

Council Business Meeting

April 16, 2019

Agenda Item	Transient Occupancy Tax Allocation and Grant Award Process	
From	Adam Hanks	Assistant to the City Administrator
Contact	Adam.hanks@ashland.or.us , 541-552-2046	

SUMMARY

As part of the development of the proposed budget for the 2019-21 biennium (BN19-21), a determination and decision is being sought regarding the proposed uses for the anticipated Transient Occupancy Tax (TOT) revenues, estimated at \$3,276,369 for each of the next two years of the biennium. A total of \$556,338 has been allocated by Council at the March 19, 2019 meeting, leaving \$393,546 tourism restricted funds unallocated and the entire unrestricted total of \$2,133,571 unallocated.

Additionally, should funds be allocated for this purpose, a review and recommendation body will need to be formed for the 2019-20 Economic Development, Cultural, Tourism and Sustainability (ECTS) grant review and award recommendation process. Historically, the committee has been a sub-committee of the Citizen's Budget Committee. However, with Council deferment of the allocation of funds available for the grant process to a future date, the use of a sub-committee of the Citizens Budget Committee creates timing and logistics challenges and may need to be structured differently. The request before Council is to provide staff with direction on allocation of both the remaining restricted and unrestricted TOT funds, as well as to consider approval for the (re)creation and appointment of an ECTS Grants Review Ad-Hoc Committee to be made up of not less than five and not more than nine members of the Citizens Budget Committee

POLICIES, PLANS & GOALS SUPPORTED

The Council goals set for the 2019-2021 biennial budget which prioritized essential services over value services such as the programs that could be funded via the unrestricted portion of the TOT.

PREVIOUS COUNCIL ACTION

- 1) Council most recently discussed the creation of an ESTS Ad-Hoc Committee at the April 2, 2019 Business Meeting and requested that the matter be continued to a future meeting for further discussion and decision.
- 2) At the March 19, 2019 Council Business Meeting, Council chose to partially allocate the tourism restricted Transient Occupancy Tax (TOT) Funds, allocating \$446,338 to the Ashland Visitor and Convention Bureau (VCB) and \$110,000 to Oregon Shakespeare Festival and deferring the remaining \$393,546 in tourism restricted funds to be allocated at a future date and chose to defer allocation of the unrestricted funds to a future date.
- 3) On June 19, 2018, Council approved a 1% increase to the TOT rate (from 9% to 10% total) and allocated those additional anticipated revenues to fund a Patrol Officer (general fund) and set aside the tourism restricted portion of the funds for future downtown parking supply needs.
- 4) On April 3, 2018, Council approved the creation of an ECTS Grants Ad-Hoc Committee during the biennial budget process "off-year" to carry out the task of review and making recommendations to Council for grant awards for Fiscal Year 2019.

BACKGROUND AND ADDITIONAL INFORMATION

TOT Allocation

While no legal requirement exists to formally allocate the revenues from the TOT beyond appropriating the overall revenue stream in the budget process, several programs rely on those funds to function and would be

impacted should the allocation not be clearly articulated either prior to or in conjunction with the budget process.

Tourism Restricted TOT – VCB, OSF, Small Grants*, Public Art, Tourism eligible Capital Projects, Future long-term parking supply

Unrestricted TOT – General Fund revenue, Economic Development Program, Small Grants*

* Funding for small grants have historically been \$150,000 unrestricted and \$75,000-80,000 restricted

Small Grants - Historical recipients of small grant awards include the Southern Oregon Film Society (AIFF), ScienceWorks, Ashland Gallery Association, Ashland B & B Network, SOU Schneider Museum of Art, Mt Ashland, Lithia Artisans Market and others. Many applicants apply for funds from both funding categories and provide justification within their applications for eligibility for tourism and economic, cultural or sustainability.

Public Art – The 2008 TOT Allocation resolution (2008-22) included a new allocation of 3% of tourism restricted funds to be dedicated to Public Art. This is currently the only consistent annual funding source for Public Art. Other funds dedicated to public art have come from the “tourism eligible capital projects” allocation, grants received, donations and installations from detailed site review zone requirements in the Ashland Land Use Code for certain new commercial building developments.

Future Long-Term Parking Supply – This is a new category of allocation of tourism restricted funds resulting from the Council decision in June of 2018 to increase the TOT rate from 9% to 10%. Per state statute, 70% of any new rate increases must be restricted to tourism eligible expenditures. Because of the pressures placed on the City’s parking supply (primarily downtown), funds were placed aside in anticipation of future projects in alignment with the recent Parking Management Plan accepted by Council in 2017.

Economic Development Program – This general fund program was included in the unrestricted TOT allocation in 2010 as the City developed and began implementing its [Economic Development Strategy](#). These funds pay for City membership in SOREDI, fund the City’s contribution to the festival of lights, fund a part of staffing and for partnership programs between the City and Chamber of Commerce including the Business Retention and Expansion Survey program, the business workshops, the Ashland Business Resource Business Portal (www.ashlandbusinessresource.com) and other studies and analysis of the local economy.

General Fund Revenue – Of the anticipated total TOT of \$3,276,369, roughly two-thirds of the total (\$2,133,571) is unrestricted general fund revenue that, aside from Economic Development and small grants allocations, is utilized for general expenditures within the general fund. This revenue stream is the third largest single revenue stream for the general fund, after property taxes and utility franchise fees and taxes.

Grant Allocation Process

Grant applicants were informed at the time of the release of the 2019 application in February that the total funds available for the grant process had not yet been determined and that the schedule for the review and recommendation process may be later in the spring than in previous years. Grant applications were accepted up until the March 27 due date and have been compiled and are ready to review pending the outcome of the allocation of funds and the creation of a review body.

Grant Funding Appropriation Schedule

Council will need to make a final determination on the amount of funds allocated, if any, to the grant process by June 30, 2019 for fiscal year (FY) 2020. If funds are allocated, a review body could be activated to

complete the reviews and allocation recommendations to Council in the June or July timeframe for issuance of allocated funds in late July or early August. This change in timing is what necessitates the formation of the review body as an Ad-Hoc Committee, as the Citizens Budget Committee will have already completed their formal tasks in the budget review and recommendation process and will no longer be an active Committee per Oregon Revised Statutes. If the City Council allocates the restricted and unrestricted portions of the TOT at this April 16 Business meeting, then Council could choose to utilize a sub-committee of the Citizen's Budget Committee as the grant review body rather than create an Ad-Hoc to perform that function. In either case, the membership of the grant review body would be the same, the differences would be in the flexibility of timing for that process to occur.

TOT Grant Funding and Allocation Background

The City of Ashland collects a Transient Occupancy Tax (TOT), from people who stay in overnight lodging within the City limits. Over half of those funds are utilized for the City's General Fund and are used to support Police, Fire, Community Development, and Municipal Court. Over a quarter of those funds are restricted by State Law to support and promote the tourism industry. Tourism restricted funds are either allocated directly to groups that market Ashland to tourists or are spent on capital facilities that support and enhance the tourism experience within the community. The remaining funds are dedicated to the City's annual grant program. The amounts that go to each of these programs have historically been allocated prior to the beginning of each biennium by Council.

The City of Ashland has historically reinvested ten percent of the tourism restricted funds and \$150,000 of the unrestricted funds generated for a total of over \$225,000 by the TOT in community non-profits through an annual grant program. Through these grants, the City is purchasing specific services from non-profits that it might otherwise provide directly. The grant program has four basic goals:

- **Economic Development.** The grant program will support the creation, retention, and expansion of businesses and other ventures that enrich our community by creating goods and services that provide employment opportunities while maintaining and enhancing the overall quality of life. The 2011 Economic Development Strategy provides both policy level and action level guidance for eligible grant application programs and activities.
- **Cultural Development.** The grant program will support increased diversity of and accessibility to the creative arts and cultural opportunities in Ashland for citizens and visitors and will support the visitor economy, maintain and promote job growth in this sector and enrich the overall quality of life in the community.
- **Tourism.** As a long-standing pillar of Ashland's economy, tourism programs support programs, activities and events that act similarly to more traditional traded sector activity in that dollars from outside the community are brought in and circulated locally to the benefit of our local businesses.

Sustainability. The grant program will create and support programs and activities to further support efforts to ensure Ashland is environmentally, economically and socially resilient as a community.

FISCAL IMPACTS

Allocation of TOT Funds in the aggregate do not change the budget as all of the funds are shown as general fund revenues and will be included in the upcoming proposed biennial budget. However, the allocation of funds does impact how the City will utilize and administer the funds and could impact grant applicants who have submitted applications for the use of those funds for a wide variety of programs, events and activities in the community.

The creation of an ECTS Grant Review Ad-Hoc Committee has no direct costs associated and will likely have similar levels of required staff support as previous grant review processes so no significant financial impacts are associated with this item under consideration.

STAFF RECOMMENDATION

Staff has no formal recommendation on the remaining allocation of TOT funds, but would offer several items to consider:

- Tourism restricted funds are not able to be utilized for anything other than what is allowed by Oregon Revised Statute, which is limited to tourism promotion, marketing of tourism events, capital improvements (life of ten years or more) for projects that substantially serve tourism activities. No tourism funds can be used to fund public safety positions or related expenses.
- Tourism promotion in Ashland is done through its Destination Marketing Organization (DMO), which is Travel Ashland (Visitor and Convention Bureau). Increased funding for tourism promotion could assist in restoring TOT revenue growth in future years by effectively reaching both existing and new visitors, especially given the recent summer season smoke events that have created some visitor uncertainty.
- Should Council want to maximize the use of the unrestricted funds, Council could increase the level of the tourism restricted funding for the small grants program, which could also assist in restoring TOT revenue growth via increased tourism promotion and offerings for visitors. Having tourism only funds for the small grant program may exclude some of the existing grant applicants who have applied for non-tourism funds.

Staff recommends Council authorize the Mayor to create and appoint members to an ECTS Grant Review Ad-Hoc Committee with a scope and charge to review and make recommendations for the allocation of grant funds for fiscal year 2020 grant cycle. Should Council not allocate grant funds in this cycle, the proposed ECTS Ad-Hoc would simply not be activated for this grant cycle. This provides the Citizen’s Budget Committee, the Council and grant applicants with the most flexibility in completing the grant review and recommendation process. However, if the TOT allocations relating to the small grant program were to occur soon, the sub-committee approach could still be effectively utilized.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

- 1) I move to authorize Mayor Stromberg to create an ECTS Grant Review Ad-Hoc Committee made up of not less than five and not more than nine members of the Citizen’s Budget Committee to review and make allocation recommendations for the FY2020 ECTS grant cycle.
- 2) I move to defer decisions on the creation of an ECTS Grant review advisory body until the allocation of funds has been made by Council.

REFERENCES & ATTACHMENTS

Attachment 1: Resolution No. 2019-03 Allocating TOT Restricted Funds

[April 2, 2019 Council Packet Materials](#)

[March 19, 2019 Council Packet Materials](#)

[June 18, 2018 Council Packet Materials \(Resolution approving the TOT allocation\)](#)

[June 18, 2018 Council Packet Materials \(Resolution establishing the TOT rate\)](#)

[April 3, 2018 Council Packet Materials](#)

RESOLUTION NO. 2019-03

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ASHLAND
 ALLOCATING ANTICIPATED TRANSIENT OCCUPANCY TAX
 TOURISM RESTRICTED REVENUES FOR THE BIENNIUM 2019-2021
 BUDGET AND REPEALING RESOLUTION 2018-33.**

RECITALS:

- A. That the City of Ashland collects a Transient Occupancy Tax (TOT) pursuant to Ashland Municipal Code 4.24. Revenues from the Transient Occupancy Tax are used to fund general governmental expenses, economic development, tourism promotion and related infrastructure and the City’s Economic, Cultural, and Sustainability Grant program.
- B. The City of Ashland has determined that as of July 1, 2003, \$186,657 or 14.23% of the City of Ashland’s total Hotel/Motel tax revenues were expended on tourism promotion, as defined in ORS 320.350.
- C. ORS 320.350 requires 70% of any increased TOT revenue generated by tax rate increases after 2003 be committed to tourism promotion.
- D. Appropriations for tourism promotion are based upon the following percentages established in FY 2009-10 when the rate was increased from 7%-9%:
 - A minimum of 14.23% of the estimated TOT revenue generated by the original 7% tax rate for tourism promotion per ORS 320.350 and,
 - A minimum of 70% of the estimated TOT revenue generated by additional tax rates approved by Council on June 3, 2008 consistent with ORS 320.350.
- E. Appropriations for the Tax Rate increase of one percent on August 1, 2018 are based on projected collections and allocated as follows:
 - 70% of the estimated TOT revenue generated by the additional 1% tax rate for long term parking supply pursuant to ORS 320.350 and,
 - 30% of the estimated TOT revenue generated by additional 1% tax rate.

THE CITY OF ASHLAND RESOLVES AS FOLLOWS:

SECTION 1.

For the Biennium 2019-2021, the City of Ashland expects to budget an estimated **\$6,552,738** for Transient Occupancy Tax collections. The annual allocation between tourism and general governmental operations is as follows:

TOT Anticipated Revenues	% of Total	FY 2019-20	FY 2020-21
Tourism Restricted (ORS 818)	29%	949,884	949,884
General Government Operations	71%	2,326,485	2,326,485
TOTALS	100%	\$3,276,369	\$3,276,369

Tourism Allocation

Tourism restricted funds will be allocated as follows:

Tourism Restricted TOT Allocation	2019-2020	2020-2021
TOTAL Tourism TOT	949,884	949,884
Long Term Parking Supply (70% of 1% increase in 2018)		
Visitor & Convention Bureau – Chamber of Commerce	446,338	446,338
Oregon Shakespeare Festival	110,000	110,000
City Economic, Cultural, and Sustainability Grants		
Public Art		
Other City Tourism eligible Capital Projects		
Restricted TOT – Not Yet Allocated	393,546	393,546
TOTAL RESTRICTED TOT	\$949,884	\$949,884

If actual tourism specific TOT revenue collections exceed the above allocations or if actual, qualifying expenditures in the year are less than the appropriated amount, the additional or unused amount(s) will be reserved for qualifying future Tourism related expenditures as determined by Council.

Non Tourism Allocation

The remaining estimated TOT revenue allocated for general government operations will be 100% appropriated through the budget process. Unrestricted TOT revenue unspent in a budget year becomes part of the General Fund unrestricted ending fund balance unless otherwise determined by City Council.

Unrestricted TOT Allocation	2019-2020	2020-2021
TOTALS	\$2,133,571	\$2,133,571

SECTION 2. Resolution 2018-23 is repealed upon passage of this resolution.

SECTION 3. This resolution was duly PASSED and ADOPTED this _____, day of _____, 2019 and takes effect upon signing by the Mayor.

Melissa Huhtala, City Recorder

SIGNED and APPROVED this ____ day of _____, 2019.

Reviewed as to form:

John Stromberg, Mayor

David Lohman, City Attorney