

Strategic Tourism Planning Board / Tompkins County Tourism Program

Budget Reserve and Surplus Hotel Room Occupancy Tax Policy

BACKGROUND: On August 28, 2023 the Strategic Tourism Planning Board's (STPB) Budget Committee met to discuss approaches to budget reserves and surplus room tax collections. The draft presented by the committee was adopted by the STPB at its September 20, 2023 meeting.

The STPB serves as an advisory board to the Tompkins County Legislature on matters relating to tourism. In this capacity it makes recommendations on the most appropriate and effective use of Tompkins County Hotel Room Occupancy Tax revenues. These recommendations are presented to the County Legislature which has final authority to accept, modify, or reject any proposal. The policy described in this document outlines the process STPB will use to formulate its budget recommendations to the County.

The Budget Committee is interested in a long-term goal of shifting the Tourism Program budget to spend from the room tax fund balance as opposed to the current practice of budgeting based on anticipated revenue.

I. Reserve Funds

- a. Purpose of Reserve Funds: External factors can have adverse effects on local room tax revenues. A wide variety of circumstances can lead to reduced visitation to Tompkins County. Some organizations integral to the local tourism sector rely on room tax funding as a primary source of funding. When room tax revenue declines, the reserve fund is intended to assist organizations of vital importance to sustain the county's tourism sector.
- b. Target Reserves: Twenty-five percent of the average of the following¹ should be held in reserve:
 - i. adopted budget room tax revenue for the current year
 - ii. actual annual room tax collections for one year prior
 - iii. actual annual room tax collections for two years prior
- c. Use of Reserves: If room taxes decline year over year, the STPB may recommend reserves to be used to maintain current budget allocations and sustain essential operations necessary to our local tourism sector. The reserve balance was depleted completely due to the Covid-19 pandemic in 2020 and associated shortfall in room tax.
- d. Restoration of Reserves: The STPB will aim to restore its reserve balance to the target reserve amount (as defined in the above section) over a two-year span. If reserves are used as described in the above paragraph, the target reserve balance may be reduced in the following year's budget.

¹ For example, if the County budget has \$4.5 M in room tax revenue and the County collected \$4.0 M and \$3.5 M in the room tax for the past two years respectively then target reserve would be calculated as follows:

1. Calculate the sum of the three room tax amounts: $4.5 + 4.0 + 3.5 = 12$
2. Divide the sum by three to get the average: $12.0 / 3 = 4.0$
3. Take 25% of the average to calculate the reserve target: $4.0 * 0.25 = 1.0$

II. Surplus Funds

- a. Source: Each year the STPB prepares a projection of Tompkins County's hotel room occupancy tax collections. This forecast is based on detailed market data and professional knowledge about the region and industry. From time to time, room tax collections exceed this projection, leading to surplus funds.
- b. Fully Fund Reserves: To maintain an adequate reserve balance, surplus funds should first be applied to achieve the reserve target.
- c. Allocate Remaining Surplus to Existing Programs: To ensure a transparent, equitable process for accessing county room tax funds, any surplus more than the amount needed for reserve should be applied within the existing framework of the Tompkins County Tourism Program.
 - i. Preferred Application / Strategic Tourism Implementation: The STPB is charged with the implementation of the Tompkins County Strategic Tourism Plan. To date there are several actions in the plan which are not yet complete. To accomplish these actions, the STPB prefers to allocate all remaining surplus funds to the Strategic Tourism Implementation (STI) grant program. This program funds projects which advance tourism projects in Tompkins County that enhance quality of life and promote economic development. This program uses a rolling grant application which would allow funds to be applied in the same year as the surplus.
 - ii. Alternative Application / Marketing & Product Development: The 2020 Strategic Tourism Plan established a policy of splitting funds 60/40 for marketing and product development. When all actions defined in the current Strategic Tourism Plan are complete or deemed unnecessary or at the discretion of the Strategic Tourism Planning Board, surplus funds may be made available for one-time projects in accord with the 60/40 policy. (For example, if \$100,000 of surplus funds are available, \$60,000 should be allocated to marketing and \$40,000 to product development.) Due to the timing of room tax collections and grant decisions, funds will be available in the following year.
 - iii. Exceptional Circumstances: If surplus funds exceed \$500,000 the STPB budget committee will prepare a custom recommendation for allocating the funds for consideration by the STPB. This recommendation will take the current program needs and goals into account.

ADOPTED by the Strategic Tourism Planning Board on September 20, 2023