

**JEFFERSON COUNTY
BOARD OF COUNTY COMMISSIONERS**

AGENDA REQUEST

TO: Board of County Commissioners
FROM: Adiel McKnight, Executive Assistant
DATE: December 23, 2024
SUBJECT: AGREEMENT re: 2025 Hotel Motel (Lodging Tax) Grant Funding; In the Amount of \$20,000; Public Facilities District Seed Funding

STATEMENT OF ISSUE:

This agreement provides grant funding for 2025 to certain non-profit agencies for the promotion of tourism and ongoing preservation of Jefferson County's heritage. The Lodging Tax Advisory Committee met on November 22, 2024 and reviewed request for proposals. This funding has been budgeted from the Hotel Motel (Lodging Tax) Fund, and approved by the Board of County Commissioners on December 9, 2024.

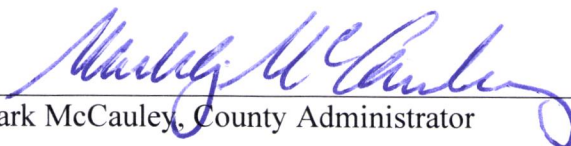
FISCAL IMPACT:

Public Facilities District Seed Funding	\$20,000
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RECOMMENDATION:

Approve and sign the agreement.

REVIEWED BY:


Mark McCauley, County Administrator

12/20/24
Date:

CONTRACT REVIEW FORM
(INSTRUCTIONS ARE ON THE NEXT PAGE)

Clear Form

CONTRACT WITH: Public Facilities District Seed Funding

Contract No: LTAC PFDSF

Contract For: Lodging Tax Funding

Term: Jan-Dec 2025

COUNTY DEPARTMENT: County Administrator
Contact Person: Adiel McKnight
Contact Phone: 102
Contact email: afmcknight@co.jefferson.wa.us

AMOUNT: \$20,000

Revenue:

Expenditure: \$20,000

Matching Funds Required:

Sources(s) of Matching Funds

Fund #

Munis Org/Obj 12559700/597174

PROCESS:

- ☐ Exempt from Bid Process
☐ Cooperative Purchase
☐ Competitive Sealed Bid
☐ Small Works Roster
☐ Vendor List Bid
☒ RFP or RFQ
☐ Other: _____

APPROVAL STEPS:

STEP 1: DEPARTMENT CERTIFIES COMPLIANCE WITH JCC 3.55.080 AND CHAPTER 42.23 RCW.

CERTIFIED: ☒ N/A: ☐

Signature

Date

STEP 2: DEPARTMENT CERTIFIES THE PERSON PROPOSED FOR CONTRACTING WITH THE COUNTY (CONTRACTOR) HAS NOT BEEN DEBARRED BY ANY FEDERAL, STATE, OR LOCAL AGENCY.

CERTIFIED: ☒ N/A: ☐

Signature

Date

STEP 3: RISK MANAGEMENT REVIEW (will be added electronically through Laserfiche):

Electronically approved by Risk Management on 12/20/2024.

STEP 4: PROSECUTING ATTORNEY REVIEW (will be added electronically through Laserfiche):

Electronically approved as to form by PAO on 12/20/2024.
Template pre-approved by PAO.

STEP 5: DEPARTMENT MAKES REVISIONS & RESUBMITS TO RISK MANAGEMENT AND PROSECUTING ATTORNEY (IF REQUIRED).

STEP 6: CONTRACTOR SIGNS

STEP 7: SUBMIT TO BOCC FOR APPROVAL

**AGREEMENT FOR 2025 HOTEL-MOTEL FUNDING FOR TOURISM SERVICES
FOR PUBLIC FACILITIES DISTRICT SEED FUNDING**

This Agreement is by and between Jefferson COUNTY, Washington (the COUNTY) and PUBLIC FACILITIES DISTRICT SEED FUNDING (“RECIPIENT”).

WHEREAS, RECIPIENT is a non-profit corporation registered with the Secretary of State of the State of Washington under UBI number (TBD); and

WHEREAS, the COUNTY desires to promote tourism in unincorporated Jefferson COUNTY, as authorized by Chapter 67.28 RCW and Chapter 3.25 Jefferson COUNTY Code; and

WHEREAS, the COUNTY appointed the Jefferson COUNTY Lodging Tax Advisory Committee (“LTAC”) to review and recommend lodging tax proposals submitted to the COUNTY, as authorized by RCW [67.28.1817](#) and Chapter [3.25](#) Jefferson COUNTY Code; and

WHEREAS, RECIPIENT submitted a qualified lodging tax proposal to the LTAC;

WHEREAS, the LTAC reviewed and recommended funding all or part of RECIPIENT’s qualified lodging tax proposal to the Jefferson County Board of Commissioners;

WHEREAS, the Jefferson County Board of Commissioners reviewed the LTAC recommendation for funding all or part of RECIPIENT’s qualified lodging tax proposal and finalized an award of \$20,000 for the purposes recommended by the LTAC for MARKETING STUDY (“Final LTAC Award”);

IN CONSIDERATION of the mutual covenants and agreements herein it is agreed by the parties as follows:

1. SERVICES TO BE PERFORMED USING THE LTAC AWARD

- a. RECIPIENT shall use its capabilities and utilize up to the total amount of Final LTAC Award for the approved tourism promotion services listed above from Exhibit A and for no other purpose during the 2025 fiscal year.
- b. If the Final LTAC Award does not specify the approved tourism promotion services, then the use of the amounts approved in the Final LTAC Award shall be limited to the proposed tourism promotion services listed in RECIPIENT’s proposal for the 2025 fiscal year, a copy of which is attached as Exhibit B.

2. RESPONSIBILITIES OF RECIPIENT

- a. On or before January 31; April 30; July 31; October 31, 2025; and January 31, 2026, RECIPIENT shall provide to the COUNTY all of the following, which are more specifically described in Exhibit C:
 - i. A quarterly report of the use, services, programs and activities of RECIPIENT under this Agreement for the prior quarter;

- ii. A quarterly financial statement detailing revenues, expenses and cash balances for the prior quarter; and for the final quarter report, the financial statement shall also include a detailed financial statement for all 2025.
 - iii. On or before January 31, 2026 or upon execution of this Agreement, whichever is later, provide to the COUNTY: A billing invoice requesting payment of Hotel-Motel Funding for the 2025 fiscal year.
- b. For a minimum of six (6) years, maintain documented proof of payments made, contracts executed, and other expenditures authorized under this Agreement. Upon reasonable notice, provide access to COUNTY or State representatives to audit those records.
- c. Funding provided by this Agreement may only be expended on the services described in Section 1 of this Agreement. Any monies used for other services or purposes shall be refunded to Jefferson COUNTY. Any monies under-expended of the total funding allocated under this Agreement shall be refunded to Jefferson COUNTY by January 31, 2026.
- d. By **February 28th** of each year provide all of the following information on Exhibit D, attached hereto and incorporated by reference for the previous year.
 - i. Each festival, event, or tourism facility owned and/or operated by RECIPIENT.
 - ii. The amount of lodging tax revenue allocated for expenditure (whether actually expended or not) by RECIPIENT on each festival, event or tourism facility.
 - iii. Estimated number of tourists served at each festival, event or tourism facility. ("Tourist" includes persons traveling more than 50 miles to the location of the event, festival or facility and overnight stays in the area).
 - iv. Estimated lodging stays. ("Lodging" refers to commercial lodging such as hotels, motels, resorts, bed and breakfasts, or commercial campgrounds).
 - v. Measurements that demonstrate the impact of increased tourism attributable to the event, festival or facility.

3. RESPONSIBILITY OF JEFFERSON COUNTY

- a. The COUNTY shall provide RECIPIENT funding from Hotel-Motel Tax receipts to be used in support of their responsibilities as defined under this Agreement.
- b. Said funding is in the amount of the Final LTAC Award for the 2025 fiscal year. Payment is conditioned on full compliance with this Agreement, including but not limited to, the submittal of the reports required by Section 2.
- c. Payment shall be made by the COUNTY upon receipt of an invoice on the next available billing cycle.

4. TERM

This Agreement shall be for a term of one year, commencing on January 1, 2025 and ending on December 31, 2025, except for the reports required in Section 2, which are due January 31, 2026 and February 28, 2026.

5. ASSIGNMENT

A party's interests in this Agreement may not be assigned to any other person.

6. TERMINATION

- a. This Agreement may be terminated, in whole or in part, by the COUNTY upon thirty (30) days written notice in the event expected or actual revenue from the Hotel-Motel Tax is reduced or limited in any way, or for non-performance of duties under this Agreement, or for any reason.
- b. RECIPIENT may terminate this Agreement upon thirty (30) days written notice to the COUNTY. In the event of termination under this clause, the COUNTY shall be liable to pay only for services rendered prior to the effective date of termination. If termination covers a period for which payment has already been made, RECIPIENT shall refund to the COUNTY a pro-rated share of the payment based upon the balance of time remaining in the paid period, unless otherwise negotiated.

7. HOLD HARMLESS

- a. RECIPIENT shall indemnify and hold the COUNTY, and its officers, employees, agents and volunteers (and their marital communities) harmless from and shall process and defend at its own expense, including all costs, attorney fees and expenses relating thereto, all claims, demands, or suits at law or equity arising in whole or in part, directly or indirectly, from RECIPIENT's negligence or breach of an of its obligations under this Agreement; provided that nothing herein shall require RECIPIENT to indemnify the COUNTY against and hold harmless the COUNTY from claims, demands or suits based solely upon the conduct of the COUNTY, its officers, employees, agents and volunteers (and their marital communities), and; provided further that if the claims or suits are caused by or result from the concurrent negligence of: (a) RECIPIENT's agents or employees; and, (b) the COUNTY, its officers, employees agents and volunteers (and their marital communities), this indemnity provision with respect to claims or suits based upon such negligence, and or the costs to the COUNTY of defending such claims and suits, etc., shall be valid and enforceable only to the extent of RECIPIENT's negligence, or the negligence of RECIPIENT's agents or employees.
- b. RECIPIENT specifically assumes potential liability for actions brought against the COUNTY by RECIPIENT's employees, including all other persons engaged in the performance of any work or service required of RECIPIENT under this Agreement and, solely for the purpose of this indemnification and defense, RECIPIENT specifically waives any immunity under the state industrial insurance law, Title 51 RCW. RECIPIENT recognize that this waiver was specifically entered into pursuant to provisions of RCW 4.24.115 and was subject of mutual negotiation.

8. INSURANCE

RECIPIENT shall obtain and keep in force during the term of this Agreement, or as otherwise required, the following insurance:

- a. Commercial General Liability Insurance. RECIPIENT shall maintain commercial general liability coverage on a form acceptable to Jefferson COUNTY Risk Management for bodily injury, personal injury, and property damage, with a limit of not less than in the amount of at least \$1 million per occurrence, for bodily injury, including death, and property damage; and
- b. Worker's Compensation (Industrial Insurance). RECIPIENT shall maintain workers' compensation insurance at its own expense, as required by Title 51 RCW, for the term of this Agreement and shall provide evidence of coverage to Jefferson COUNTY Risk Management, upon request.

9. INDEPENDENT CONTRACTOR

- a. RECIPIENT and the COUNTY agree that RECIPIENT is an independent contractor with respect to the services provided pursuant to this Agreement.
- b. Nothing in this Agreement shall be considered to create the relationship of employer and employee between the parties hereto.
- c. Neither RECIPIENT nor any employee of RECIPIENT shall be entitled to any benefits accorded COUNTY employees by virtue of the services provided under this Agreement.
- d. The COUNTY shall not be responsible for withholding or otherwise deducting federal income tax or social security or for contributing to the state industrial insurance program, otherwise assuming the duties of an employer with respect to RECIPIENT, or any employee, representative, agent or subcontractor of RECIPIENT.
- e. RECIPIENT shall be responsible for all applicable withholdings, deductions, state industrial insurance, tax reports, business licenses, registrations, and all other obligations of an independent organization.

10. COMPLIANCE WITH LAWS

RECIPIENT shall comply with all Federal, State, and local laws and ordinances applicable to the work to be done under this Agreement.

11. CHOICE OF LAW

The parties agree that this Agreement is entered into in the State of Washington. This Agreement shall be governed by and construed under the laws of the United States, the State of Washington and the County of Jefferson, as if applied to transactions entered into and to be performed wholly within Jefferson County, Washington between Jefferson County residents. No party shall argue or assert that any state law other than Washington law applies to the governance or construction of this Agreement.

12. DISPUTES

- a. The parties agree to use their best efforts to prevent and resolve disputes before they escalate into claims or legal actions. Any disputed issue not resolved under this Agreement shall be submitted in writing within 10 days to the County Risk Manager, whose decision in the matter shall be final, but shall be subject to judicial review.
- b. If either party deem it necessary to institute legal action or proceeding to enforce any right or obligation under this Agreement, each party in such action shall pay for its own attorney's fees and court costs.
- c. Any legal action shall be initiated in the Superior Court of the State of Washington for Jefferson County, subject to the venue provisions for actions against counties in RCW 36.01.050. The parties agree that the parties have the right of appeal from such decisions of the Superior Court under the laws of the State of Washington.
- d. RECIPIENT consents to the personal jurisdiction of the courts of the State of Washington.

13. DISCRIMINATION PROHIBITED

RECIPIENT with regard to the project to be completed under this Agreement, shall not discriminate on the grounds of age, sex, marital status, sexual orientation, race, creed, color, national origin, honorably discharged veteran or military status, or the presence of any sensory, mental, or physical disability or the use of a trained dog guide or service animal by a person with a disability, unless based upon a bona fide occupational qualification in the selection and retention of employees, materials, supplies, or subcontractors.

14. INTEGRATED AGREEMENT

This agreement together with attachments or addenda represents the entire and integrated agreement between the COUNTY and RECIPIENT and supersedes all prior negotiations, representations, or agreements written or oral.

15. PUBLIC RECORDS ACT

This Agreement and any reports submitted by RECIPIENT are subject to disclosure as a public record under the Public Records Act, RCW Chapter 42.56.

16. RECORDS RETENTION AND AUDIT AUTHORIZATION

- a. A minimum of six years, RECIPIENT shall maintain documented proof of payments made, contracts executed and other expenditures authorized under your Agreement with Jefferson COUNTY.
- b. Upon reasonable notice, RECIPIENT shall provide access to COUNTY or State representatives to audit records related to the funds provided to RECIPIENT under this Agreement.

17. NO SEVERABILITY

The terms of this Agreement are not severable. If any provision of this Agreement or the application of this Agreement to any person or circumstance shall be invalid, illegal, or

unenforceable to any extent, the remainder of this Agreement and the application this Agreement shall not be enforceable.

18. SURVIVAL

Those provisions of this Agreement that by their sense and purpose should survive the term of this Agreement shall survive the term of this Agreement for a period equal to any and all relevant statutes of limitation, plus the time necessary to fully resolve any claims, matters or actions begun within that period. Without limiting the generality of the preceding sentence, and for the avoidance of doubt, the provisions that survive the term of this agreement include: (a) controlling law; (b) insurance; and, (c) indemnification.

19. AMENDMENT, MODIFICATION AND WAIVER

- a. This Agreement may be not be amended or modified to change the approved tourism promotion services in the Final LTAC Award.
- b. Only the Jefferson County Board of Commissioners or their delegate by writing (delegation to be made prior to action) shall have the expressed, implied, or apparent authority to sign, alter, amend, modify, or waive any clause or condition of this Agreement.
- c. Any alteration, amendment, modification, or waiver of any clause or condition of this Agreement is not effective or binding unless made in writing and signed by the Jefferson County Board of Commissioners or their delegate.

SIGNATURES ARE ON THE FOLLOWING PAGE

JEFFERSON COUNTY WASHINGTON

PUBLIC FACILITIES DISTRICT SEED

Board of COUNTY Commissioners
Jefferson COUNTY, Washington

By: _____
Kate Dean, Chair Date

By: _____
Signature

By: _____
Greg Brotherton, Commissioner Date

Name: _____

Title: _____

By: _____
Heidi Eisenhour, Commissioner Date

Date: _____

SEAL:

ATTEST:

Carolyn Galloway, CMC Date
Clerk of the Board

Approved as to form only:

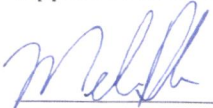
 for 12/20/2024
Philip C. Hunsucker, Date
Chief Civil Deputy Prosecuting Attorney

EXHIBIT A

Itemized List of Tourism Promotion Services Approved in the Final Award

1. Itemized List of Proposed Tourism Promotion Services

Organization (or Event) Name: _Seed Funding for Public Facilities District_____

In the following space or on a separate sheet of paper, please specify each proposed tourism promotion, facility, event or activity, including quantities and costs (see examples at bottom of page).

Pursuant to RCW 36.100.025, Jefferson County partnered with the city of Port Townsend to commission an independent financial feasibility review of developing a **Public Facilities District (PFD)** for the purpose of developing a new aquatic facility in Jefferson County. The independent review by Susan Musselman as commissioned by the Washington Department of Commerce had several points about funding that was needed prior to formation of a PFD. It is included with this application.

Due to a variety of reasons the initial plan this review covered has been adjusted from a countywide PFD to build an aquatics facility in Port Townsend to the formation of a countywide PFD for construction of an aquatic facility in mid-county near or in the Port Hadlock Phase 1 sewer area. The review also reinforced that the PFD Board, after being appointed by the County Commissioners, would be an independent municipal organization and could choose to pursue a different plan.

The County is fully supportive of this plan and intends to move forward with forming a countywide PFD and seating a 5-7 member board. The County does not have revenue to provide the seed funding indicated by Susan Musselman in the report: "All viable revenue sources for the PFD will require a vote of the County electorate, which will require pre-election expenditures for communication and payment of election costs."

Another finding of the Healthier Together Task Force is that cost recovery is a challenge and that a successful cost recovery model will program the pool to the maximum degree possible.

With this understanding, Jefferson County is proposing funding the startup costs for a PFD initiated in 2025. The budget looks like:

Formation Documents, market study, insurance, startup costs, travel and election costs for a potential ballot measure: \$110,000

Consultant or staffing to support PFD Board in the development of public outreach and development of a design - \$50,000

Total \$160,000

Jefferson County will offer considerable in-kind support in developing and review of legal documents, formation of the board and staffing the initial setup.

EXHIBIT B
RECIPIENT'S PROPOSAL

**PUBLIC FACILITIES DISTRICT SEED FUNDING REQUEST FOR PROPOSAL
ATTACHED**

2025 Request for Proposal Packet Lodging Tax/Tourism Promotion

This packet is for the 2025 TOURISM PROMOTION SERVICE PROPOSALS to be funded by the Jefferson County Lodging Tax. Under Jefferson County guidelines, you must be a NON-PROFIT or GOVERNMENTAL AGENCY to be eligible to be funded by the Jefferson County Lodging Tax.

The Jefferson County Lodging Tax Advisory Committee may only consider complete and signed proposals that include all of the requested information and documents, and that are submitted by the deadline:

FRIDAY OCTOBER 4, 2024 by 4:30 pm

Digital Delivery only for Proposals to afmcknight@co.jefferson.wa.us

2025 Proposal Guidelines: Tourism Promotion Activities

The Jefferson County Lodging Tax Advisory Committee (LTAC) is accepting proposals from government agencies and non-profit organizations for **tourism promotion** to be provided during calendar year 2025 and paid for from the County's lodging tax fund. The Committee will make recommendations to the Jefferson County Commissioners within one month following the proposal deadline. All decisions for use of the lodging tax will be made by the Jefferson County Commissioners.

- **Proposals from government agencies or non-profit organizations are to be for tourism promotion during calendar year 2025. Please refer to Section 1 of this packet for examples of eligible tourism promotion activities for this funding round.**
- At the time of implementation, tourism related activities within proposals **must comply with federal, state, and county laws and requirements, including county Public Health direction. NOTE:** Jefferson County may not use public funds in any way that can be construed as a gift to an individual or organization.
- Proposals must completely address the questions, and all requested supplemental information must be provided. **Incomplete proposals may not be considered by LTAC.**
- To be considered, **a fully completed and signed digital application (digital signatures acceptable)** must be received at afmcknight@co.jefferson.wa.us by the deadline listed above.
- The preferred format for a digital application is a single PDF file attached to an email. If necessary, multiple files in either PDF or Microsoft Word may be attached to a single email as a complete digital application.
- All documents filed with the County are public records, potentially eligible for release.

Jefferson County is committed to the non-discriminatory treatment of all Persons in the employment and delivery of services and resources.

2025 Proposal Checklist for Tourism Promotion Activities

Organization Name Jefferson County
Seed Funding for Public Facilities District
Event Name, if different _____
Proposed Contract Amount: \$160,000

Proposals must completely address the questions, and all requested supplemental information must be provided. Incomplete or late proposals may not be considered by the Jefferson County LTAC.

To be eligible for consideration, your application must be signed, dated, and include the following items **in the listed order**.

Check each item submitted:

- ☒ Signed and Dated Proposal Summary Sheet
- ☒ Section 1 - Itemized list of proposed services and estimated costs.
- ☒ Section 2 - Proposal Questions.
- ☒ Section 3 - Proposed 2025 promotion, facility, event or activity budget.
- ☐ N/A Section 3 – 2024 budget and year-to-date income and expense statement(s).
- ☐ N/A Section 3 - List of names and addresses of the organization's current Board of Directors.
Name and contact information for event chairperson, if applicable. **(included BoCC)**
- ☐ Section 3 - Optional work samples such as season brochures, promotional materials, reviews, news/magazine articles, etc. (maximum of 5 separate pieces)

To be considered, a **fully completed and signed original application with supporting documents** must be electronically received and date stamped at the Jefferson County Administrator's Office, to Adiel McKnight @ afmcknight@co.jefferson.wa.us by **FRIDAY OCTOBER 4, 2024**.

Documents submitted to the County are public records, potentially eligible for release.

2025 Proposal Checklist for Tourism Promotion Activities

Proposal Deadline: FRIDAY OCTOBER 4, 2024 at 4:30 pm (received, not postmarked)
Electronically to Email Address: afmcknight@co.jefferson.wa.us

Please type (10 point or larger) or legibly print in ink. To be considered: all questions must be answered; all requested documents provided; this form must be signed and dated.

Organization Name Jefferson County
Organization Address PO Box 1220, Port Townsend, WA 98368
Contact Name Greg Brotherton
Contact Address 1820 Jefferson St, Port Townsend
Day Phone 360-385-9101 Evening or Cell Phone 360-541-2992
E-Mail Address gbrotherton@co.jefferson.wa.us
Facility/Event (if applicable) Initial funding for a new Public Facilities District
Total Lodging Tax Request: \$: 160,000
Estimated 2025 org. operating budget (Incl. Lodging Tax funds) \$: 160,000

If asking for funds for a specific event, list other cash funding sources and dollar amounts budgeted for this project. Note: This section is only due for specific event and festival funding requests.		Dollar Amount
		\$
		\$
		\$
		\$
		\$
		\$
Total Project Revenue Budget		\$

Did your organization receive Lodging Tax Funds from the County in 2024? yes X no

I understand that if my organization's proposal for tourism promotion activities is approved by the County that my organization will enter into a contract with the County to provide the contracted services up to the maximum contract amount. I understand that the proposal herein is a public record potentially eligible for public release.

Sign Name:



Date:

9/27/2024

Print Name and Title:

Greg Brotherton – County Commissioner

1. Itemized List of Proposed Tourism Promotion Services

Organization (or Event) Name: Seed Funding for Public Facilities District

In the following space or on a separate sheet of paper, please specify each proposed tourism promotion, facility, event or activity, including quantities and costs (see examples at bottom of page).

Pursuant to RCW 36.100.025, Jefferson County partnered with the city of Port Townsend to commission an independent financial feasibility review of developing a **Public Facilities District (PFD)** for the purpose of developing a new aquatic facility in Jefferson County. The independent review by Susan Musselman as commissioned by the Washington Department of Commerce had several points about funding that was needed prior to formation of a PFD. It is included with this application.

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The County is fully supportive of this plan and intends to move forward with forming a countywide PFD and seating a 5-7 member board. The County does not have revenue to provide the seed funding indicated by Susan Musselman in the report: "All viable revenue sources for the PFD will require a vote of the County electorate, which will require pre-election expenditures for communication and payment of election costs."

Another finding of the Healthier Together Task Force is that cost recovery is a challenge and that a successful cost recovery model will program the pool to the maximum degree possible.

With this understanding, Jefferson County is proposing funding the startup costs for a PFD initiated in 2025. The budget looks like:

Formation Documents, market study, insurance, startup costs, travel and election costs for a potential ballot measure: \$110,000

Consultant or staffing to support PFD Board in the development of public outreach and development of a design - \$50,000

Total \$160,000

Jefferson County will offer considerable in-kind support in developing and review of legal documents, formation of the board and staffing the initial setup.

Examples of how to list your proposed tourism promotion services or event (please be as specific AS POSSIBLE about the services, quantities, the tourism market, distribution method, and cost):

10,000 promotional rack cards for I-5 corridor from Portland to Bellingham, April - June 2018.....\$1,835
 The rack cards will promote an event/hotel/restaurant promotional package.
 Design and printing..... \$1,250
 Distribution by XYZ Company..... \$ 500
 5 hours of staff time at \$17.00 per hour to write copy, edit and proof the cards.....\$ 85

1/3 page black and white event promotional advertisement in XYZ Magazine, July 2018 edition..... \$1,500
 XYZ Magazine has 250,000 subscribers in western and northwest states. This 1/3-page ad will be part of a full-page advertisement being coordinated by the VCB. XYZ Magazine will match the value of the advertisement with a feature article on Jefferson County and the event in the same edition.

2. Proposal Questions

Please confine your answers to no more than one page for each question.

- 1. Tell us about your promotion, facility, event or activity and why you think it will increase tourists traveling to and staying in Jefferson County.** Include a general description of the promotion, facility, event or activity including its purpose, history, etc.), and describe your organization's track record.

The community of Jefferson County has been working to develop a new aquatic facility since at least 2014. The boiler and pump failure at the Mountainview Pool this summer is an example of how that facility is near its end of life. In a two-year exploration of how to develop a new pool, a general location and funding method has been identified, but the required independent analysis by the Department of Commerce revealed the need for initial funding to build staff capacity, fund a market study, and develop a proposal for an eventual ballot ask.

The development of a new aquatic facility might have begun as a community facing amenity, but as we learn more about the operational challenges of a public aquatic facility, programming is revealed as a critical element. Working with the tourism industry to develop an aquatic facility design that includes tourist amenities increases the ability of an aquatic facility to mitigate the need for a subsidy.

The **Board of County Commissioners (BoCC)** have committed to developing tourism infrastructure and a potential year-round aquatic facility not only achieves that goal, but it also can be built as an amenity that extends the shoulder seasons even into the winter months as a pool designed for year-round tourists will add amenities that complement the natural, but seasonal, amenities that draw most visitors currently.

Scientific analysis of tourism infrastructure and facilities also supports that developing tourism facilities increases tourism. Mandic, et al, in the scientific paper from 2018, *Tourism Infrastructure, Recreational Facilities and Tourism Development* concludes:

Empirical research results in Croatia have demonstrated a statistically significant correlation between the stage of tourism development and a number of arrivals, overnights and state of the infrastructure, tourism infrastructure and recreational facilities. Moreover, positive coefficients suggest that growing demands and

expectations regarding quality of all forms of infrastructure and facilities in examined destinations can be related to destinations position in TALC (Tourism Development in the Destination). Findings support conclusions made by Seetannah et al. (2011) proving tourism to be sensitive to and influenced by infrastructural development.

2. If this is a continuing promotion, facility or event, how is it different than in the past?

N/A – This is a new project.

3. Describe how you intend to market/promote your promotion, facility, event or activity to potential tourists who reside outside Jefferson County.

a) If an event, the date of the event:

N/A

b) The timeline for the tourism promotion activity you are proposing (e.g. May through July, 2025)

This is the only time that Jefferson County will apply for funding for a PFD. The PFD might apply in subsequent years if it takes longer than one year to develop a plan for funding. If everything moves along as expected, a funding ask will go on the November 2025 ballot.

c) Target Audience

One of the critical lessons we've learned in developing an aquatic facility is that programming precedes design. By funding the founding of a PFD with Lodging Tax revenue, we are ensuring that tourism professionals and stakeholders are engaged with the programming, design, and ultimately marketing of an aquatic facility designed explicitly for extending the shoulder seasons in Jefferson County. The goal of an aquatic facility as a tourism amenity is largely to add to tourism over the Fall, Winter, and Spring seasons.

d) Promotion methods you intend to use to reach the target audience.

There are many partners in this endeavor including, but not limited to, the non-profit **Jefferson Aquatic Coalition (JAC)** and the **Tourism Coordinating Council (TCC)**.

JAC tables at Jefferson County Farmer's markets and as well as talking with residents, has significant engagement with tourists. JAC is developing a survey designed for both tourists and residents that will develop the amenities and programming appropriate for the design of a new aquatic facility that serves the community and visitors alike throughout the year. Using other tourism stakeholders, such as the PFD, TCC, **North Hood Canal Chamber of Commerce (NHCCC)**, and others, JAC will push the survey to as many visitors as possible.

e) Describe how you will promote overnight stays at Jefferson County lodging establishments.

By working to extend the shoulder season in accord with goals 2 and 3 of the Olympic Peninsula Master Tourism Plan, we seek to develop amenities that lengthen stays and seasons in Jefferson County, and add real value as an amenity to the residents and tourism workers of Jefferson County as well as visitors:

2. Develop diversified year-round tourism product and visitor experiences to engage a wider variety of consumer lifestyles.

3. Increase government, community and industry alignment around sustainable tourism development.

f) If you intend to collaborate with another agency or non-profit to provide these services, please state the name of the organization and describe the nature of the collaboration:

The BoCC will seat a new volunteer board for this new PFD that will work on the pool and potentially other public facilities. They will be a new municipal organization that also contributes to the conversation of tourist and resident public facilities. Jefferson County and PFD will partner with JAC which will lead the surveying effort and continue to work toward a new aquatic facility. The city of Port Townsend and Port Townsend School District are supporters of this plan as well. Jefferson County's newly reimagined TCC will bring tourism professionals and county departments to the table to assist in planning and development.

4. How will you measure the effectiveness of your promotion, facility, event or activity?

The 2025 budget includes money for a market study that will go into exhaustive detail about the economic impact to the local economy. 2025 will be a planning year for this nascent PFD, but developing metrics for success will be a key component of that initial work.

Also, describe how you will document and report to the County the economic impact from your event/facility. (State law requires the County to report annually to the State Department of Community Development and Economic Trade about the number of lodging stays and economic benefit from tourists generated by use of Lodging Tax proceeds for tourism promotion.)

Supporting a Public Facilities District is explicitly an allowed use of Lodging Tax funds under **RCW 67.28.1816(1)(c)** : Supporting the operations and capital expenditures of tourism-related facilities owned or operated by a municipality or a public facilities district created under chapters **35.57** and **36.100 RCW**;

5. What economic impact can we expect in Jefferson County from your proposed promotion, facility, event or activity?

a.) Actual or estimated number of tourists at your event/facility last year (2024):

0

b.) Estimated number of tourists who will attend your event/facility this year (2025):

0

c.) Projected economic impact in Jefferson County from your event/facility (e.g. number of tourists who will stay overnight in Jefferson County-based lodging establishments; economic impact for Jefferson County restaurants, community facilities, amenities, events, and businesses).

The PFD should be able to document potential economic impact after a year of operations including a market study, a local and visitor survey worked on with JAC, and looking to comparable projects in neighboring locales. This is a longer-term investment and likely cannot track the direct impact in 2025, but will have numbers about the potential impact of construction of an aquatic facility on tourism in

Jefferson County by the end of 2025. Also included is a scientific study that shows a positive correlation between the development of tourism infrastructure and facilities and the number of overnight stays.

6. Describe your organization's area of expertise. Do you provide a unique service?

This new organization that this funding will initiate is predicated on the seed funding that this revenue will provide. The analyst's report (included in this application) for the Department of Commerce was very clear that initial funding was a key step in the successful creation of a Public Facilities District.

The new PFD will provide a new unique service with volunteer board members who will represent the people of Jefferson County in this pursuit. Without it, our community will soon lose an important amenity in our sole public aquatic facility at Mountain View. An aquatic facility designed and built to serve visitors and residents can raise the social fabric of our community and add a needed four-season amenity to Jefferson County's tourism sector.

3. Background Information about Your Organization

Attach the following items to your proposal in the order listed:

(Note: To be considered by the Committee, all of the listed information must be included with your proposal.)

Attachments:

- Proposed 2025 promotion, facility, event or activity budget including income and expenses.
- 2024 Budget and Actual income and expense year to date statement(s). **N/A – no 2024 budget**
- List of names and addresses of the organization's Board of Directors as of the date the proposal is filed. Also, if the proposal is for the marketing of an event and there is a chairperson for the event (either volunteer or paid), list that individual's name, address and phone number. **N/A – this is a new organization**
- If you desire, you may provide samples of promotion materials such as brochures or promotional materials (maximum of five).

2025 Budget:

Formation Documents, market study, insurance, startup costs, travel and election costs for a potential ballot measure: \$110,000

Consultant or staffing to support PFD Board in the development of public outreach and development of a design - \$50,000

Total \$160,000

Jefferson County Board of Commissioners

Kate Dean - Heidi Eisenhour - Greg Brotherton



STATE OF WASHINGTON
DEPARTMENT OF COMMERCE

1011 Plum Street SE • PO Box 42525 • Olympia, Washington 98504-2525 • (360) 725-4000

April 3, 2024

Honorable Jay Inslee
Washington State Governor
PO Box 40002
Olympia, WA 98504-0002

Dear Governor Inslee:

In accordance with RCW 36.100.025(3), the Department of Commerce is electronically submitting the final independent feasibility review for the Jefferson County Public Facility District formation project. This review is available at:

Report: <https://deptofcommerce.box.com/s/e7qsrlp0k44bqm6gdol3cl4hlzjdyoq7>

Commerce's primary role in this process is to contract for an independent review to provide objective and timely analysis of the financial feasibility of the proposed project. The statute further directs Commerce to make the review public and to submit it to the governor, the state treasurer, the state auditor, the public facility district and participating local political subdivisions, and appropriate committees of the legislature.

We hope this review is helpful to Jefferson County and participating governments in informing decisions about their project.

Sincerely,

DocuSigned by:

Handwritten signature of Mark Barkley in black ink.

4/3/2024 | 3:35 PM PDT

80312B04865C458

Mark Barkley

Assistant Director, Local Government Division

cc: Mike Pellicciotti, Washington State Treasurer
Pat McCarthy, Washington State Auditor
Mark McCauley, Jefferson County Project Manager
Participating Local Political Subdivisions

Independent Financial Feasibility Review
Proposed PFD Formation
by Jefferson County, Washington
for Aquatic and Wellness Facility



Prepared for
Washington State Department of Commerce

By Susan Musselman LLC

Dated April 3, 2024

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**Cover photo shows the Mountain View Pool, located in Port Townsend, Washington.
<https://www.olympicpeninsulaymca.org/locations/branch/mountain-view-pool/>**

Independent Financial Feasibility Review

Proposed PFD Formation

by Jefferson County, Washington

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Independent Financial Feasibility Review

Proposed PFD Formation

by Jefferson County, Washington

EXECUTIVE SUMMARY

This independent financial feasibility review is triggered by the proposed formation of a Public Facilities District ("PFD") by Jefferson County pursuant to RCW 36.100.025 and is provided by Susan Musselman LLC, through contract with the State's Department of Commerce.

A multi-agency steering committee has recommended formation of a countywide PFD in Jefferson County (the "County") for the purpose of constructing an aquatics and wellness facility to replace an existing pool in the City of Port Townsend (the "City"). The steering committee, created pursuant to a Memorandum of Understanding, is currently made up of representatives from the City, Port Townsend School District (the "School District"), Jefferson County Public Hospital District #2, the County, Jeffco Aquatic Coalition and the Olympic Peninsula YMCA.

A PFD, which may be formed by a city or county, is an independent taxing district and has all the usual powers and responsibilities of a municipal corporation. Among these is the power to impose certain taxes, to impose charges and fees for use of its facilities and to accept and expend gifts, grants and donations.

Steering Committee Partners
• Jefferson County • City of Port Townsend • Jefferson County Public Hospital District #2, • Port Townsend School District • Jeffco Aquatic Coalition • Olympic Peninsula YMCA

In February 2023, the City contracted with a team of consultants to provide planning and architectural services for development of a recreation facility feasibility study to include an aquatics center to replace an existing pool in the city limits. The final report was dated September 18, 2023 (the "Study").

The existing pool was built by the School District in 1963, is located on School District property and is leased to the City, which has operating control. The School District, as owner of the pool, and the City, as pool operator, recognize that the existing pool is nearing the end of its life and there is an interest in developing a new aquatic center.

The Study included development of a level of conceptual design and an estimated project budget of \$37.1 million for a new aquatics center. The capital funding plan contemplates \$17 million of fundraising to include state and federal grants and philanthropy, with the other \$20.1 million to be paid from proceeds of bonds to be issued by the proposed PFD.

The Study concludes that the projected operating revenue from the facility as proposed would not cover anticipated expenses and includes an approximate \$400,000 operating subsidy from the City to balance the operating budget. Without a subsidy, the projected revenues are not adequate to cover expected facility operating costs.

The following table shows the estimated capital cost, as well as the estimated annual operating expenses and revenues, and the resulting subsidy requirement for the proposed project.

Facility Options	One-time	Annual		
	Capital Cost	Expenses	Revenues	Subsidy
Base	\$37,182,810	\$1,268,557	\$834,466	-\$434,091

Source: *Healthier Together Center Feasibility Study*

The Steering Committee recommended formation of a PFD by the County and that the PFD seek voter approval for a 0.2% (two-tenths of 1%) sales and use tax. Based on the implied taxable retail sales of \$805,000,000 for 2023 it is estimated that a sales and use tax of 0.2% would result in annual tax revenue of approximately \$1,610,000.

Apart from the proposed facility, a PFD will need funding for its own administration, including initial organizational costs. These include staff, which may be full or part-time to coordinate the work of the PFD, insurance, planning resources, and funds to pay costs of administering an election for the proposed sales and use tax. Sales and use tax revenue would be needed to fund PFD administration, unanticipated operating shortfalls and reserves, and debt service.

The Study consultant has estimated debt service for \$20 million of financing, for 30 years at 5.5% will be \$1,513,719, which is expected to result in financial shortfalls, at least in the early years.

Although significant work and studies have been performed by community partners, resulting in the recommendation to the County to create a PFD, the board of directors to be appointed to govern the PFD may modify the plans and budget for a new aquatic center. The specific programs, location, design and project costs referenced herein should be viewed as aspirational at this point.

The PFD, if formed, is expected to seek a more detailed, project specific independent financial feasibility review prior to issuance of any indebtedness, or the long-term lease, purchase or development of a facility by the PFD in the future, as set forth in RCW 36.100.025. It is expected that the PFD will refine its project and capital funding plan prior to requesting an independent financial feasibility review relating to the issuance of any proposed debt.

If the proposed PFD is formed, the PFD board of directors will need to refine estimates of revenue available from a potential sales and use tax and develop a budget for PFD administration, any operating shortfalls and reserves to determine how much revenue is projected to be available to support debt service on bonds.

It is not the goal of this review to create, test or otherwise opine on the costs for capital or operations, but rather to identify costs specific to the formation of the PFD by the County. The PFD is expected to request a separate review that will focus on operating and capital costs, prior to the issuance of any debt, as required by RCW 36.100.025.

The potential costs to be incurred relative to the proposed formation of the PFD by Jefferson County are summarized as follows. Additional detail, integral to this review, is included in detail in this report.

1. The PFD will need start-up funding to enable it to operate.
2. The PFD will need money to pay costs to undertake an election to seek approval for voter approved funding.
3. The PFD is likely to incur costs for additional studies, planning or review prior to seeking a vote on PFD-imposed taxes.
4. As proposed, the project requires significant fundraising for capital in addition to any capital financing by the PFD.
5. As proposed, the operational analysis indicates that the project will require an annual operating subsidy, which may be provided by the City.
6. The City is anticipated to incur costs related to the proposed PFD.
7. The County is anticipated to incur costs related to the proposed PFD.

Start-up and ongoing costs should be expected for any PFD. It will not be possible for the PFD to do meaningful work without a source of start-up funding as they are required to seek voter approval prior to receiving direct revenue. For many newly-formed PFDs, this cost is covered by the forming entity or other stakeholders.

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Independent Financial Feasibility Review

Proposed PFD Formation

by Jefferson County, Washington

INTRODUCTION

PFD Proposal

A multi-agency steering committee has recommended formation of a countywide Public Facilities District ("PFD") in Jefferson County (the "County") for the purpose of constructing an aquatics and wellness facility to replace an existing pool owned by the Port Townsend School District (the "School District") and leased to the City of Port Townsend (the "City"). The existing pool is currently operated by the Olympic Peninsula YMCA (the "YMCA") pursuant to an agreement with the City.

The steering committee, formed through a memorandum of understanding, was initially made up of representatives from the City, the School District, Jefferson County Public Hospital District #2, the County, the Port of Port Townsend, Jeffco Aquatic Coalition ("JAC") and the YMCA.

The City hired a consultant to assist the steering committee as it considered information and alternatives for planning and support for a proposed aquatic facility. The following statement is included in the background section of the final report prepared by the consultant:

"Concentrated efforts have been made since 2001 by the City of Port Townsend, in 2008 by a nonprofit, in 2012 by Jefferson County, and 2014-2018 by the YMCA and Hospital District. The ongoing need and interest in replacing the existing antiquated pool and adding health and wellness components was documented through community feedback . . ."

The proposal subject to this independent financial feasibility review is formation of a PFD by Jefferson County to construct an aquatics and wellness facility.

Independent Financial Feasibility Review

State law (RCW 36.100.025) requires an independent financial feasibility review to be completed prior to:

- (1) formation of a PFD by a county,
- (2) issuance of any indebtedness by a PFD, or
- (3) the long-term lease, purchase or development of a facility by a PFD.

The independent financial feasibility review must be conducted by the department of commerce through the municipal research and services center or another contracted entity.

This review is triggered by the proposed formation of a PFD by Jefferson County and is provided by Susan Musselman LLC, through contract with the State's Department of Commerce. Information regarding the contractor, Susan Musselman LLC, is provided in Appendix A.

The purpose of the review, as set forth in the statute, is summarized here:

The review is to examine the potential costs to be incurred by the PFD and the adequacy of revenues or expected revenues to meet those costs. Upon completion, the independent financial feasibility review is to be a public document and must be submitted to the governor the state treasurer, the state auditor, the PFD and participating local political subdivisions and appropriate committees of the legislature.

The PFD, if formed, is expected to seek a more detailed, project specific review prior to issuance of any indebtedness, or the long-term lease, purchase or development of a facility by the PFD in the future, as set forth in RCW 36.100.025.

The primary documents reviewed in performance of this independent financial feasibility review are listed in Appendix B.

PFD Formation in Washington State

State law allows for PFDs to be formed by cities, counties or contiguous groups of cities with an Interlocal Agreement under 39.34 RCW. The process and details relating to creation of a PFD are set forth in detailed statutes in Sections 35.57 (formation by cities) and 36.100 RCW (formation by counties).

Upon formation, the PFD is an independent taxing district and has all the usual powers and responsibilities of a municipal corporation. Among these is the power to impose certain taxes, to impose charges and fees for use of its facilities and to accept and expend gifts, grants and donations.

For a review relating to the formation of a PFD we, as an independent consultant, will necessarily rely upon planning and work undertaken by various parties to develop a vision and general proposal. Because the PFD will not be bound by the prior work and plan of the entity forming the PFD the review will focus on costs specifically related to the PFD formation and start-up needs. The specific programs, location, design and project costs described herein should be viewed as aspirational.

PFD Powers

A PFD is an independent taxing district and has all the usual powers and responsibilities of a municipal corporation.

State law specifically provides the following:

A public facilities district constitutes a body corporate and possesses all the usual powers of a corporation for public purposes as well as all other powers that may now or hereafter be specifically conferred by statute, including, but not limited to, the authority to hire employees, staff, and services, to enter into contracts, including contracts with public and private parties, to acquire, own, sell, transfer, lease, and otherwise acquire or dispose of property, to grant concessions under terms approved by the public facilities district, and to sue and be sued.

PFD Funding and Revenue

Various charges, fees and taxes are legally available for imposition by PFDs under state law, some of which require majority vote by the electorate within the PFD.

- (1) Charges and fees for the use of any of its facilities
- (2) Admission charges
- (3) In limited cases, vehicle parking charges
- (4) Sales and use taxes, subject to voter approval
- (5) Lodging fees, restricted to certain lodging facilities, subject to voter approval
- (6) Within limitations, property taxes, subject to voter approval

State law provides that the taxing authority of a PFD may not be restricted by the forming jurisdiction or by any action of the PFD.

Additionally, PFDs are allowed to issue voted or non-voted general obligation bonds and revenue bonds, within certain statutory limits.

PFD Administration

As a municipal corporation, PFDs face expenses relating to administration and operation of the entity itself, including insurance, staff to coordinate and oversee the work of the PFD, prepare and distribute agendas, minutes and other information, perform accounting and generally administer the affairs of the PFD. These costs are present for any PFD.

Until legally available revenue sources are implemented, a newly formed PFD will have no direct sources of revenue to pay these costs and will rely on start-up funding.

Implementation of viable and legally available direct revenue sources will require approval by the electorate. Any such election will require prior funding.

BACKGROUND ON EXISTING FACILITY

A multi-agency steering committee has recommended creation of a countywide PFD in Jefferson County for the purpose of constructing an aquatics and wellness facility. The facility is proposed to replace an existing pool owned by the School District and leased to the City, referred to herein as the “existing pool.” The existing pool is operated by the YMCA pursuant to an agreement with the City.

The Existing Pool

The existing pool, built in 1963, is located on the Mountain View campus in Port Townsend and owned by the School District. It is recognized by the School District, as owner of the pool, and the City, as operator of the pool, that the existing pool is nearing the end of its life and there is an interest in developing a new aquatic center.

Lease of Existing Pool to the City

As owner of the property and existing pool, the School District in 2009 leased the pool to the City, giving the City operating control. The original lease ran from August 2009 through August 31, 2017. A subsequent lease was entered into on June 24, 2014 and expires on August 31, 2032. The lease includes an option to extend through 2047.

The lease states that the pool has operational and capital issues and is subject to possible closure if unexpected emergency repairs are required and funding is not available or it is not feasible to make the repairs. The City is responsible for considering and potentially funding and undertaking repairs.

The lease also provides that the property may be used for constructing and operating a new recreational facility on the premises utilizing a fee based operational model and specifically allows for the City to partner with community non-profit agencies, such as the YMCA, to provide for additional improvements and facilities. The School District retained rights for approval of any new facilities constructed on the premises and the lease states that such approval “shall not be unreasonably withheld.” The School District uses the pool for its students and supports development of a new aquatic facility at the current site.

City of Port Townsend – Lessee/Operator

The City has leased the premises and the existing pool from the School District since 2009. During that time, the City has invested in the facility, including roof repairs and mechanical (HVAC) repairs and upgrades. The City made lease payments to the School District, which started at \$60,000 in 2009 and increased by CPI through 2019. Since January 1, 2020 the rent under the lease has been \$1 per year.

The City has maintained and operated the pool for use by the public and provides certain hours for the School District's exclusive use as is agreed from time to time. Beginning in 2021, the City has contracted with the YMCA to provide day to day operation of the pool.

YMCA – Pool Operator

Since 2021, the City has had an operating agreement with the YMCA for operation and management of the pool on behalf of the City. The current agreement, dated December 14, 2023, is in effect through December 31, 2025 or until a new aquatic facility is completed or the existing pool is permanently closed or demolished, whichever is sooner. The agreement includes a 90-day termination provision, applicable to either party, and the potential to extend the term beyond 2025.

The YMCA has discretion and control in matters relating to management and operation of the facilities and is to make a good faith effort to maintain certain minimum hours of pool operations. The agreement provides for the YMCA to make the pool and programs available for use and participation by the public on a fee basis, without requirement for a membership. The YMCA is obligated to honor agreements in the lease between the City and the School District relative to use of the pool by the School District.

The City's agreement with the YMCA provides for payments to the YMCA, to subsidize the operating budget, in an amount that can vary each year and is typically around \$300,000. The City remains responsible for completing any routine and major repairs to the pool facility and equipment, for which the City budgets up to \$100,000 each year.

In addition to operating the existing pool in Port Townsend, the YMCA operates the Sequim Aquatics and Recreation Center, in the nearby city of Sequim.

STEERING COMMITTEE

Formation and Purpose

In February 2023, the City, the School District, Jefferson County Public Hospital District #2 (the “Hospital District”), the County, the Port of Port Townsend, Jeffco Aquatic Coalition (“JAC”) and the YMCA entered into a Memorandum of Understanding (MOU) under which they formed a Steering Committee to undertake a planning effort and to support development of a proposed aquatic facility.

Each of the parties to the MOU contributed funds toward planning costs, including \$30,000 by the City, \$100,000 by the County, \$50,000 by the Hospital District, \$5,000 by the school district, \$5,000 by the Port of Port Townsend, and \$3,000 by JAC.

Funds were used to undertake a feasibility study, called the Healthier Together Center Feasibility Study, that resulted in a final report dated September 18, 2023 (the “Study”). As reflected in the Study, MOU and other documents, the creation of the Steering Committee represented an effort to bring together the interests of various entities into one plan. While the project may have initially been viewed by some as a City project, the Study reflects a user base that extends beyond the city limits.

Steering Committee Partners
• Jefferson County • City of Port Townsend • Jefferson County Public Hospital District #2, • Port Townsend School District • Port of Port Townsend • Jeffco Aquatic Coalition • Olympic Peninsula

The Steering Committee considered formation of an independent entity under governance models that included a potential metropolitan park district (“MPD”) and a potential PFD. Models reviewed included two options for MPDs with boundaries larger than the city but smaller than the county, a city-formed PFD to coincide with City boundaries, and a county-formed PFD to coincide with County boundaries. The governance model has implications on potential revenue and it was determined that a countywide PFD provides greater potential than a city-formed PFD or MPD would have and may better match the potential user base.

Since completion of the Study, the Steering Committee has continued to meet and has adjusted plans and proposals based on new information or feedback on revenue options. It has been stated that the partners to the MOU intend to remain committed to the goal of developing an aquatic center regardless of the final decisions on facility design and location. While the Port of Port Townsend initially participated in the Steering Committee, the Port discontinued its participation as of December 31, 2023.

Initially the Hospital District envisioned moving their rehabilitative services to the proposed facility but subsequently decided not to do so. The Hospital District plans to incorporate a 750 square foot area for wellness programs into the proposed facility.

Key Partners

The City of Port Townsend

The City has been leading the effort to explore options for replacement of the existing pool, which is located in the city limits and is operated under control of the City. The City has loaned staff to the project and has funded various studies relating to the existing and proposed pool. The City paid the cost to obtain rough cost estimates and input on potential upgrades to the existing pool for consideration by the Steering Committee.

City representatives have indicated that the City is considering the options for financial support the City could provide to the PFD, which support could come in the form of loaned staff, loans or direct funding. Based on the recommendation of the Steering Committee that a countywide PFD be formed, the City and County agreed to jointly fund this financial feasibility review which is required by the State prior to formation of a new PFD.

Jefferson County

The County's involvement in planning for a new aquatic facility has included participation as part of the Steering Committee because there is an interest in supporting the activities. The County provided \$100,000 of funding from the American Rescue Plan Act for this effort. The County has not provided funding for the existing swimming pool over the past 25 years.

After being requested to consider formation of the PFD, County representatives have indicated that the County is considering the options for financial support the County could provide to the PFD, which support could come in the form of loaned staff, loans or direct funding. As stated above, the County and City are jointly funding this financial feasibility review.

Port Townsend School District

The existing pool is located on the Mountain View campus and is owned by the School District. As the owner of the property and pool, the School District has an interest in using the pool for school-related sports and activities.

If the PFD determines that the Mountain View campus is the preferred location for a new aquatic center, it is expected that the School District will lease property at that location to the PFD for a nominal fee. The School District supports the Mountain View site for location of the pool.

Olympic Peninsula YMCA

The YMCA operates and manages the existing pool under an operating agreement with the City. If the PFD determines that it would like to enter into an operating agreement with a third-party provider, it is expected that they will enter into an operating agreement with the YMCA on similar terms as the current agreement with the City.

The Study states that the operating budget for the proposed facility is based on the assumption that the YMCA serves as operator of the facility and the YMCA provided input for development of the staffing plan and operating budget.

Jeffco Aquatic Coalition

JeffCo Aquatic Coalition ("JAC") is a nonprofit corporation formed in 2007 to champion aquatic amenities and access in the county. The purpose of the JAC, as set forth in its bylaws, includes "working with community stakeholders to sustain the current publicly accessible aquatic amenities while simultaneously developing and implementing a plan that provides improved and financially sustainable aquatic facilities and programs for East Jefferson County." Jac is designated as a 501(c) 3 non-profit corporation exempt from federal income taxes of the Internal Revenue Code.

JAC has stated its intention to support the development of a new aquatic center through philanthropic fundraising and independently developing a campaign to support the proposed sales and use tax proposal if one is put forth by the PFD.

HEALTHIER TOGETHER CENTER FEASIBILITY STUDY

Overview

In February 2023, the City contracted with Opsis Architecture to provide planning and architectural services for development of a comprehensive recreation facility feasibility study to include an aquatics center with community health and wellness amenities. The contract incorporated the work of several subcontractors including a subcontractor to provide cost estimates based on the building program and conceptual building and site design, and a subcontractor to provide operational cost recovery projections and operational cost analysis. The consultants created the Healthier Together Center Feasibility Study, delivering a final report dated September 18, 2023 (the "Study").

According to background information in the Study, it is stated that:

"In February 2023 Opsis Architecture and its planning/design team of specialized consultants initiated work with the project Steering Committee to develop a comprehensive feasibility study to identify, evaluate, and select a preferred site, develop a market analysis, verify the aquatic and other program needs, develop a conceptual design vision with total project cost estimates, and evaluate operational and funding strategies. Working with the Steering Committee, project guiding principles were developed to guide the planning and design process."

The Study includes, among other things, an executive summary and background information on the work undertaken to consider the ongoing need and interest in replacing the existing pool and adding health and wellness components.

Project Siting

The Study included evaluation of four potential sites in the Port Townsend city limits, using criteria developed by the Steering Committee. After evaluation of the four potential sites, the Steering Committee recommended the Mountain View campus as the preferred site and the City council in June 2023 approved a motion to endorse and approve the recommendation. The School District was a participant in the Steering Committee and supports the recommendation to utilize the Mountain View site, which is where the existing pool is located.

Programming/Project Features

As reflected in the Study, two program options were developed for replacement of the existing pool, a *base option* focused on aquatics and a *full build-out option*, to include aquatics and recreation. Development of both options are based on the assumed location on the Mountain View campus in Port Townsend. A level of conceptual design was developed along with capital and operational cost estimates.

The following project summary of the building program is excerpted from the Study:

Base Option – Aquatics (29,700gsf)

- Aquatics (6-lane 25-yard lap pool, recreation pool, whirlpool, and sauna)
- Events (birthday party / meeting room)
- Lobby with lounge seating
- Wellness studio space for Jefferson Health Care
- Binary locker rooms and universal / gender-neutral changing rooms
- Administration, staff, and support spaces

Full Build-Out Option – Aquatics & Recreation (40,200gsf)

- Includes outlined base program spaces
- Gymnasium (one (1) high school court with two (2) cross courts)
- Fitness and group exercise space

Source: Healthier Together Center Feasibility Study

Preliminary Capital and Operating Costs

The Study reports a project cost estimate of \$37.1 million for the *base option* with \$1.27 million of annual operating costs and a project cost estimate \$45.9 million for the *full build-out option* with \$2.08 million of annual operating costs.

The following table summarizes the estimated capital cost as well as the operating expenses and revenues, and the resulting subsidy requirement from the Study.

Facility Options	One-time	Annual		
	Capital Cost	Expenses	Revenues	Subsidy
Base	\$37,182,810	\$1,268,557	\$834,466	-\$434,091
Full Build Out	\$46,517,939	\$2,084,333	\$1,731,761	-\$352,572

Source: *Healthier Together Center Feasibility Study*

It is not the goal of this independent financial feasibility review to create, test or otherwise opine on the costs for capital or operations, but rather to identify costs specific to the formation of the PFD by the County. The PFD is expected to request a separate review that will focus on operating and capital costs, prior to the issuance of any debt, as required by state law.

Steering Committee Recommendations

The Study states that the recommendations from the Steering Committee are to pursue the *base option* (estimated capital cost of \$37.1 million) with a desire to implement the *full build-out option* if fundraising efforts allow, that a countywide PFD be created and a 0.2% Sales and Use Tax and a 2% Lodging Tax is recommended.

The Steering Committee minutes, as well as a press release from the City, reflect that in December 2023 the Steering Committee determined that it would not be feasible to rehabilitate the existing pool due to estimated costs and the risk of unforeseen circumstances that may arise due in part to the condition of the existing pool.

The Study states that the Steering Committee has committed \$15 million of fundraising and assumes that amount will be available for capital costs. Since the Study was finalized, the Steering Committee increased the fundraising target to \$17 million. It is expected that the PFD will fund the remaining \$20.1 million through issuance of bonds.

The Steering Committee partners have stated that they will continue to meet as needed to support the proposal. Since the conclusion of the Feasibility Study and release of recommendations, there has been some interest in looking at other sites outside of the city limits and other project or construction approaches, either of which could change the proposed capital and operating costs.

The County has agreed to lead a new task force to review potential sites outside of the city limits and explore alternative construction methods that may reduce project costs. The task force is to be made up of six representatives appointed by the County (two representatives from each of the three commissioner districts) and two representatives appointed by JAC. The task force is expected to report back to the Steering Committee, which will then provide additional information or recommendations to the Board of County Commissioners, the City Council and other partners.

Capital Funding Plan - Base Option

The Steering Committee recommendation at this time is to pursue the *base option* for the project. Based on capital cost estimates and the fundraising targets, the capital funding plan is summarized as below.

Successful completion of fundraising will be needed to support the project's potential budget of \$37.1 million, given the relatively limited revenue expectations from the proposed PFD sales and use tax.

Capital Funding Plan	
Capital Cost – base option	\$37,182,810
Fundraising commitment	<u>17,000,000</u>
Assumed PFD Bond Financing	\$20,182,810

The fundraising is a crucial component of the capital funding plan based on the current project proposal, representing over 45% of the estimated \$37.1 million capital cost. Fundraising efforts are expected to include state and federal grants and philanthropy.

Operating Analysis - Base Option

The Study includes an operational analysis with estimates of fee-based revenue and costs to operate and maintain the proposed facilities. Revenue projections in the Study were developed based on the demographics of the service area and comparisons to statistics and similar facilities, with assumed design, operating philosophy, priorities of use and fees and charges.

The operational analysis includes projected staffing needs based on expected use of the facility, hours of operation, key amenities and operation practices of the facility. It incorporates assumptions of staffing, wages, utility costs, insurance costs and costs of equipment and maintenance, all of which are subject to change.

The Study concludes that the projected annual facility operating revenue will not cover anticipated annual operating expenses. It was assumed that the City will subsidize operations with approximately \$400,000 annually, equivalent to the current level of subsidy provided to the City's existing pool.

Annual Operating Analysis			
Facility Options	Expenses	Revenues	Subsidy
Base	\$1,268,557	\$834,466	-\$434,091
Full Build Out	\$2,084,333	\$1,731,761	-\$352,572

Source: Healthier Together Center Feasibility Study

PFD FINANCIAL CONSIDERATIONS

After review of the legally available revenues for a PFD, the Steering Committee initially recommended that the PFD seek voter approval for a 0.2% (two-tenths of 1%) sales and use tax and a 2% lodging tax. Upon further investigation it was determined that the revenue potential from the 2% lodging tax is not meaningful and should not be pursued.

Although there are several revenue options statutorily available for PFDs, only sales and use taxes or property taxes, both of which require voter approval, are practical options for the proposed PFD.

Tax or other revenues will be needed to pay for PFD administration, unanticipated operating shortfalls and reserves, and debt service.

Statutorily Available Revenue Options for PFDs

- (1) Charges and fees for the use of any of its facilities
- (2) Admission charges
- (3) In limited cases, vehicle parking charges
- (4) Sales and use taxes, subject to voter approval
- (5) Lodging fees, restricted to certain lodging facilities, subject to voter approval
- (6) Within limitations, property taxes, subject to voter approval

Facility Operations

As stated earlier, the Study concludes that the projected annual facility operating revenue will not cover anticipated annual operating expenses.

The evaluation of revenues and expenses directly related to facility operation in the Study have included a \$400,000 operating subsidy from the City, which is required to balance the operating budget.

Without a subsidy, the projected revenues are not adequate to cover expected operating costs.

Revenue from 0.20% Sales and Use Tax

If the voters approve the imposition of a sales and use tax at the rate of 0.2% it would be collected on the countywide taxable retail sales base – both the unincorporated County and the City of Port Townsend – subject to certain exemptions in state law. The tax proposal requires approval by a majority of voters casting a vote in order to pass.

Timing of collection of sales and use tax is based on detailed statutes, which necessitates a delay between the date an election is certified and the date new tax revenue is collected and disbursed to the taxing entity.

Taxable retail sales in the County for 2022 (the latest full year available from the state Department of Revenue (the “DOR”)) is reported to be approximately \$785,630,000. DOR data for 2023 shows that the taxable retail sales increased approximately \$20 million during the first three quarters of 2023 compared to 2022, which could imply a tax base of \$805,000.000 for 2023.

Jefferson County Taxable Retail Sales	
2022	\$785,630,000
2023	\$805,000,000 (Est)

Based on the implied taxable retail sales of \$805,000,000 for 2023, it can be estimated that a sales and use tax of 0.2% would result in annual revenue of \$1,610,000.

Costs for PFD Administration

The scope and purpose of the Study was specific to development of capital and operating costs of the proposed aquatic center.

Apart from the proposed facility, a PFD will need funding for its own administration, including initial organizational costs.

Significant financial needs of the PFD will include:

- Staff, which may be full or part-time, to coordinate and oversee the work of the PFD, to direct investments and account for financial matters of the PFD, create agendas, take minutes, prepare and distribute information, and generally administer the affairs of the PFD.
- Resources to assist the newly-appointed board members in their review of the project proposal and in making decisions on siting, design, construction and financing. This may include project design work and/or various studies.
- Development of sufficient planning to determine a project cost and financial needs, and method of communicating the plan and needs to the electorate.
- Funds to pay the costs of administering an election.

General administrative costs (staff, insurance, meetings) will be ongoing costs for the PFD and will presumably be paid from sales and use tax if one is approved by the voters. Until tax revenue is available, the PFD will need a source of funding for these costs.

Some of the project-related costs may be able to be capitalized into the project if it is eventually funded and undertaken, but money will be needed to pay the costs before then. While the newly appointed PFD board members will have the benefit of the Study and the recommendations of the Steering Committee, the PFD will be responsible for its own due diligence and planning for the project and costs for this work will likely need to be paid prior to requesting voter approval of a sales and use tax.

All of this work will require funding commitments for the PFD and it is best that these be addressed prior to formation of the PFD. Funding may be provided through agreements among the County, City and/or other partners. Staff may be volunteers or loaned from the County, City or other partners.

Capital Funding Plan

The capital funding plan set forth in the Study, as later modified by the Steering Committee, contemplates \$17 million of fundraising with the balance to be paid from proceeds of bonds to be issued by the PFD. Fundraising is expected to include state and federal grants and philanthropy.

Capital Funding Plan	
Capital Cost – base option	\$37,182,810
Fundraising target	<u>17,000,000</u>
Assumed PFD Bond Financing	\$20,182,810

As the sole source of income to the PFD, the estimated sales and use tax revenue (estimated to be \$1,610,000 per year, based on estimated 2023 taxable retail sales) would need to provide for PFD administration, operating shortfalls and reserves, and debt service.

For illustration purposes only, if \$210,000 is budgeted for administration, operating shortfalls and reserves, this would leave \$1,400,000 available to cover annual debt service.

The Steering Committee's consultant has estimated that debt service for \$20 million of financing, for 30 years at 5.5% will be \$1,513,719, which would result in financial shortfalls, at least in the early years.

It is likely that any financing plan will require a coverage factor, to ensure there is a cushion between expected revenue available for debt service and actual debt service, which will further limit financing capacity. The actual capital funding plan to be developed by the newly formed PFD will be influenced by decisions about the project, the actual amount of fundraising achieved, amounts budgeted for PFD expenses and reserves other than debt service, bond interest rates and financing terms and structure.

The PFD, if formed, will need to refine the estimates of revenue available from a potential sales and use tax and develop a budget for how much of the overall revenue will be needed for PFD administration, operating shortfalls and reserves to determine how much revenue is projected to be available to support debt service.

CONCLUSION

This review is related to the proposed formation of a PFD by Jefferson County and is to examine the potential costs to be incurred by the PFD and the adequacy of revenues or expected revenues to meet those costs.

Although significant work and studies have been performed by community partners, which resulted in the recommendation that the County form a PFD, the board of directors appointed to govern the PFD may explore and develop a different approach to and budget for a new aquatic center. The specific programs, location, design and project costs referenced herein should be viewed as aspirational.

The PFD, if formed, is expected to seek an independent financial feasibility review prior to issuance of any indebtedness in accordance with RCW 36.100.025. At that stage, the PFD will need to have firm plans relating to the location, design, capital and operating costs and financing plan, as well as have in place voter approval for any required taxes or funding and any agreements relating to grants and gifts and with third party operators or partners.

Potential Costs Relating to PFD Formation

The potential costs to be incurred relative to the proposed formation of a PFD by Jefferson County and the adequacy of revenues or expected revenues to meet those costs follow.

1. The PFD will need start-up funding to enable it to operate.
 - a. The proposed PFD will not have its own source of revenue to pay administrative expenses, including organizational costs, insurance and administration prior to seeking and receiving voter approval for taxes.
 - b. The PFD will need formation-related documents, insurance and staff to coordinate and oversee the work of the PFD, prepare and distribute information, and generally administer the affairs of the PFD.
 - c. This cost is present for any new PFD and can be addressed through agreements with the County, City and/or other partners, to cover the period before PFD-implemented revenues are available.

- d. If the proposed PFD tax is not approved by the voters, the PFD would not have the means to repay any borrowed funds.
 - e. No such plan or agreements are in place at this time.
- 2. The PFD will need money to pay costs to undertake an election to seek approval for a voter approved PFD funding.
 - a. All viable revenue sources for the PFD will require a vote of the County electorate, which will require pre-election expenditures for communication and payment of election costs.
 - b. These costs will depend on many factors, but a minimum of \$60,000 (if part of General Election) to \$110,000 (if part of a Special Election) is a suggested placeholder for planning until better information is available.
 - c. This cost can be paid through funding agreements with the County, City and/or other partners.
 - d. There will be no assurance that any tax proposal will be approved by the electorate.
 - e. No such funding plan or agreements are in place at this time.
- 3. The PFD is likely to incur costs for additional studies, planning or review prior to seeking a vote on PFD-imposed taxes.
 - a. The PFD board of directors will need to do its own due diligence and planning for the project, which will likely require funding prior to seeking a vote on a tax referendum for PFD revenue.
 - b. The PFD board of directors could decide to study different options for the location, design and cost of the project rather than pursuing the proposal recommended by the Healthier Communities Steering Committee.
 - c. While some of these costs can be capitalized into the cost and financing of the eventual project, the money will be needed prior to having PFD revenue.
 - d. If the proposed PFD tax is not approved by the voters, there will be no ability to capitalize or reimburse these costs.
 - e. No funding for project planning costs prior to a successful tax referendum has been identified at this time.

4. As proposed, the project requires significant fundraising for capital in addition to any capital financing by the PFD.
 - a. The project proposal includes a commitment from community partners to provide fundraising efforts targeting \$17 million of the project costs.
 - b. This level of fundraising, representing over 45% of the estimated capital cost, will be a critical component for a successful funding plan for the project as currently envisioned.
 - c. The County (pre-formation) or the PFD (post-formation) can mitigate (but not eliminate) this risk by entering into a memorandum of understanding or similar agreement to clarify and solidify these commitments.
 - d. Fundraising efforts are expected to include state and federal grants and philanthropy and any agreements can clarify which partner will pursue specific funding sources.
 - e. If formed, the PFD will need to refine and adapt the project plan and financial model based on actual fundraising results and project plans prior to moving forward to project financing.
5. As proposed, the operational analysis indicates that the project will require an annual operating subsidy.
 - a. The Study projects that the operating revenues will not be sufficient to cover operating expenses and will require an annual subsidy.
 - b. The City has agreed in principle to provide a subsidy of approximately \$400,000 each year, which would balance the projected budget.
 - c. The PFD would need to budget additional funds or reserves to recognize the potential for additional operating shortfalls, or enter into agreements with other parties cover this risk.
 - d. There is no agreement in place formalizing any operating subsidy for the proposed project.

6. Expenditures by the City related to the proposed PFD

- a. The City has led the effort for the Healthier Together initiative and administration of the Steering Committee.
- b. Presently, the City provides approximately \$400,000 of funds annually toward operation of the existing pool and has indicated that it is willing to provide similar financial support to the operation of the proposed new pool if it is located in Port Townsend.
- c. The City has a strong interest in supporting an initiative to replace the existing pool which is nearing the end of its life.
- d. The City may incur additional costs related to formation of the PFD if it enters into memorandum of understanding or other agreements with the County and/or community partners prior to formation of the PFD, or with the PFD after it is formed.
- e. If successful, formation of the PFD, approval of new tax revenues, and operation of the pool by a new entity, will eliminate the City's need to make additional investments in the existing pool.

7. Expenditures by the County related to the proposed PFD

- a. The County will incur legal costs related to the formation of the PFD, and may have costs for consultants, advisors, outside attorneys and/or county staff.
- b. The County may incur additional costs related to the formation of the PFD if it enters into memorandum of understanding or other agreements with the City and/or community partners prior to formation of the PFD, or with the PFD after it is formed.

APPENDICES

APPENDIX A

Provider of this Independent Financial Feasibility Review

APPENDIX B

Documents Reviewed in Performance of this Independent Financial Feasibility Review

Appendix A

Provider of this Independent Financial Feasibility Review

This review is conducted by Susan Musselman LLC, an independent consulting firm contracted by the state Department of Commerce for this purpose. Susan Musselman LLC was formed in 2018 by Susan Musselman, Principal, for the purpose of providing selected consulting services to municipal entities in the state of Washington.

Ms. Musselman began her career in public finance in 1982 and in 1996 formed her own independent financial advisory firm for the purpose of assisting governments in the Northwest with development and execution of financing plans. Her clients included cities, counties, school districts, state agencies, public facilities districts, fire districts and universities, primarily in Washington.

After 17 years, Ms. Musselman sold her financial advisory firm and subsequently retired from the regulated securities advisory work. Thereafter, she formed Susan Musselman LLC to provide a limited level of general consulting relating to capital projects, revenue estimations and budgeting.

Ms. Musselman has direct experience as an advisor relative to formation of PFDs, including development of formation documents, and financing for various PFDs. As consultant to the state Department of Commerce, she has provided independent financial feasibility reviews relating to formation of a PFD by Asotin County and for development of a Sports Complex and Event Center by the Lewis County PFD.

It is hoped that the information provided in this review will be helpful to the State and the County, its partners and constituents as formation of the PFD is being considered.

Appendix B

Documents Reviewed in Performance of this Independent Financial Feasibility Review

The performance of this independent financial feasibility review required access to and review of certain information and documents prepared by others, including the following.

1. **Meeting minutes** of the Steering Committee relating to the project.
(<https://cityofpt.us/engagept/page/healthier-together>)
2. **Presentations** from workshops, open houses and various meetings
(<https://cityofpt.us/engagept/page/healthier-together>)
3. **Healthier Together Center Feasibility Study, final report**
(https://cityofpt.us/sites/default/files/fileattachments/engage_pt/page/20561/091823_healthier_together_final_report_and_appendices.pdf)
4. **Memorandum of Understanding** among the City of Port Townsend, the Port Townsend School District, Jefferson County Public Hospital District #2, Jefferson County, the Port of Port Townsend, Jeffco Aquatic Coalition (“JAC”) and the Olympic Peninsula YMCA, signed by the parties between 11/29/22 and 2/27/23
5. **Lease** between the City of Port Townsend and the Port Townsend School District, dated 6/24/2014
6. **Operating Agreement** between the City of Port Townsend and Olympic Peninsula YMCA, signed 12/14/2023
7. **Professional Services Agreement** between the City of Port Townsend and Opsi, signed by the City on 2/8/2023
8. **Various statutes** relating to PFDs, in Chapter 36.100 RCW
9. **Actual taxable retail sales data** from the Department of Revenue
(<https://apps.dor.wa.gov/researchstats/content/taxableretailsaleslocal/report.aspx>)
10. City Press Release Regarding Steering Committee Recommendations
(https://cityofpt.us/sites/default/files/fileattachments/engage_pt/page/21901/231211_city_of_pt_press_release_healthier_together_recommendation.pdf)

TOURISM INFRASTRUCTURE, RECREATIONAL FACILITIES AND TOURISM DEVELOPMENT

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Abstract

Purpose and design – This research explores the interconnectedness between tourism infrastructure, recreational facilities and tourism development. It analyses their importance in, and compliance with the current phase of tourism development in the destination (TALC). Attention has been given to the tourist board managers' perception of infrastructural management and key limitation for their involvement in the management process. Finally, the role of the private sector in the development of infrastructure and facilities in destination has been explored.

Methodology and approach – The semi-structured questioner has been repeatedly sent to 312 tourist board managers in Croatia, leading Southern Mediterranean destination. The research applies qualitative and quantitative analysis.

Findings – There is a significant correlation between TALC and number of arrivals, overnights, the current state of the infrastructure and facilities. Findings suggest growing demand and expectations regarding infrastructure and facilities in the examined destination can be related to a destination position in TALC. The compliance level between the stage of the tourism development and state of the infrastructure and facilities varies especially between destinations in initial and maturing phases of tourism development. The destinations position in TALC is correlated with the importance of specific types of infrastructure and facilities for a specific destination. Due to mostly financial limitations, managers are not willing to take responsibility for the development of tourism infrastructure. Their expectations regarding private sector involvement vary, considering the type of infrastructure, facilities and destinations position in TALC.

The originality of the research – Research provides supply-side perspective and new insights into the infrastructural development – TALC relation, and delivers tourist board managers attitudes toward the private sector involvement.

Keywords tourism infrastructure; recreational facilities; tourism development; public and private sector stakeholders; TALC

INTRODUCTION

Recreation is defined as a pleasurable, socially sanctioned activity that restores the individual, concomitant with the experience of leisure (Simmons and Moore: in Jafari and Xiao, 2016). In a deeper psychological sense, recreation refers to the human emotional and inspirational experience arising out of the recreation act. Although it contrasts with the work, which is done mostly to earn money and mechanics of life (eating, sleeping), there is no sharp line between recreation and all other activities (Clawson and Knetsch, 1971). Therefore, some activities may be work at some times and recreation at others. In some manner, tourism contributes to the enlightenment of that

difference. Considering that most of the tourists, arrives in destination for leisure, it is expected that recreational activities they undertake will mostly be focused on recreation in its profound meaning – Latin *recreare*, to renew or to be re-created (Smith, 1992). Recreational activities that visitors undertake may include different specific indoors and/or outdoors actions. Some activities can be relatively formal, as in case of organised events and group activities, while most of the recreational activities are informal and include picnics, hiking, fishing, expeditions and many other activities. Regardless of form, recreation is an integral element of tourism product that influences significantly tourism development and visitors satisfaction (Tribe, 2012).

The concepts of tourism, recreation and leisure are specifically interrelated. Tourism forms special form of leisure: "leisure away from home, on trips", albeit with some dimensions that raise it above daily recreation (Leiper, 1995). In some manner, last two or three decades tourism has contributed to the transformation of simple outdoor recreational activities like jogging to commercial and fashionable products. There has been a shift away from a simple non-commercial outdoor recreation culture toward a more sophisticated demand-driven commercial sector with new forms of recreation and a prospering outdoor retail industry (Buckley, 2000). Such trends have consequently resulted in the improvement of existing and development of new recreational facilities in most of competing tourism destinations.

Recreational facilities are an integral part of physical infrastructure which is an indispensable pillar of overall economic and tourism development (Khadaroo and Seetanah in: Jafari and Xiao, 2016). Along with hotels and other hospitality facilities, they form the constituent called tourism infrastructure. Each of these elements boosts tourism development mostly by raising the attractiveness and competitiveness of a destination. Tourists expect facilities in their chosen destination to be comparable to what they enjoy at home, especially those that have become the essential element of everyday life recreation (Murphy et.al. 2000; Crouch and Ritchie, 2000).

Recreational facilities are mostly organised, provided and developed in the context of public and commune pool resources, which implies government and public sector involvement and provision. In that process, public sector deals with management issues ranging from simple cost-benefit analysis to complex questions of the optimal mix of recreational facilities (McConnell, 1985). In tourism destinations, public sector involvement implies local or regional authorities and tourist boards activities, focused on fostering sustainable tourism development. The rapid development of tourism has blurred the line between public and private sector responsibilities. Due to different reasons, sometimes the public sector is limited to respond emerging needs of tourism development and depends upon private sector involvement. New challenges that we face in the 21st century are transforming the understanding of "traditional" public and private sector roles in economic and tourism development. The increasing importance of tourism in the local, regional and national economy requires and boosts active cooperation between key public and private sector stakeholders.

The provision of recreational facilities is commonly seen as the responsibility of public sector (Cooper et al. 2008; McConnell, 1985). However, a different understanding of the concept of tourism infrastructure along with the growing importance of tourism has resulted with the stronger involvement of private sector stakeholders. This research explores the concept of tourism infrastructure and recreational facilities to broaden the understanding on:

- The interconnectedness between tourism infrastructure, recreational facilities and tourism development;
- Their importance in a process of shaping tourism product and delivering visitors and local population requirements;
- The compliance between the state of the infrastructure, facilities and the phase of destinations development (TALC);
- Tourist board managers perception of infrastructural management and key limitation for involvement in management process;
- The role of the private sector in the development of infrastructure and facilities.

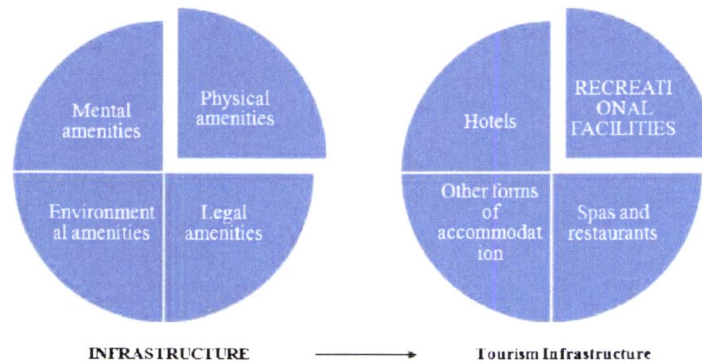
It provides supply side (public) perspective by exploring the TB managers' attitudes. While most of the current researchers use statistical data to analyse destinations development trajectory and accordingly development of *physical plant* (Smith, 1994), we are utilising TB managers holistic approach to analyse specifically the development of one segment of overall tourism product – tourism infrastructure and recreational facilities. Additionally, research contributes broadening the current understanding of the position of private sector stakeholders in the provision and management in Mediterranean destination.

Empirical research has been conducted in Croatia, one of leading Mediterranean destinations with the application of semi-structured questionnaire on a sample of 312 tourist board managers in the period from June to September 2017.

1. LITERATURE REVIEW

In a broader sense infrastructure includes physical, legal, environmental and mental amenities which contribute to making tourism product enjoyable, reliable and sustainable (Khadaroo and Seetanah in: Jafari and Xiao, 2016). The physical infrastructure of direct relevance to tourism includes recreational facilities that along with hotels and other forms of accommodation, spas and restaurants form the main tourism infrastructure (Figure 1). However, both concepts are wide, transformative, and limited mostly with boundaries of individual understanding and national policies. To define tourism infrastructure properly is easier said than done. Mostly because tourism is not a single industry so too there is no clearly defined "tourism" infrastructure (Dwyer et al. 2010).

Figure 1: **Recreational facilities as a constituent of the overall infrastructure**



Source: Adapted from: Jafari, J., Xiao, H. Eds. (2016). Encyclopedia of Tourism. Switzerland, SpringerReference.

Literature has stressed out different approaches to concepts of infrastructure, tourism infrastructure and recreational facilities. Hansen (1965) same as Mera (1973) considers *infrastructure* to be a sum of economic and social overhead capital. While economic capital focuses on supporting productive activities (e.g. roads, streets, bridges etc.), social capital focuses on enhancing human capital mostly via publicly provided social services (e.g. public health and education). Infrastructure focuses more on providing preconditions for development, while *recreational facilities* are seen as a way to improve everyday life. They should be accessible on an everyday basis and developed for local community and visitors (Bell et al. 2007; Lewinson, 2001), including a range of different elements from hiking, trekking and thematic trails to sports halls, water parks and swimming pools (Hadzik and Grabara, 2014; Heldt, 2010). The scope of *tourism infrastructure* is broad and related to all those elements in a destination that enable and boost tourism development (Swarbrooke and Horner, 2001). In that manner, different aspects of infrastructure and recreational facilities can be considered as elements of tourism infrastructure. In a broader sense, it includes all those facilities that tourists use when they leave their homes, reach their destination and return back home (Lohmann and Netto, 2017), while in reality, most of the tourism infrastructure is constantly used by residents (Fourie and Santana-Gallego, 2011, Hadzik and Gabana 2014).

The development of tourism infrastructure and recreational facilities is associated with tourism development (Heath, 1992; UNWTO, 2007; Sharpley, 2009). In many cases, the state of the urban renewal and local infrastructure indicate the destination position in area life cycle (Getz, 1992; Formica and Uysal, 1996; Garay and Canoves, 2011). Therefore, it is not surprising that tourism destinations depending on their position in TALC have different expectations and requirements regarding tourism infrastructure. According to the life-cycle model, tourism management should be pro-active, smoothing the fluctuations foreseen by the cycle and favouring a balanced relation between the costs and the benefits originated by tourism (Van der Borg, 1991).

Once developed, infrastructure and facilities highly influence destination competitiveness (Crouch and Ritchie, 1999; Murphy et al., 2000); increases the efficiency of privately producing and distributing tourism services, and in certain cases makes possible the supply of tourism services (Sakai in: Dwyer and Forsyth, 2006). The emergence of *sustainability* has highly influenced the research path for infrastructure and facilities. Consequently attention has been given to those researchers encompassing both concepts; for instance, the relationship between transport infrastructure and tourism development (Khadaroo and Seetanah, 2007; Khadaroo and Seetanah, 2008; Albalade et al. 2017; Rehman Khan et al. 2017), or management of sustainable destinations (Phillips and Jones, 2006; Currie and Falconer, 2014). Researchers also place the significant emphasis on the development of outdoor facilities. For instance, Deenihan and Caulfield (2015) examine how tourist value different types of cycling infrastructure. They found out how tourists are willing to double their cycling time if proper infrastructure is provided. Bil et.al. (2012) explore the potentials of new technologies i.e. GIS in the creation of a network of cycling tourism infrastructure, to support visitors activity. Olafsdottir and Runnstrom (2013) use similar technology to analyse the hiking trail condition and its relationship with local physical properties. They deliver important managerial implications on how to improve existing and design new infrastructure to deliver visitors requirements and remain sustainable. Fallon and Kriwoken (2003) explore the community involvement in tourism infrastructure. They have concluded how local and cultural community, managers and operators play important role in planning, designing and operating new tourism infrastructure.

Public governance of tourism infrastructure is mostly influenced by the tourism importance in overall economic development and characteristics of the tourism product. In some economies, tourism potential to strengthen other economic sectors in rural and urban regions has resulted with prioritization in the development and improvement of hard infrastructure (facilities, utilities, transportation networks) while the soft infrastructure (human resources) have left underdeveloped (Thapa, 2012). From an economic perspective, public governance and investment is rationale when private markets fail to produce an efficient amount, which is often in a case of public goods such as tourism infrastructure. There is a large body of literature in the economics of natural resources and public goods dealing with the efficiency of government intervention in the market when markets fail to provide information on uncertainty, irreversibility or externalities (McConnell, 1985). *Infrastructure* may be provided by public or private sector, and the outcome is often determined by domestic economic, social and political policies (Dwyer et al. 2010). Most of *tourism infrastructure* can and should be provided by the private sector (hospitality facilities, i.e. hotels, restaurants, shops), while responsibility for the provision of *recreational facilities*, due to their importance for local population and visitors, remain blurred.

2. RESEARCH

Case study: Croatia

Croatia is among leading Southern and Mediterranean Europe destinations. Tourism accounts for 18,1% of its GDP and 7% of total employment (Ministry of tourism, 2016). Development, maintenance and operationalization of tourism infrastructure (including recreational facilities) are extremely important and by that defined with several laws. The basic governmental document is Regulation on public tourism infrastructure that defines tourism infrastructure as:

“Public infrastructure in tourism destination that generates direct and indirect impacts on tourism offer and tourism development including: garage and parking lot; sport and concert halls and cinemas; congress centres; skating rink; ski facilities; football pitch, tennis court, basketball court, children’s playground; amusement parks; inner and outdoor pools and beaches; beach facilities; promenades; cycling, hiking, horseback riding, educational and thematic trails; excursion sights and sport-recreation facilities”.

In a national context, the concept of *tourism infrastructure* integrates different forms of recreational facilities which are treated as public good, that with given permission from local and/or regional municipality, tourist board can manage. Operationalisation of existing and building of new infrastructure is defined with following laws: *Law on management and use of property owned by the Republic of Croatia, Law on critical infrastructure, Law on concessions, Law on local and regional self-government, Law on communal economy, Law on tourist boards and Regulation on public tourism infrastructure*¹. The complexity of regulation system often results with infrastructural under-development, meaning that local infrastructure is neither well managed nor developed to deliver residents and visitor's needs. In most cases, private stakeholders via concessions manage most attractive infrastructural elements (beach facilities), while tourist boards' lack of financial and/or human resources to involve in that process.

In this research, the terms *infrastructure* is used to address economic and social overhead capital, and the term *tourism infrastructure and recreational facilities* to address all types of tourism infrastructure according to Croatian Regulation on public tourism infrastructure. Qualitative and quantitative analysis research results have been presented below.

Methodology

Research has been conducted from June to September 2017. The semi-structured questionnaire has been repeatedly sent to 312 tourist board managers in Croatia. Croatia tourist board has a hierarchical structure. It includes Regional tourist board (county and territory), Local tourist board (town, municipality, locality and island) and Tourism information centres. In this research, we have included all regional and local offices due to their potential involvement in the tourism infrastructure management process. The questionnaire consists of three parts. The first part focuses on general information about tourism destination and tourist board. The second part of questioner analyses current

tourism development phase and overall infrastructural development state. The final part of questionnaire delivers answers regarding usage of tourism infrastructure and recreational facilities and potentials of its future improvement. The questions have been prepared to capture current stage, importance and future perspective of tourism and recreational infrastructure. The research applies (1) qualitative (descriptive analysis and analysis of open question) and (2) quantitative analysis (Regression analysis and Kruskal-Wallis H and post hoc test).

Findings

Conclusions have been made based on forty-one (n=41) response. The sample includes tourist board (TB) offices from two regional territories, sixteen towns, twenty-two municipalities and one island.

The size of the destinations included in the sample varies based on the numbers of arrivals and overnights scored in 2016. The highest recorded number of arrivals, in a town level TB was 524.471 and lowest was 347 visitors, while the highest recorded number of overnights was 3.109.224 and the lowest 846. The regional tourist offices have recorded higher numbers, however, their statistics reflect cumulative statistics of lower lever offices, therefore, they cannot be mutually compared. Variations in a size of the destination in the sample are welcome because, in a context of open questions, it is expected that TB managers will stress out different problems, expectations and perspective regarding tourism infrastructure management and use.

The number of beds in all types of tourist accommodation facilities, recognized throughout Croatian classification system, varies considering destination (hotels and apart-hotels, tourist resorts, tourist apartments, campsites, private accommodation, spas and health resorts, holiday resorts, hostels). Distribution of beds in the sample, considering the type, follows the national trends i.e. private accommodation accounts for 59%, hotels and apart-hotels for 12,1% and camps for 20,1% of all accommodation (Ministry of tourism, 2017).

Figure 2: Characteristic of tourist boards in a sample

Tourist board office	<i>In sample</i>	<i>Arrivals minimum</i>	<i>Arrivals maximum</i>	<i>Overnights minimum</i>	<i>Overnights maximum</i>
Regional territory	1	26.678	754.902	49.175	4.457.257
Town	16	347	524.471	846	3.109.224
Municipality	22	400	242.614	1.188	1.497.344
Island	1	-	3.206	-	34.336

2.1. Compliance: tourism and tourism infrastructure and recreational facilities development

The regression analysis (Sykes, 1993) has been used to determinate the interconnectedness between the stage of the tourism development considering destination life cycle (TALC) (Butler, 2005) and four independent variables, namely *number of arrivals*, *number of overnights*, *infrastructural development* and *development of tourism infrastructure and recreational facilities*. Considering that every destination passes from exploration to rejuvenation or decline phase, TB managers were asked to estimate the current stage of tourism development for the destination they manage. Maturing of the destination is characterised with the continuous increase in a number of arrivals and overnights (Ivars et al. 2013) but also stronger pressures on destination space and growing requirements regarding infrastructure and facilities (Ritchie and Crouch, 2003).

Research results have demonstrated the statistically significant correlation between the stage of the tourism development and all four independent variables ($p=0,000 - p=0,002$). *The positive coefficients for analysed destinations indicate that higher stage of tourism development can be associated with growing demands regarding destination infrastructure and tourism facilities, but also with an increase in a number of arrivals and overnights.* Mean VIF (Variance inflation factor) values, in all four individually tested cases, are one ($VIF \leq 1$), therefore multicollinearity can be eliminated as a potential problem in regression analysis and results as valid for interpretation (Kennedy, 1985).

Figure 3: Regression analysis: dependent variable stage of tourism development – destination life cycle

LIFE CYCLE PHASE	Coef.	Std. Err.	t	P> t	[95% Conf. Interval]
ARRIVALS _Cons	5.48e-06 2.847452	1.64e-06 .2888162	3.34 9.86	0.002 0.000	2.16e-06 2.263266 8.80e-06 3.431638
OVERNIGHTS _Cons	9.76e07 2.831651	2.69e-07 .2810563	3.63 10.08	0.001 0.000	4.33e-07 2-263161 1-52e-06 3.400141
TOUR INF. & REC. FAC. _Cons	.7003715 .4814225	.1547187 .6678787	4.53 0.72	0.000 0.475	.3874234 -.8694897 1.01332 1.832335
INFRASTRUCTURE _Cons	.7754183 .0830116	.1698596 .7451378	4.57 0.11	0.000 0.912	.4318449 -1.424172 1.118992 1.590195

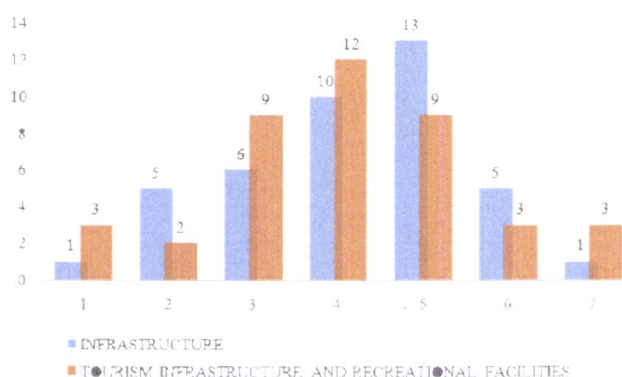
Source: Conducted research in STATA 13.0.

Destinations have to ensure their general infrastructure is properly developed and user-friendly (Wild and Cox, 2008). Many destinations fail to do so (Buhalis, 2000) which consequently negatively affects their image and competitiveness (Jenkins, 1999). Local roads, airports and all other forms of transport should allow unimpeded movement of visitors, while tourism facilities should be able to provide comprehensive travel

experience and influence visitors return. Therefore, TB managers are expected to have a holistic approach to tourism development and planning.

In that manner, they have been asked to rate on the Likert scale (1-7) the *capability of infrastructure, tourism infrastructure and recreational facilities to deliver visitors and local population needs and address current requirements of the tourism development.*

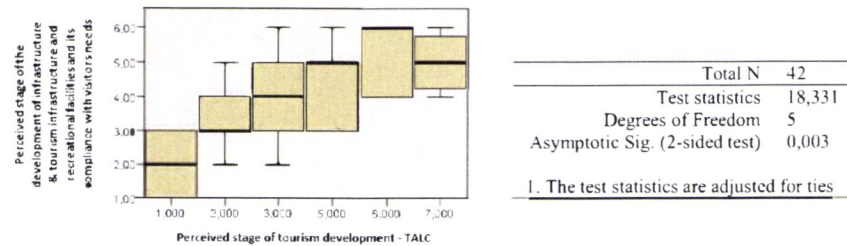
Figure 4: **Compliance level of tourism development with the development of infrastructure and tourism infrastructure and recreational facilities**



* 1= current stage of development cannot fulfil visitors and local population needs; 7= the development of infrastructure and tourism infrastructure and recreational facilities corresponds to tourism development.

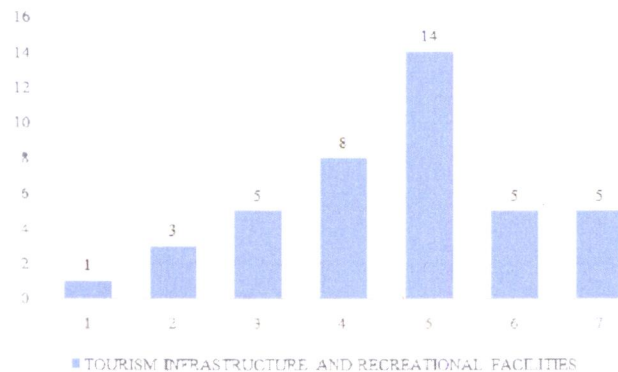
Research results have demonstrated how in most of the destinations in the sample, the compliance level between tourism development and development of infrastructure, tourism infrastructure and recreational facilities is average. TB managers perceive how current state of all types of infrastructure in the destination can be improved to address not only the growing number of visitors but also more sophisticated visitor's needs. A Kruskal-Wallis H (KW H) test indicate *statistically significant differences in compliance level between the perceived stage of tourism development and the perceived current state of the development of infrastructure, tourism infrastructure and recreational facilities* (Chi-Square= 18,331; df= 5; p=0,003). Moreover, a KW H posthoc test has proved how those differences are statistically significant only between destinations that are in initial and maturing stage of tourism development (p-value for pairwise comparison, p=0,003), (Figure 5) i.e. 1 stage and 7 stage of tourism development (p=0,026) and 1 stage and 6 stage of tourism development (p=0,025).

Figure 5: Independent-Samples Kruskal-Wallis Test – perceive stage of tourism development TALC and perceived state of the development of infrastructure, tourism infrastructure and recreational facilities



Stronger or weaker public focus on the development of certain aspects of infrastructure, tourism infrastructure and facilities potentially reflect the way destinations compete against its main competitors for target segments (March, 2004). Croatia is a destination where passive rest and relaxation are main motives of arrival for 55% of visitors (TOMAS, 2017). However, there is growing proportion of visitors interested in the active holiday (24% in 2017), sport, and recreation (20% in 2017) (TOMAS, 2017). Consequently, TB managers were asked to rate (on a Likert scale 1-7) the *perceived overall importance of tourism infrastructure and recreational facilities for their tourism product*. Findings suggest that tourism infrastructure and recreational facilities are important for most of the respondents (Figure 6). Furthermore, the Kruskal-Wallis H test results indicate a *statically significant correlation between the stage of tourism development considering TALC and perceived development stage of Sport and concert halls and cinema* ($p=0,010$); *Amusements parks* ($p=0,001$), *Beaches* ($p=0,044$), *Beach facilities* ($p=0,014$) (Figure 7).

Figure 6: Perceived importance of tourism infrastructure and recreational facilities in overall tourism development

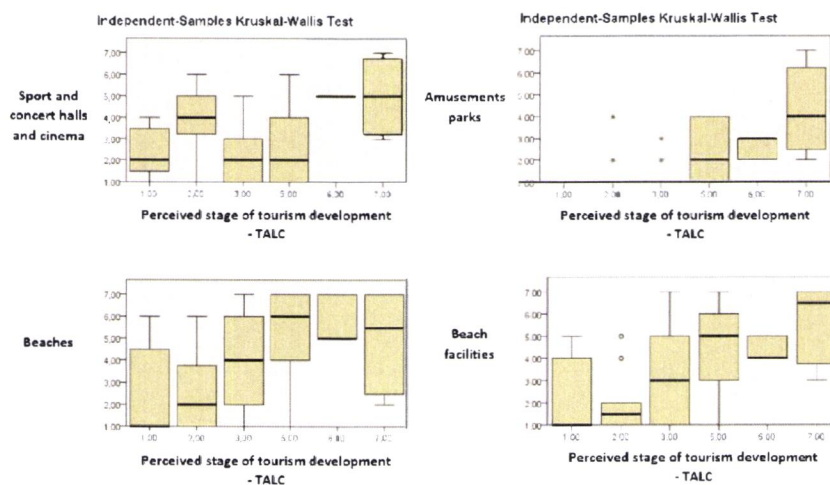


* 1= tourism infrastructure and recreational facilities are NOT important; 7= tourism infrastructure and recreational facilities are vital.

Depending on a stage of tourism development, destinations have different requirements regarding infrastructure and facilities (Figure 7). Consequently, findings suggest that more complex and expensive infrastructural investments like amusement parks, sport, concert halls and cinemas are requested in those destinations that are in upper phases of tourism development.

Such investments potentially reflect the efforts to improve tourism offer but also can be seen as rejuvenation policy measure (Stansfield: in Butler, 2005). Tourism destinations in upper phases of development (Figure 7) consider almost equally important beaches and beach facilities, which proves 3S to be the dominant product for destinations in the sample (i.e. the ranks are on a similar level). However, those destinations that are in initial phases of tourism development have expressed lower ranks, meaning they are potentially considering niche tourism to be their development path.

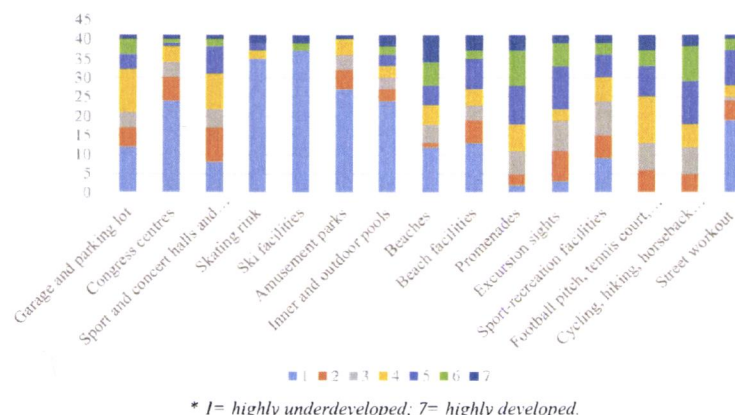
Figure 7: **Independent-Samples Kruskal-Wallis Test – perceive stage of tourism development TALC and perceived development stage four significant forms of tourism infrastructure and recreational facilities**



Maturing destinations higher demands regarding beach facilities and sport and concert halls reflect their efforts to maintain attractiveness and competitiveness on growing receptive market. The outliers presented on boxplot (*) for *amusement parks* prove the existence of a difference in ranks between respondent in same development phase (TALC).

Perceived *development state* of different types of tourism infrastructure and recreational facilities varies across the observed destinations. Findings (Figure 8) suggest *promenades, excursions sights, football pitch, tennis courts and trails* are the best developed. However, even for these categories, there are significant variations between destinations, while overall results are not promising.

Figure 8: **Perceived development state of different aspects of tourism recreational infrastructure**



The recreational facilities and infrastructure are related to destination, its resources and main product lines (Murphy et al. 2000). Considering Croatia is 3S destination ski rinks and ski facilities are expected to be underdeveloped, however, the problem arises with poor development of essential facilities including *beaches and beach facilities, different types of sport and recreational facilities, garages and parking lots and congress centres*. Further analysis has proved (Kruskal-Wallis H test) statistically significant correlation between the overall importance of tourism infrastructure and recreational facilities for destination product and the current state of development of the *sport and recreational facilities* (Chi-Square= 14,389; df= 6;p=0,026).

TB managers' *satisfaction with the current state of the development* of tourism infrastructure and recreational facilities statistically significant differs depending on the current stage of the destination development (TALC). KW H test results have pointed out following aspects of infrastructure as statistically significant, namely Sport, concert halls and cinemas ($p= 0,004$), Amusement parks ($p= 0,013$), Inner and outdoor pools ($p= 0,20$), Beaches ($p= 0,005$), Beach facilities ($p= 0,004$) (Figure 9).

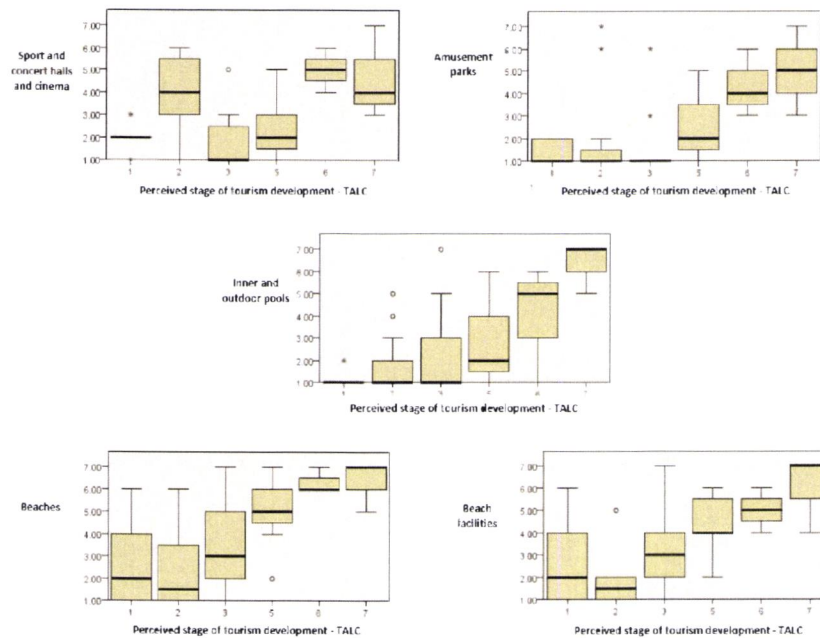
Figure 9: **Satisfaction with the current state of the infrastructure and facilities depending on the position of the destination in TALC**

	Sport, concert halls and cinema	Amusement parks	Inner and outdoor pools	Beaches	Beach facilities
Chi-Square	17.087	14.538	13.343	16.935	17.340
df	5	5	5	5	5
Asymp. Sig.	.004	.013	.020	.005	.004

Mean ranks for five significant aspects of infrastructure delivered with KW H posthoc test (Figure 10) suggest how mature destinations (those in upper phase of TALC), in overall, have expressed higher ranks, i.e. satisfaction with the current development of infrastructure and facilities. The exception are sport and concert halls and cinemas, that

record higher ranks even in destinations that are in initial phases of tourism development. The outliers presented on boxplot (*) prove the existence of a difference in ranks, i.e. satisfaction with the development of *sport and concert halls, amusement parks and inner and outdoor pools*, between destinations that are in the same phase of tourism development.

Figure 10: **KW H posthoc test – satisfaction with the state of the development of infrastructure, facilities and destination position in TALC**



2.2. Usage and management of tourism infrastructure and recreational facilities

The Croatian Regulation on public tourism infrastructureⁱⁱ indicates TB can manage tourism infrastructure and recreational facilities. In most cases, their involvement depends on individual willingness to participate in governance process but also on financial, human and operational resources. Involvement usually reflects individual willingness to change and improve quality of tourism infrastructure. Although TB managers have expressed, mostly, *moderate or poor satisfaction with tourism infrastructure and recreational facilities, they have shown restraint regarding involvement in the management process.*

Research results have demonstrated, in overall, *poor involvement in the management of tourism infrastructure and recreational facilities.* Only seven (n=7) out of forty-one office has been involved in the management of promenades, nineteen (n=19) in the

management of cycling trails, and three (n=3) in the management of playgrounds and street workout. For other forms of facilities, results are none or one TB involved in the management process.

TB managers have stressed out following reasons to be most important for potential involvement in management process (open question results):

1. Boost destination development, competitiveness and attractiveness,
2. Brand tourism destination and redistribute tourism flows,
3. Develop tourism product and boost development of special interest tourism,
4. Increase number of arrivals and overnights,
5. The increase of TB revenues,
6. Increase quality of tourism and recreational infrastructure,
7. Maintain existing and develop new infrastructure,
8. Preserve natural resources,
9. Support adequate valorisation of all resources involved in tourism development.

Stated reasons for involvement are mostly *economical* – focused on fostering local tourism and infrastructural development, and *environmental* – focused on preservation and valorisation of different types of resources, integrated into tourism product.

Croatian laws do not define properly the management of tourism infrastructure and facilities. The *Law on management and use of property owned by the Republic of Croatia* considers management to be *all those coordinated activities aimed at sustainable management of government property based on national strategic plans*. However, there are no specified activities that can be done with government property, including infrastructure.

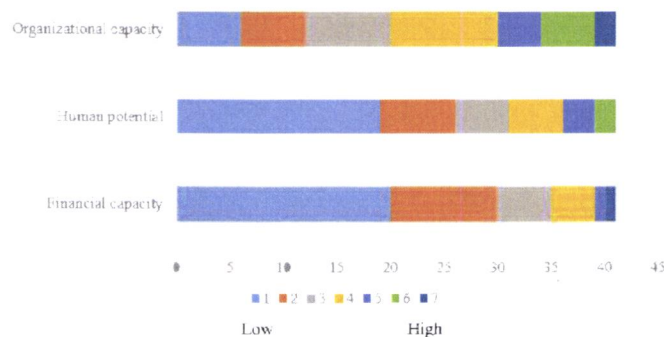
Given the lack of information and instruction, *TB managers were asked to explain their perception of acceptable management activities*. Research results suggest that TB managers perceive management of tourism infrastructure and facilities as a complex process that includes following activities (open question results):

1. Creating tourism offer and promotion,
2. Cooperation with different public stakeholders,
3. Sustainable valorisation of resources,
4. Maintenance of the parks and promenades and other existing infrastructure,
5. Planning and preparing projects,
6. Building new infrastructure,
7. Improving accessibility of sights,
8. Management of historical and cultural sights,
9. Marking tourism sights and thematic trails.

The scope of infrastructural management from TB managers' perspective is quite wide. It includes different *strategic* (planning and building new infrastructure) and *operational* activities (improvement of site accessibility, management and marketing of existing sights).

TB managers have expressed *moderate to high willingness to involve* in the management of tourism infrastructure, *which is limited mostly with a lack of financial resources and human potentials*. Almost half of TB have *low and minimal financial and human capacity* to manage infrastructure and facilities, while the *organizational capacity* results are slightly better but still account for a significant limitation for inclusion in most cases (Figure 11).

Figure 11: **Tourist board capacity to manage tourism infrastructure and recreational facilities**



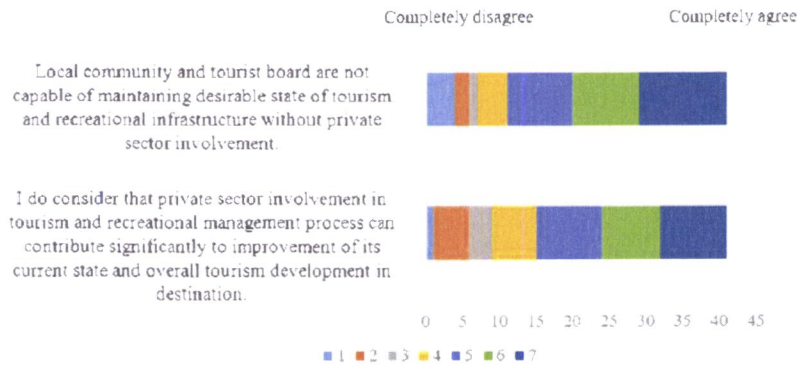
In spite of Kruskal-Wallis H test results have proved there is no statistically significant correlation between TB *self-interest to involve in management of infrastructure and their attitudes toward private sector involvement* (Chi-Square= 3,370, df= 6, p= 0,761), there is significant correlation between their *financial capacity to manage infrastructure and attitudes toward private sector involvement* (Figure 12). Organizational capacity and human potentials have not proved to impact TB attitudes toward private sector involvement.

Figure 12: **Kruskal-Wallis H test – key limitation of tourism board willingness to involve in the infrastructural management process**

	Financial capacity	Human potentials	Organizational capacity
Chi-Square	12,605	7,005	5,060
df	6	6	6
Asymp. Sig.	,050	,320	,536
a. Kruskal Wallis Test			
b. Grouping Variable: attitudes toward private sector involvement			

Due to their mostly *financial* limitations, *the majority of the respondents agree that the inclusion of the private sector stakeholders' can contribute improvement of local tourism infrastructure and recreational facilities*.

Figure 13: **Tourist board managers' attitudes regarding the inclusion of private sector in the management process**



Involvement of private sector, according to Croatian Regulation on public tourism infrastructure, and cooperation between public and private sector is possible only via *concessions and public-private partnership*. Despite most of the respondents are highly familiar with both concepts, *there is a correlation only between their knowledge on concessions and their expectations regarding the effects of the private sector involvement on the improvement of infrastructure and facilities*.

Figure 14: **Are the tourist board managers expectations toward the private sector involvement determined with their knowledge on PPP and Concessions?**

	Public-Private Partnership	Concessions
Chi-Square	10,503	12,661
df	6	6
Asymp. Sig.	,105	,049
a. Kruskal Wallis Test		
b. Grouping Variable: Expectations regarding private sector involvement		

Concessions are most commune form of the private sector involvement in the management of infrastructure and provision of recreational facilities in Croatia. In 2017, Ministry of finance has issued 1441 concession permission for the use of the maritime state propertyⁱⁱⁱ.

TB managers believe that the *private sector involvement would contribute improvement and development of Excursion sights* ($p=0,24$), *Sport-recreation facilities* ($p=0,45$), *Cycling, hiking and horseback riding trails* ($p= 0,16$). In case of excursion sites and thematic trails, highest ranks are recorded in those destinations that are in the upper phase of tourism development (consolidation, stagnation, rejuvenation and decline), while in case of sport and recreational facilities, ranks are almost equal in destination no matter phase of development. KW H post hoc test results have shown, in a case of *Excursion sights* ($p= 0,51$) and *Cycling, hiking, horseback riding trails*($p= 0,38$), the correlation

between *satisfaction with the current state of infrastructure and/or facilities and attitudes* (expectation from) *regarding private sector involvement*.

Respondents have indicated there are currently (open question results):

- 7 examples of public-private partnership (*build and operate model for viewpoint and halls; operate and maintain public areas – parks, promenades, trails*) and
- 18 examples of concessions (*maritime good – beach facilities; communal services; maintenance and management of trails; management of historical sights and mountain huts*).

Finally, TB managers have stressed out the role of the private sector in the improvement of all those types of tourism infrastructure and recreational facilities that are and should be in the destination; however, they do perceive the importance of the public sector. The role of the private sector is reflected in their involvement in smaller and larger scale projects (depending on destination position in TALC) operationalized throughout concession system. They are expected to improve quality of local infrastructure, facilities and consequently competitiveness of overall tourism product. Large-scale infrastructural projects (ski lifts, congress halls and garages) are perceived as public sector responsibility. Public sector (municipality – county – central government) is expected to provide preconditions for overall economic and consequently tourism development. The former is particularly accentuated in those areas that are economically dependent upon tourism development.

3. CONCLUSION

Infrastructure forms an indispensable element of contemporary tourism destination, a set of tourism facilities that once provided focus on delivering visitors and residents' needs. Commonly is seen as public good and/or commune pool resource. Along with technology and other physical elements, it is a visible feature of tourism product that influences travel experience (Murphy et al. 2000; Choy, 1992). In most cases, it is provided by public authorities and intended to support the local community and its development. It is an essential precondition in early stages of tourism development and competitive advantage in maturing stages of TALC, characterised with the shared and often blurred responsibility of public and private sector stakeholders (Ruso, 2002). The development of tourism infrastructure and recreational facilities is highly determined by governmental laws and regulations. Depending on the importance of tourism in overall economic development, different destinations (i.e. countries) have a different approach.

Empirical research results in Croatia have demonstrated a statistically significant correlation between the stage of tourism development and a number of arrivals, overnights and state of the infrastructure, tourism infrastructure and recreational facilities. Moreover, positive coefficients suggest that growing demands and expectations regarding quality of all forms of infrastructure and facilities in examined destinations can be related to destinations position in TALC. Findings support conclusions made by Seetannah et al. (2011) proving tourism to be sensitive to and influenced by infrastructural development. The compliance level between perceived stage of tourism development and the perceived state of current development of

infrastructure and facilities varies i.e. there is the statistically significant difference in compliance level between maturing destinations and those that are in initial phase of tourism development. Tourism infrastructure and corresponding facilities should follow up the position of the destination in TALC and develop correspondingly (Ioannides, 1992; Da Conceic and Roque Águas 1997, Russo, 2002; Ivars i Baidal, et al. 2012); otherwise, infrastructural underdevelopment could, potentially negatively influence visitors' satisfaction and decision to return (Buhalis, 2000).

For most of the respondents, tourism infrastructure and recreational facilities are important in process of tourism development. However, not all forms of infrastructure and facilities equally. Empirical results have demonstrated there is a significant correlation between the development of some forms of infrastructure and destinations perceived position in TALC. Destination in upper phases of tourism development requires the development of more complex and expensive infrastructural projects including amusement parks, sport and concert halls and cinemas, i.e. big scale projects for maturing destinations can equally be treated as an effort to improve tourism offer and rejuvenation policy measure. Those destinations that are in initial phase of tourism development have expressed low ranks for all significant forms of infrastructure, including beaches and beach facilities, which means they still do not have a clear vision of their tourism development. Maturing tourism destinations focus on maintaining existing consumers (tourist) throughout increasing service quality, widening distribution channels but also developing tourism infrastructure and recreational facilities (Da Conceic and Roque Águas 1997). Depending on the state, maturing destinations often require destination repositioning which can be achieved through large-scale infrastructural projects (Butler, 2005).

Findings suggest that the current state of the development of recreational facilities is significantly correlated with their overall importance for tourism development. Moreover, satisfaction with the state of the development varies considering the stage of the development of the destination. In average, maturing destinations have shown higher satisfaction with the current state of the infrastructure and facilities; however, there are differences between destinations and considering the type of infrastructure.

Despite tourist-board, managers have expressed poor to moderate satisfaction with tourism infrastructure and recreational facilities due to mostly financial limitation they are not willing to involve in management processes for which they believe would gain the economic and environmental benefits. I that manner, their financial capacity to manage infrastructure is significantly correlated with their attitudes toward the private sector involvement. They do believe the private sector can potentially contribute improvement and development of a different form of tourism infrastructure, namely, excursion sites, sport and recreational facilities and thematic trails. Moreover, the preferred form of involvement would be well-known concession permissions. Currently, public and private sector cooperate through several examples of public-private partnership (mostly on larger infrastructural projects) and a large number of concessions (mostly on maritime goods and thematic trails).

In highly tourism-dependent countries like Croatia, tourism sustains economic and overall growth and development. Therefore, it is expected that public sector failure in the provision of tourism infrastructure and recreational facilities will mostly and effectively be addressed via private sector involvement throughout existing models of public-private partnership and concessions. Private sector stakeholders are profit-driven, agiler and capable of delivering visitor needs in short period. From the other side, public sector stakeholders are more robust, slow to react and limited by numerous internal regulations and capacities. As a continuous process, tourism development must be driven and directed. In that process tourist boards, are not and should not be alone. It is possible to expect their stronger reliance on the private sector in the context of the provision of those services that were before exclusively public sector responsibility, i.e. management of tourism infrastructure and recreational facilities.

Despite a limited number of tourism board managers involved (n=41), this research provides valuable and useful conclusions and supply (public) side perspective, regarding provision and management of tourism infrastructure and recreational facilities and their compliance with TALC in Mediterranean destinations. While most of the previously stated researchers use statistical data to analyse destination development trajectory this research is among first to explore the TB managers' attitudes. In that manner we are utilising their holistic approach to deliver comprehensive analysis. Additionally, research findings highlight and confirm tourism infrastructural development can be related to destinations position in TALC. Furthermore, it contributes broaden the understating of the role of both public and private sector stakeholders in management and provision and delivers key limitations for and expectations from their involvement.

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EXHIBIT C 1st QUARTER

Due by April 30th to

afmcknight@co.jefferson.wa.us

Organization:

Contact person:

Mailing Address:

Phone Number/Email:

1. LTAC Funds received from Jefferson County 1st QTR:

ORGANIZATION	Amount Awarded by Jefferson County	Received From Jefferson County	Overspent (+) Underspent (-) of LTAC funds	Refund Required	TOTAL 1 st QTR LTAC FUNDS SPENT

2. LTAC funds spent by your organization 1st QTR (include 200 word limit regarding activities and funds spent with an itemized statement and supporting documentation, *i.e.* invoices paid, receipts from payment,):

3. LTAC funds balance remaining 1st QTR:

4. Please attach your organization's report for all revenue, marketing, services, programs and activities of the prior quarter.

This report and any attachments may be subject to disclosure as a public record under the Public Records Act, RCW Chapter 42.56. A minimum of six years, RECIPIENT shall maintain documented proof of payments made, contracts executed and other expenditures authorized under your Agreement with Jefferson County. Upon reasonable notice, RECIPIENT shall provide access to Jefferson County or State representatives to audit those records.

EXHIBIT C 2nd QUARTER

Due by July 31st to

afmcknight@co.jefferson.wa.us

Organization:

Contact person:

Mailing Address:

Phone Number/Email:

1. LTAC Funds received from Jefferson County 2nd QTR:

ORGANIZATION	Total Amount Awarded by Jefferson County	Total Received From Jefferson County	Overspent (+) Underspent (-) of LTAC funds	Refund Required	TOTAL 1 st QTR LTAC FUNDS SPENT	TOTAL 2 nd QTR LTAC FUNDS SPENT

2. LTAC funds spent by your organization 2nd QTR (include 200 word limit regarding activities and funds spent with an itemized statement and supporting documentation, *i.e.* invoices paid, receipts from payment,):

1. LTAC funds balance remaining 2nd QTR:

2. Please attach your organization's report for all revenue, marketing, services, programs and activities of the prior quarter.

This report and any attachments may be subject to disclosure as a public record under the Public Records Act, RCW Chapter 42.56. For a minimum of six years, RECIPIENT shall maintain documented proof of payments made, contracts executed and other expenditures authorized under your Agreement with Jefferson County. Upon reasonable notice, RECIPIENT shall be able to provide access to Jefferson County or State representatives to audit those records.

EXHIBIT C 3rd QUARTER

afmcknight@co.jefferson.wa.us

Due by October 31st to

Organization:

Contact person:

Mailing Address:

Phone Number/Email:

1. LTAC Funds received from Jefferson County 3rd QTR:

ORGANIZATION	Total Amount Awarded by Jefferson County	Total Received From Jefferson County	Overspent (+) Underspent (-) of LTAC funds	Refund Required	TOTAL 1 st QTR LTAC FUNDS SPENT	TOTAL 2 nd QTR LTAC FUNDS SPENT	TOTAL 3 rd QTR LTAC FUNDS SPENT

2. LTAC funds spent by your organization 3rd QTR (include 200 word limit regarding activities and funds spent with an itemized statement and supporting documentation, *i.e.* invoices paid, receipts from payment,):

2. LTAC funds balance remaining 3rd QTR:

3. Please attach your organization's report for all revenue, marketing, services, programs and activities of the prior quarter.

This report and any attachments may be subject to disclosure as a public record under the Public Records Act, RCW Chapter 42.56. For a minimum of six years, RECIPIENT shall maintain documented proof of payments made, contracts executed and other expenditures authorized under the Agreement with Jefferson County. Upon reasonable notice, you shall be able to provide access to Jefferson County or State representatives to audit those records.

EXHIBIT C 4th QUARTER

afmcknight@co.jefferson.wa.us

Due by January 31st to

Organization:

Contact person:

Mailing Address:

Phone Number/Email:

1. LTAC Funds received from Jefferson County 4th QTR:

ORGANIZATION	Total Amount Awarded by Jefferson County	Total Received From Jefferson County	Overspent (+) Underspent (-) of LTAC funds	Refund Required	TOTAL 1 st QTR LTAC FUNDS SPENT	TOTAL 2 nd QTR LTAC FUNDS SPENT	TOTAL 3 rd QTR LTAC FUNDS SPENT	TOTAL 4 th QTR LTAC FUNDS SPENT

2. LTAC funds spent by your organization 4th QTR (include 200 word limit regarding activities and funds spent with an itemized statement and supporting documentation, *i.e.* invoices paid, receipts from payment,):

3. LTAC funds balance remaining 4th QTR:

4. Please attach your organization's report for all revenue, marketing, services, programs and activities of the prior quarter.

This report and any attachments may be subject to disclosure as a public record under the Public Records Act, RCW Chapter 42.56. A minimum of six years, RECIPIENT shall maintain documented proof of payments made, contracts executed and other expenditures authorized under your Agreement with Jefferson County. Upon reasonable notice, RECIPIENT shall provide access to Jefferson County or State representatives to audit those records.

EXHIBIT D
Jurisdiction Lodging Tax Reporting Form – To Be Submitted to Jefferson COUNTY
Administrator's Office
No Later than February 28th of each Year
Lodging Tax Reporting Form

Organizations receiving funding to promote festivals, special events and tourism-related activities through tourism-related facilities owned or sponsored by non-profit organizations or the local jurisdiction are required to complete this form for **EACH** activity.

1 Organization Name: _____	Reporting Year: _____
2 Sponsor Type (Check One): ☐ 501(c)(3) ☐ 501(c)(6) ☐ Local Jurisdiction ☐ Other (Explain): _____	
3 Activity Name: _____	
4 Activity Type (Check One): ☐ Event/Festival* ☐ Facility* ☐ Marketing*	
5 Activity Start Date*: _____	
6 Activity End Date*: _____	
7 Total Cost of Activity: \$ _____	
8 Amount Requested: \$ _____	
9 Amount Awarded: \$ _____	

10 Overall Attendance*

a) Projected* _____

b) Actual* _____

c) Methodology (Check One): ☐ Direct Count*
 ☐ Indirect Count* ☐ Representative Survey*
 ☐ Informal Survey* ☐ Structured Estimate*
 ☐ Other (explain): _____

11 Number of Attendees Who Traveled 50 Miles or More*

a) Projected* _____

b) Actual* _____

c) Methodology (Check One): ☐ Direct Count*
 ☐ Indirect Count* ☐ Representative Survey*
 ☐ Informal Survey* ☐ Structured Estimate*
 ☐ Other (explain): _____

12 Number of Attendees Who Traveled from Another State or Country*

a) Projected* _____

b) Actual* _____

c) Methodology (Check One): ☐ Direct Count*
 ☐ Indirect Count* ☐ Representative Survey*
 ☐ Informal Survey* ☐ Structured Estimate*
 ☐ Other (explain): _____

13 Number of Attendees Who Stayed Overnight in Unpaid Accommodations*

a) Projected* _____

b) Actual* _____

c) Methodology (Check One): ☐ Direct Count*
 ☐ Indirect Count* ☐ Representative Survey*
 ☐ Informal Survey* ☐ Structured Estimate*
 ☐ Other (explain): _____

14 Number of Attendees Who Stayed Overnight in Paid Accommodations*

a) Projected* _____

b) Actual* _____

c) Methodology (Check One): ☐ Direct Count*
 ☐ Indirect Count* ☐ Representative Survey*
 ☐ Informal Survey* ☐ Structured Estimate*
 ☐ Other (explain): _____

15 Number of Paid Lodging Nights*

a) Projected* _____

b) Actual* _____

c) Methodology (Check One): ☐ Direct Count*
 ☐ Indirect Count* ☐ Representative Survey*
 ☐ Informal Survey* ☐ Structured Estimate*
 ☒ Other (explain): _____

*See Lodging Tax Yearly Reporting Definitions Instructions

Name of Individual Who Prepared Report: _____

Phone #: _____ E-Mail Address: _____

RETURN THIS FORM TO:

Jefferson County Administrator's Office
1820 Jefferson Street
P.O. Box 1220
Port Townsend, WA 98368
jeffboc@co.jefferson.wa.us

DEADLINE: February 28th of Each Reporting Year

LTAC Yearly Reporting Definitions/Instructions

- Activity Type:** Event/Festival: Short-term activity occurring between specific dates (e.g., 4th of July celebration, local marathon)
Facility: Municipally-owned facility that operates some or all of the year (e.g., county historical museum, convention center)
Marketing: Activity that provides information to encourage visitors to an area; is typically a year-round activity but may also operate for less than a full year.
- Activity Date:** Activity beginning and ending dates.
- Actual:** Persons estimated to have **actually** participated in event/festival or visiting a facility. For marketing activity, enter the number of persons estimated to have **actually** visited area as result of marketing activity.
- Projected:** Persons **expected** to participate in event/festival or visiting a facility. For marketing activity, enter the number of persons **expected** to visit area as result of marketing activity.
- Methodology:** Select the methodology used to estimate the actual number of visitors/participants.
Direct Count: Actual count of visitors using methods such as paid admissions or registrations, clicker counts at entry points, vehicle counts or number of chairs filled. A direct count may also include information collected directly from businesses, such as hotels, restaurants or tour guides, likely to be affected by an event.
Indirect Count: Estimate based on information related to the number of visitors such as raffle tickets sold, redeemed discount certificates, brochures handed out, police requirements for crowd control or visual estimates.
Representative Survey: Information collected directly from individual visitors/ participants. A representative survey is a highly structured data collection tool, based on a defined random sample of participants, and the results can be reliably projected to the entire population attending an event and includes margin of error and confidence level.
Informal Survey: Information collected directly from individual visitors or participants in a non-random manner that is not representative of all visitors or participants. Informal survey results cannot be projected to the entire visitor population and provide a limited indicator of attendance because not all participants had an equal chance of being included in the survey.
Structured Estimate: Estimate produced by computing known information related to the event or location. For example, one jurisdiction estimated attendance by dividing the square footage of the event area by the international building code allowance for persons (3 square feet).
Other: (please describe)
- Overall Attendance:** Total projected and estimated actual attendance recorded for event, facility or resulting from marketing activity.
- Total Attendees Traveling 50 miles or more:**
- Total:** Total projected and estimated actual number of visitors traveling more than 50 miles to attend event or facility. For marketing organizations, report visitors traveling more than 50 miles to visit area.
- Of total, attendees who traveled from another state or country:** Of the total projected and estimated actual number of visitors traveling more than 50 miles to attend event or facility or visit area, report projected and estimated actual number of visitors who traveled from another state or country.
- Attendees who stayed overnight:**
- Paid Accommodations:** Total projected and estimated actual number of visitors staying in paid lodging establishments such as hotels, motels, bed and breakfasts, etc.
- Unpaid Accommodations:** Total projected and estimated actual number of visitors staying in unpaid accommodations such as family and friends.
- Paid Lodging Nights:** Total projected and estimated actual number of paid lodging nights. One Lodging night = one or more persons occupying one room for one night.