

W.C.C.

## Florence Event Center Funding Issue

**BACKGROUND:** The Florence Event Center (FEC) was built in 1994. The Board approved an IGA with the City committing County Transient Room Tax (TRT) funds to help pay the debt service for the bonds which were sold to finance the project. In 2004, after the City refinanced the debt, the Board approved an amendment to the IGA approving the use of up to \$40,000 per year for operational purposes of the FEC (the IGA funds). The City commits most of its own TRT funds, the IGA funds, and its RTMP funds from the County to pay for the operation of the FEC. A promise was made to the taxpayers in Florence in 1994 that property tax funds would never be used to fund the operation of the FEC. The casino opened a new Event Center in Florence in January.

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**PROBLEM:** Since it began operation, the operating costs of the FEC have exceeded its operating revenues. Attached is a spreadsheet that shows the operating deficit for the last 5 years. This funding problem is unlikely to change unless and until a "headquarters" hotel can be built at or very near the FEC. The facility is very successful as a community resource and is often mentioned as one of the amenities that attracts visitors and new residents. But the bread and butter of event centers are multi-day conferences and conventions. Without a headquarters hotel, the FEC is not competitive for this business. It is hoped that the new urban renewal agency will be able to make a sufficient public investment to attract a hotel operator. Vacant land is available next to the FEC for this purpose. But a hotel is years away, if ever. In the meantime, the FEC needs to survive on local events and small conferences. Last year, with the room tax subsidy, it had a \$30,000 deficit which had to be filled with community donations and a cut in marketing expenditures. This year, the deficit is a little larger. Compounding the problem, the new casino has opened a new event center in Florence and is starting to attract some of the local events and meetings that have sustained the FEC over the years. Nearly 80% of the City's general fund is devoted to public safety (police, fire, etc.). Even if the property tax promise had not been made, the general fund cannot afford to subsidize the operation of the FEC.

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**ALTERNATIVES:** The FEC only has 3 employees. Cutting back on expenses is not an option. The only viable option is to develop a new sustainable revenue source that does not involve property taxes or it will eventually be faced with closure. The City Council has discussed this issue in its annual goal setting sessions. They've also held a community roundtable to discuss a number of alternatives for generating more revenue for the FEC. This process has involved the FEC volunteer groups and included public input at the roundtable meeting.

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**PROPOSED SOLUTION:** The City is considering an increase in its local TRT from 3% to 4%. This solution is preferred by the supporters of the FEC and the members of the public who commented at the roundtable brainstorming session. It is estimated that this increase will raise an additional \$40,000 in room tax revenue. Currently, visitors in Florence pay 8% in TRT (1% to the State, 3% to Florence, and 4% to the County). The proposed solution would mean that visitors would pay 9% in TRT. If the County eliminates the 1% differential in TRT between east and west Lane County, the total would be 10%. For your information, a chart showing what other communities are currently paying in room taxes is also attached.

### Florence Event Center Operating Deficit

Florence Events Center Analysis	FY 02-03	FY 03-04	FY 04-05	FY 05-06	FY 06-07
Operating revenue	\$143,702	\$162,617	\$148,872	\$226,983	\$210,328
Operating expense	\$246,143	\$266,210	\$289,382	\$314,164	\$348,342
Operating deficit	-\$102,441	-\$103,593	-\$140,510	-\$87,181	-\$138,014

### Room Tax Comparison Chart

<u>City</u>	<u>Current TRT Rate</u>	<u>County</u>
Astoria	10%	Clatsop
Seaside	9%	Clatsop
Newport	10.5%	Lincoln
Yachats	8%	Lincoln
Reedsport	8%	Douglas
North Bend	8%	Coos
Coos Bay	8%	Coos
Eugene	10.5%	Lane
Springfield	10.5%	Lane
Cottage Grove	10%	Lane
Dunes City	8%	Lane
<b>Florence (current)</b>	<b>8%</b>	<b>Lane</b>
<b>Florence (with 1%)</b>	<b>9%</b>	<b>Lane</b>
<b>Florence (with 2%)</b>	<b>10%</b>	<b>Lane</b>