



TOWN COUNCIL
Work Session
Town Hall
March 13, 2014
6:00 p.m.

1. Call to Order: Roll Call

2. Order of Business
 - A. Transient Occupancy Tax
 - i. Determination of Increase Amount
 - ii. Review of Draft Ordinance
 - iii. Discussion of Creation of Cape Charles Tourism Board
 - iv. Discussion of Town Council Funding Priorities

3. Motion to Adjourn

 <p>TOWN OF CAPE CHARLES</p>	AGENDA TITLE: Transient Occupancy Tax (TOT)		AGENDA DATE: March 13, 2014
	SUBJECT/PROPOSAL/REQUEST: Review of Transient Occupancy Tax		ITEM NUMBER: 2A
	ATTACHMENTS: Transient Occupancy Tax Analysis & Draft ordinance.		FOR COUNCIL: Action () Information ()
	STAFF CONTACT (s): Bob Panek	REVIEWED BY: Heather Arcos, Town Manager	

BACKGROUND:

The Town Code currently specifies a Transient Occupancy Tax (TOT) of 3%, with one third of that remitted to the Eastern Shore of Virginia Tourism Commission (ESVTC). The contribution to ESVTC has grown significantly over time as the lodging business has improved. The Town has benefitted from ESVTC efforts, particularly the Welcome Center at the Chesapeake Bay Bridge Tunnel. Prior to 2013, the Town did not have a way to promote tourism related businesses.

Implementation of a tourism marketing program is specified in the Comprehensive Plan as a key component of economic development. A tourism website, www.capecharlesbythebay.com, and a marketing campaign were implemented last year as part of the Our Town Project. This project was a joint effort by Arts Enter, the Town of Cape Charles, Citizens for Central Park, the Cape Charles Business Association, and the Cape Charles Bed and Breakfast Association. The project was funded by several grants, Town matching funds, and contributions from non-governmental organizations and Town businesses. The website and marketing campaign must be sustained.

DISCUSSION:

At the meeting on February 8, 2014, Council discussed the Town's focus on tourism and the amount of tourism revenue and expense for fiscal years (FY) 2011 through 2014 was reviewed. The TOT increased 83% over the years. Council also discussed the 1% allocation of the TOT to the ESVTC, which is currently defined in the Town Code, § 66-57. This was done year ago when the ESCVTC was the only organization promoting tourism in the area, but now, there are other activities and organizations in the Town needing assistance for tourism-related functions.

Council reviewed the possibility of increasing the Town's TOT to generate revenue to support the Town's tourism related organizations and programs. A report from Weldon Cooper Center for Public Service showed TOT percentages by localities across the Commonwealth ranging from 2% to 9%.

Council also discussed the possibility of creating an advisory board to assess the Town's needs. The board would review requests from tourism-related organizations and present their funding recommendations to the Town Council to include in the annual budgets. The Town would continue its support of the EXVTC on an annual basis, but a cap could be put on the amount of funding to the ESVTC and funding assistance could be provided for the organizations and events in the Town.

An analysis was performed on the TOT outlining the current amount collected (3%) and scenarios showing increases ranging from .7% to 1.7%. The report is provided in the agenda packet for Council review and discussion to determine the appropriate amount to increase the TOT which is a pass-through tax.

RECOMMENDATION:

Staff recommends Council discussion and direction on the i) percentage to increase the TOT; ii) draft ordinance language; iii) Cape Charles Tourism Board; and iv) funding priorities. This item would be discussed further at the March 20, 2014 Council Regular Meeting, and if deemed appropriate, a public hearing would be scheduled in April regarding the increase and ordinance.

Town of Cape Charles Tourism Budget - Pro Forma

Revenue Sources	FY 2011	FY 2012	FY 2013	FY 2014	Incremental Revenue & Expenses			FY 2015					
					April 1- June 30			0.7% Incr	1.0% Incr	1.7% Incr	0.7% Incr	1.0% Incr	1.7% Incr
					0.7% Incr	1.0% Incr	1.7% Incr						
Transient Occupancy Tax - 2% (to General Fund)*	19,167	24,405	32,487	34,983	0	0	0	34,983	34,983	34,983			
Transient Occupancy Tax - 1% (currently to ESVTC)	9,583	12,202	16,243	17,491				17,491	17,491	17,491			
Transient Occupancy Tax - Increase					2,380	3,400	5,780	12,244	17,491	29,735			
Tourism Marketing Grants	0	0	0	0	0	0	0	0	0	0			
	<u>28,750</u>	<u>36,607</u>	<u>48,730</u>	<u>52,474</u>	<u>2,380</u>	<u>3,400</u>	<u>5,780</u>	<u>64,718</u>	<u>69,965</u>	<u>82,209</u>			
Potential Projects for Funding													
Arts Enter Challenge Grant Match	2,500	5,000	5,000	2,500	0	0	0	2,500	5,000	5,000			
Birding & Wildlife Festival	1,000	100	1,000	0	0	0	0	1,000	1,000	1,000			
Business Association	2,500	2,500	2,500	0	0	0	0	2,500	2,500	2,500			
ESVTC Share of T.O.T. (1% or 1/3 of Total TOT)	9,583	12,202	16,243	17,491	0	0	0	17,491	17,491	17,491			
ESVTC Welcome Center	5,000	5,000	5,000	0	0	0	0	0	0	0			
Fireworks	3,250	11,250	11,500	10,000	0	0	0	10,000	10,000	10,000			
Harbor for the Arts Festival	0	0	0	0	0	0	0	2,500	2,500	2,500			
Historical Society Welcome Center	2,500	2,500	5,000	0	0	1,200	2,500	5,000	5,000	5,000			
Other Marketing support	0	0	0	0	0	0	1,000	4,500	4,500	13,500			
Our Town Grant Match	0	0	12,500	12,500	0	0	0	0	0	0			
Print Marketing	0	0	0	0	0	0	0	4,000	7,000	10,000			
Social Media Marketing	0	0	0	0	1,800	1,800	1,800	3,600	3,600	3,600			
Tall Ships Festival	0	114	1,000	1,000	0	0	0	2,500	2,500	2,500			
Tourism Website Maintenance	0	0	0	0	2,500	2,500	2,500	5,000	5,000	5,000			
	<u>26,333</u>	<u>38,666</u>	<u>59,743</u>	<u>43,491</u>	<u>4,300</u>	<u>5,500</u>	<u>7,800</u>	<u>60,591</u>	<u>66,091</u>	<u>78,091</u>			
Surplus/Deficit	2,417	-2,059	-11,013	8,983	-1,920	-2,100	-2,020	4,127	3,874	4,118			

* Currently, the first 2% of the Transient Occupancy Taxes collected goes in to the General Fund as revenue. Money collected from the 2% typically is used towards contributions to other organizations, including the Cape Charles Volunteer Fire Company. This amount is shown separately in this spreadsheet to allow Council discussion on whether or not to allocate the entire amount collected from TOT towards tourism. In FY2014, the majority of contributions were cut from the budget and the TOT supplemented the General Fund.

ORDINANCE 20140417
REVISING CHAPTER 66 – TAXATION
ARTICLE IV – TRANSIENT OCCUPANCY TAX
SECTION 66-57 – LEVIED; AMOUNT

WHEREAS, the Code of Virginia Sections 15.2-1104 and 58.1-3819 authorizes the levy of a Transient Occupancy Tax; and

WHEREAS, the Town Code specifies a Transient Occupancy Tax rate of 3%, with one percent being collected and paid to the Eastern Shore of Virginia Tourism Commission and two percent being collected as revenue in the General Fund to support annual contribution requests from various organizations; and

WHEREAS, the Town Council supports the vision of the Eastern Shore Tourism Commission and will continue to allocate an annual contribution; and

WHEREAS, the Town Council deems it beneficial to increase emphasis on supporting tourism within the Town as an important component of economic development; and

WHEREAS, the Town Council desires to increase the Transient Occupancy Tax for the purpose of providing greater support to Cape Charles' tourism related initiatives; now

THEREFORE BE IT ORDAINED by the Town Council of Cape Charles, this 17th day of April 2014, that the Town Code of the Town of Cape Charles, Chapter 66 – Taxation, Article IV – Transient Occupancy Tax, Section 66-57 – Levied; Amount, be modified to read as follows:

There is hereby levied and imposed on each transient a tax equivalent to [REDACTED] percent of the total amount paid for lodging, by or for any such transient, to any hotel, motel, bed and breakfast, campground, and other facilities offering guest rooms rented out for continuous occupancy for fewer than 30 consecutive days. [REDACTED] percent of the collected Transient Occupancy Tax revenue shall be allocated for tourism-related initiatives.

Adopted by the Town Council of Cape Charles on April 17, 2014

By: _____
Mayor

ATTEST:

Town Clerk