

# Council Business Meeting

April 20, 2021

<b>Agenda Item</b>	Food & Beverage Tax Allocation Ordinance Update	
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## **SUMMARY**

The Ashland City Council approved the supplemental budget on December 1, 2020 that provided for early repayment of the Wastewater Treatment Plant (WWTP) debt previously funded by Food & Beverage tax (F&B) receipts. Given that the F&B revenue will no longer be needed for that purpose, the remaining allocation will go to the Streets Fund unless the F&B Ordinance is modified by Council prior to the end of the 2021 fiscal year (FY)

The City Manager’s Recommended Biennium (BN) 2021-2023 Budget recommends allocating 98 percent (2% remains for Administration) of the F&B revenue in year two of the biennium to the Ashland Parks & Recreation Commission (APRC) with a phased commensurate reduction in the property tax transfer. This allocation is consistent with the original and subsequent language of the F&B ordinance referendums. Other options discussed include removing the allocation to the WWTP debt and leaving the allocations as previously established or including an allocation to repay the Wastewater Fund for the debt payment over a five-year period.

## **POLICIES, PLANS & GOALS SUPPORTED**

Administrative/Governance goal:

*“To ensure on-going fiscal ability to provide desired and required services at an acceptable level”*

## **PREVIOUS COUNCIL ACTION**

The initial language of the Food & Beverage tax ballot in March 1993 asked, “Shall tax on prepared food and beverages be imposed for park land acquisition and sewage treatment which may include wetlands?”. The ordinance specified that “such taxes shall be issued for the acquisition of Open Space Lands or easements and for such other purposes pertinent to the OpenSpace Park Program as the Council and Park Commission may jointly determine”. The 1993 ballot also allowed the Council to raise the tax “to five percent after public hearing to fund state mandated sewage treatment methods and allowed restaurants to retain a part of the tax collected to apply to collection costs”.

The 2009 ballot question extended the five percent tax on prepared food and beverages and included the language that “80% of tax revenues are dedicated to wastewater treatment plant debt and capital improvements. 20% is dedicated to parks for capital improvements and acquisition. Projects are identified in the City’s Capital Improvement Plan.” The initiative also included that restaurants retain five percent of the tax collected and the City may use up to two percent for administrative expenses associated with tax collection and processing.

In the November 2016 ballot, the disbursement to Parks was increased to twenty-five percent of the tax and was expanded to allow the funds to be dedicated for “the purpose of acquisition, planning, development, repair, and rehabilitation of City parks per adopted plans of the Ashland Parks and Recreation Commission” and is now shown in the Parks Capital Improvement Fund. Within the same ballot, the ordinance specified,

Beginning in fiscal year 2023, the council may, through the statutory budget process, appropriate taxes under this chapter as follows:

- a. Not less than twenty-five percent (25%) for the acquisition, planning, development, repair, and rehabilitation of City parks.
- b. Not less than an amount necessary to pay for debt service on any borrowing for street repair and rehabilitation per the City of Ashland Pavement Management Program.

- c. Up to two percent (2%) for the collection and administration of the tax.
- d. Except as provided in subsection 4.34.020.D, any remaining amounts shall be appropriated for purposes consistent with this chapter unless other purposes are approved by a council-adopted ordinance enacted by a vote of the Ashland electorate.

The Ashland City Council approved the supplemental budget on December 1, 2020 that provided for early repayment of the Wastewater Treatment Plant (WWTP) debt previously funded by Food & Beverage tax receipts. The City Manager’s Recommended BN2021-2023 Budget builds on points a and b in the ordinance to recognize that with franchise fees supporting street repair and rehabilitation including potential debt service, then the remainder could be allocated to the parks.

**BACKGROUND AND ADDITIONAL INFORMATION**

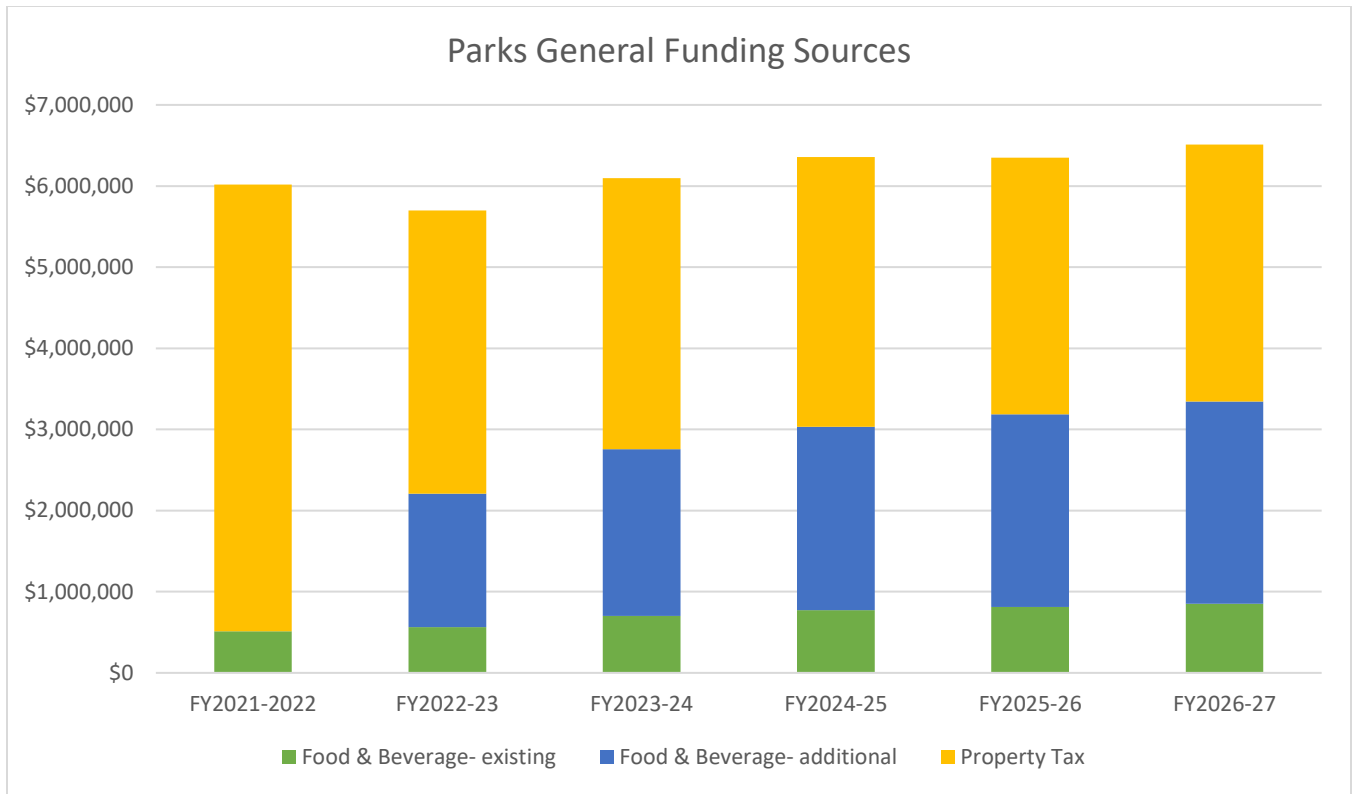
If repayment of the prepaid debt amount to the Wastewater Fund over five years is the desired direction of Council, this would occur by transferring \$275,273 each year FY2021 through FY2026 after allocations to Parks land and acquisition and City administrative costs.

**FISCAL IMPACTS**

The City Manager’s Recommended BN2021-2023 Budget includes the 98 percent allocation to Parks in year two of the biennium, FY2022-23 which allows sufficient time for the City Council to either act on the ordinance, hold an election, or seek other options. This component is part of an overall package to align revenues with more closely related operations and to reduce the number of splits in each revenue stream. In addition, the package is designed to provide some rate relief and slow the growth of utility rates while ensuring funding for the transportation infrastructure. This package combines the allocation of F&B to APRC, reduction in property tax transfer to APRC, reduction in franchise fees charged to utilities, and dedication of a portion of franchise fees to streets.

The Recommended Budget includes a reduction in property taxes concurrent with the growth in Food & Beverage tax (F&B) revenues being allocated to the Parks Commission. The intent is to keep the Parks Commission funding relatively stable while the Food & Beverage Tax revenues recover from the COVID-19 pandemic and to create a formal structure for more effective planning. As with the rest of the City, the Parks Commission would see a reduction in FY2022-23. However, this may be somewhat mitigated if F&B revenue recovers more quickly than projected. As F&B grows, the Parks Commission can rebuild its fund balance and continue its capital plans.

<b>Parks</b>	<b>FY2021-2022</b>	<b>FY2022-23</b>	<b>FY2023-24</b>	<b>FY2024-25</b>	<b>FY2025-26</b>	<b>FY2026-27</b>
Food & Beverage- existing	511,724	562,897	703,621	773,983	812,682	853,316
Food & Beverage- additional	-	1,643,658	2,054,573	2,260,030	2,373,032	2,491,683
Property Tax	5,505,942	3,492,075	3,339,920	3,323,863	3,164,982	3,164,983
TOTAL General sources	6,017,666	5,698,630	6,098,114	6,357,876	6,350,696	6,509,983
Difference		(319,036)	399,484	259,762	(7,180)	159,287
% Difference		-5.79%	7.26%	4.72%	-0.13%	2.89%
% of Total City millage	44.15%	28.00%	26.00%	25.00%	23.00%	23.00%



**STAFF RECOMMENDATION**

Staff recommends consideration of an updated ordinance after adoption of the BN2021-2023 Budget to implement 98 percent allocation to Ashland Parks and Recreation or of an election to have such allocation considered by the voters.

**ACTIONS, OPTIONS & POTENTIAL MOTIONS**

Feedback on Council’s preference for action is requested. Specific draft ordinance language, draft ballot measure language and scheduling of a public hearing if appropriate will follow based on Council direction.

**REFERENCES & ATTACHMENTS**

[AMC 4.34 – Food and Beverage Tax](#)