



MEMORANDUM

P.O. Box 4100 ♦ FRISCO, COLORADO 80443

TO: MAYOR AND TOWN COUNCIL
FROM: NANCY KERRY, TOWN MANAGER
BONNIE MOINET, FINANCE DIRECTOR
RE: LODGING TAX ALLOCATION DISCUSSION
DATE: FEBRUARY 9, 2021

Summary and Background: The legislative intent of the Lodging Tax fund is to create capital improvements and amenities that enhance the viability of the town as a premier destination resort and to preserve, promote, and enhance the community identity, environmental desirability, and economic health of the town. The tax is to be used specifically for economic development, special events, advertising and marketing, recreation amenities, multi-purpose facilities, open space, and similar uses, including operation and maintenance. The specific ballot language is as follows:

TOWN OF FRISCO REFERRED MEASURE 2A

SHALL THE TOWN OF FRISCO, COLORADO, TAXES BE INCREASED \$250,000 ANNUALLY IN FISCAL YEAR 2004 AND BY WHATEVER AMOUNTS MAY BE GENERATED IN SUBSEQUENT YEARS, BY THE IMPOSITION OF A LODGING TAX AT THE RATE OF 2.35%, ALL AS IS SET FORTH IN THAT CERTAIN ORDINANCE NO. 17, SERIES 2003 OF THE TOWN, FINALLY PASSED AND ADOPTED BY THE TOWN COUNCIL ON SEPTEMBER 9, 2003, WHICH ORDINANCE ALSO IS APPROVED HEREBY; AND SHALL THE REVENUE GENERATED BY SUCH 2.35% LODGING TAX BE USED SPECIFICALLY FOR ECONOMIC DEVELOPMENT, SPECIAL EVENTS, ADVERTISING AND MARKETING, RECREATION AMENITIES, MULTI-PURPOSE FACILITIES AND OPEN SPACE, AND SIMILAR USES, INCLUDING OPERATION AND MAINTENANCE THEREOF, THE DECISION AS TO THE PROPORTION OF REVENUE TO BE ALLOCATED TO ANY SUCH USES BEING MADE BY THE TOWN COUNCIL; AND IN CONNECTION THEREWITH, AS A VOTER-APPROVED REVENUE CHANGE, SHALL SUCH REVENUE AND ANY INVESTMENT EARNINGS THEREON, BE COLLECTED AND SPENT WITHOUT LIMITATION, WITHOUT CONDITION, AND WITHOUT LIMITING THE COLLECTION OR SPENDING OF ANY OTHER REVENUES OR FUNDS BY THE TOWN UNDER ARTICLE X, SECTION 20 OF THE COLORADO CONSTITUTION OR UNDER ANY OTHER LAW?

Any changes to these specific uses would require an election and subsequent voter approval. However, pursuant to Town Code Section 160-32.A. and as stated in the ballot language above, Town Council is allowed to change the proportion of revenues to be allocated to any such voter-approved use, which change must be made by ordinance of

the Town Council.

The original ordinance (Ordinance 03-17) allocated spending of taxes generated on lodging for three years – 2004, 2005 and 2006 and future years. In 2006, Town Council approved use of a portion of Lodging Tax revenues to establish a permanent funding source for the Visitor Information Center (VIC) and contributed approximately \$75,000 in 2006, 2007 and 2008. In 2009, the Town took over operations of the Visitor Information Center and assumed financial responsibility for two full time employees plus associated benefits. An analysis in 2012 determined that, with personnel costs and costs to operate and maintain the Center, the allocation of 25% for the VIC was inadequate and increased the lodging tax allocation to 45% to meet those needs. Accordingly, allocations for other purposes were also revised. Ordinance 12-06 reflects those revisions to allocations.

As a summary, the following chart depicts past and current allocations:

	Original 2004	Original 2005	Original 2006	Revised 2006	Revised 2012
Economic development, special events	60%	40%	30%	15%	20%
Recreation amenities, multi-purpose facilities and/or open space	40%	50%	60%	50%	20%
Operation and maintenance of recreation amenities, multi-purpose facilities and/or other tourism-related operation and maintenance expenses		10%	10%	10%	15%
Funding for Frisco Visitor Information Center				25%	45%

This memo is intended to provide Council with information in order to discuss existing usage allocations of lodging tax revenues. Attachment 1 is Certificate of Election with the official ballot language, specifying intended usages of the lodging tax, as approved by the voters. Attachment 2 is Ordinance 03-17 authorizing a tax on lodging within the Town of Frisco and provides details for spending of these taxes. Attachment 3 is Ordinance 12-06 amending the disposition of revenue derived from the Town's Lodging Tax. Attachment 4 provides of history of the uses of this fund covering the periods of 2012 through estimated 2020, in summary and further detailed by division, i.e. Visitor Information Center, Recreation, Operations and Maintenance and Special Events/Marketing.

Analysis: Taxes collected from lodging within the Town of Frisco have nearly doubled since 2012, although revenues in 2020 are expected to decrease somewhat as a result of the COVID-19 pandemic and associated public health restrictions. The last revision to the allocations for spending lodging taxes was in 2012 and Council has expressed a desire to discuss proportions of uses from this funding source.

As shown in the table above, the majority (45%) of the revenues from lodging taxes are used to

support salaries and operations of the Visitor Information Center (VIC). The VIC is the Town of Frisco's customer service, point of sale (Marina and Adventure Park reservations), business relations liaison, and economic development tool, as information centers have been shown to increase spending and length of stays. The VIC has experienced a steady increase in visitors over the years with 48,442 visitors in 2018, setting a new record. 2020 and 2021 are, of course, quite different and the VIC is answering more calls than in-person questions. The VIC provides consistent, seven-day-a-week service with extended hours of service in peak seasons. There are now 3 full time staff members and 1 summer seasonal employee, when needed, to manage the growing demands for the services the VIC provides to the Town's visitors, amenities and businesses. Staff at the VIC have assumed many more responsibilities during the COVID-pandemic by assisting other Town staff in developing programs to incentivize local spending, creating applications and processes for business assistance and innovation grants, leading the online dining guide and new business directory projects, conducting business surveys, etc.

In addition to funding the Visitor Information Center, the remaining taxes collected from this source (55%) have been used for many projects and events over the years, such as:

- Christmas lighting
- Ball and sport fields maintenance and needs assessments
- Park and playground repairs and maintenance
- Adventure Park maintenance
- Bike Park design and maintenance
- Frisco Historic Park and Museum repairs and improvements
- W. Main Park and Ride improvements; Main Street landscaping
- Community Center improvements
- Community survey
- Kayak Park
- Swan Mountain recreation path
- Frisco trademark development/marketing campaign
- Website redesigns and upgrades
- PRA trail signage
- Skate Park maintenance and improvements
- Special and recreation events

Clearly, the current and past usages in this fund are falling within the requirements of the ballot language but there are many projects and activities currently funded by the General Fund or Capital Improvement Fund that could possibly be shifted to this fund; conversely, some of the Lodging Tax projects and activities could be shifted to the General Fund.

1. Transfer operations of the Visitor Information Center to the General Fund – The VIC receives approximately \$250,000 annually, with expenditures of approximately \$225,000 annually. A transfer of VIC operations to the General Fund would provide \$250,000 for other authorized uses in the Lodging Tax fund but would, however, increase expenditures by \$225,000 in the General Fund.

2. The following capital projects currently budgeted from the Capital Improvement Fund for 2021 may fall within the usage specifications of the Lodging Tax Fund taxes:

Trails enhancements	\$ 55,000
Playground/Town Park improvements	\$ 200,000

Public Art projects	\$ 25,000
Sternberg clock replacement	\$ 35,000
Nordic & Day Lodge carpet replacement	\$ 20,000
VIC bathroom design upgrade	\$ 25,000
Historic Park deck/stair replacement	\$ 20,000
	<u>\$ 380,000</u>

3. The following expenditures currently budgeted from the General Fund for 2021 may fall within the usage specifications of the Lodging Tax Fund taxes:

Advertising and promotions	\$ 225,000
Public Relations consultant	\$ 45,000
Special events – all	\$ 766,350
Fun Club/Winter Vacation Programs	\$ 38,000
	<u>\$1,074,350</u>

Financial Impact: If Council chooses to revise the current allocations amongst the four divisions within the Lodging Tax Fund, there would be no financial impacts to the Lodging Tax Fund. If Council wishes to shift funding from one fund to another for some or all of the projects and activities listed above, a budget amendment would be required. Financial impacts are unknown until such time as Council provides direction.

Alignment with Strategic Plan: N/A

Environmental Sustainability: N/A

Staff Recommendation: This memo and the related attachments are for informational purposes only and staff does not have any recommendations at this time.

Approved By:

Nancy Kerry, Town Manager
Bonnie Moinet, Finance Director
Vanessa Agee, Marketing Director

Attachments:

Attachment 1: Certificate of Election, Town of Frisco Referred Measure 2A
Attachment 2: Ordinance 03-17 Authorizing a Tax on Lodging
Attachment 3: Ordinance 12-06 Amending Disposition of Revenue from Lodging Tax
Attachment 4: History of Lodging Tax Fund, 2012-Estimated 2020