



PROPOSAL TO AMEND THE CITY OF BEND'S CONTRACT WITH VISIT BEND

- POLICY REGARDING THE FUNDING OF TOURISM PROMOTION -

TO: Bend City Council
Eric King, Bend City Manager

FROM: Visit Bend Board of Directors

RE: Tourism Promotion Funding

DATE: March 19, 2009

Consistent with Oregon House Bill 2267 and Bend City Code 7.012, the City of Bend currently allocates 30% of transient room tax (TRT) collections to the Tourism Fund to be used for the promotion of tourism as defined in Oregon House Bill 2934.

The majority of these funds are transferred to the Bend Visitor & Convention Bureau (d.b.a., Visit Bend) through a pre-fixed budget that is established by the City prior to the beginning of each fiscal year and paid to Visit Bend in 12 equal monthly installments.

Since the budget is pre-fixed, the City carries the financial risk created by fluctuations in TRT collections throughout the year. Meaning, if the established budget for Visit Bend is greater than 30% of actual TRT collections over the ensuing year, the City absorbs the difference creating an unnecessary financial burden for the city.

Additionally, the current funding system does not allocate the full 30% of TRT collections to Visit Bend, but rather withholds a percentage of the Tourism Fund for internal City projects and expenses that the tourism industry and business community have argued do not fit the State's definition of tourism promotion as defined in HB2934.

Proposed Solution

To resolve the negative impacts created by the current funding system, Visit Bend on behalf of the Bend tourism industry, is proposing that the current pre-fixed budget system is replaced by a percentage-based system, whereby 30% of TRT collections on a monthly basis are directed to Visit Bend for the promotion of tourism (minus the City's pre-determined administrative and audit expenses)

In this proposed system, the financial risk created by fluctuations in TRT collections is shifted from the City to Visit Bend.

In addition to removing the financial risk from the City, the tourism industry and business community receive the full 30% reinvestment into the Bend economy that they believe they are legislatively entitled to.

An additional benefit of this proposed system, is that it de-politicizes the allocation of the Tourism Fund. By allocating the full 30% to Visit Bend, the City is empowering Visit Bend to maximize the return on investment for the local economy, and holding them accountable to do so.

Additional benefits resulting from the proposed system are the following:

- The proposed system supports the legislative intent of City code 7.012 and Oregon House Bill 2267.
- The proposed system maximizes the positive economic impact of tourism in Bend, for area businesses and the City's general fund.
- The proposed system fosters a strong and mutually beneficial relationship between the City of Bend and the Bend Business Community.

Proposed Contract Amendment

The proposed contract amendment will stipulate that City Council's approval of Visit Bend's business plan each year will activate a one year renewal of the contract (as it does currently), and a one year commitment to fund Visit Bend with 30% of the monthly TRT collections during the following fiscal year (minus City administrative and auditing expenses that will amount to approximately \$25,000 in FY09/10).

Additional Note

In order to initiate the 2009/2010 fiscal year with a deficit-free Tourism Fund, Visit Bend will reimburse the City an amount equal to the 2008/2009 year-end deficit in the City's Tourism Fund. This amount will be between \$50,000 and \$80,000 and will be paid by Visit Bend to the City at the end of the 08/09 fiscal year. If Visit Bend does not have sufficient funds to pay-off the deficit at the end of FY08/09, the City will withhold one-twelfth on the remaining deficit amount each month of FY09/10.