

**DUBLIN CITY COUNCIL
FINANCE COMMITTEE
Tuesday, February 14, 2023 – 5:00 p.m.
5555 Perimeter Drive
Council Chamber**

Meeting Minutes

Ms. Alutto called the Finance Committee meeting of February 14, 2023 to order at 5:00 p.m.

Committee members present: Ms. Alutto (Chair), Mr. Keeler.
Ms. Amorose Groomes was absent.

Staff members present: Mr. Stiffler, Ms. O'Callaghan, Ms. Hoffman, Ms. LeRoy, Mr. Ranc, Ms. Goliver, Mr. Earman

APPROVAL OF MINUTES

Ms. Alutto moved, Mr. Keeler seconded to approve the minutes of the November 8, 2022 Finance Committee meeting.

The motion passed by the following vote: Ms. Alutto, yes; Mr. Keeler, yes.

DISCUSSION ITEMS

Hotel Motel Tax Fund – Cost Recovery (2023 Dublin Irish Festival Ticket Prices)

Mr. Stiffler introduced the Hotel Motel Tax Fund and how it fits into the Strategic Framework under Fiscal Sustainability. This is a continuation of a conversation that began in June of 2019. This fund was most substantially impacted by the pandemic. The goal is to create a Hotel Motel Tax Fund Policy. This is the first, level-setting conversation. Irish Festival tickets are a part of this discussion. Other discussions will continue over the next couple of months. He would like to have a complete policy by the time of the Operating Budget.

Ms. Alutto asked if this would include Committee review of the bed tax grant process. Mr. Stiffler stated that the Committee's March meeting will be dedicated to reviewing that process. Staff has developed and will present scoring criteria. Ms. Alutto asked when grant applications open up. Ms. LeRoy answered that it is in September. Ms. Alutto requested a list of topics along with a timeframe. Mr. Stiffler stated that staff will provide that. This is such a big topic that staff feels it needs to be approached in smaller pieces.

Mr. Stiffler continued with the presentation by explaining that prior to the pandemic, activities in the Hotel Motel Tax Fund were self-supporting/sustainable. In 2020, the General Fund Balance was used to support activities of the Hotel Motel Tax Fund. In 2021 and 2022 (and continuing into 2023), there has been a transfer program of \$1 million annually from the General Fund to support the activities of the Hotel Motel Tax Fund that were previously self-supporting.

Mr. Stiffler shared discussion points on the Hotel Motel Tax Fund, highlighting what he would like to discuss today. The goal today is to examine how the revenues, expenditures and Fund Balance of the Hotel Motel Tax Fund have changed over time and to inform the Committee how the Dublin Irish Festival ticket process could move this Fund toward sustainability.

The Next steps include consideration of the goals of the Hotel Motel Tax Fund. Different objectives would drive different staff actions. Another subject for consideration is that many of the actions are a result of past practice or disparate ordinances that are not part of a policy. Staff has identified four pieces of legislation or actions by Council that should be one document and be codified. Ms. Alutto agreed.

Mr. Stiffler shared a Hotel Motel Tax Fund timeline in four periods:

- 2005-2015: Tremendous growth in Fund Balance (every year growth)
- 2016-2019: Stability in Fund Balance (flat at a high level)
- 2020-2021: Pandemic leading to reduction in Fund Balance (not included in analysis).

Ms. Alutto asked if it makes sense to build into policy the ability to react to a similar emergency. Mr. Stiffler stated that it may be good to provide guidance to partners.

- 2022- : Fiscal Sustainability
 - Policies and procedures are formalized.
 - Cost recovery targets are explicitly stated.
 - Fund Balance target is formalized.
 - A timeline to discontinue subsidy from General Fund outlined.

Mr. Stiffler shared a chart illustrating the movement of the Hotel Motel Tax Fund Balance from 2014. He noted that all previous excesses will expire in 2023 and it will be solely General Fund funded.

Mr. Stiffler stated that there are some codified ordinances particularly in Chapter 35 regarding the Hotel Motel Tax Fund. In that section is the designation for which the City can use the allocation. The list of permissible uses for the Hotel Motel Tax Fund is below:

- Additional Visit Dublin Ohio (VDO) expenses beyond mandated 25%
- Cultural arts
- Beautification of public property
- Improvement of the historic district
- Special events
- Any other project or expenditure which would enhance the City's appearance to visitors and tourists
- Community organizations may apply for a portion of the tax revenues

A decision was made in January 2016 to begin paying VDO 35%.

Mr. Stiffler explained that there are essentially two revenues in and five expenditures out of the Fund. The revenues in are the 6% bed tax and community event revenue. The five expenditures are: VDO, Dublin Arts Council (DAC), community grants, the City's Division of Community Events, and development agreements.

Mr. Stiffler stated that because of the Ohio Revised Code requirement that funds be distributed to VDO and the City, special accounting procedures are required. The City does not have a legal right to 25% of the account. That 25% goes to an agency fund,

so it is not Dublin's money. VDO will not appear as part of the Hotel Motel Tax Fund because they have that legal protection. Staff found it easiest when that amount increased from 25% to 35%, to add that split to their fund (804). The remainder of the funds are deposited into the Hotel Motel Tax Fund and support activities and development agreements.

Mr. Keeler requested confirmation that the Hotel Motel Tax Fund we see is really the remaining 65%. Adding the two funds together gives the true total from which VDO, DAC, etc. are paid. Mr. Stiffler answered affirmatively.

Mr. Stiffler shared a slide illustrating the allocations to the VDO Fund from 2014 to 2022. Despite the growth in the fund from 2016 to 2019, the City's share does not change, which shows the impact of the policy change on the fund. 2022 is very similar to the 2017 funding, which was a sustainable period in the City's history.

Mr. Stiffler shared the details of the Hotel Motel Tax Fund distribution by percentages as follows.

- 35% to VDO
- 25% to DAC (runs through 2026 per agreement)
- 6% to community organizations
- ~6% for development agreements
- ~28% remaining used for:
 - Division of Community Events
 - Administration of the Art in Public Places Program
 - Capital Projects.

Mr. Stiffler proposed the Hotel Motel Tax Fund Sustainable Financial Framework in an effort to begin the conversation. This was the framework in place for the 2016-2019 stability period. Hotel Motel Tax Fund Revenue already in place is 35% to VDO, 25% to DAC, and 6% to Community Grants. Of the remainder (34%), that should be a discussion regarding development agreements and the Division of Community Events for non-direct event related expenditures. If we consider that community event revenues are a direct result of having the event, we can then determine what we want the direct event cost recovery to be. Community events include Spooktacular, Dublin Irish Festival (DIF), St. Patrick's Day and Independence Day. We can calculate direct revenues and expenditures to decide what fees might need to change to hit a cost recovery target.

In response to Ms. Alutto's question regarding non-direct event related costs, Mr. Stiffler explained that those are costs not directly attributable to any one event, such as salaries and benefits. Staff is proposing to parse them in another bucket.

Mr. Stiffler continued by stating that the Hotel Motel Tax Fund revenue supported DAC, CDO, Community Events, community grants, debt services and development agreements during the period of sustainability referenced. There was variability but in total, it netted out to a sustainable framework. In 2022, the fund did not come close to a sustainable framework and that is why we need to have that conversation. The sustainable components of this part of the framework are not working now. Direct costs and revenues associated with events tell a similar story. DIF was always self-supporting; it always supported itself, Spooktacular, St. Patrick's Day and most of Independence Day. In 2022, the DIF did not support itself or any of the other events. There has been an

extreme escalation in costs, particularly with Independence Day and the festival itself. During the sustainability period, the DIF had an average cost recovery of 108% and fell to 89% last year (2022). All events combined had a cost recovery of 92%. In 2022, the total fell to 76%. Revenues were similar, but costs increased. Independence Day costs increased with the level of performer. Spooktacular costs increased by going to a two-day event. In 2022, general festival attendance was down 10% and the DIF followed that national pattern. There was some additional impact due to weather, token redemption and prior year ticket redemption. Direct costs of the festival have never included direct costs to other funds. It does not include staff time for police, streets, parks, etc. That impact is a General Fund subsidy to the Hotel Motel Tax Fund of around \$500,000 annually. While that is not problematic, it should be explicitly stated. Ms. Alutto asked if those costs have been consistent. Mr. Stiffler answered affirmatively.

Ms. LeRoy stated that the easiest thing to look at is ticket prices. Event inflation was double in 2022. We saw a huge amount of consolidation in the industry; for instance, if you want to rent a golf cart, there is really one company on the whole east coast. Ticket prices were raised last year, but not enough. This year, we wanted to reward people for paying attention by offering a flash sale from March 16 to March 31 where tickets will remain at \$15 online. Many festivals do a presale ticket that expires two weeks to a month out from the festival. Those dates are important because the long-term weather forecast becomes available. If a person had bought the tickets at a discount, they would probably still attend. We want people to avoid people making decisions based on the forecast. The intent is to offer a discounted price (\$20) until two weeks out. There was much discussion about giving a discount to residents. Unfortunately, it is not feasible to use the RecTrac system for ticket sales. At that price jump (\$25) on July 23, we want to sell tickets at the Dublin Community Recreation Center (DCRC) for \$20. This allows residents and extra two weeks to go into the DCRC and get those tickets. It is the only way to discount residents. Discounts will still apply to seniors, military personnel and students. There will be an extra \$5 charge for attendees who purchase at the gate. The amount of cash receipts at the festival dropped.

Mr. Stiffler stated that the transactions were more than 90% by credit card, which was tremendous for ease of operation. Ms. Alutto stated that is common. Ms. LeRoy stated that the reduction of cash transactions also impacted the amount of staff and equipment required. Mr. Stiffler stated there are significant cost savings moving to a credit card system. \$6,000 was saved because an armored car pick up was no longer necessary. This is a great direction to head for cost recovery and efficiency.

Ms. Alutto asked how these numbers compare to other festivals. Ms. LeRoy shared a chart illustrating cost comparisons to other Irish festivals. Dublin does not charge online fees. Most other prices listed do not include processing fees. Milwaukee is comparable and their prices are very similar. She also shared cost comparisons with local events/activities like the Columbus Zoo, Ohio State Fair, concerts, etc. The proposed ticket prices are still comparable.

Mr. Keeler asked about the online fees. Ms. LeRoy responded that between the credit card and fee the City pays, it is about \$2.40. Mr. Keeler stated that we are in line with other festivals, but they are having the same conversation now with even higher fees. This conversation has two sides: overhead and revenue. Back to 2016, if you normalize revenue, it is the expenses that have been the problem. Mr. Keeler stated that he is

inclined to push harder on the revenue side. There is not as much control possible on the expense side.

Ms. Alutto stated that she feels the need to push harder on some of these prices. If we are going to push more, this will be the year to do it. This should be an annual conversation. Ms. LeRoy stated that staff has tried to keep them fairly consistent. There have been multiple years where they did not change. Ms. Alutto stated that when costs have not increased in a few years, the price jump is more significant.

Ms. O'Callaghan stated that on the expense side of the equation, we will be looking closely at the staffing plans and trying to get creative to reduce those staffing costs. Mr. Keeler stated that it seems like the proposed cost for the weekend is low. \$35 seems low for the flash sale. Ms. LeRoy stated that typically Sunday attendance is low. That is discounted to entice people to go. Mr. Keeler stated that higher prices may incentivize more.

Mr. Stiffler stated that the expenditure increase is not all due to inflation. There are areas that are outside of our control. Security costs are a new and necessary cost of the festival. That will go up as we continue to make the festival more secure, and areas of the festival that are expanding.

Ms. Alutto inquired if the VIP tickets sold out last year. Ms. LeRoy responded that they did sell out Friday and Saturday. Staff has considered other ideas and incentives for the VIP areas on Sundays. Something new from last year was the ability to purchase individual tickets, which sold really well. With both the Dub Club and Celtic Rock Club, there was no real profit when considering staff time and costs. With the Emerald Club, it is easier to make a profit because nothing needs constructed. A change to the Emerald Club was that there used to be unlimited alcohol and instead, each ticket will come with a tab giving three alcoholic beverages per day. A non-alcoholic ticket will also be offered. Ms. Alutto expressed appreciation for the idea of including a child Emerald Club ticket at a lower price. Ms. LeRoy stated that they found that people did not stick around as long with no drinks.

Ms. LeRoy stated that another offering next year will be a one-day VIP ticket for the Dublin and Celtic Rock Stage for \$325.

Prices are also being raised for the Pot O' Gold wrist bands which would take us from 50% cost recovery to 74%. This is a popular area. There is still a significant discount for the family pack. Ms. Alutto suggested making the family pack \$55 rather than \$52.

Ms. LeRoy stated that staff will bring this back to Council at their regular meeting on February 27, 2023. People are already calling and asking to purchase tickets. If we have the exact same attendance as last year, these proposed changes would get us to 99% cost recovery.

Mr. Stiffler stated the first part of the meeting provided context. To circle back, if this is a starter framework, the known potential challenges in the Hotel Motel Tax Revenue Fund are: increased holiday lighting, development agreements, support for Economic Development (CIC, Downtown Alliance), Art in Public Places administration, Capital Projects/Art Maintenance. Known potential changes in the Community Event revenue would be: tree lighting event, expansion of Spooktacular, elevated category of Independence Day Performer, inflation in event costs/DIF, Holiday Market.

Ms. Alutto asked staff to obtain updated projections and numbers from Scott Dring on revenues.

Mr. Stiffler outlined future discussions regarding the Hotel Motel Tax Fund as follows:

- Continue to define the Financial Framework (financial goals and timeline on sunset of General Fund transfer)
- Allocation of Hotel Motel Tax Revenues
- Community Event Cost Recovery Expectations
- Addition of New Expenditures to the Fund

The intent is for this discussion to culminate in the development of a formal policy.

Mr. Keeler stated that it is important to formalize one policy around this. The numbers from 2105 and 2016 provide helpful context. He referenced bed tax revenue and stated that the belief is that business travel is never going to come back. The goal is more about expanding the bed tax revenue. There are a lot of people who benefit from the Hotel Motel Tax Fund, and we are adding events like the holiday market. It will take time to make the Fund self-sufficient. It is important to look for ways to expand the revenue. More revenue would open up more dollars for items like the holiday market, future performing arts center, and other things like grants. It is important we consider a sports complex and surrounding it with restaurants and hotels to support it. It is easy to spend the money but difficult to earn it. Mr. Keeler added that he is confident there are opportunities to do that.

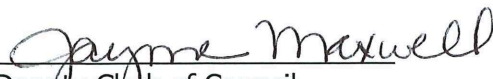
Ms. LeRoy stated that staff will go back and look at the percentage increase across the board and come back to Council with an updated proposal.

Ms. Alutto asked if staff would be able to pull together the materials around this fund and Council's actions. Mr. Stiffler answered affirmatively, adding that he will have the disparate agreements lined up for reference.

There being no further business to come before the Committee, the meeting adjourned at 6:17 p.m.



Chair, Finance Committee



Deputy Clerk of Council