, and deposits the remaining 25% into the Napa Tourism Improvement District ("Napa TID") fund.

The Napa TID fund is managed by the City, with the oversight of the Napa TID Local Governing Committee ("LGC"), as defined by the Management District Plan ("MDP"). The LGC is comprised of seven members; five of whom represent the lodging industry, one member who represents the City, and one member who holds an at-large seat representing a visitor-serving or destination-marketing entity. The current LGC membership consists of the following seven individuals:

- Chair, and Lodging Representative, Reynaldo Zertuche, Embassy Suites Napa Valley
- Co-Chair, and Lodging Representative, Sara Brooks, Napa River Inn
- Chair-Elect, and Lodging Representative, Jamie Cherry, Inn on First
- Lodging Representative, Patrick Miller, Andaz Hotel
- Lodging Representative, Michael Collins, Archer Hotel

- At Large Representative, Craig Smith, Napa Downtown Association
- City Representative, Julie Lucido, Director of Public Works.

Annual Napa TID Budget and Work Plan

Each year the LGC works with City staff to develop a proposed budget and work plan for City Council consideration and approval. This proposed budget and work plan is developed to market the City of Napa, with the specific objective of increasing hotel stays, a main requirement of the MDP. For FY 20-21, the Napa TID seeks to focus its decreased budget revenue on meaningful marketing efforts to support the economic recovery of the City of Napa's local lodging industry and mitigate the economic impacts of the COVID-19 pandemic.

The City's Finance Department studies the Napa TID revenue trends and produces a projected revenue amount that the City expects to collect in the new fiscal year (see Exhibit "A" to Attachment 1). Due to the economic impact of the COVID-19 pandemic, the projected revenue for the Napa TID is drastically lower than in previous years. For Fiscal Year 2020--2021, the City Finance Department estimates that the City will collect approximately \$438,600 in revenue designated for the City's local destination marketing program. This estimate is approximately a 55% decrease over the prior fiscal year revenue estimate of \$964,000.

Consequently, the Napa TID voted at a special meeting held on May 15, 2020, to utilize funds from its Unreserved Fund Balance, which is projected to be \$325,948. In total, by utilizing unreserved funds (\$325,948) and projected TID assessment revenues (\$438,600 and \$5,000 in interest earnings), the Napa TID proposes an operating budget that totals \$768,500. This proposed operating budget is \$181,019 less than the previous fiscal year's operating budget of \$949,519.

Approximately 92.4% of the budget will be allocated to Advertising and Marketing costs. The Napa TID strongly feels that given the economic impacts of COVID-19 on the City of Napa's lodging industry, that much of its efforts for the FY 20-21 will need to be focused on generating meaningful marketing campaigns to safely and responsibly increase lodging stays as COVID-19 related travel and business restrictions are lifted.

The proposed corresponding work plan also includes decreases in each expenditure category as follows:

- Administrative Support for \$46,500 (a \$6,981 increase over prior year),
- Collateral Materials for \$12,000 (a \$2,000 increase over prior year);
- Advertising and Marketing for \$710,000 (a \$50,000 increase over prior year); and
- Grants to Other Organizations for \$0 (a \$240,00 decrease over prior year).

FINANCIAL IMPACTS:

There is no financial impact on the City's General Fund. The Napa Tourism Improvement District (NTID) was formed by Napa County through a two percent assessment of gross room rentals received from lodging businesses throughout the county. NTID funds are to be expended for tourism promotion in accordance with the approved Management District Plan. The City retains 25 percent of the assessment revenue collected within the City limits, to be used for promotion purposes as set

forth in an annual work plan and budget prepared by the Napa TID and approved by City Council. The City also retains one percent of the assessment revenue as an administrative fee. No activities implemented as a part of the Napa TID budget are supported by the General Fund

CEQA:

The Community Development Director has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060.

DOCUMENTS ATTACHED:

ATCH 1 - Resolution - Napa TID FY 2020-21 Budget and Work Plan

EX A - Napa TID FY 2020-21 Budget and Work Plan

NOTIFICATION:

The Napa Tourism Improvement District Local Governing Committee has been notified of this agenda item and an agenda has been posted in publicly accessible locations as required by law.