



**CITY COUNCIL STUDY SESSION
DRAFT MINUTES**

Monday, December 3, 2018
Council Chambers, 1175 E. Main Street

Mayor Stromberg called the Study Session to Order 5:32 p.m.

Councilor Slattery, Morris, Bachman, Seffinger, Rosenthal and Jensen were present.

Budget Committee Members David Runkle, Shaun Moran, Paula Hyatt, Shane Hunter, Pamela Lucas and Jim Nagel were present.

I. Public Input (15 minutes, maximum)

Huelz Gutcheon – HWY 99 – Spoke regarding wires that can charge cars overnight. He also spoke regarding solutions to climate change.

II. Update on Food and Beverage Tax Funded Street Projects

Public Works Director Paula Brown gave a Staff report. She spoke that the projects that have been approved are on schedule. She went over the projects.

Council discussed the timeline and costs.

III. 5th Quarter Financial Report

Administrative Services Director Mark Welch gave a Staff Report. He presented a PowerPoint to Council (*see attached*).

Items discussed were:

- Fund Balances
- General Fund
- Parks General Fund
- Water Fund
- Health Benefits Fund
- Transient Occupancy Tax
- Food and Beverage Tax

Respectfully submitted by:

City Recorder Melissa Huhtala

Attest:

Mayor Stromberg

In compliance with the Americans with Disabilities Act, if you need special assistance to participate in this meeting, please contact the City Administrator's office at (541) 488-6002 (TTY phone number 1-800-735-2900). Notification 72 hours prior to the meeting will enable the City to make reasonable arrangements to ensure accessibility to the meeting (28 CFR 35.102-35.104 ADA Title I).

City of Ashland, Oregon

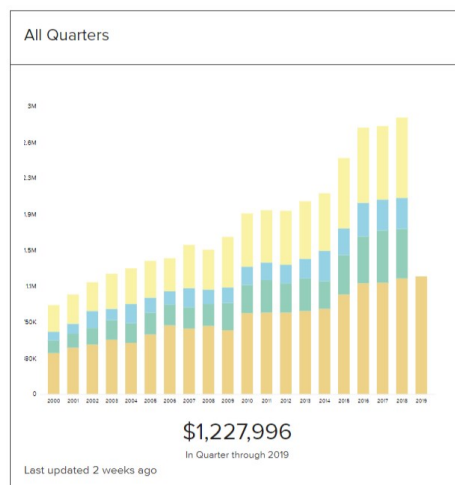
Transient Occupancy Tax and Food & Beverage Tax

Tourist Related Revenue Trends

Introduction

Tourism is a significant component of the Ashland economy. Two revenue sources capture the majority of the direct tourist taxes received by the City; the Transient Occupancy Tax (often referred to as a lodging tax), and also the Food & Beverage Tax.

This page provides a short narrative and revenue data trends for each tax.



Transient Occupancy Tax

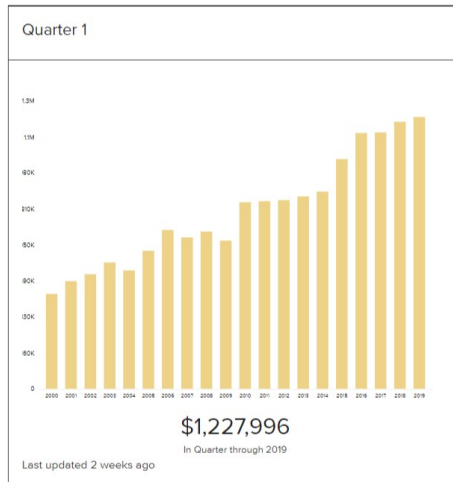
Transient Occupancy Tax (TOT) is collected on all short term (less than 30 day) accommodations. The rate prior to August of 2018 was 9% and was increased to 10% starting in August of 2018. The total tax collections have increased annually in all but one year over the last 12 years. Transient Occupancy Tax total receipts are impacted by changes in the total number of new rooms, nightly rates, as well as vacancy rates.

TOT revenues are regulated by Oregon State Law, requiring a portion of the overall tax revenue to be spent only on qualifying tourist related expenditures. The non-restricted portion of the tax revenue is available for general city operations.

TOT collections are a leading indicator of potential growth or slowdown in the tourism sector in Ashland. The majority of the tax revenue is collected on a quarterly basis, providing solid season by season data, but also results in a lag of the data.

The City monitors the tax collections closely to ensure performance related to General Fund budget estimates. If the tax collections are trending below budget estimates, the City works to address any shortfalls with this Fund.

The overall TOT collections have shown an upward trend over the last 19 years with a slowdown during the Great Recession before increasing again. The TOT collections are based on available number of rooms, occupancy rates, and price of the room. When any of those factors increase, then the overall TOT collections increase.



TOT Quarter 1 (July-September)

The 1st Quarter of each Fiscal Year (July-September) covers the peak summer tourist season in Ashland and accordingly comprises the largest percentage of annual TOT revenue of approximately 40%.

The 1st Quarter of 2018 (7/1/18-9/30/18) saw a slight increase in overall tax collections. The aggregate tax collections increased 1.84%.

However, the City implemented a new tax rate on August 1st, increasing the rate from 9% to 10%. The 1% increase was dedicated to fund a new Police Officer and also to address long term parking supply, consistent with State law allowable uses of the funds.

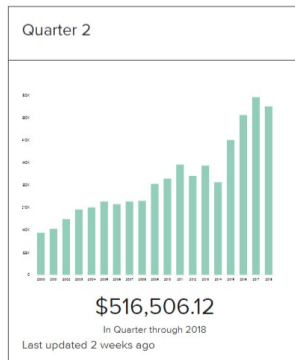
After accounting for the rate increase and normalizing the data to provide an accurate comparison to previous summer quarterly returns, the tax collections decreased 4.74%.

With the decrease in normalized collections, the City will monitor 2nd quarter collections to prepare an estimate for the 2019-21 biennial budget. It is anticipated that the budget will be presented with no projected increase for this revenue stream.

The unrestricted funds for the General Fund decreased about \$45,000 compared to the budgeted amounts. With careful consideration of hiring vacant positions, along with department cost control diligence, no changes to the budget are recommended at this time.

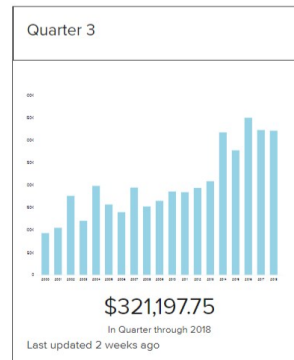
The budget and operating impacts will be implemented in the BN 2019-21 Budget. With an anticipated stagnant revenue source, expenditures will continue to be closely scrutinized.

TOT Quarter 2 (October-December)



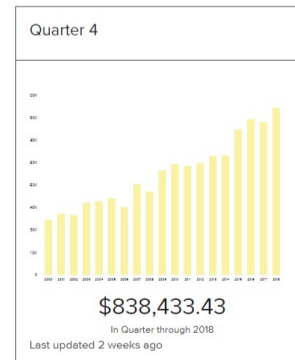
The 2nd Quarter of each Fiscal Year (Oct-Dec) comprises 18% of the total TOT collections. The City experienced a slight decrease in revenue in the quarter ending December 31, 2017.

TOT Quarter 3 (January-March)



The 3rd Quarter of each Fiscal Year (Jan-March) comprises 11% of the total TOT Collections. The period ending March 30, 2018 experienced a relatively flat year over year change.

TOT Quarter 4 (April-June)



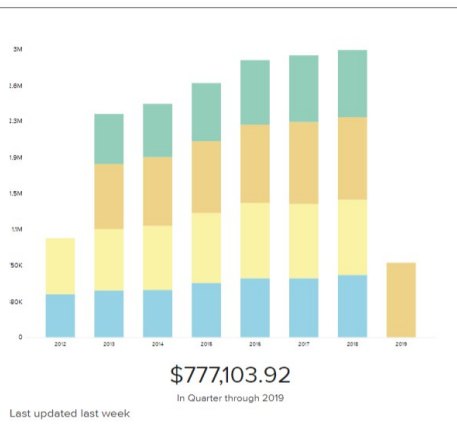
The 4th Quarter of each Fiscal Year (April-June) comprises 29% of the total TOT Collections. The month of June is the start of the summer peak tourist season. The quarter ending June 30, 2018 saw year over year increases. The City experienced its initial smoke event shortly after the July 4th holiday in 2018, stalling the growth trend that was otherwise expected to continue into the First Quarter of FY2019 (July-Sept).

Transient Occupancy Tax Allocation

	<u>FY 19 Q1</u>	<u>FY 18 Q1</u>
Ashland Chamber of Commerce	\$ 111,585	\$ 107,810
Oregon Shakespeare Festival	27,498	27,498
Small Grant Organizations	79,703	81,493
Public Art	23,911	23,102
City Tourism Projects	29,204	43,654
Other Restricted TOT	55,607	42,869
Unrestricted General Fund	900,490	897,517
Total	1,227,998	1,223,943

[Transient Occupancy Tax Resolution](#)

All Quarters



Food and Beverage Tax

The City of Ashland is one of two Oregon communities that charge a tax on prepared food and nonalcoholic beverages. The 5% tax is allocated to the restricted purposes approved by Ashland voters listed below.

The Allocation.

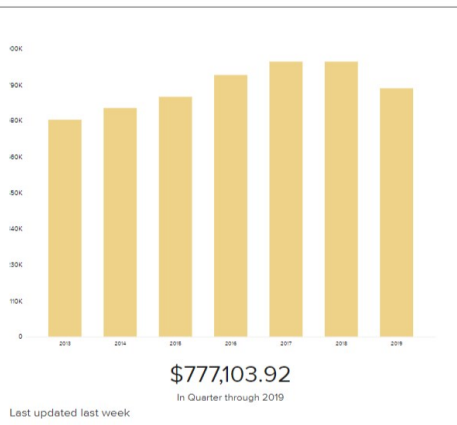
1. Pay for the Wastewater debt-until 2021

After debt payment

2. 25% to Parks for acquisition, development, and maintenance of open space
3. 73% to Streets for Street Maintenance
4. 2% to Central Service for Administration

Unlike TOT collections with a large collection in the 1st Quarter, the Food and Beverage collections are roughly equal each quarter, with the 1st and 4th Quarters slightly higher, but no one quarter comprises more than 30% of the total collection for the year. The largest quarter is the first with 29% of the yearly tax collections and the lowest being the 3rd Quarter with 22% of the tax collected respectively.

1st Quarter



1st Quarter Food and Beverage

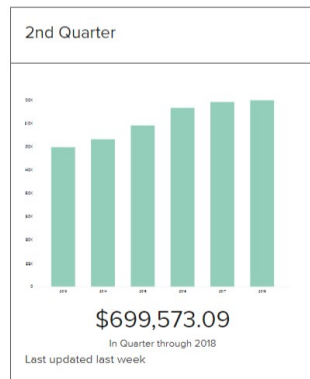
In the 1st Quarter of Fiscal Year 2019, the City experienced a significant decrease in Food and Beverage tax collections.

When reviewing actual collections, the City received 9.71% less tax revenue than the same period one year prior. The reduced tax collections was somewhat anticipated due to the summer smoke events and the reduction of outside seating, a not insignificant percentage of all available seats, for the summer months.

The City has not yet received tax submittals from all businesses. The City is currently working to collect the remaining tax revenue from 35 business (as of 11/30/18). Assuming that the tax collections come in at a similar average of 5% reduced collections, average of the returns submitted, the tax collections would increase to \$853,856, or a 4.01% reduction.

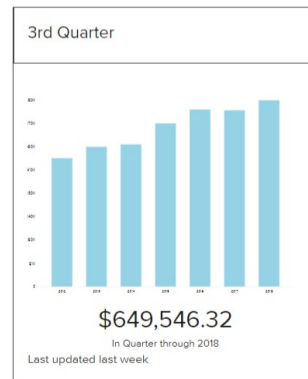
The allocation of Food and Beverage collections is for non-operating expenses. The debt for the Wastewater is still covered, with slightly less money being received for Parks and Streets, along with Central Services.

2nd Quarter (Oct-Dec)



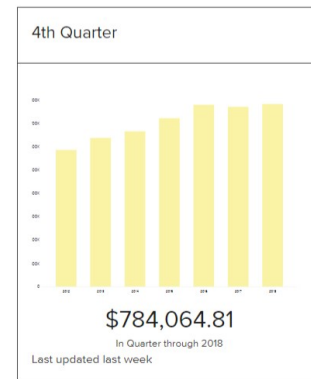
The 2nd Quarter historically comprises 23% of all Food and Beverage collection for the year. The 2nd Quarter has been increasing the last several years. Comparing 2017 to 2018, the 2nd Quarter grew 1%.

3rd Quarter (Jan-Mar)



The 3rd Quarter historically comprises 22% of all Food and Beverage collection for the year, making it the lowest quarter annually. The 3rd Quarter has been increasing the last several years. Comparing 2017 to 2018, the 3rd Quarter grew 5.5%, the largest year over year increase.

4th Quarter (Apr-Jun)



The 4th Quarter historically comprises 26% of all Food and Beverage collection for the year, the second largest. The 4th Quarter increased 1.6% year over year from 2017 to 2018.

City of Ashland

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