

**HUMBOLDT TOURISM
BUSINESS IMPROVEMENT DISTRICT
FOLLOW-UP REPORT**

SUMMARY

The Humboldt County 2012-13 Grand Jury issued a report (2013-AF-01) on the newly-created Humboldt Tourism Business Improvement District, and the non-profit agency which manages it, called the Humboldt Lodging Alliance. The 2012-13 Grand Jury's Final Report investigated the Humboldt Tourism Business Improvement District and the Humboldt Lodging Alliance; and made one finding and one recommendation. The 2013-14 Grand Jury interviewed officials from the County and from the Humboldt Lodging Alliance to determine what progress had been made on the previous Grand Jury's recommendation.

BACKGROUND

On July 1, 2012, a Tourism Business Improvement District was formed in Humboldt County. All jurisdictions except the cities of Blue Lake and Rio Dell joined the district. The district is financed by a 2% assessment on all overnight lodging bills, and every motel, hotel, vacation rental, bed & breakfast inn, and campground operator within the district is required to collect this surcharge from visitors. The Tourism Business Improvement District is managed by a non-profit agency called the Humboldt Lodging Alliance, which was formed specifically to manage the district. The 2% tax is collected by the County and given to the Humboldt Lodging Alliance for purposes of promoting local tourism.

The County of Humboldt and the Humboldt Lodging Alliance have a contract which delineates this arrangement. It requires, among other things, that the Humboldt Lodging Alliance follow a specified District Management Plan, that it provide a yearly report on its activities, and that it follow the Brown Act.

The Humboldt Lodging Alliance made a contract with another local agency, the Humboldt Convention and Visitors Bureau, to manage its operations. The two agencies have the same address, phone number, and executive director, but have different boards of directors, and different corporate identities. Some concern was expressed about the possibility of the two agencies commingling their funds.

Lodging businesses in many local communities also pay a Transient Occupancy Tax, which can be up to 10% of the overnight bill charged to customers. However, the Transient Occupancy Tax goes directly into the General Fund of the city or the County (in unincorporated areas) in which the business is located, and it need not be used for tourism promotion.

FINDING OF THE 2012-2013 GRAND JURY REPORT

The Humboldt Lodging Alliance is a new agency handling public funds, and one without much obvious experience in such matters. It has, however, signed a contract with the County, in which the County provides oversight.

RECOMMENDATIONS OF THE 2012-2013 GRAND JURY REPORT (Summarized)

- R1. The County should provide training in the Brown Act and the Public Records Act to appointed officials of the Humboldt Lodging Alliance.
- R2. The County should monitor the operations, minutes, and financial records of the Humboldt Lodging Alliance to ensure that the Brown Act is being followed.
- R3. The Humboldt Lodging Alliance expenditures should conform to the requirements of the District Management Plan.
- R4. The County should ensure that there is no commingling of funds between the Humboldt Lodging Alliance and the Humboldt County Convention and Visitors Bureau.

Responses were requested from the following: The County Administrative Office, the Humboldt County Board of Supervisors, and the Humboldt Lodging Alliance.

RESPONSES TO THE 2012-2013 GRAND JURY RECOMMENDATIONS

All three parties agreed with Recommendation 1 (R1) concerning Brown Act and Public Records Act training. The Board of Supervisors and the County Administrative Office both stated that the Administrative Office with the assistance of County Counsel would provide training and educational materials concerning these laws. This training has not yet been provided but is tentatively scheduled for the end of May 2014.

The Humboldt Lodging Alliance agreed with Recommendations 2 through 4 (R2-R4) concerning monitoring of its activities and records, and stated, "The above documents," namely operations, minutes and financial records, "are available for inspection and may be requested through our administrator, the Humboldt County Convention & Visitors Bureau."

The 2013-2014 Grand Jury finds this response troubling. It is not at all clear what form such a request would have to take. The website of the Humboldt Lodging Alliance is inadequate for this purpose. As of the date this is written, there are no meeting agendas posted. There is one set of minutes posted, from May 2013. There are no reports of activities, though the organization has existed for almost two years.

On February 25, 2014, the executive director of both the Humboldt County Convention and Visitors Bureau and the Humboldt Lodging Alliance presented an annual report to the Board of Supervisors. This presentation was referred to in both the agenda and the minutes for that meeting as a report from the Humboldt County Convention and Visitors Bureau. Witnesses to

that presentation testified that it was unclear as to whether or not, and to what degree activities of the Humboldt Lodging Alliance were included in that report. There was neither a copy of the report attached to the meeting minutes nor a copy of this report posted to either the Humboldt Lodging Alliance or the Humboldt County Convention and Visitors Bureau websites.

We note that the Agreement for Services between the County of Humboldt and the Humboldt Lodging Alliance, dated June 12, 2012, Section 7.1 states “Notwithstanding any other provision of the Agreement, should Contractor fail to perform any of its obligations hereunder, within the time and in the manner provided, ...County may terminate this Agreement by giving Contractor written notice of such termination, stating the reason for termination, if Contractor does not cure the reason given within 10 days of receiving written notice.” The Humboldt Lodging Alliance is explicitly obliged to prepare and submit an annual report on its activities under the Agreement for Service with the County.

With respect to Recommendations 2 through 4 (R2-R4) of the 2012-13 report, the Board of Supervisors and the County Administrative Office both noted that the County does not have the resources necessary to offer the oversight proposed. The Grand Jury has learned that the county has a variety of agreements with numerous nonprofit organizations as well as other governmental or quasi-governmental entities. Each of these organizations has requirements to provide information to the County on a regular basis. However, there is currently no systematic method for tracking whether the required information is at least being submitted in a timely fashion. The 2013-14 Grand Jury acknowledges that the County may not have sufficient resources to engage in the intensity of monitoring recommended by the 2012-13 Grand Jury. However, the County could lessen its long term administrative burden by creating a systematic monitoring system, such as an Excel spreadsheet, that would list what reports, information, and documents are required from each of these agencies. It would then be a simple matter to determine when and if the agencies are in compliance with these requirements. If, after systematically monitoring these submissions, the County staff find evidence that information is not being submitted in a timely fashion, the County should consider reassessing the contract with the entity that is failing to respond.

When the County develops new contracts or modifies existing contracts are modified with such agencies, the contract should contain clauses about the need for the agency to submit required information in a timely manner, and the consequences that that will result if the agency fails to submit such information.

FINDINGS OF THE 2013-2014 GRAND JURY

- F1. There is no unequivocal evidence that the Humboldt Lodging Alliance has been submitting the information required by its contract with the County and the applicable state laws referenced therein to the County on a regular and timely basis.
- F2. The County Administrative Office does not have a systematic method for logging or documenting the submissions of the reports and other documents required in its contract with the Humboldt Lodging Alliance. Indeed, it does not have a method for logging the

required information from any of the organizations or associations that have contractual relationships with the County.

RECOMMENDATIONS OF THE 2013-2014 GRAND JURY

- R1. The Humboldt Lodging Alliance needs to devote resources to establishing and maintaining its web site. It further needs to proactively provide the information required by its contract with the County, and the applicable State Laws referenced therein. (F1)
- R2. The County Administrative Office should pursue identifying a student intern, work-study student, or other volunteer who can undertake the effort to systematically identify the information, documents, and records that are required to be submitted to the County by the many organizations with which it has contracts, and to create an Excel file or other tracking grid so that the County employees can easily log whether the information is in fact being submitted. This project should also include noting the consequences for these organizations if they fail to comply with timely submission of required information. (F2)

REQUEST FOR RESPONSES

Pursuant to Penal Code Section 933.05, the Grand Jury requests responses from the following:

- The Humboldt Lodging Alliance (R1)
- The Humboldt County Board of Supervisors (R2)

The Grand Jury invites the following individuals to respond:

- The Humboldt County Administrative Office (R2)

Reports issued by the Grand Jury do not identify individuals interviewed. Penal Code § 929 requires that reports of the Grand Jury not contain the name of any person or facts leading to the identity of any person who provides information to the Grand Jury.
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