

# STAFF REPORT

For Meeting of April 25, 2016

MAYOR AND MEMBERS OF THE CITY COUNCIL

Agenda Item #

NO. 2016-

**SUBJECT:**

Ord. 2240- TRT  
Distribution Change

## Subject

This ordinance makes several substantive, and housekeeping, changes to how the Transient Room Tax (TRT) revenues are distributed. The biggest changes are to include the Eastern Oregon Trade and Event Center's operations as eligible to receive revenues, and to create a dedicated funding source for making repairs to the Aquatic Center.

## Summary and Background

The TRT is a percentage-based tax paid by travelers staying in hotels and RV parks. The rate for people staying in hotels for short periods is 8% of the cost of the room. It is important to point out that this is entirely separate from the Tourism Promotion Assessment (TPA), which is a flat-fee charged to travelers.

The existing TRT Code section causes a lot of confusion because it allocates revenues based on a combination of fractions and percentages. Retirement of the Pool Bonds receives 3/8ths of all TRT revenue, and "everything else" that gets TRT funds receives the remaining 5/8ths. Within the "everything else" category, the revenues are then disbursed based on percentages of that fraction. These proposed changes will convert everything to percentages, and divert the small rounding remainders to a new fund for conducting preventative maintenance and repairs at the pool. See Table 1.

The largest proposed change is to specifically add the Eastern Oregon Trade & Event Center as eligible to receive TRT revenue to fund operations of that facility. The City is obligated to help cover 50% of any operational subsidy which may be needed at the EOTEC. This change will create a dedicated revenue source to help meet that obligation, which otherwise would have to come from the General Fund (local property taxes).

This fiscal year, the portion of TRT earmarked for the Hermiston Conference & Community Center (HCCC), according to the existing TRT code, was estimated to be \$161,000. Based on historical operations, the actual public subsidy needed each year to operate the HCCC is approximately \$90,000 per year. This discrepancy between TRT revenue, and subsidy needed was exactly the opposite in the early 2000's, but due to strong growth in TRT revenue, and good management of HCCC expenses, this gap has flipped to the positive direction, and continues to grow. Rather than create a new separate component of the TRT just for the HCCC and EOTEC, these proposed changes allow for maximum flexibility to ensure operational success of the city's two publicly owned event facilities.

## Fiscal Information

Table 1 shows the estimated fiscal impact on the various budget areas which currently receive TRT funding based on estimated FY '15-'16 revenues. It is important to note, however, that gross TRT revenues continue to grow by 5% to 10% per year, and the new Holiday Inn Express and expansion of the Oak Tree Inn will also add more TRT revenue in FY '16-'17. Therefore, in a year-over-year comparison, some of these budget areas that are showing a decrease, may actually see more revenue; but simply less than they would have if there were no change.

<b>Table 1</b>			
<b>Purpose</b>	<b>Previous Allocation*</b>	<b>Proposed Allocation</b>	<b>Projected Annual Change**</b>
<b>Aquatic Center Bonds</b>	37.50%	37.50%	No Change
<b>Event Center Operations</b>	28.125%	28%	(\$716)
<b>Economic Development</b>	15.625%	15%	(\$3,583)
<b>Parks &amp; Rec Development</b>	9.375%	9%	(\$2,150)
<b>Parks &amp; Rec Grants</b>	9.375%	9%	(\$2,150)
<b>Aquatic Center Maintenance</b>	0.000%	1.5%	\$8,599

\*Shown here as percentages already, for mathematical clarity.  
\*\*Based on FY '15-'16 projections. Due to the continual rise in TRT revenue, actual declines will be smaller, and actual gains will be larger in FY '16-'17.

## Alternatives and Recommendation

### Alternatives

1. Motion to approve Ordinance No. 2240
2. Motion to deny Ordinance No. 2240

### Recommendation

Approve Ordinance No. 2240.

## Requested Action/Motion

Motion to approve Ordinance No. 2240

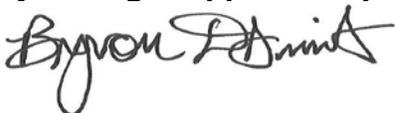
**Department Head-** Mark Morgan, Assistant City Manager



**City Attorney Review-** Gary Luisi, City Attorney



**City Manager Approval-** Byron Smith, City Manager



ORDINANCE NO. 2240

AN ORDINANCE AMENDING SECTION 112.25 “DISTRIBUTION OF TAXES; FEES” OF CHAPTER 112 “TRANSIENT ROOM TAX” OF THE HERMISTON CITY CODE WITH AN EFFECTIVE DATE OF JULY 1, 2016

WHEREAS, the City of Hermiston adopted a Transient Room Tax in 1991.

WHEREAS, the revenues from the tax are used to pay of the Hermiston Family Aquatic Center’s debt; operations of the Hermiston Conference Center and the Eastern Oregon Trade and Event Center; tourist promotion for the Eastern Oregon Trade and Event Center; recreation and recreation-related programs and activities and park improvements; senior taxi program, economic development, street maintenance and similar programs funded from the general fund; and the addition of a swimming pool repair fund.

WHEREAS, the distribution of the transient room tax for the above activities is set out in fractions and should be converted to percentages, now, therefore,

THE CITY OF HERMISTON DOES ORDAIN AS FOLLOWS:

(New language is in *italics* and language to be deleted has a ~~strike through it~~.)

Section 1. Subsection (A) of Section 112.25 “Distribution of Taxes; Fees” of Chapter 112 of the city code is amended as follows:

(A) Distribution.

(1) ~~Five eighths of~~ The taxes imposed by § 112.04(A) and remitted to the city, less five percent retained by the transient tax collector, shall be distributed as follows:

(a) ~~Forty five percent~~ *Twenty-eight percent* to improve, maintain and operate the Hermiston Community Center *and the Eastern Oregon Trade and Event Center*;

(b) ~~Fifteen~~ *Nine* percent for recreation and recreation-related programs and activities and park improvements administered by the advisory committee pursuant to § 112.27(B);

(c) ~~Twenty five~~ *Fifteen* percent to offset costs of programs such as the senior citizen taxi program, economic development, streets maintenance and similar programs funded from the general fund; and

(d) ~~Fifteen~~ *Nine* percent for city parks and recreation development administered by the Parks and Recreation Committee pursuant to § 112.27(D). The proceeds of the tax for parks and recreation development shall accumulate in a reserve account and may not be diverted or utilized in any other manner.

(e) *One-and-one-half percent for preventative maintenance and/or repairs to a community outdoor swimming pool.*

~~(2) (f) Three eighths~~ *Thirty-seven-and-one-half percent for of the taxes imposed by § 112.04(A) and remitted to the city, less five percent retained by the transient tax collector, shall be distributed to offset the cost of constructing a community outdoor swimming pool, including the retirement of any bonds issued for its construction.*

~~(3) (2)~~ Fifty percent of the funds collected from the tourism promotion assessment charge imposed by §§ 112.04(B) and (C) and remitted to the city, less seven percent retained by the transient tax collector, are dedicated to and shall be transferred promptly to the Eastern Oregon Trade and Event Center Authority to fund tourism promotion by it of the Eastern Oregon Trade and Event Center until January 1, 2031, when this percentage shall be 100% again.

~~(4) (3)~~ Fifty percent of the funds collected from the tourism promotion assessment charge imposed by §§ 112.04(B) and (C) and remitted to the city, less seven percent retained by the transient lodging tax collector, shall be used to offset the cost of constructing the Eastern Oregon Trade and Event Center, including the retirement of any bonds issued for its construction until January 1, 2031, when this provision shall lapse.

Section 2. Enactment Clause.

Ordinance No. 2240 shall take effect on July 1, 2016.

PASSED by the Council this 25<sup>th</sup> day of April, 2016.

SIGNED by the Mayor this 25<sup>th</sup> day of April, 2016.

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MAYOR

Attest:

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CITY RECORDER