

# Council Business Meeting

March 2, 2021

<b>Agenda Item</b>	Resolution No. 2021-03 Allocating Anticipated Transient Occupancy Tax Tourism	
<b>From</b>	Melanie Purcell	Finance Director
<b>Contact</b>	<a href="mailto:melanie.purcell@ashland.or.us">melanie.purcell@ashland.or.us</a> ; (541) 552-200	

**SUMMARY**

As part of the development of the proposed budget for the 2021-2023 biennium (BN21-23), a determination and decision are being sought regarding the proposed uses for the anticipated Transient Occupancy Tax (TOT) revenues, estimated at \$2,552,222 in total for the biennium. The projected revenues are approximately 40 percent of the original BN2019-21 budget due to the ongoing effects of the COVID-19 pandemic.

**POLICIES, PLANS & GOALS SUPPORTED**

Administrative/Governance goal:

*“To ensure on-going fiscal ability to provide desired and required services at an acceptable level”*

**PREVIOUS COUNCIL ACTION**

None

**BACKGROUND AND ADDITIONAL INFORMATION**

The City of Ashland collects a Transient Occupancy Tax (TOT), from visitors who stay in overnight lodging within the city limits. Approximately two-thirds of those funds are utilized for the City’s General Fund and are used to support Police, Fire, Community Development, and Municipal Court. The remaining one-third of these 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. 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. Tourism restricted funds cannot legally be used to fund public safety positions or related expenses. The funds are calculated as follows:

<b>TOTAL TOT</b>	<b>1,160,101</b>	<b>1,392,121</b>
Tourism Restricted (pre-2018)	29 299,422	359,306
Tourism Restricted (post-2018)	89,328	107,194
<b>TOTAL Tourism Restricted</b>	<b>\$ 388,750</b>	<b>\$ 466,500</b>
General Government Operations	\$ 771,351	\$ 925,621

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 restrictions on entertainment and travel, and the impacts of smoke and fire in recent seasons on visitor confidence.

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

Allocation of TOT funds is based on anticipated revenue estimates done within the biennial budget process. The current COVID-19 crisis has drastically altered the revenue picture from prior budgets. The fiscal year (FY) 2020-21 TOT receipts are nearly 60 percent less than originally estimated for FY2019-20. The City Council amended the FY2019-20 budget and TOT allocations as a result of evaluating economic recovery needs to target the uses of TOT funds to maximize their benefit to the community while concurrently preserving as much of the unrestricted TOT funds for public safety operations in the General Fund as possible. Staff is recommending a similar approach for the BN2021-23 allocations as well. A small portion of the proceeds are recommended to continue the City’s commitment to public art while contributing some assistance to the Oregon Shakespeare Festival to resume its outreach and rebuilding Ashland’s market share of the entertainment space.

Prior to FY2019-20, a portion of the tourism and unrestricted funds, approximately \$230,000 was also made available to community non-profits through an annual grant program. With the decline in TOT revenues due to the COVID-19 pandemic, this program funding was limited to the historic levels of tourism restricted TOT revenues of \$80,000 with the \$150,000 of unrestricted TOT funds being withheld for general fund operations.

When the City increased its TOT rate by 1%, a portion of the increase was set aside for future parking needs. The City Council has the option of appropriating these prior years’ tourism restricted funds originally set aside for future parking needs. These funds can only be used for tourism promotion, marketing of tourism events, and capital improvements (life of ten years or more) for projects that substantially serve tourism activities as required under State law. Staff is recommending the use of some reserves to increase funding for Travel Ashland to the FY2020 level. Should the City Council decide to use additional funds for tourism grants to other non-profit agencies, shown below are impacts on the reserve of various scenarios:

Remaining Reserve TOT Funds	2020	2021	2022
Available Reserve (Future Parking)	\$ 413,558		
As Proposed (Travel Ashland FY2020 amount and Public Art)		281,532	218,369
With Recommended and Tourism Grants		181,532	18,369

**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. The resolution allocates funding consistent with directions provided with the initial reduction in TOT revenues in Spring 2020. It contains a conservative estimate of revenues recognizing the volatility of the current economic conditions.

**STAFF RECOMMENDATION**

Staff supports the approval of Resolution No. 2021-03 allocating:

	<b>2021-2022</b>	<b>2022-2023</b>
Tourism Restricted (pre-2018)	299,422	359,306
Tourism Restricted (post-2018)	89,328	107,194
Available BN Tourism TOT	\$388,750	\$466,500
Use of TOT Reserves	\$132,026	\$63,163
<b>TOTAL TOT Resources</b>	<b>\$529,663</b>	<b>\$529,663</b>
Visitor & Convention Bureau – Chamber of Commerce	446,338	446,338
Oregon Shakespeare Festival – (13.5%)	55,000	60,000
Tourism Grants	0	0
Public Art (5%)	19,437	23,325
Other City Tourism eligible Capital Projects	0	0
<b>TOTAL RESTRICTED TOT ALLOCATION</b>	<b>\$520,775</b>	<b>\$529,663</b>

**ACTIONS, OPTIONS & POTENTIAL MOTIONS**

I move to adopt Resolution No. 2021-03 allocating TOT restricted funds.

**REFERENCES & ATTACHMENTS**

- Attachment 1: Resolution No. 2021-03 Allocating TOT Restricted Funds – Baseline
- Attachment 2: Resolution No. 2021-03 Allocating TOT Restricted Funds – Expanded
- Attachment 3: Oregon Shakespeare Festival – Funding Request letter

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**RESOLUTION NO. 2021-03**

**A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF ASHLAND  
ALLOCATING ANTICIPATED TRANSIENT OCCUPANCY TAX TOURISM  
RESTRICTED REVENUES FOR THE BIENNIUM 2021-2023 BUDGET.**

**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 for General Government Operations.

THE CITY OF ASHLAND RESOLVES AS FOLLOWS:

SECTION 1.

For the Biennium 2021-2023, the City of Ashland expects to budget an estimated \$2,552,222 for Transient Occupancy Tax collections. The annual allocation between tourism and general governmental operations is as follows:

TOT Anticipated Revenues	<b>% of Total</b>	<b>FY 2021-22</b>	<b>FY 2022-23</b>
Tourism Restricted (ORS 818)	29%	388,750	466,500
General Government Operations	71%	771,351	925,621
<b>TOTALS</b>	<b>100%</b>	<b>\$1,160,101</b>	<b>\$1,392,121</b>

**Tourism Allocation**

Tourism restricted funds will be allocated as follows:

<b>Tourism Restricted TOT Allocation</b>	<b>% of Tourism</b>	<b>2021-2022</b>	<b>2022-2023</b>
TOTAL Tourism TOT		388,750	466,500
Uncommitted Long-Term Parking Allocation		132,026	63,163
<b>Available Tourism TOT</b>		<b>\$520,775</b>	<b>\$529,663</b>
Visitor & Convention Bureau – Chamber of Commerce	FY2020 base	446,338	446,338
Oregon Shakespeare Festival – (13.5%)	Fixed	55,000	60,000
City Economic, Cultural, and Sustainability Grants		0	0
Public Art	5%	19,437	23,325
Other City Tourism eligible Capital Projects		0	0
<b>TOTAL RESTRICTED TOT ALLOCATION</b>		<b>\$520,775</b>	<b>\$529,663</b>

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.

<b>Unrestricted TOT Allocation</b>	<b>2019-2020</b>	<b>2020-2021</b>
<b>TOTALS</b>	<b>\$771,351</b>	<b>\$925,621</b>

SECTION 2. This resolution is effective upon adoption.

1 ADOPTED by the City Council this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

2 ATTEST:

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5 Melissa Huhtala, City Recorder

6 SIGNED and APPROVED this \_\_\_\_\_ day of \_\_\_\_\_, 2021.

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Julie Akins, Mayor

11 Reviewed as to form:

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14 David H. Lohman, City Attorney

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TOTAL Tourism TOT		388,750	466,500
Uncommitted Long-Term Parking Allocation		232,026	163,163
<b>Available Tourism TOT</b>		<b>\$620,775</b>	<b>\$629,663</b>
Visitor & Convention Bureau – Chamber of Commerce	FY2020 base	446,338	446,338
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City Economic, Cultural, and Sustainability Grants		100,000	100,000
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15 South Pioneer Street  
Ashland, OR 97520

541 482 2111  
541 482 0446 *fax*

[www.osfashland.org](http://www.osfashland.org)

February 9, 2021

Mayor Julie Akins  
Ashland City Council  
Adam Hanks, City Manager Pro Tem  
City of Ashland  
20 E. Main Street  
Ashland, OR 97520

Dear Mayor Akins, City Councilors, and Mr. Hanks:

I'm writing on behalf of the Oregon Shakespeare Festival to submit a revised request of OSF's allotment from Ashland's transient occupancy tax (TOT) pool for the City's 2021-22 fiscal year.

Last year, OSF's request was \$35,000, about one-third of our typical allotment of \$110,000. We were happy to request that most of our funding be redirected to other tourism uses in Ashland, in light of both our reduced activity due to the Covid-19 pandemic and the need to continue to promote Ashland to the travelling public.

For the current allocation, OSF requests \$55,000, or one-half of our usual funding. We anticipate that our activity in 2021 and the first half of 2022 will be lower than our usual offerings, but we do anticipate returning to live performances during the grant period, and at as high a level as our resources and Covid safety will allow. As you are aware, OSF's website, online and other advertising, and brochures and other printed materials are seen widely beyond Ashland's borders, and are a major factor in informing new and returning visitors about OSF and Ashland's offerings. It is imperative that this kind of work not lapse, even during a pandemic, as travel awareness for consumers is a long game, and travel decisions are often made long in advance. Funding from the TOT will be critical to ensuring that OSF's efforts to this end continue.

We also look forward to continued partnership with Travel Ashland and the Ashland Chamber of Commerce and support their requests for funding from the TOT. It is only by working in concert that we will be able to return stronger from the pandemic-induced drop in visitation experienced since the spring of 2020.

The financial support of the City of Ashland has been crucial to the success of the Oregon Shakespeare Festival since our founding in 1935 and continues to be essential today. We look forward to reporting the successes underwritten by the City's support via the TOT and to continuing our partnership in the years to come.

Very sincerely yours,

A handwritten signature in black ink, appearing to read "D. Schmitz", with a long horizontal flourish extending to the right.

David Schmitz  
Executive Director



February 10<sup>th</sup>, 2021

Re: Support for Oregon Shakespeare Festival

To Ashland City Council and Mayor Akins;

Travel Ashland, Ashland's official Destination Marketing Organization and the Ashland Chamber of Commerce would like to express our continued support for a longstanding partner in tourism, the Oregon Shakespeare Festival, a major stakeholder in the cultural draw to Ashland.

Historically, there has been a symbiotic relationship between our organizations. In 1982, the Ashland Chamber and OSF met to form the beginnings of what is now Travel Ashland, referred to then as the Visitor and Convention Bureau. OSF was a key partner in the inception of the Visitor Bureau with the goal of collaborating together for a larger tourism effort and illustrating the importance of tourism. At the time, the idea of a collaborative organization was very new for Ashland as we were ahead of the curve for many communities in southern Oregon who at the time had not yet realized the benefits of tourism. Through the decades the partnership has enabled the growth of Ashland's visitor base through our collaborative effort.

We support the Oregon Shakespeare Festival's efforts to best navigate forward given the current challenges with the pandemic and commend them on their digital efforts to continue to engage their audience while diversifying its demographics towards a younger visitor.

Through their active participation as an Ex-Officio Member of the Ashland Chamber Board, the Travel Ashland Advisory Committee, our current Visitor Study Steering Committee as well as our Emergency Preparedness task force, we continue to foster a strong partnership with their engagement.

OSF relies on Travel Ashland to promote all of Ashland as a destination and invite visitors for new reasons. As we saw the past few years, while OSF encountered challenges due to poor air quality and the pandemic, they made the best decisions they could for their organization given the information available. Going forward, when OSF can safely reopen, we look forward to enacting our mutually beneficial efforts of collaborating in the tourism space and welcoming new patrons in an enhanced way to engage in all the amenities and assets they are here to enjoy in Ashland.

Thank you,

Katharine Cato  
Travel Ashland & the Ashland Chamber of Commerce  
Katharine@ashlandchamber.com 541-482-3486 ext. 106  
[www.travelashland.com](http://www.travelashland.com)