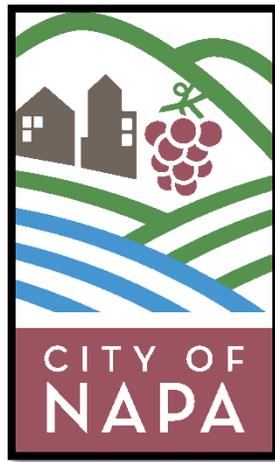


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NAPA VALLEY TOURISM IMPROVEMENT DISTRICT  
CITY OF NAPA  
LOCAL GOVERNING COMMITTEE



# OPERATING POLICY

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(APPROVED \_\_\_\_\_, 2018)

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## ARTICLE I PURPOSE

The City of Napa Local Governing Committee of the Napa Valley Tourism Improvement District (“Napa TID”) shall be governed by the following operating policies (collectively the “Napa TID Operating Policy”):

- 1.1 **Establishment and Renewal.** On June 15, 2010, the Napa County Board of Supervisors adopted Resolution #2010-72 (“Originating Resolution”) forming the Napa Valley Tourism Improvement District (“NVTID”) for a five-year term, to which the City Council of the City of Napa consented with its adoption of Resolution No.R2010-31 on March 16, 2010; and on June 10, 2014, the Board of Supervisors adopted Resolution No. 2014-64 which renewed the NVTID for a 10-year term commencing June 16, 2015 (“Renewal Resolution”). The Originating Resolution adopted the first NVTID Management District Plan, which provided for the formation of local governing committees to oversee the expenditure of NVTID funds for the benefit of lodging businesses in each jurisdiction within Napa County. (The Renewal Resolution adopted the second Management District Plan, which modified the composition and appointment procedure of the Napa TID, (further discussed in paragraph 2.1.) The purpose of the Napa TID is to prepare annual work plans and budgets related to expenditure of NVTID funds allocated to the City of Napa, oversee expenditures consistent with the work plan and budget, and prepare regular reports to the Napa Valley Tourism Corporation (“NVTC”) which serves as the Owner’s Association for the NVTID (further described in Paragraph 1.3). This Operating Policy will guide the operation of the Napa TID.
- 1.2 **Funding.** The NVTID imposes an annual assessment on lodging businesses at a rate of 2.0% of gross short-term room rental revenue, as further described in the Management District Plan. The current NVTID assessment was initiated on June 16, 2015 and will continue for 10 years through June 15, 2025. Each jurisdiction within the county is responsible for collecting the assessments from each lodging business within its jurisdiction, and forwarding 74% of the assessment collected to Napa County, who will forward the funds to NVTC. Each jurisdiction retains 1% of the collected assessment to offset the estimated costs of its services in collecting and administering NVTID assessment moneys. The remaining 25% of the collected assessment is retained by the individual jurisdictions for destination specific tourism improvements and activities.
- 1.3 **Functions of the Napa TID.** The Napa TID shall oversee the expenditure of the City of Napa’s locally designated assessment funds (the 25% described in paragraph 1.2) in accordance with the requirements of Resolution No. 2014-64, the approved NVTID Management District Plan for July 2015-June 2025 (“Management District Plan”) and the Property and Business Improvement District Law of 1994 (“PBID Law”; Streets and Highways Code Sections 36600, *et seq.*), collectively the “NVTID Governing Laws”. To further guide the expenditures of the collected assessment, the Napa TID shall:

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## 1.3.1 **Develop an Annual Budget for Recommendation to City Council.**

The Napa TID shall approve an annual budget for the expenditure of the City of Napa's local NVTID funds.

a) **Annual Budget.** The Napa TID shall prepare a proposed budget and work plan by ~~April~~ **March 30<sup>th</sup>** of each calendar year for the upcoming fiscal year (July 1-June 30). Once approved by the Napa TID City staff will incorporate the budget and work plan into the City's budget approval process for consideration by the City Council of the City of Napa ("City Council").

i. **Contingency Reserve Fund.** The annual budget shall include a designation of funds for the creation of a reserve fund balance in accordance with the Napa TID-approved Annual Contingency Reserve Fund Policy, originally adopted October 23, 2012 and updated May 24, 2016, attached hereto as **Attachment 1**. Use of the reserve funds shall be restricted for use during periods of extended economic downturn and uncertainty, unanticipated events that may impact travel and hospitality in the region, or emergency/natural disasters that impact the City of Napa and business community and result in fluctuations of Transient Occupancy Tax revenues. Further, use of reserve funds requires the Napa TID make specific findings, depending on the nature of the circumstance or event that requires the use, and approval of the majority of the Napa TID and with final approval by the City Council.

ii. **Administrative Expense Line Item.** The annual budget shall include an administration line item to offset the cost to the City of Napa for providing staff services to support the operations of the Napa TID. The budgeted line item will be tied to the estimated direct costs for services.

b) **Annual Work Plan.** The Napa TID shall prepare an annual work plan to accompany the annual budget, which shall include tourism-related activities or improvements that drive visitor traffic to lodging properties within the city of Napa, particularly during non-peak times, including but not limited to the following:

- Locally specific market niche advertising and marketing
- Tourism marketing and promotions, including website, print and other collateral material and technology applications
- Local special event programming, underwriting and promotion
- Community and cultural arts programming activities
- Tourism-related streetscape enhancement and visitor-serving public improvements such as trails, pedestrian paths, signage, bike paths, etc., which improve upon the visitor experience and access to lodging properties in the city
- Seasonal and other tourism and visitor-related programs

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## 1.3.2. Oversee the Annual Expenditure of Funds in Accordance with the Approved Budget and Work Plan.

- a) The Napa TID may, from time to time, receive requests for use of the City of Napa's local NVTID funds from various organizations ("applicants") to fund a potential project or program ("activity") related to tourism and area promotions. Prior to approval of any funding request, the Napa TID shall evaluate the merits of each request and related documentation to support the management, financial health and accountability of the applicant as well as the feasibility of the activity to be funded. The Napa TID shall review and approve or deny potential activities for expenditure in accordance with the NVTID Governing Laws and the approved annual budget and work plan.
- b) However, if the Napa TID Chair and Co-Chair make a written determination that an expenditure for a potential activity is needed to address an urgent demand, and the expenditure is consistent with the approved annual budget and work plan, the City is authorized to make the expenditure consistent with the written determination, and the Napa TID shall review the expenditure and provide required oversight after the expenditure is made.
- c) Any proposed modification to the approved annual budget or work plan shall be reviewed by the Napa TID for approval or denial, and if approved, forwarded to the City Council for final approval.

## 1.3.3 Assist the Owner's Association with Preparation of Annual Report. Per the Management District Plan, the Owners' Association (NVTC) is required to present an annual report at the end of each year of operation to the Board of Supervisors. The annual report is to include details of NVTID revenues received and expenditures for all governing entities, including each of the local governing committees. To assist NVTC with preparation of the Annual Report, the Napa TID will submit a six-month progress report and annual year-end progress report in the form and manner prescribed by NVTC and Napa County Auditor-Controller.

## ARTICLE II GOVERNING COMMITTEE

### 2.1 Napa TID Composition and Appointment of Members. The composition of the Napa TID was modified by the second Management District Plan as noted below. The Napa TID shall be composed of the following members:

- Up to five (5) representatives of assessed lodging businesses selected by lodging businesses (*modified from four representatives in the original Management District Plan*).
- One (1) representative of a visitor-serving or destination marketing entity designated by the Napa TID (*modified from one staff or board*).

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*member representative designated by the Napa Chamber of Commerce).*

- One (1) representative of City staff or a City Council member (*modified from two representatives appointed by the City Council.*) The second Management District Plan approved by the Renewal Resolution states the City representative is to be designated by the Napa TID. This policy clarifies that the City representative shall be designated by the City Manager, and confirmed for approval by the Napa TID. This clarification of appointment procedure was approved by City Council Resolution No. R2017-019 (2/21/17).

2.2 **Term of Napa TID Members.** To avoid a preponderance of vacancies, the terms of all committee members shall be staggered for four (4) fiscal years. A fiscal year represents the period commencing on July 1 and ending on June 30. If a member is appointed and his or her term starts prior to the beginning of a fiscal year, the Napa TID shall determine whether the partial year shall count as one (1) year of the term.

2.3 **Officers.** The Napa TID shall elect officers, from among the members of the Napa TID. The election of officers shall be conducted annually, at the first meeting of each new fiscal year, for the following positions:

Chairman The Chairman shall help set meeting agendas and preside at all meetings, and have such other powers and duties as the Napa TID may require.

Co-Chairman The Co-Chairman shall assist the Chairman as requested by the Chairman, and shall assume the duties of Chairman in the Chairman's absence.

Chairman Elect The Chairman Elect shall participate on the three-member Executive Committee, along with the Chairman and Co-Chairman, and shall become the Chairman upon the expiration of the acting Chairman's term.

Executive Committee The Executive Committee is comprised of the three officers described above, and shall convene at the pleasure of the Chairman to discuss Committee matters and make recommendations to the full Napa TID for consideration or action. Matters may include appointment of new Napa TID members to fill vacancies on the committee; proposed modifications to Napa TID policies; and the like.

In addition to the elected officers of the Napa TID, the City Manager shall designate a City staff person(s) (not the designated City representative on the Napa TID) to serve as the Secretary/Treasurer. The Secretary/Treasurer shall be responsible for noticing meetings in accordance with the Brown Act, preparing and positing agendas and meeting materials, taking minutes of all meetings, maintaining committee records, submitting committee reports, maintaining financial records, depositing money, preparing and managing contracts, and other duties typically associated with the position that may be required by the Napa TID.

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## ARTICLE III MEETINGS

- 3.1 **Date of Meetings.** The Napa TID shall meet regularly on the fourth (4<sup>th</sup>) Tuesday of each month at the establishments of the Napa TID members by rotation. The specific date, time, and location of each regular meeting shall be approved on an annual basis, at the first meeting of each new fiscal year.
- 3.2 **Meeting Conduct.** Meetings of the Napa TID shall be conducted in accordance with the pertinent portions of City Policy Resolution 10, which is the guiding policy for norms of operation and rules of order and procedure for City-established boards, commissions and committees. Each member of the Napa TID has received a copy of Policy Resolution 10 (Sections 2, 3, 4, 5.3 and 10.7 of the policy resolution do not apply to the Napa TID.)
- 3.3 **Brown Act.** As further detailed in Policy Resolution 10, the Napa TID shall comply with all provisions of the Brown Act (Government Code Sections 54950 et seq.) pertaining to open meetings, notices and agendas, as such may from time to time be amended, which are applicable to advisory commissions of local agencies.
- 3.4 **Quorum.** No action may be taken by the Napa TID except upon the affirmative vote of a majority of the members present at a publicly noticed meeting. There shall be no voting by proxies or voting by absentia.
- 3.5 **Public Records Act.** All Napa TID meeting records and documents shall be kept by the Secretary/Treasurer in accordance with the provisions of the California Public Records Act, Government Code Section 6250 et seq.

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## ATTACHMENT 1

### NAPA TOURISM IMPROVEMENT DISTRICT CITY OF NAPA LOCAL GOVERNING COMMITTEE

#### ANNUAL CONTINGENCY RESERVE FUND POLICY UPDATED: 05/24/2016

The goal of this Policy is to establish and maintain a Contingency Reserve Fund (CRF) for the Napa Tourism Improvement District Local Governing Committee (Napa TID).

The purpose of the CRF is to build and protect reserves for usage during periods of extended economic downturn and uncertainty, unanticipated events that may impact travel and hospitality in the region, or emergency / natural disasters that impact the City of Napa and business community and result in fluctuations of Transient Occupancy Tax revenues. Once approved as part of the Napa TID budget, funds in the CRF will remain unspent until specific findings are made by the Napa TID that require their usage. The findings will depend on the nature of the emergency or unmet need.

It is the goal of the Napa TID to steadily build the CRF so that the CRF balance is 35 percent of the annual budgeted revenues. The CRF will be held in a separate reserve account and will be funded on an annual basis. The amount of annual funding shall be up to 50 percent of the prior year's fund surplus until the 35 percent goal is met. If the net year-end position of the fund is negative, the balance in the CRF will remain as is (provided there is sufficient unreserved fund balance to cover the operating deficit); no additional funding will be provided for the next year for the CRF.

The annual funding to the CRF will be included in the adopted budget. The City of Napa Finance Department shall verify the fund balance to the Napa TID as soon as possible upon close of each fiscal year and will make any necessary budget adjustments based on the final net position.

When the CRF is fully funded (equal to 35% of the Napa TID budget), any remaining fund balance may be carried over and allocated to any of the other budget categories.

In the event that funds in the CRF must be used, replenishment of the CRF shall take place within a reasonable amount of time as initially instituted, to be determined by the Napa TID.

The CRF policy was originally adopted by the Napa TID on October 23, 2012. The Napa TID took subsequent action to raise the reserve from 15 percent to 35 percent on November 17, 2015, and officially adopted the policy on May 24, 2016. This document should be reviewed each year with the preparation and approval of the annual budget report and, if necessary, revised by the Napa TID.