

W. 4. D. 1.

Memorandum Date: 3/05/07
Order Date: 4/x/07

TO: Board of County Commissioners
DEPARTMENT: Fair Board
PRESENTED BY: Warren Wong
AGENDA ITEM TITLE: ORDER/IN THE MATTER OF EXTENDING THE USE OF TRANSIENT ROOM TAX FUNDS FOR CAPITAL IMPROVEMENTS AT THE LANE COUNTY FAIRGROUNDS

I. **MOTION** – Move to approve Board Order #07-4-x-x.

II. **AGENDA ITEM SUMMARY** –

Modifications to Board Order #05-12-7-2 to:

- Remove “base and inflation adjustment” provision.
- Extend length of Excess TRT authorization.

III. **BACKGROUND/IMPLICATIONS OF ACTION**

A. **Board Action and Other History**

A portion of the Transient Room Tax imposed by Lane County is earmarked for “capital” or other authorized expenditures. There are basically three dedicated allocations of this portion of the tax:

- Debt service on the 2002 Revenue Bonds issued to consolidate existing Fairgrounds debt issues and construction of the Atrium and specific building updates.
- City of Florence – Agreement to service part of the debt on the Florence Events Center and an allocation to other requirements.
- The remainder, after allocation to the above two uses, goes to the Fair Board for “capital” or other authorized uses and is called the “Excess TRT”.

Excess TRT has been used for capital projects, equipment replacement, debt service on capital projects and equipment purchases and payment of the Planetarium loan and the liability on PERS Pension Obligation Bonds. In recent years, Excess TRT has also been used as a subsidy to the Operating Budget, establishment of an Operating Budget Cash Reserve and a Capital Budget Reserve for emergency capital projects or

equipment replacement. This financial resource is vital to keeping the Fair Board viable and financially stable.

In January 2002, the Commission approved Board Order #02-1-9-4 which authorized Excess TRT to be allocated to the Fair Board for capital projects and other authorized uses. The Board Order is effective to June 30, 2007. (Attachment A)

In December 2005, the Commission approved Board Order #05-12-7-2 to extend the commitment of the Excess TRT to June, 2015; but, further, capped the amount at \$900,000 beginning in FY08 with a provision for inflation adjustments in future years. (Attachment B)

Over 15 months have passed since approval of Board Order #05-12-7-2 and two events have taken place that provide additional information not available at the time this Board Order was approved.

- First, it is clear that the overall growth rate of TRT has exceeded the rate projected at the time this Board Order was approved. Thus, actual Excess TRT allocations for FY06 (\$1,034,797) and projected for FY07 (\$983,000) are greater than the beginning base of \$900,000 established for FY08. The net effect would be for the amount to the Fair Board to be less under this Board Order than actuals in FY06 and projected in FY07; and, hence, would reduce the capacity of the Fair Board to address operating and capital requirements.
- Second, under the debt service structure for the 2002 Revenue Bonds, FY07 is the first year that principle payments are in effect; and, even with the set aside of an addition \$25,000 per month for the principle payment, the amount the Excess TRT has been relatively close to what was actually received in FY06. The final Debt Service Payment on the Bonds is June 1, 2022.

Given the actual and projected growth rates of TRT, we anticipate the \$900,000 base to be exceeded in FY08 earlier than envisioned when Board Order #05-12-7-2 was approved.

As indicated above, the critical uses of the Excess TRT for the Fairgrounds are to fund capital projects and equipment replacement that are necessary to keep the Fairgrounds open and available to the public. Further, this resource is also necessary to maintain the solvency of the Fairgrounds given the financial structure in which the Fair Board operates. The "bottom-line" is that the more Excess TRT that can be allocated to the Fair Board, the more resources can be devoted to maintain this County asset and keep the organization viable as a public entity to provide services required and patronized by Lane County residents and visitors.

B. Policy Issues

Allocation of County Transient Room Tax. The Commission has historically allocated TRT to the Fair Board for capital-type purposes. The alternative is to allocate it to other eligible tourism-related entities that may or may not be County departments.

C. Board Goals

Financial stability of County government.

D. Financial and/or Resource Considerations

See discussion above.

E. Analysis

See discussion above.

F. Alternatives/Options

- **Base and Inflation Adjustment**
 - Do Nothing
 - Eliminate

- **Term**
 - Do Nothing
 - Extend to June 30, 2022

IV. RECOMMENDATION

Management recommends elimination of the base and inflation adjustment and extension of the Board Order to June 30, 2022.

V. TIMING/IMPLEMENTATION

July 1, 2007

VI. FOLLOW-UP

None

VII. ATTACHMENTS

- A. Board Order #02-1-9-4
- B. Board order #05-12-7-2
- C. Board Order – Proposed

ATTACHMENT A

THE BOARD OF COUNTY COMMISSIONERS, LANE COUNTY, OREGON

ORDER NO. 02-1-9-4) IN THE MATTER OF DEDICATING \$890,500 IN
) PROCEEDS FROM THE REFINANCING OF THE 1998
) FAIRGROUNDS MUNICIPAL LOAN AGREEMENT TO
) THE DRY WEATHER FLOW TO CITY SANITARY
) SEWER/INTERCEPT PROJECT AND OTHER CAPITAL
) IMPROVEMENTS AT THE LANE COUNTY
) FAIRGROUNDS AND APPROVING THE USE OF
) UNDEDICATED TRANSIENT ROOM TAX FUNDS FOR
) CAPITAL IMPROVEMENTS AT THE LANE COUNTY
) FAIRGROUNDS

WHEREAS, the Lane County Fair Board and the Board of County Commissioners have a long term business partnership that does not require an operating subsidy of Fairground operations and is evidenced by the Fairgrounds Business Plan, Master Plan and Capital Improvements Plan, and

WHEREAS, the Board of County Commissioners authorized the refinancing of the 1998 Municipal Loan Agreement for improvements to the Lane County Fairgrounds under the authority of ORS 271.390 and ORS 287.053, in Board Order 02-01-09-03, and

WHEREAS, the Lane County Fair Board has demonstrated the need to construct the Lane County Fairgrounds Dry Weather Flow to City Sanitary Sewer/Intercept Project prior to the 2002 Lane County Fair, and

WHEREAS, the Board of County Commissioners and Lane County Fair Board have concluded that the use of proceeds from the refinancing of the 1998 Municipal Loan Agreement in an amount equal to the reserves for the 1998 Municipal Loan Agreement, i.e., \$890,500, is necessary to construct the Lane County Dry Weather Flow to City Sanitary Sewer/Intercept Project prior to the 2002 Lane County Fair, and

WHEREAS, the Board of County Commissioners has approved the use of undedicated transient room tax funds for capital improvements at the Lane County Fairgrounds on April 8, 1998, in Board Order 98-4-8-4 and again on December 2, 1998, in Board Order 98-12-2-3, and

WHEREAS, the Board of County Commissioners finds that dedicating \$890,500 of the proceeds from the refinancing of the 1998 Fairgrounds Municipal Loan Agreement to the Lane County Fairgrounds Dry Weather Flow to City Sanitary Sewer/Intercept Project and approving the use of undedicated transient room tax funds for capital improvements at the Lane County Fairgrounds would be in the best interests of the citizens of Lane County, and

WHEREAS, according to Lane Code 4.175(5), any amounts derived from the Transient Room Tax imposed by LC 4.110(1) for capital debt retirements that are in excess of annual debt service shall be used for future capital projects or as directed by the Board of County Commissioners through the annual budget process,

NOW THEREFORE, IT IS HEREBY ORDERED, that the Board of County Commissioners dedicates \$890,500 of the new proceeds from the refinancing of the 1998 Fairgrounds Municipal Loan Agreement exclusively to the Lane County Fairgrounds Dry

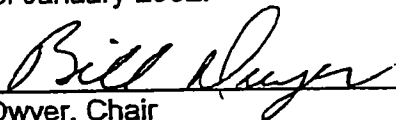
Weather Flow to City Sanitary Sewer/Intercept Project as described in Exhibit A to this Order and other capital improvements at the Lane County Fairgrounds; and it is

FURTHER ORDERED that it is the Board of County Commissioners' intent that any excess transient room tax revenues, as provided by Lane Code 4.175(5) and as determined by the Department of Management Services, be made available for transfer to the Fair Board for capital improvements for a period not to exceed five fiscal years, i.e., beginning at the time of refinancing the 1998 debt (approximately February, 2002) and ending June 30, 2007, to be used for capital projects pursuant to the Fairgrounds Capital Improvements Plan; and it is

FURTHER ORDERED that the Board of County Commissioners intends to conduct a review of any excess Transient Room Tax revenues in the fourth year (FY 05-06) following the refinancing of the 1998 Debt; and it is

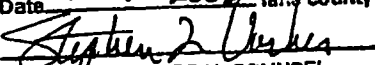
FURTHER ORDERED that Board Order 98-4-8-4 and Board Order 98-12-2-3 are hereby rescinded.

Dated this 9th day of January 2002.



Bill Dwyer, Chair
BOARD OF COUNTY COMMISSIONERS

APPROVED AS TO FORM

Date 1-9-2002 Lane County

OFFICE OF LEGAL COUNSEL

IN THE BOARD OF COUNTY COMMISSIONERS
OF LANE COUNTY, OREGON

ORDER NO. 05-12-7-2

) IN THE MATTER OF EXTENDING THE
) USE OF TRANSIENT ROOM TAX
) FUNDS FOR CAPITAL IMPROVEMENTS
) AT THE LANE COUNTY FAIRGROUNDS
)

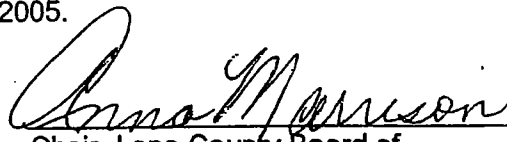
WHEREAS, in 2002, pursuant to LC 4.175(5) the Board of Commissioners approved the use of excess transient room tax revenues for capital improvements for a period beginning with the refinancing of certain debt and ending June 30, 2007, to be used for capital projects pursuant to the Fairgrounds Capital Improvements Plan (Board Order No. 02-1-9-4), and

WHEREAS, the Fair Board and the Board of Commissioners met on November 2, 2005 to discuss continuation of that commitment in a manner consistent with the Board of Commissioners' action on September 13, 2005 expressing its intent to not sell the Lane County Fairgrounds within the next 10 years, and

WHEREAS, after due consideration, the Board of Commissioners is willing to express an intent to authorize continuation of a specified amount off excess transient tax revenues for that period,

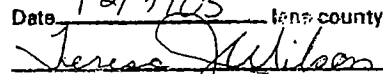
NOW, THEREFORE IT IS HEREBY ORDERED that it is the Board of County Commissioners' intent that any excess transient room tax revenues, as provided by Lane Code 4.175(5) and as determined by the Department of Management Services, at a base not to exceed \$900,000 in FY 07-08 and indexed annually beginning in FY 08-09 to the CPI-U, U.S. City average, be made available for transfer to the Fair Board for the period beginning July 1, 2007 through June 30, 2015, to be used for capital projects pursuant to the Fairgrounds Capital Improvements Plan.

DATED this 7th day of December, 2005.



Chair, Lane County Board of
Commissioners

APPROVED AS TO FORM

Date 12/7/05 Lane County

OFFICE OF LEGAL COUNSEL

