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**CITY OF OAKLAND
COUNCIL AGENDA REPORT**

To: Council President Ignacio De La Fuente
And Members of the City Council
From: Vice Mayor Quan, Councilmember Chang, and Councilmember Reid
Date: June 29th, 2006

Re: RESOLUTION SUBMITTING, ON THE COUNCIL'S OWN MOTION, TO THE ELECTORS AT THE NOVEMBER 7, 2006 ELECTION, A PROPOSED ORDINANCE AMENDING THE OAKLAND MUNICIPAL CODE IN ORDER TO PROVIDE FOR A TWO PERCENT SURCHARGE TO THE CITY'S HOTEL TAX (TRANSIENT OCCUPANCY TAX) TO SUPPORT THE OAKLAND ZOO, CHABOT SPACE AND SCIENCE CENTER, THE OAKLAND MUSEUM OF CALIFORNIA, AND THE CULTURAL FUNDING / GRANTS PROGRAM FOR FREE AND LOW-COST PERFORMING ARTS PROGRAMS

SUMMARY

At the request of Councilmembers Jean Quan, Henry Chang, and Larry Reid, a resolution has been prepared authorizing the submission to the voters at the November 7, 2006 election a proposed ordinance that would implement a surcharge of 2% to the City's Hotel Tax. The revenue generated from the tax would be allocated as follows:

- 25% Oakland Zoo
- 25% Oakland Museum of California
- 25% Chabot Space and Science Center
- 25% Free and Low-Cost Performing Arts Programs.

The Oakland Zoo, Oakland Museum of California and the Chabot Space and Science Center are all regional institutions receive little regional or state funding. Similar institutions in other Cities such as San Francisco and Los Angeles receive state and county funding.

FISCAL IMPACTS

The proposed two percent Hotel Tax surcharge, if approved by the voters by 50% plus one vote, would generate revenue to be distributed equally among the Oakland Zoo (25%), the Oakland Museum of California (25%), the Chabot Space and Science Center (25%), and free and low-cost performing arts programs (25%). The surcharge would begin on January 1, 2007.

The revenue generated from the Hotel Tax surcharge will not supplant any existing funding sources for these institutions; it is instead intended to provide needed financial stability and vitality.

BACKGROUND

Since 9/11, cultural institutions across the U.S. have experienced diminished revenue and attendance. Since that time, the Oakland Zoo, the Oakland Museum of California and the Chabot Space and Science Center have seen some recovery in their revenue but continue to face funding challenges, each for specific reasons. These institutions are subject to state and federal spending cuts and high variability in charitable contributions. Many grants these institutions have received in recent years have been for specific programs or exhibitions and have not been a source of ongoing operating funds.

The Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center, and performing arts programs are valuable assets to the City of Oakland that enhance the quality of life of Oakland residents and comprise a base of significant regional attractions for visitors to Oakland. The City Council has identified a need to establish a steady stream of revenue for these institutions and attractions that contribute to the life and vitality of the city of Oakland given the imminent threats they have faced.

The Chabot Space and Science Center served approximately 145,000 visitors, including 45,000 school children during calendar year 2005. Only about 20% of the Center's total visitors are from Oakland and about 50% of its visitors are from Alameda County. Approximately 15-20% of students visiting for classes and field trips come from OUSD schools, in the past nearly half of the students were from Oakland. Since the Oakland Unified School District's financial crisis, funding for students to attend classes at Chabot and for two teachers to conduct those classes has been reduced by \$250,000 over the past 3-4 years. Nationwide, mid to large sized science centers receive, on average, 30% of their funds from public sources.¹ In 2005, the City's contribution to the Center was reduced from \$200,000 to \$180,000. The Center's earned revenue has struggled to stay stable in the face of declining budgets for marketing and advertising, and increased competition for discretionary dollars. This year, Chabot has had to cut back/delay plans to install new exhibits and bring in a traveling exhibit and reduced staff including two senior management positions and curtailed most capital improvements and upgrades that are not eligible for funding by grants or Measure G. With reduced revenue, Chabot has been forced to open only three weekdays instead of four during the school year, and therefore offer 25% fewer Education Programs (classes and challenger missions). The Center has also closed its Discovery Lab classes (pre-K thru 2nd grades). Public programs have been similarly reduced, including closing the Computer Lab and Challenger Center and eliminating "Spotlight" activities on weekends.

¹ From the Association of Science and Technology Centers sourcebook, sample size of 167 science centers.

The Oakland Zoo draws approximately 535,000 visitors per year, 107,000 of which are from Oakland and 326,350 of which are from Alameda County. The Education Department of the Oakland Zoo runs a significant on-site educational program with local schools: a Zoomobile that visits schools, cultural centers and senior centers; a Conservation van that participates in community conservation awareness programs like Earth Day; a Summer Day Camp program; Teen Wildlife Guide program; and, pre-school educational programs. The Oakland Zoo receives 7.6% of its funding from the City of Oakland and 7.7% from the East Bay Regional Parks District. However, unlike its peers, the Oakland Zoo receives no county funding, very limited State funding and no Federal funding. In recent years, City support from the Police Department and Public Works departments has been cut resulting in the zoo having to establish its own Public Safety and Ground and Maintenance functions.

The Oakland Museum of California is, by definition, a statewide and regional resource. Its mission is to present and interpret the art, history, and natural environment of the state of California and it has the most comprehensive collection of objects, artifacts, and art work related to the development of California. It produces exhibitions that travel throughout the state as well as nationally and internationally. The Museum projects 190,000 visitors by the end of the 2005-2006 year. The Museum serves close to 47,000 students, teachers and parent chaperones through its school programs and approximately 32,900 of these visitors come from outside of Oakland. Approximately 10% of the Museum's audience is from Oakland, 20% is from Alameda County and the remainder is residents from the rest of the state and visitors to California. Oakland Museum of California Foundation support is derived through earned revenue sources, including admission and store revenue, and through contributions from foundations, corporations, and individuals. The Oakland Museum of California has experienced significant budget reductions in recent years. With reduced City funding, the Museum Foundation has absorbed a number of positions and now supports all direct costs for exhibitions and educational programs. As a result of budget reductions, the Museum has reduced programming, particularly in the number and scale of exhibitions. The Museum has also had very limited resources to market or promote exhibitions.

Free and low-cost performing arts events draw Oakland residents as well as visitors to experience the performing arts organizations in our community. Regular funding for these events will allow for Oakland to build on the success of events like the Art and Soul Festival or Shakespeare in the park.

The Hotel Tax in Oakland is currently an 11.00% tax applied to the cost of occupying a hotel/motel for any period no more than thirty (30) consecutive days within the City of Oakland. Revenue raised from the Hotel Tax for the City of Oakland since 1996 are listed in the following table. Hotel Tax revenue decreased significantly following the events of 9/11 in 2001. As the economy and travel industry are recovering, revenues in the hotel industry are beginning to return to pre 9/11 revenues.

Oakland Historic Hotel Tax Revenue
Hotel Tax Revenue (million

Year	\$)
1996	\$6.2
1997	\$7.3
1998	\$8.5
1999	\$9.4
2000	\$12.1
2001	\$12.8
2002	\$10.5
2003	\$10.9
2004	\$9.9
2005	\$10.9

Compared to the ten largest California cities, Oakland’s existing Hotel Tax rate is near the median. The tables below summarize a survey of Hotel Tax rates in California cities and cities nationwide. Many cities nationwide and within California use Hotel Tax revenue to support local and regional cultural institutions and attractions, including cultural grants, arts and entertainment funds, and special events.

Nationwide Cities		Neighboring Cities	
City	TOT %	City	TOT%
Anaheim*	15.00%	San Francisco*	14%
New York	14.88%	Berkeley	12%
Los Angeles	14%	Emeryville	12%
Oakland	11%	Sacramento*	12%
San Diego	10.50%	Oakland	11%
Miami*	6%	Hayward	10.50%
Orlando*	5%	San Jose*	10%
Chicago*	4.50%	San Leandro	10%
		Fremont	8%

* Allocates at least a portion of Transient Occupancy Tax revenue for cultural affairs, activities, arts and entertainment, tourism, special events, and/or cultural grants.

The revenue from the surcharge shall be deposited into a special fund in the City treasury.

The Hotel Tax surcharge ordinance includes provisions for an annual independent audit to assure accountability and the proper disbursement of the proceeds of this tax in accordance with the purposes specified in the ordinance.

SUSTAINABLE OPPORTUNITIES

Economic: This surcharge will allow greater stability for three vital Oakland regional cultural institutions: the Oakland Zoo, the Oakland Museum of California, and the Chabot Space and Science Center, all presently in need of an additional stable source of funding.

Environmental: There are no environmental opportunities directly associated with this proposal.

Social Equity: There are no social equity opportunities directly associated with this proposal.

ACTION REQUESTED OF THE CITY COUNCIL

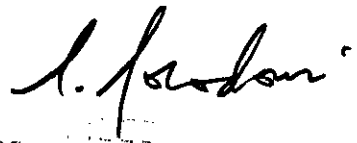
In order to present the proposed tax rate increase to the voters for their approval, Council approval is required for the ordinance placing the tax rate increase on the ballot for November 7, 2006.

Respectfully submitted,

Vice Mayor Jean Quan

Councilmember Henry Chang

Councilmember Larry Reid



OFFICE OF THE CITY CLERK
OAKLAND

OAKLAND CITY COUNCIL

2006 JUN 29 PM 6:13
C.M.S.

Resolution No. _____

Introduced by: Councilmembers Jean Quan, Henry Chang and Larry Reid

RESOLUTION SUBMITTING, ON THE COUNCIL'S OWN MOTION, TO THE ELECTORS AT THE NOVEMBER 7, 2006 ELECTION, A PROPOSED ORDINANCE AMENDING THE OAKLAND MUNICIPAL CODE IN ORDER TO PROVIDE FOR A TWO PERCENT SURCHARGE TO THE CITY'S TRANSIENT OCCUPANCY TAX (HOTEL TAX) TO SUPPORT THE OAKLAND ZOO, OAKLAND MUSEUM OF CALIFORNIA, CHABOT SPACE AND SCIENCE CENTER AND THE CULTURAL FUNDING/GRANTS PROGRAM FOR FREE OR LOW COST PERFORMING ARTS PROGRAMS

WHEREAS, the City Council of the City of Oakland desires to amend the Oakland Municipal Code in order to provide for a two percent (2%) surcharge to the City's transient occupancy tax rate; and

WHEREAS, Oakland visitors and residents benefit from quality cultural and educational experiences and institutions located within the city; and

WHEREAS, the Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center, and free or low cost performing arts programs programs are valuable assets that enhance the quality of life of Oakland residents; and

WHEREAS, the increasing costs of maintenance and operations and dwindling private resources are ongoing threats to the viability of Oakland's most valuable institutions; and

WHEREAS, it is the desire of the City Council to establish a steady stream of revenue for the Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center and free or low cost performing arts programs programs; and

WHEREAS, in many cities regional cultural institutions such as these, are funded from hotel taxes; and

WHEREAS, these institutions attract a large number of visitors to the City of Oakland; and

WHEREAS, all revenues received from any increase shall be allocated equally to the Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center and free or low cost performing arts programs programs;

NOW, THEREFORE, BE IT RESOLVED: That the City Council of the City of Oakland does hereby submit to the voters at the November 7, 2006 election the text of the proposed ordinance, which shall be as follows:

SECTION 1. The Oakland Municipal Code is hereby amended by adding Section 4.24.031 to read as follows:

Section 4.24.031. Imposition of surcharge.

A. There shall be a tax of two percent (2%) of the rent charged by the operator of a hotel, in addition to the eleven percent tax specified in Section 4.24.030, for the privilege of occupancy in any hotel in the City of Oakland. The surcharge so collected shall be appropriated equally for the Oakland Zoo, the Oakland Museum of California, the Chabot Space and Science Center and the Cultural Funding/Grants Program for free or low cost performing arts programs as follows: 25% for the Oakland Zoo, 25% for the Oakland Museum of California, 25% for Chabot Space and Science Center and 25% for a new Cultural Funding/ Grants Program for free or low cost performing arts programs.

B. All funds collected by the City from the taxes imposed by this section shall be deposited into a special fund in the City treasury and appropriated and expended only for the purposes authorized by this Ordinance.

C. Annual Audit. An independent audit or review shall be performed annually to assure accountability and the proper disbursement of the proceeds of this tax in accordance with the purposes stated herein. Tax proceeds may be used to pay for the audit or review.

D. Citizen Oversight Committee. A citizen oversight committee shall be established to ensure proper administration of the revenue collection and appropriation mandated by this ordinance, the Mayor shall appoint one member and each Councilmember shall appoint one member.

E. For any year during which this tax is in effect, the City Council may collect this tax only if the General Fund appropriation for the Oakland Zoo, the Oakland Museum of California, and the Chabot Space and Science Center is maintained at a level that is no lower than the General Fund appropriation for fiscal year 2006-07.

SECTION 2. This ordinance shall be effective immediately or such later date as required by state law.

SECTION 3. Severability: If any article, section, subsection sentence, clause or phrase of this ordinance is held to be invalid or unconstitutional, the offending portion shall be severed and shall not affect the validity of remaining portions which shall remain in full force and effect.

SECTION 4. This Ordinance is exempt from the California Environmental Quality Act, Public Resources Code section 21000 et seq., as it can be seen with certainty that there is no possibility that the activity authorized herein may have a significant effect on the environment.

SECTION 5. There are existing transient occupancy taxes that are general taxes, the proceeds of which are deposited in the general fund. Additional revenues received as a result of this ordinance will be used for the purposes set for in Section 4.24.031 and thus are special taxes.

FURTHER RESOLVED: The City Council hereby authorizes and directs the City Clerk of the City of Oakland (the "City Clerk") at least 88 days prior to November 7, 2006, to file with the Alameda County Clerk certified copies of this resolution.

FURTHER RESOLVED: The City Council does hereby request that the Board of Supervisors of Alameda County include on the ballots and sample ballots the recitals and measure language contained in this resolution to be voted on by the voters of the qualified electors of the City of Oakland.

FURTHER RESOLVED: The City Clerk is hereby directed to cause the posting, publication and printing of notices of this Resolution and proposed ordinance, pursuant to the requirements of the Charter of the City of Oakland, and the Government and Elections Codes of the State of California.

FURTHER RESOLVED: The City Council does hereby request that the Registrar of Voters of the County of Alameda perform necessary services in connection with said election.

FURTHER RESOLVED: The City Clerk is hereby directed to obtain printing supplies and services as required for said election.

FURTHER RESOLVED: The City Clerk is hereby authorized to provide such other services and supplies in connection with said election as may be required by the laws of the State of California and the Charter of the City of Oakland.

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FURTHER RESOLVED: In accordance with the Election Code and Chapter 11 of the Oakland Municipal Code, the City Clerk shall fix and determine a date for submission of arguments for or against said measure, and said date shall be posted in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 20_____

PASSED BY THE FOLLOWING VOTE:

AYES - BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, QUAN, REID, and PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

ATTEST: _____
LaTonda Simmons
City Clerk and Clerk of the
Council of the City of Oakland, California