



City of Bandon

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Bandon by the Sea

AGENDA REPORT

TO: Honorable Mayor and Members of the City Council

FROM: Torrey Contreras, City Manager

DATE: June 17, 2024

SUBJECT: **Item Number 2.1: REVIEW OF THE ANNUAL FUNDING ALLOCATION ASSIGNED BY THE CITY OF BANDON CITY COUNCIL TO THE BANDON CHAMBER OF COMMERCE AND ALLOCATION OF REMAINING FUNDS**

BACKGROUND:

Transient Occupancy Tax (TOT) revenue, which is restricted for tourism promotion and tourism-related facilities, is recorded and managed in the City's Tourism Development Fund (240). City staff provided recommendations for allocating a portion of the FY 2024-25 TOT revenue to the Budget Committee and City Council during the budget development process. The City Council adopted the FY 2024-25 Budget at their regular meeting held on June 3, 2024, with the balance of the unallocated TOT revenue totaling \$293,025.

ANALYSIS OF THE ISSUES:

The City retained the services of the Bandon Chamber of Commerce ("Chamber") on a contract basis ("Agreement") to promote local tourism using restricted TOT revenue in accordance with state law. In Fiscal Year (FY) 2023-24, the Chamber was allocated \$170,000 for promoting local tourism¹. The Chamber is currently requesting an appropriation of \$257,181 for the next fiscal year, which necessitates review by the City Council.

In an attempt to gain a better understanding of the relationship between cities and chambers of commerce, City staff surveyed local municipalities throughout the region to determine the level of financial support provided to their local chamber of commerce. The following survey results were previously shared with the City Council during the budget preparation process.

CONTINUED ON NEXT PAGE

1. In FY 2023-24 the City appropriated a flat sum of \$170,000 in restricted TOT revenue to the Chamber for use in promoting local tourism. This sum was contested by the Chamber because it did not reflect the amount that was originally requested and based on a percentage of the City's annual TOT revenue.

| CITY | CHAMBER EXISTENCE | FINANCIAL CONTRIBUTION FY 2023/24 | NOTES |
|--------------|-------------------|-----------------------------------|---|
| Bandon | Yes | \$170,000/year | <ul style="list-style-type: none"> Portion of restricted TOT revenue is allocated by the City to the Chamber for promoting local tourism |
| Brookings | Yes | No | <ul style="list-style-type: none"> City's Chamber Oversight Committee was disbanded. |
| Gold Beach | No | No | None |
| Lincoln City | Yes | \$3,000 one-time grant | <ul style="list-style-type: none"> Independent from City Funded by membership dues City's TOT oversight committee was disbanded |
| Newport | Yes | 125,000/3-years (\$41,667/year) | <ul style="list-style-type: none"> City assigns funding to the Chamber for promoting local tourism City leases office space to the Chamber free of charge Community group "Discover Newport" advises the Council on the use of TOT revenue Additional funding above the authorized amount is subject to City Council approval |
| Port Orford | No | No | None |

Based on the results of the survey, City staff concluded that Bandon allocates the greatest amount of annual TOT revenue to its respective chamber for the promotion of local tourism. The City's contribution of \$170,000 last fiscal year to the Chamber exceeded the City of Newport's average annual allocation by \$128,333. Also, four out of the six cities surveyed have chambers of commerce, but only two of those cities allocate funding to their respective chambers of commerce on a recurring annual basis. Lastly, two out of the six cities formed chamber oversight committees to manage the funding allocated by the cities; however, both committees have since been disbanded. The City of Brookings disbanded its respective chamber oversight committee because the City no longer allocates funding to support the chamber.

OPTIONS FOR CONSIDERATION:

The following options are available for consideration by the City Council:

- Eliminate the City's annual allocation of TOT revenue to the Chamber for promoting local tourism; or
- Restrict the City's annual allocation of TOT revenue designated for the Chamber to promote local tourism.

Should the city decide to discontinue outsourcing the promotion of local tourism to the Chamber, it would need to hire additional staff to carry out these tasks. However, if the

City chooses the more cost-effective approach of contracting out with the Chamber for these services, it would be fiscally prudent for the City to cap the annual funding allotment. Both options would require terminating the existing Agreement between the City and the Chamber.

Additionally, it is the City's intent to preserve the General Fund and unrestricted revenue for the purpose of funding essential City services and accruing reserves. Accordingly, City staff conducted a review of recurring expenditures and recommends transferring \$97,610 in qualifying expenses to TOT, resulting in \$195,415 available for programming. The qualifying expenditures are as follows:

- Landscaping Services \$68,000
- Old Town/Jetty Cleaning and Services \$29,610

FISCAL IMPACT:

Restricting the annual allocation of TOT revenue designated for the Chamber for contract services to promote local tourism and transferring eligible expenses to TOT is fiscally prudent and responsible. Outsourcing the promotion of local tourism to the Chamber is more cost-effective than retaining additional City staff for this purpose. TOT revenue is expected to increase over time with the construction of new hotel uses supporting the growth of local tourism. As a tourism-based economy, the City will become increasingly dependent on unrestricted TOT revenue to fund essential City services and programs in the future.

RECOMMENDATION:

The following is recommended to the City Council:

1. Review and discuss the information provided.