

# **GOVERNMENT**

## **C - Finance**

## COUNCIL POLICY NO. C-1

**TITLE:** TOT FUNDING POLICY

**POLICY:** See Attached

**REFERENCE:** City of Salem Charter, Section 56 – Transient Occupancy Tax, and SRC Chapter 16 – Salem Cultural and Tourism Promotion Advisory Board & Chapter 37 – Transient Occupancy Tax

### TRANSIENT OCCUPANCY TAX FUNDING POLICY

The City of Salem has collected a Transient Occupancy Tax (TOT) since 1974. Commonly known as a Hotel/Motel Tax or a Lodging Tax, the TOT is a nine percent (9%) tax charged to the occupant of a hotel/motel room. The TOT is based on the nightly rate paid by the occupant, and is collected for the City by the hotel/motel operator. The purpose of this policy is to provide guidance to the City Manager and the Cultural and Tourism Promotion Advisory Board (Board) to be used in making recommendations to the City Council for the allocation of TOT funds.

#### Part I - Definitions

As used in this Policy, the following mean:

**Administration Division** – One of five functional divisions within the Cultural and Tourism Fund in the City Budget. The Administration Division contains the funds budgeted for the costs of City administration of the Cultural and Tourism Fund.

**Applicant** – Any person that applies to the Board seeking a recommendation for the allocation of TOT funds from the Major Tourist Attraction and Cultural Facility Division.

**Capital Asset** – A depreciable asset, other than a capital improvement, that is necessary for the operation of a facility.

**Capital Improvement** – A depreciable asset that is affixed to a facility and either increases the useful life or types of uses for the building or structure upon which it is installed.

**City Programs Division** – One of five functional divisions within the Cultural and Tourism Fund in the City Budget. The City Programs Division contains the funds budgeted for enhancement and beautification of vehicular and pedestrian entrance-ways to the city urban beautification generally, restoration and maintenance of city-owned historic structures and grounds and payment of the structures' utilities, and City services at the state fair.

Conference Center Division – One of five functional divisions within the Cultural and Tourism Fund in the City Budget. The Conference Center Division contains the funds budgeted for the Salem Conference Center gain/loss reserve and general marketing.

Cultural Facility – A building, structure, premises, or monument or other similar structure having as its primary purpose the advancement or preservation of intellectual aspects of human activity. As used in this definition, intellectual aspects of human activity include, but are not limited to, visual art, literature, music, theatre, and dance.

Cultural Tourism Fund – The fund in the City’s Budget, into which the City deposits all of TOT revenues. The Cultural and Tourism Fund is divided into four functional divisions -- Conference Center Division, Tourism Promotion Division, City Programs Division, and the Major Tourist Attractions and Cultural Facilities Division. The Cultural Tourism Fund also includes a contingency account.

Event Sponsor –The principal organizer and responsible party for an event.

Facility – A cultural facility or a major tourist attraction facility.

Operating Expenses – Expenses incurred for general operating costs, as opposed to depreciable assets. As used in this policy, operating expenses include, but are not limited to, advertising, newsletters, conservation, maintenance, tour guides, security, promotions, brochures, education programs, exhibits, artifact care, event permits, fund-raising, administrative expenses, research, and marketing.

Person – An individual, partnership, corporation, limited liability company, governmental entity, non-profit corporation, cooperative, or other entity in law or fact.

Major Tourist Attraction – Something commonly considered a primary destination for tourists visiting the City including, but not limited to, historical places, monuments, zoos, museums and art galleries, gardens, parks and special events.

Major Tourist Attractions and Cultural Facilities Division – The Major Tourist Attractions and Cultural Facilities Division is one of five functional divisions within the Cultural and Tourism Fund in the City Budget. The Major Tourist Attractions and Cultural Facilities Division contains funds budgeted for operating expenses and capital improvements for facilities and operating expenses for special events.

Major Tourist Attraction Facility – A building, structure, premises, or monument or other similar structure that serves as a Major Tourist Attraction.

Special Events – Performances, conferences, gatherings and other similar events that are of limited duration and are generally sponsored by one or more entities. To be considered a special event, the event must enhance the quality of life for Salem residents and be the type of event that would reasonably be expected to draw tourists to visit Salem to attend the event. Both single and recurring events qualify as special events. Special events may, but need not be, tied to a facility.

Tourism Promotion Division – One of five functional divisions within the Cultural and Tourism Fund in the City budget. The Tourism Promotion Division contains the funds budgeted for

activities performed directly by the City or through contracts that promote the City for conventions, conferences, seminars or for general tourism.

## **Part II - Recommended Budget**

As part of the City's yearly budget cycle, the City Manager will prepare an annual budget recommending an allocation of TOT funds within the Cultural and Tourism Fund for the following fiscal year. The City Manager shall ensure each of the five functional divisions is allocated funds in sufficient amounts to meet the City's contractual or other legal obligations and cover the costs of City administration of the Cultural and Tourism Fund.

The City Manager has discretion to determine what items or activities to recommend for funding under the Conference Center, Tourism Promotion, City Programs and Administration divisions. The City Manager's recommended budget shall include specific line items for each of those four divisions. The City Manager will provide a copy of the recommended budget to the Board for review, pursuant to SRC 16.060(a). Upon reviewing the City Manager's recommended budget, the Board will present any comments or recommendations to the City Budget Committee in the form of a report. The report may also include a summary of activities in the past year and a preliminary work plan for the coming year.

The City Manager shall provide an amount in the recommended budget for the Major Tourist Attractions and Cultural Facilities Division. In so doing, the City Manager shall not provide specific line item recommendations. Pursuant to SRC 16.060(a), the Board will review requests for TOT funds from owners and operators of facilities and sponsors of special events, and then make allocation recommendations to the City Budget Committee. The Board shall establish a process, consistent with this Policy, for receiving and evaluating the requests. The Board's total recommended funding package for the Major Tourist Attractions and Cultural Facilities Division shall be allocated as follows:

- A maximum of 10% of the funds for capital assets for, or capital improvements to, facilities;
- A minimum of 25% of the funds for operating expenses for special events; and
- A minimum of 60% of the funds for operating expenses for facilities.

The Board's recommendation shall allocate 100% of the funds, and the Board shall complete its recommendations for the capital, special event and facility operating grants and forward them to the City Manager by March 30 for inclusion in the proposed budget.

## **Part III - Evaluation of Requests for the Major Tourist Attractions and Cultural Facilities Division**

### **1. Application / Evaluation Process**

The Board shall adopt application forms, a schedule, and evaluation criteria by November 15 of each fiscal year for the capital, special event and facility operating grants. The Board may modify the application forms, schedule, and evaluation criteria from year to year, based upon funding goals and priorities.

The Board shall adopt three application forms: one form for capital assets and capital improvements, a second application form for operating expenses for facilities, and a third application form for operating expenses for special events. The application forms shall require the submittal of any information the Board deems necessary to make a recommendation for award of TOT funds. The Board shall adopt the application forms and make them available not less than 30 days prior to the application deadline.

***A. Application***

Applications may be submitted by any person who wishes to request TOT funds. The Board may authorize pre-application conferences, which may be mandatory or optional.

## ***B. Schedule***

The schedule should fairly inform applicants of the process the Board will use to evaluate requests for TOT funds. The schedule shall include a statement of the following:

- Due dates, and whether the Board will apply different due dates depending upon whether an applicant is seeking TOT funds for a capital asset, capital improvement, or operating expense;
- Whether the Board will hold pre-application conferences, and whether the conference is mandatory or optional;
- The anticipated date the Board will evaluate and make a determination regarding the applications;
- Guidelines for the applicant's participation in the evaluation process, including whether presentations by the applicant will be required or allowed;
- Whether the Board will establish classifications for evaluating requests based upon funding amount requested.

## **2. Evaluation Criteria**

### ***A. Process***

The Board shall publish its evaluation criteria concurrently with the application forms and schedule.

The Board will hold a public meeting when considering all applications. Consideration shall occur in open session. The Board shall not consider untimely or incomplete applications.

The Board shall evaluate all requests to fund capital assets, capital improvements, operating expenses for special events and operating expenses for major tourist attraction or cultural facilities collectively, using a competitive process according to evaluation criteria adopted by the Board.

### ***B. Minimum Criteria***

The evaluation criteria adopted by the Board shall include the following minimum criteria.

Applicants must be a non-profit corporation having tax exempt status under section 501(c)(3), 501(c)(4) or 501(c)(6) of the Internal Revenue Code at the time of application submission, except that for profit entities may apply for a small special event grant not to exceed \$2,000. Applicants need not have a primary place of business within city limits as long as the funding requested will be used to promote or enhance Salem.

Funds may only be awarded for applications that comply with the limitation on TOT funds under Section 56 of the Charter of the City of Salem. Section 56 of the Charter provides that TOT funds may only be used for the following purposes:

- Enhancement and beautification of vehicular and pedestrian entrance-ways to the city;

- Urban beautification generally;
- Improvements to or operation of major tourist attraction or cultural facilities; or
- Activities performed directly by the city or through contracts that promote use of Salem for conventions, conferences, seminars or for general tourism.

Only owners or operators of facilities and operators of special events are eligible to apply for funding.

Requests by applicants operating City-owned facilities may only request TOT funds for capital assets or capital improvements specifically described as the applicant's responsibility under the applicant's management or maintenance agreement with the City.

Public funds shall not be used to purchase alcoholic beverages.

#### **Part IV - Effective Date of Policy and Review**

This Policy is effective beginning FY 2016-17 and is intended to be in effect until the City Council amends or repeals this Policy. If the City Council decides to amend or repeal this Policy the City Council will endeavor to involve the Salem Area Lodging Association, the City's tourism promotion contractor, funding recipients, and the Board in that decision. The Board should review this Policy not less than once every three years, and make recommendations for needed changes to the City Council by August 31 of the year during which the review occurs.