



**MEMORANDUM
OFFICE OF THE
COUNTY EXECUTIVE
COUNTY OF PLACER**

TO: Honorable Board of Supervisors

FROM: David Boesch, County Executive Officer
By: Jennifer Merchant, Deputy County Executive Officer

DATE: April 28, 2015

SUBJECT: Status Update on the FY 2015-16 Lake Tahoe Tourism and Promotions Budget, Request for Direction Regarding Proposed Transportation Program Expenses, FY 2014-15 North Lake Tahoe Resort Association Capital Project Expenditure Recommendation

Action Requested

1. Receive a status update on FY 2015-16 Lake Tahoe Tourism Budget
2. Provide direction on the FY 2015-16 Transportation Program budget in a total amount not to exceed \$971,430;
3. Approve North Lake Tahoe Transient Occupancy Tax Infrastructure Account expenditure for repairs to barge utilized for July 3 and 4 fireworks displays, in an amount not to exceed \$22,000.

1. Lake Tahoe Tourism Budget Status Report

The North Lake Tahoe Resort Association serves to promote tourism and provide guidance to Placer County in funding infrastructure projects to enhance the built environment and mitigate impacts of tourism in North Lake Tahoe communities. The primary task of the Resort Association is to implement the 2004 North Lake Tahoe Tourism and Community Investment Master Plan through marketing, transportation and infrastructure development efforts. Placer County has entered into a two-year agreement with the Resort Association, funded with Placer County Transient Occupancy Tax (TOT) revenue collected in eastern Placer County. The Resort Association's budget is approved by your Board as part of the countywide budget process, as it is contained in the Lake Tahoe Tourism budget. The Lake Tahoe Tourism budget is comprised mostly of an allocation of 60 percent of total budgeted annual eastern Placer County TOT collections. The remaining 40 percent in TOT collections accrues to the County general fund and is allocated to general County services. The proposed FY 2015-16 Lake Tahoe Tourism budget is \$8,135,164 and is comprised of the expenses outlined in Table A:

TABLE A PROPOSED FY 2015-16 LAKE TAHOE TOURISM BUDGET	
North Lake Tahoe Resort Association	\$6,200,000
Tahoe Services Provided by Placer County	1,495,979
Prior FY Reserves	421,364
County-Wide Systems Charges / General Liability	17,821
TOTAL	\$8,135,164

The "Tahoe Services Provided by Placer County" line item is inclusive of tourism-related operations and maintenance either provided directly by Placer County or via contract with other agencies, outlined in Table B, below. In addition, historically, this fund has allocated TOT

revenues to ensure important general government services provided by County departments in North Lake Tahoe are not negatively impacted during periods of general revenue shortfalls. FY 2009-10 represented the largest TOT-funded County Services budget, in the amount of \$1,914,386 because funds were allocated to maintain existing Tahoe area baseline levels of transit, public health and safety services during the economic downturn, while service levels elsewhere in the County were cut. In FY 2009-10 Tahoe area generated TOT resources maintained hours of operation at the Kings Beach Clinic (\$100,000), the Sheriff Department's Problem Oriented Policing and local schools programs (\$175,000), and baseline TART transit operations (\$277,000).

**TABLE B
 PROPOSED FY 2015-16 LAKE TAHOE TOURISM SERVICES
 PROVIDED BY PLACER COUNTY**

SERVICES PROVIDED	PROPOSED FY 2015-16 BUDGET	FINAL FY 2014-15 BUDGET
Peak Season Transit Services Operated by TART (Resort Association recommended)	\$530,100	455,800
Baseline Transit Services Operated by TART	193,100	279,300
Resort Arterial Snow Removal	100,000	100,000
Tahoe City Public Utility District- Beach and Facility Maintenance	99,263	97,317
North Tahoe Public Utility District- Beach Maintenance	86,899	85,195
Business Association Contributions	150,000	150,000
Transient Occupancy Tax Administration- Percent Share	106,655	101,840
Placer County Film Office	56,500	56,600
Auburn Welcome Center- North Lake Tahoe Support	40,000	40,000
East Slope TOT Audit	40,000	40,000
Animal Control- Beach Patrol	40,000	45,000
Sheriff Patrol- July 3 and 4	38,362	36,000
Facility Services- Contract Management	-	31,425
KBCCIP Business Mitigation Program	15,000	30,000
TOTAL	\$1,495,979	1,548,477

Because TOT is a general fund revenue source, Placer County can choose to allocate any share of the 8 percent TOT collected countywide to any County services. The additional 2 percent of TOT collected in eastern Placer County is specified to be allocated to services only within the collection area, however. Because of the important role of tourism to the North Lake Tahoe and countywide economy, your Board has chosen to continue to allocate 60 percent of all eastern Placer County TOT collections within the collection area for the nearly 20-year lifespan of the additional 2 percent collection. County staff and, via contractual agreements with the Resort Association, your Board has made a concerted effort to reduce TOT funded services that do not have a direct relationship with tourism. Of the baseline services initially funded, TART's year-round service is the sole general government service that remains partially funded

with TOT revenue. The recommended TOT allocation for FY 2015-16 TART baseline services is \$193,100. Supplemental TOT funding for TART baseline transit service is needed to maintain existing service levels because Local Transportation funds (LTF) allocated to the Tahoe basin continue to retract commensurate with the Tahoe share of countywide population. LTF is a share of countywide sales tax allocated back to jurisdictions based on population. Because the countywide population grew by 29 percent from the 2000 to 2010 Census, and the Tahoe region population retracted by 17 percent, the allocation of LTF to the TART budget has also been reduced. While incremental growth in the Tahoe share of the LTF fund is occurring, reliance on TOT to fill the LTF gap is likely for the foreseeable future. TART also operates peak season transit services funded by TOT revenue and recommended by the Resort Association. The cost of those services is outlined in Table C, below.

2. Resort Association Transportation Program Budget Direction

Because a number of the Resort Association’s transportation programs require negotiation and execution of service agreements with contract service providers in advance of July 1, 2015, advance review and direction by your Board on the proposed FY 2015-16 Resort Association Transportation Program budget is being requested at this time.

The Resort Association’s Capital Infrastructure and Transportation Committee (CIT Committee) and the Resort Association Board have voted to recommend that the County Executive Office carry forward the following FY 2015-16 Transportation Program budget for your approval. The County Executive Office concurs with the Resort Association’s CIT Committee and Board of Directors recommendations to approve the budget for the programs listed below, with exception of the North Lake Tahoe Water Shuttle Service Program. While the Water Shuttle is a positive tourist amenity for the North Lake Tahoe area, it is a challenge to justify ongoing funding from transit program resources because it does not meet agreed-to transit return on investment metrics. Should your Board be interested in funding for the Water Shuttle with TOT funds, County staff recommends that a different funding source internal to the Resort Association budget be considered.

TABLE C RESORT ASSOCIATION RECOMMENDED TRANSPORTATION PROGRAMS	PROPOSED FY 2015-16 BUDGET
Winter Nighttime Transit Service	\$275,730
Enhanced Summer Daytime TART Service- Squaw Valley, Kings Beach, Tahoe City *	\$171,900
Summer Hourly Nighttime Transit Service	\$163,800
North Lake Tahoe Water Shuttle Service Program	\$149,000
Reno/North Lake Tahoe Year-Round Airport Shuttle	\$110,000
Regional Coordinated Ski Shuttle and Voucher Program *	\$30,000
Enhanced Winter Skier Transit Service- Sugar Bowl, Truckee Depot	\$29,000
Summer Traffic Management	\$22,000
Winter Traffic Management	\$20,000
TOTAL	\$971,430

* Program provided by Placer County

At its February 23, 2015 meeting, the Resort Association’s CIT Committee voted unanimously to recommend all of the programs listed above, with exception of the North Lake Tahoe Water

Shuttle Service Program. On March 4, 2015, the Resort Association Board of Directors unanimously voted to recommend to your Board funding of the transportation programs recommended by the CIT Committee and directed Resort Association staff to return to the CIT Committee with alternate program operations and funding sources for the North Lake Tahoe Water Shuttle. On March 23, 2015, Resort Association staff advised the CIT Committee it was able to reduce the overall proposed program cost by \$21,000, from \$170,000 to \$149,000, through negotiation of lower operating costs, allocation of funds from the FY 2015-16 Resort Association Marketing Program budget and a fare increase from \$10 per passenger to as much as \$13.50 per passenger. The CIT Committee voted 7-1 in favor of recommending to the Resort Association Board of Directors to include funding of \$149,000 in the FY 2015-16 Resort Association Transportation Program budget. On April 1, 2015, the Resort Association Board of Directors voted 9-1-1 in favor of recommending to your Board inclusion of \$149,000 in the FY 2015-16 Resort Association Transportation Program budget, and to adopt recommended performance measures for future years, including a requirement that the program achieve a minimum increased ridership of 5 percent per year and a minimum year-over-year reduction of \$20,000 in required TOT contribution.

A three-year Water Shuttle pilot project was initially approved by your Board on April 10, 2012, with a commitment to annual monitoring regarding feasibility. At the time, annual ridership was estimated between 22,000 and 32,000 riders per year. Peak ridership occurred in Summer 2014, with 3,165 one way passenger trips. Additionally, costs were estimated at \$110,000 in years two and three. Costs have exceeded that amount and the budget for next fiscal year is \$149,000. Additionally, the pilot program was to provide service between Tahoe Vista, Tahoe City and the West Shore. Due to low water, service has been reduced, only starting in Carnelian Bay. It is unclear if all planned pier locations will be available for the duration of this summer's service. While the County Executive Office agrees that the North Lake Tahoe Water Shuttle Program is an attractive amenity for visitors to North Lake Tahoe, the funds recommended for the program could be put to higher and better use if invested in other transit services or maintained in the Infrastructure Account for future capital projects. Even with the recommended fare increase to \$13.50, the TOT subsidy per passenger trip will exceed \$45. In comparison, based on audited FY 2013-14 expenses, the total (all sources, not just TOT) per-passenger trip subsidy for TART service is currently \$9.02. Because the TART subsidy is inclusive of County overhead and contract expenses, and related capital and maintenance costs, it is important to note that an equivalent comparison would be a higher than \$45 per passenger trip TOT subsidy for the Water Shuttle. TART already provides service to the same destinations as the Water Shuttle, allowing those visitors who wish to use a non-auto mode to reach their destination a viable service option. While the Water Shuttle is arguably a more enjoyable way for passengers to travel between the limited destinations offered, given capital and transit needs that exceed available funding, investment of limited TOT Transportation Program funding should be made where the greatest return on investment can be achieved for the community as a whole.

Because transit service operators require advance notice regarding whether or not services will be funded, County staff is requesting direction from your Board on the entire Transportation Program package, including the Water Shuttle. Should your Board determine that it supports the Water Shuttle program, staff requests that direction be given to support the Resort Association Board's recommendation that future year operations only be approved if a 5 percent ridership increase can be demonstrated this year, and that a minimum reduction of \$20,000 in TOT funds can be achieved in each future year of the program.

3. July 3 – 4 Fireworks Display Barge Repairs- \$22,000

The North Tahoe Business Association (NTBA) and Tahoe City Downtown Association (TCDA) currently partner to produce and fund the annual July 3 – 4 fireworks displays in both communities. The barge that is used as the fireworks launch platform for the displays was initially purchased with a TOT grant in the early 1990s by the Tahoe City Volunteer Department, but was sold to the business associations for \$10 several years ago. After decades of use, the barge is in need of critical repairs in order to be utilized for the fireworks displays. The Resort Association Capital Investment Transportation Committee and Board of Directors recommend that \$22,000 in Infrastructure Account funds be allocated to barge repairs. The total project cost is estimated at \$43,000.

The Resort Association converted to an annual “call for projects” process to allocate funds to capital projects this year, but the process allows for interim applications in urgent situations. In light of this, it is important to note that the Resort Association’s recommended \$22,000 allocation to the barge will be funded from budgeted FY 2014-15 Infrastructure Account Funds. However, the full budgeted amount of these funds was approved by your Board on March 10, 2015. In approving those funds, your Board agreed to reserve allocation starting July 1, 2015. As a result, if approved by your Board, the \$22,000 recommended for expenditure for the barge repairs will create a shortfall in FY 2014-15 funds available for projects already approved, and the amount will have to be deducted from Infrastructure Account funds available to capital projects in the FY 2015-16 program.

Alternately, the Resort Association by contract has agreed to set aside a Capital Maintenance Reserve account in the County Treasury that would also be available for allocation. The account currently holds \$280,000 in unencumbered maintenance reserves. However, because the Resort Association recommends that these earmarked maintenance funds be held only for potential future bike trail maintenance projects, it is recommending advancement of encumbered FY 2014-15 capital funds to pay for the \$22,000 barge repairs.

The Resort Association further recommends that the grant funding be contingent upon NTBA/TCDA developing and presenting to the Resort Association a business plan for future management of the barge, and securing contributions towards the barge repairs from community members who would potentially want to rent the barge for other purposes.

Fiscal Impact:

The funding described above would come from TOT funds generated in the North Lake Tahoe area and currently held in the County Treasury for the purpose of capital project implementation in eastern Placer County. There are sufficient funds available to fund the amount of the requested total expenditures.

Environmental Analysis:

The Board of Supervisors’ approval of NLTRA’s funding contribution to these projects is categorically exempt for CEQA per Guidelines Section 15061, which provides a general rule that if an activity does not have the potential to cause a significant environmental effect, it is exempt from CEQA. The project applicants are responsible for undertaking environmental review of their respective project(s) per CEQA, if applicable. Allocation of the recommended funding toward project construction would occur only once any associated environmental analysis is certified as complete by the applicant.

