

Council Business Meeting

June 4, 2019

Agenda Item	Transient Occupancy Tax – Final Allocations	
From	Adam Hanks	Assistant to the City Administrator
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SUMMARY

As part of the conclusion of the budget process for the 2019-21 biennium (BN19-21), a determination and decision is being sought regarding the proposed uses for the remaining anticipated Transient Occupancy Tax (TOT) revenues not already allocated by Council via Resolution 2019-03, 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.

POLICIES, PLANS & GOALS SUPPORTED

BN2019-21 Council Goal #1 – Develop current and long-term budgetary resilience – Evaluate revenue streams

PREVIOUS COUNCIL ACTION

- 1) Council made a determination at the [April 16, 2019](#) Business Meeting to defer the allocation of TOT funds to the Citizens’ Budget Committee (CBC) process. At its meeting of May 8, the Citizen’s Budget Committee made a recommendation to allocate an additional \$80,000 of tourist restricted TOT for the Economic, Cultural, Tourism, and Sustainability (ECTS) grants process as well as \$150,000 of unrestricted TOT funds for the same purpose.
- 2) Council discussed the creation of an ECTS 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.
- 3) At the [March 19, 2019](#) Council Business Meeting, Council chose to partially allocate the tourism restricted 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.
- 4) On [June 19, 2018](#), Council approved a one percent increase to the TOT rate (from nine percent to ten percent total) and allocated those additional anticipated revenues to fund a Patrol Officer in the General Fund and set aside the tourism restricted portion of the funds for future downtown parking supply needs.
- 5) 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, and future long-term parking supply

Unrestricted TOT – General Fund revenue, Economic Development Program, and 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 three percent 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 2018 to increase the TOT rate from nine percent to ten percent. Per state statute, 70 percent 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, the City’s contribution to the festival of lights, a portion of staffing, and the partnership programs between the City and Chamber of Commerce. The partnership programs with the Chamber of Commerce include the Business Retention and Expansion Survey program, 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, utility franchise fees, and taxes.

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 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 are included in the proposed biennial budget. However, the allocation of funds does impact how the City will utilize and administer the funds and the TOT allocation resolution provides a legal record of the allocation to ensure transparent compliance with Oregon Revised Statutes.

STAFF RECOMMENDATION

Staff has developed a set of recommendations for the allocation which is shown in the attached draft resolution and, after incorporating the specific allocations already made, is generally consistent with previous cycle allocations and would also offer several items to consider:

- The Citizens’ Budget Committee (CBC) recommended a total of \$230,000 (\$150,000 unrestricted and \$80,000 tourism restricted) for the 2019-20 ECTS Grant Program and additionally completed its review and award of grants to the 33 applicants that submitted applications for the funds.
- The CBC discussed funding levels for the Economic Development Program, which included two separate motions for funding reductions that were not approved by the Committee.
- 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, and 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.

ACTIONS, OPTIONS & POTENTIAL MOTIONS

- 1) I move approval of Resolution 2019-17 allocating the remaining anticipated TOT revenues for BN2019-21 as presented
- 2) I move approval of Resolution 2019-17 allocating the remaining anticipated TOT revenues for BN2019-21 with the following modifications (list desired changes to resolution).

REFERENCES & ATTACHMENTS

Attachment 1: Draft Resolution 2019-17 – TOT Final Allocation for BN2019-21

[April 16, 2019 Council Packet Materials](#)

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

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

[June 18, 2018 Council Packet Materials](#)

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

RESOLUTION NO. 2019-17

**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 2019-03.**

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 percent 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 percent 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 percent – 9 percent:
 - A minimum of 14.23 percent of the estimated TOT revenue generated by the original 7 percent tax rate for tourism promotion per ORS 320.350 and,
 - A minimum of 70 percent 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 percent of the estimated TOT revenue generated by the additional 1 percent tax rate for long term parking supply pursuant to ORS 320.350 and,
 - 30 percent of the estimated TOT revenue generated by additional 1 percent 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	% of Tourism	2019-2020	2020-2021
TOTAL Tourism TOT		949,884	949,884
Long Term Parking Supply (70% of 1% increase in 2018)		245,727	245,727
Remaining Tourism TOT		704,157	704,157
Visitor & Convention Bureau – Chamber of Commerce	47%	446,338	446,338
Oregon Shakespeare Festival – (13.5%)	Fixed	110,000	110,000
City Economic, Cultural, and Sustainability Grants	10%	80,000	80,000
Public Art	3%	21,125	21,125
Other City Tourism eligible Capital Projects	Remainder	46,694	46,694
TOTAL RESTRICTED TOT ALLOCATION		\$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 percent 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 2019-03 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.

John Stromberg, Mayor

Reviewed as to form:

David Lohman, City Attorney