



# CITY OF SALEM

## Written Testimony

### City Council

555 Liberty St SE  
Salem, OR 97301

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**Monday, April 16, 2018**

**6:00 PM**

**Council Chambers**

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**City Council Work Session - Transient Occupancy Tax (TOT)**

**2.a.**    [18-180](#)                      City Transient Occupancy Tax Policies and Uses

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

**Recommendation:**              Information Only.

**Attachments:**    [CTPAB TOT Work Session - April 16 2018](#)  
                              [TOT Memo to Mayor Council](#)  
                              [Written Testimony - Gilbert House Children's Museum](#)

*Add- Written Testimony.*

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Break

## Amy Johnson

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**From:** Kelly Kelly  
**Sent:** Monday, April 16, 2018 3:43 PM  
**To:** Amy Johnson  
**Subject:** FW: TOT Meeting  
**Attachments:** Proposal for Cultural Facilities Support\_2018.docx; TOT Fund Multi-Year Budget Summary - 2008-2017.xlsx

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**From:** Alicia Bay [mailto:executivedirector@acgilbert.org]  
**Sent:** Monday, April 16, 2018 2:09 PM  
**To:** Kelly Kelly <KSKelly@cityofsalem.net>  
**Subject:** TOT Meeting

Kelly,

I am looking forward to the city council work session this evening and the opportunity to learn more about TOT funding. My understanding is that the meeting will be held at 6:00 pm in room 240. Please confirm this. I am unclear on how the work session will function, but I have attached the proposal submitted by the cultural facilities last summer and a budget summary of funding over the last several years that I hope can be submitted.

Thank you for your work on this. I am grateful to live in a city that cares so much about preserving heritage and providing quality experiences for residents as well as visitors.

Gratefully,

Alicia Bay  
Executive Director



## PROPOSAL FOR MORE SUSTAINABLE SUPPORT FOR SALEM'S CULTURAL & HERITAGE FACILITIES

*Salem cultural facilities - namely Deepwood Museum & Gardens, Gilbert House Children's Museum, Hallie Ford Museum of Art, Salem Art Association, Salem Carousel, Salem Multicultural Institute, Willamette Art Center and Willamette Heritage Center – greatly appreciate the dialogue with the city over the allocations from the TOT fund. We respectfully request that the following proposal is adopted by the city council:*

- *We appreciate the precedence established by Travel Salem and believe that the combined efforts of the cultural facilities result in a tourist draw similar to the work of Travel Salem. We therefore request that the facilities are similarly funded through a fixed percentage which would help to stabilize daily operations. Our request to the council is for a relatively modest 15% allocation to be shared among the nine organizations (see attached spreadsheet for comparisons).*
- *This would be calculated each year in the same way as Travel Salem's allocation - i.e. 15% of the estimated tax collections would be allocated to the cultural facilities. This would be separate from the funding that is allocated to the grant program for events and capital improvements.*

## CURRENT ALLOCATIONS

There are two documents which illustrate the current distribution:

- 1) The attached spreadsheet
- 2) This extract from the staff report dated 7/24/2017

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### Ongoing Support for Major Tourist attraction and Cultural Organizations

The grant program conducted by the TOT Board has been in existence for several decades. The grant program provides operational support for major tourist attraction or cultural facilities and special events, as well as capital improvement funding for qualified facilities.

#### *Issue:*

From **FY 2010-11 through FY 2015-16**, actual transient occupancy tax receipts increased from **\$2.2 million to \$3.6 million per year**. The level of total grant funding has varied over the six years and **never exceeded \$440,000**. Over this highlighted period, the total grant appropriation has been divided among 9 to 11 qualifying facilities, 15 to 25 special events, and 3 to 5 capital improvement projects. **During the same period, the allocation to maintain transient occupancy tax-eligible parks has increased from \$342,590 to \$1,179,350 and support to the City's destination tourism marketing organization has increased from \$479,000 to \$771,420.... (end extract)**

Including the budget of the last FY 2016-17, the same comparison would be as follows:

**Cultural facilities and grant program:** no increase – “never exceeding \$440,000”

**City of Salem:** \$342,590 to \$2,743,275

**Travel Salem:** \$479,000 to \$987,230

## CULTURAL TOURISM

Thanks in part to the City's partnership with its cultural facilities through the TOT Grants and Travel Salem's marketing efforts, our cultural and heritage sites are extremely important as an economic stimulus. Cultural facilities and museums provide economic vitality for Salem—attracting visitors, bringing money, creating jobs, and generating business. This investment on the part of the City is not wasted. On

the contrary, these expenditures have one of the best returns ever. A recent U.S. Council of Mayors study that found that, **for every \$1 invested in cultural institutions, municipalities saw \$7 in tax revenues.** In addition to increased tax revenues, the local community businesses and citizens benefit through this multiplier. As an example, the direct tourist spending in Marion County (2/3rds in Salem) went from \$108 million in 1991 to \$224 million in 2011.

That growing tourism economy is proof that the TOT investments (cultural grants and support for Travel Salem) have been a good investment on part of the City. Its success is also exhibited by the growth in the heritage and cultural community. Other industries are shrinking, ours is not. Growing TOT revenues is proof of this. But underfunding those facilities that have helped bring in this revenue could hinder this growth.

As interpretations of the charter change, the cultural organizations are seeing lower percentages of the funding. It is being diminished by two factors:

- flat allocation - which by inflation, is worth less each year. This is demonstrated by the information above and the accompanying spreadsheet.
- Changes in the interpretation of the rules. Previously the questions were: 1) is it a nonprofit and 2) is it a cultural organization. Now event allocations are going to for-profits activities and sports.

## **SUMMARY**

Salem is fortunate to have a strong network of nine cultural facilities. They are the backbone of the cultural life of this city. Not only are they tourist attractions, but they focus on building community, prosperity and nurturing minds through the enrichment of their programs which are largely offered to the community either free or subsidized so that all boats rise.

However each facility is currently receiving only **.7% of the tax collected in the TOT Fund, a fund which is generated, in part, by the facilities themselves.** Therefore, going forward, we respectfully request a facilities allocation based on 15% of the total tax collected, similar to the way funds are allocated to Travel Salem. In this way the nine facilities can also benefit from the increases generated from the fruits of their endeavors.

**TOT Work Session -** the pattern of TOT fund allocation from FY 2008-09 to FY 2017-18

					FY 2016-17 % of tax collections	% for each cultural facility		FY 2017-18 % of tax collections
Cultural and Tourism Fund Budget Summary	FY 2008-09	FY 2009-10	.....	FY 2016-17			FY 2017-18	
<b>Resources</b>								
Beginning Fund Balance	547,000	533,400		1,267,810			342,890	
Tax Collections	2,690,970	2,371,000		3,948,940			4,092,310	
Other Revenues	27,000	23,500		24,000			24,500	
<b>TOTAL RESOURCES</b>	3,264,970	2,927,900		5,240,750			4,459,700	
<b>Expenditures</b>								
<b>Conference Center Support (by agreement)</b>	450,000	450,000		298,590			289,220	now marketing
<b>Tourism Promotion/Travel Salem</b>	538,030	538,030		987,230	25%		1,023,080	25%
<b>City Programs</b>								
Historic Building CIP	373,450	261,000						
Historic Building General Maintenance/Insurance	89,130	90,740						
Historic Building/Riverfront Park Utilities	80,590	70,000						
Historic Property Landscape Maintenance	247,000	262,080						
City Landscape Maintenance	297,980	277,580						
City Services at Community Events	13,350	13,350						
<b>City Programs</b>	1,101,500	974,750		2,904,240	73%		1,989,110	48%
<b>Administration</b>								
<b>City charges</b>	490,490	323,190		273,410	7%		302,480	7.40%
<b>Grants - Major Tourist Attraction/Cultural Facilities</b>								
Facility Operating	253,575	249,040		~260,256	6.60%	0.73%	~275,256	6.70%
Special Event	117,020	116,725			for all 9			for all 9
Capital Project	34,355	54,895						
Unspecified	-	-						
<b>Major Tourist Attraction/Cultural Facilities Total</b>	404,950	420,660		433,760			458,760	
<b>Contingency</b>	280,000	221,270		120,000			120,000	
<b>TOTAL EXPENDITURES</b>	3,264,970	2,927,900		5,017,230			4,182,650	
<i>Total Resources Less Expenditures</i>	-	-		223,520			277,050	

[illegible]