



Staff Report

File #: 16-351

Version: 2

Date: 11/28/2016

Item #: 7.2b.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Kacey Duncan, Deputy City Manager

SUBJECT:

Amendments to SRC Chapter 37.165 and to the City's Tourism Marketing and Visitor Services agreement with Travel Salem.

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

ISSUE:

Shall the City Council conduct second reading of Ordinance Bill No. 18-16, which amends SRC 37.165 to mandate a 25% allocation of annual net receipts of Transient Occupancy Taxes (TOT) to the City's Destination Marketing contractor, currently Travel Salem, and authorize the City Manager to execute amendments to the City's agreement with Travel Salem to implement the ordinance change?

RECOMMENDATION:

Conduct second reading of Ordinance Bill No. 18-16, which amends SRC 37.165 to mandate a 25% allocation of annual net receipts of Transient Occupancy Taxes (TOT) to the City's Destination Marketing contractor, currently Travel Salem, and authorize the City Manager to execute amendments to the City's agreement with Travel Salem to implement the ordinance change.

SUMMARY AND BACKGROUND:

At the July 25, 2016 Council meeting, Council adopted a motion directing staff to "prepare for Council's consideration amendments to SRC Chapter 37 to provide for an annual allocation of 25% of the current fiscal year total receipts of the City's Transient Occupancy Tax to Travel Salem, the City's Destination Marketing Organization, and to prepare amendments to the City's agreement with Travel Salem to implement the code changes."

Staff has met with representatives of Travel Salem to review draft amendments to SRC Chapter 37 and to the parties' agreement. Travel Salem is in agreement and supportive of the proposed changes. As a result of the parties' meetings, the City and Travel Salem have been able to agree on

a modified quarterly payment schedule that, going forward in future fiscal years, will result in installment payments made on actual receipts of TOT as opposed to payments made on budget estimates and projections.

In addition, staff is preparing other amendments to SRC Chapter 37. The proposed changes include updates to the chapter to be consistent with changes in state law pertaining to TOT; administrative updates to clarify language; changes to allow the City to use a third party, such as the State's department of revenue to administer the program; updates to enforcement provisions and penalties; and updates to address home vacation rental providers, such as VRBO, Airbnb and others. Work on these amendments is substantially complete, and staff will be providing the proposed changes to stakeholders prior to bringing the ordinance bill to Council.

FACTS AND FINDINGS:

Ordinance Bill No. 18-16 (Attachment 1) amends SRC 37.165 to;

- 1) Allow the distribution of TOT funds consistent with the purposes allowed by Salem Charter section 56, but removing the former distribution percentages in the Chapter (SRC 37.165(a)), and;
- 2) Mandate that 25% of annual TOT receipts be allocated to the City's destination tourism marketing organization (currently Travel Salem).

The Proposed Agreement Amendment (Attachment 2);

- 1) Mandates that 25% of the annual TOT receipts be allocated to Travel Salem;
- 2) Retains requirements that payments be made in quarterly installments;
- 3) Adjusts the payment schedule for the 2017-2018 fiscal year, and subsequent fiscal years, to provide for stable payments in future years by basing the quarterly payments on actual receipts for each quarter, as opposed to a quarter of the amount estimated in the budget.

First reading of the ordinance bill occurred on November 14, 2016.

David Lacy
Acting Financial Services Administrator

Attachments:

1. Ordinance Bill No. 18-16
2. Proposed amendment to Travel Salem Agreement
3. Existing Travel Salem Agreement

11/15/2016