



Date: January 11, 2024  
To: Board of County Commissioners  
From: Robert Tintle, Chief Financial Officer  
Re: Transient Room Tax Update

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Commissioners,

In preparation for our discussions on January 23 with the Sunriver Owners Association, I wanted to provide updated information on the financial status of Transient Room Tax (TRT) revenues, expenditures, and forecasts. The information presented is an update from our mid-year budget discussions.

TRT revenues are currently allocated as follows:

Current Transient Room Tax Allocations		Year Enacted*
<b>First 6%</b>	20% to VCO (tourism promotion)	5% - 1975
	80% to General County Operations	1% - 1980
<b>Next 1%</b>	100% to VCO	1988
<b>Newest 1%</b>	70% Fair & Expo	2014
	30% F&E Capital Reserves or General County Operations	

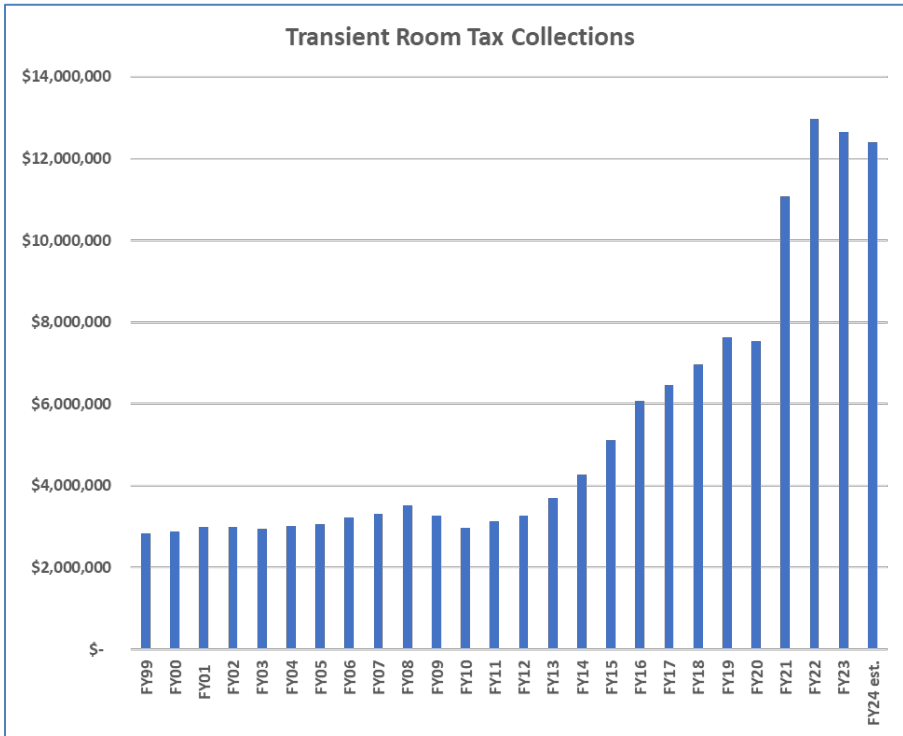
\* The 2003 Oregon Legislature passed House Bill 2267, requiring that preexisting local levels of support for tourism continue, and requiring new or increased local transient lodging taxes must direct at least 70% of the new or expanded tax revenue to support the tourism industry.

The information in the table on the next page summarizes TRT revenues, distributions and any discretionary (unallocated) funds remaining by fiscal year. The forecast includes debt service payments for the courthouse project beginning in FY24 and continuing through FY44, a 20-year commitment. Appendix A at the end of this memo includes a spreadsheet with a 20-year projection.

**Deschutes County Transient Room Tax (TRT) Projections**

	<b>FY24</b>	<b>FY25</b>	<b>FY26</b>	<b>FY27</b>	<b>FY28</b>
Beginning Working Capital	\$ 4,527,362	\$ 2,000,000	\$ 0	\$ 0	\$ 0
<b>TRT Revenue</b>					
First 6% - 20% Tourism Promotion	\$ 1,867,500	\$ 1,890,000	\$ 1,938,000	\$ 1,986,000	\$ 2,035,500
First 6% - 80% Discretionary	7,470,000	7,560,000	7,752,000	7,944,000	8,142,000
Next 1% - VCO	1,556,250	1,575,000	1,615,000	1,655,000	1,696,250
New 1% - 70% Tourism Promotion	1,089,375	1,102,500	1,130,500	1,158,500	1,187,375
New 1% - 30% Discretionary	466,875	472,500	484,500	496,500	508,875
<b>Total TRT Revenue</b>	<b>\$ 12,450,000</b>	<b>\$ 12,600,000</b>	<b>\$ 12,920,000</b>	<b>\$ 13,240,000</b>	<b>\$ 13,570,000</b>
<b>TRT Distributions</b>					
<i>Required for Tourism</i>					
VCO (net)	\$ 3,341,853	\$ 3,381,699	\$ 3,468,260	\$ 3,554,785	\$ 3,644,023
Fair & Expo 615 (net)	993,331	1,005,787	1,033,100	1,060,397	1,088,551
Fair 616	75,000	75,000	75,000	75,000	75,000
RV Park 618	20,000	20,000	20,000	20,000	20,000
<i>Discretionary</i>					
Current Grants and Contributions	3,000,000	2,000,000	-	-	-
Sheriff 255	3,651,787	3,743,082	3,836,659	3,932,575	4,030,890
Environmental Health	368,417	377,627	387,068	396,745	406,663
Justice Court	364,688	373,805	383,150	392,729	402,547
Admin Fee (net of interest) - 7%	392,680	402,497	412,559	422,873	433,445
Admin Fee (net of interest) - 1%	38,268	39,225	40,205	41,210	42,241
Fair & Expo Reserve 617	455,395	460,733	472,438	484,137	496,203
Capital Reserve	1,517,943	-	-	-	-
Debt Service	758,000	1,500,000	1,501,750	1,502,000	1,500,750
<b>Total TRT Distributions</b>	<b>\$ 14,977,362</b>	<b>\$ 13,379,454</b>	<b>\$ 11,630,191</b>	<b>\$ 11,882,452</b>	<b>\$ 12,140,313</b>
<b>Discretionary TRT/Capital Reserve</b>	<b>\$ -</b>	<b>\$ 1,220,546</b>	<b>\$ 1,289,809</b>	<b>\$ 1,357,548</b>	<b>\$ 1,429,687</b>
<b>Ending Working Capital</b>	<b>\$ 2,000,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

The current Transient Room Tax (TRT) forecast reflects \$12,450,000 in total TRT revenue in FY24 with a 2.5% increase each year beginning in FY26 and thereafter. TRT distributions (expenses) are also forecasted to increase 2.5% per year, including to the Sheriff's Office, which is a modest estimate. The forecast recognizes the volatility in TRT revenues and our most recent revenue highs may not be realized in future years. The County would need to see an ongoing trend of revenues before comfortably budgeting increased revenues.

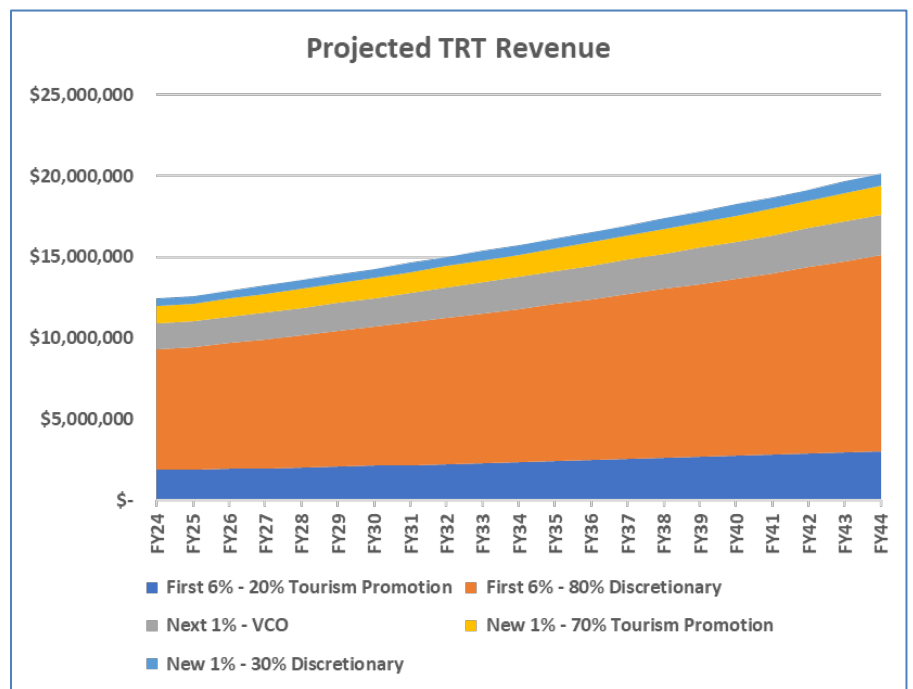


Transient room tax revenue increased an average of 2% annually from 1998 through 2008. From 2009 through 2020, revenue increased by an average of 10% annually. From 2021 through 2024, revenue increased by 3% annually. However, recent trends are showing a flattening or decline in revenues.

TRT revenues are more volatile compared to property tax revenue. If revenues came in lower, the General Fund would be required to pick up any deficiency, further burdening the General Fund. There is sensitivity to the model if TRT revenue is over or under in the

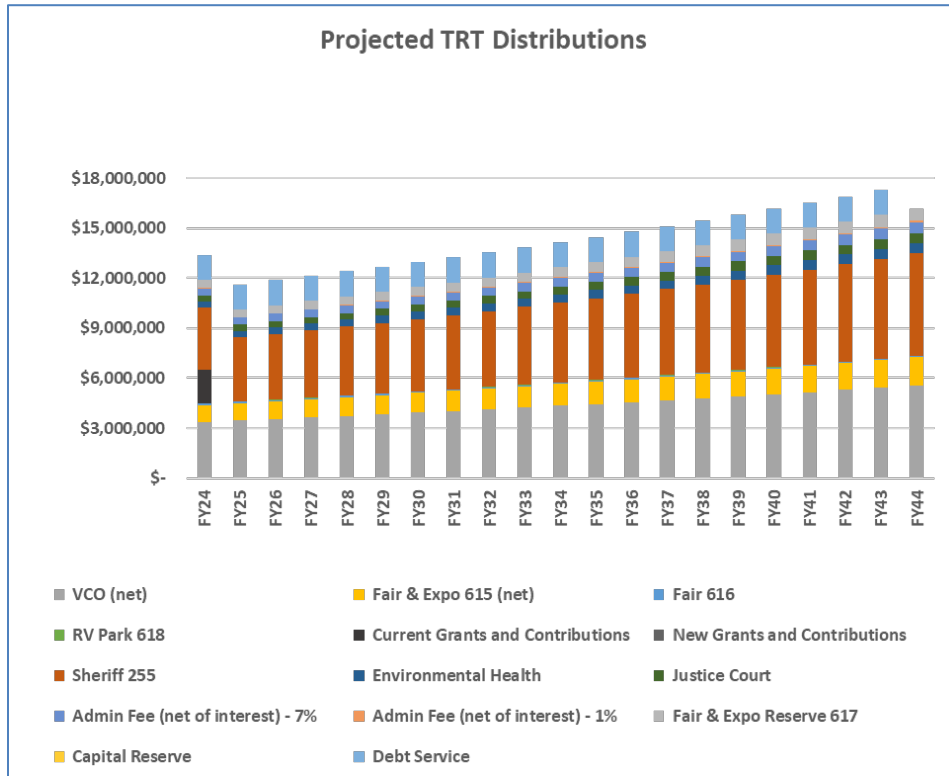
amount projected. If there is any shortage in TRT revenue, the debt service will become a liability of the General Fund which would reduce funding for other projects or require reductions in General Fund operating expenditures.

As of December 2024, TRT revenues are down 2.3% from prior fiscal year actuals and down 2.1% fiscal year-to-date from the amount budgeted. The FY24 projected ending fund balance is \$2 million, and these funds are held in reserve to cover the final \$2 million payment to Sunriver. Prudent financial management recognizes that funds should only be committed once realized as opposed to committing funds based on projections. Natural disasters, emergencies or other unknown factors could result in actual revenue reductions below, and potentially far below, projections.

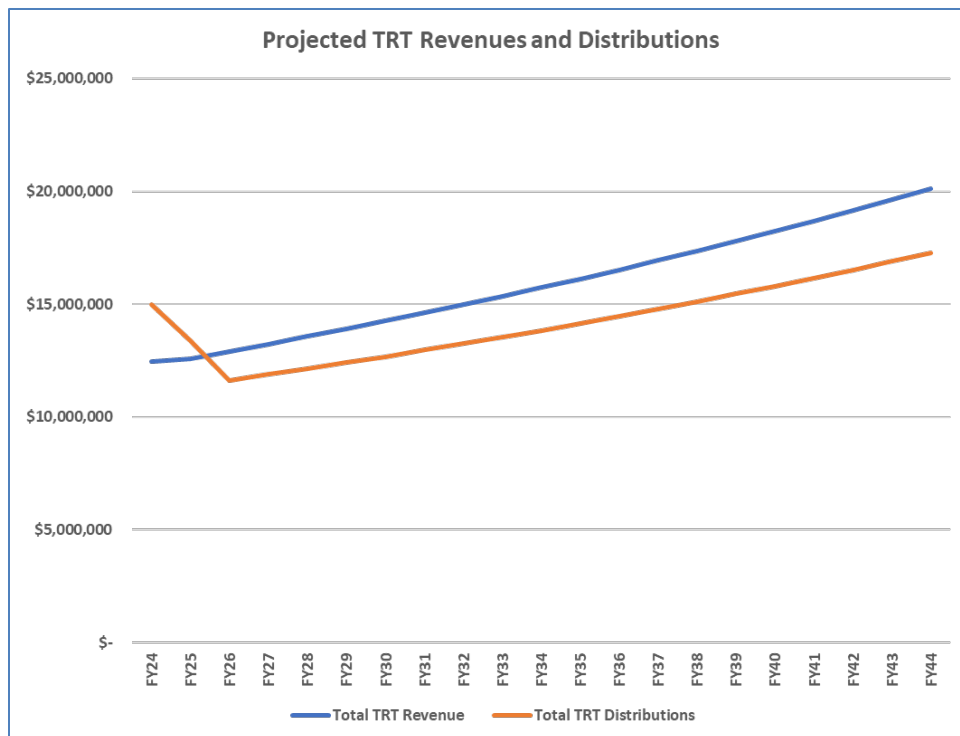


The 20-year forecast includes a 2.5% annual revenue growth assumption. Although, TRT revenue is variable and can be difficult to accurately predict.

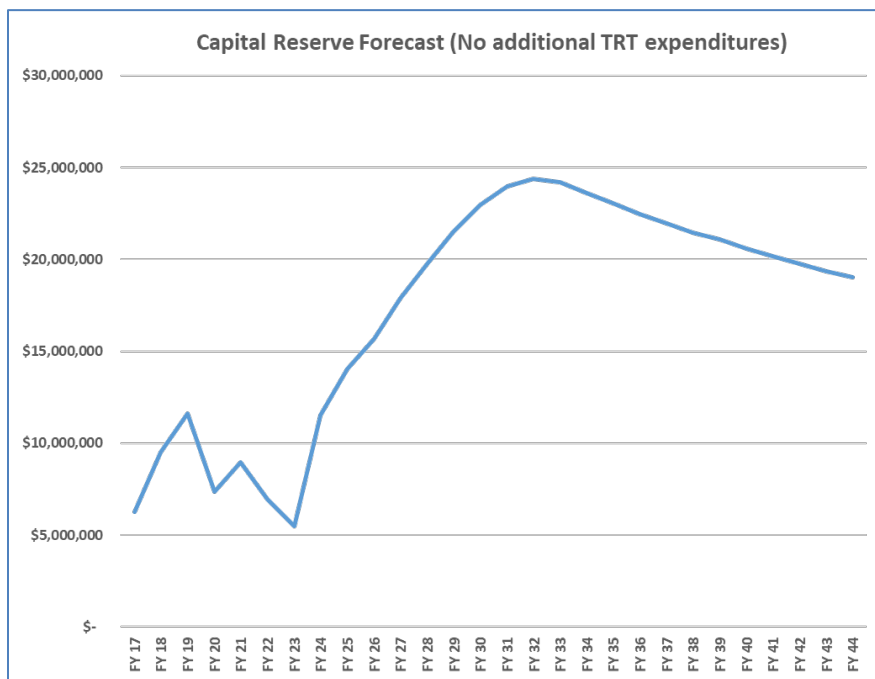
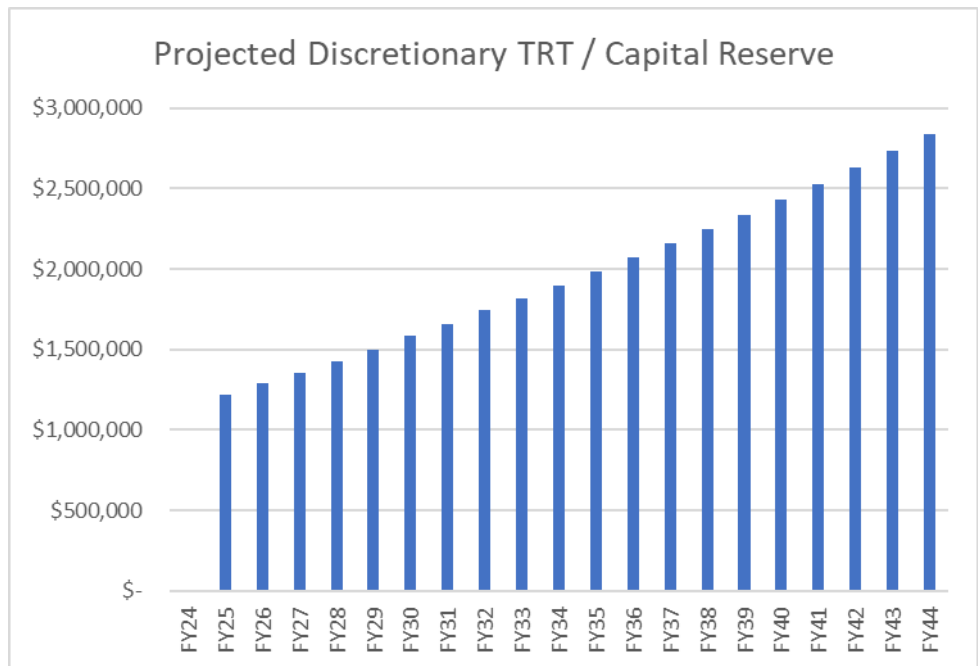
TRT expenditures over the 20-year forecast period also include an annual 2.5% growth assumption for discretionary general County operations. The expenditures below do not include any additional grants, County operational increases, or major capital projects. TRT is an important source for future capital projects.



A summary of revenues and expenditures prior to the transfer of funds to the Capital Reserve is presented below.



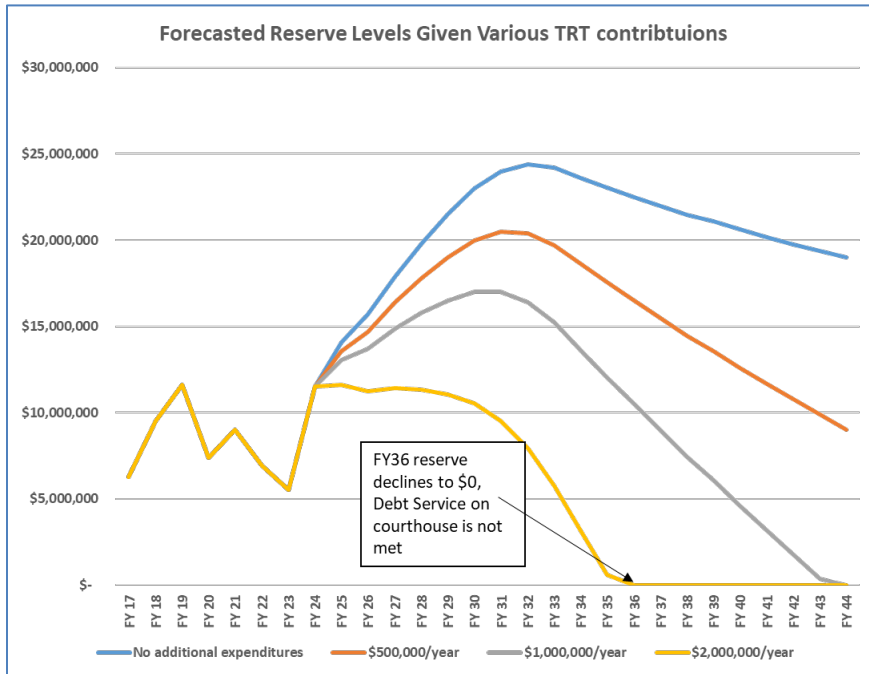
The 20-year forecast includes a transfer to the General Capital Reserve fund in those years when TRT revenues exceed expenditures. The General Fund Long-Term forecast relies on a transfer from the TRT Fund to the Capital Reserve Fund. The reserve fund is used to accumulate resources for capital investments related to Board goals and objectives. The transfer is needed to cover annual capital maintenance, small capital projects, and operational subsidies when the General Fund cannot fully support operations.



Both the General Fund and the General Capital Reserve Fund rely on a transfer from Transient Room Tax revenue to remain financially viable. Before considering any additional TRT expenditures, and with only minimal capital expenditures, the capital reserve forecast includes approximately \$19 million in FY44. However, this does not factor in any operational subsidies required by the General Fund if the rate of operational growth is not reduced (i.e., from 5.5% to 4.8%). The impact on the reserve with General Fund support is discussed below.

Since discretionary TRT revenues also fund courthouse debt service costs, this prohibits or reduces the amount available to transfer to the General Capital Reserve Fund or fund other General Fund needs. There are a number of unmet and unfunded needs on the horizon the Board may need to consider:

- Clerk’s Office, Community Development, Public Health, Adult Parole and Probation, Community Justice Juvenile
- Public Safety Campus Plan
- Future PERS, Health Insurance rates, Salary Study with Market Review
- General County Projects (increased maintenance costs over the 3-cent property tax funding)
- Other Campus Improvements (new capital construction and major remodels)



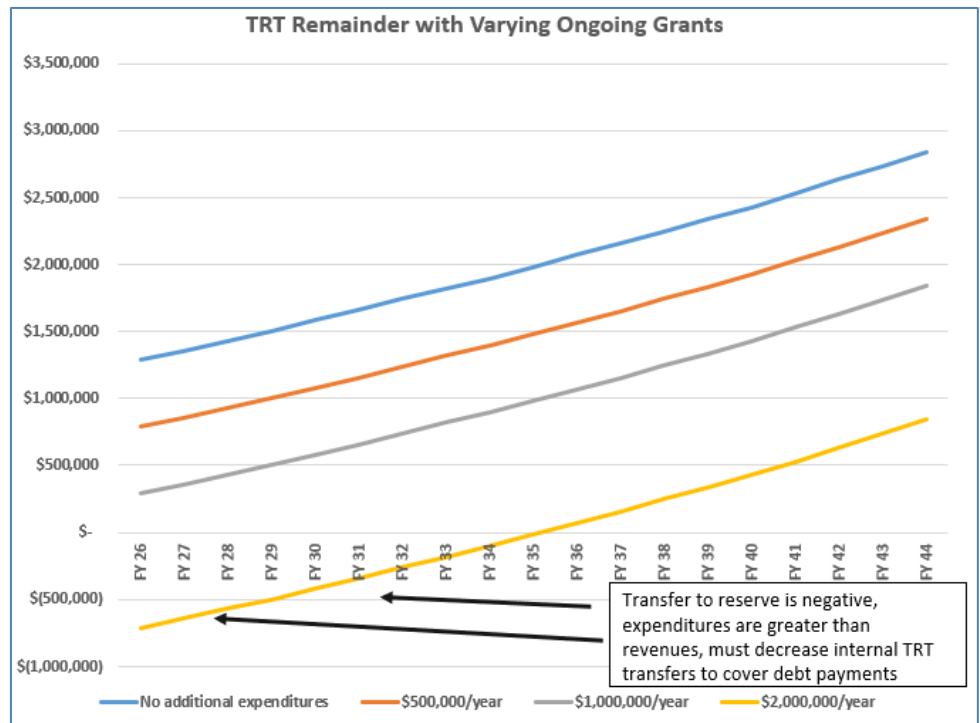
If additional TRT expenditures were required due to internal cost increases or increased grant contributions, the Capital Reserve forecast would change. The graph to the left depicts various scenarios with increased demands on the TRT fund.

None of the scenarios factor in a declining General Fund transfer to Capital Reserves, nor any future operational subsidies. Additional ongoing expenditures of \$1 million and \$2 million annually do not meet reserve requirements and do not allow the County to meet its debt service obligations. Additionally, the

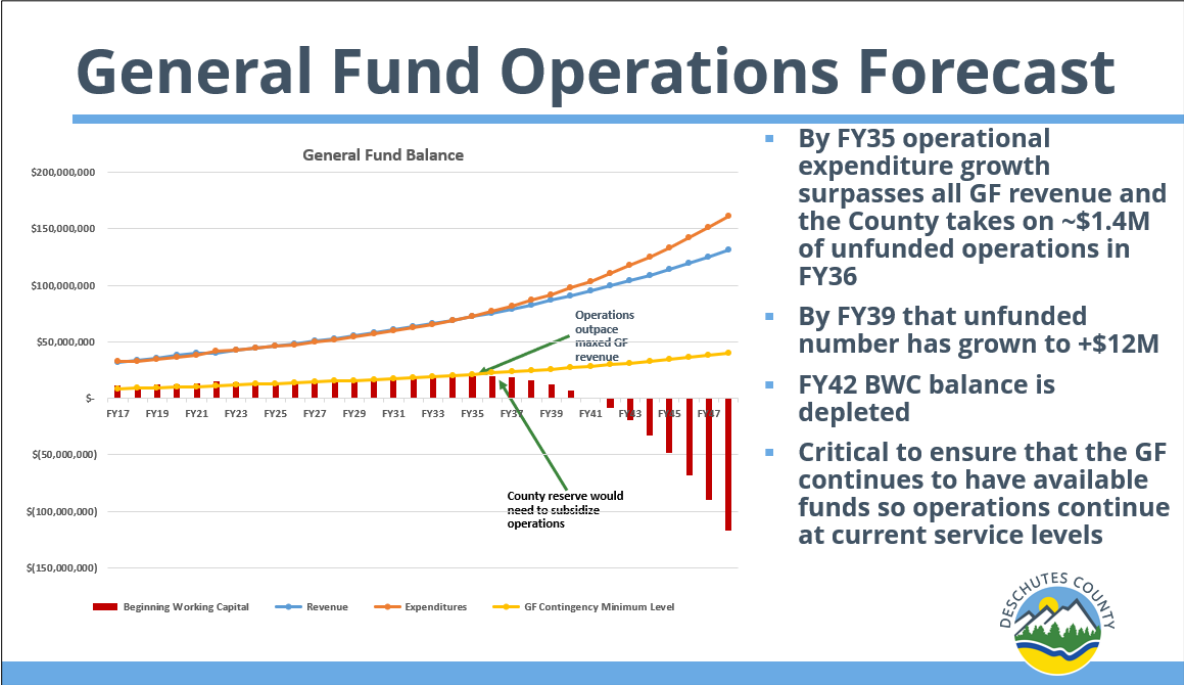
above analysis assumes a 2.5% increase in TRT revenues over the period. If the revenue trend decreases to only a 1% annual increase, the reserve would realize a \$9 million decrease.

The graph to the right displays the annual TRT remainder if ongoing grant contributions were committed to or if the increased expenditures were required of the fund.

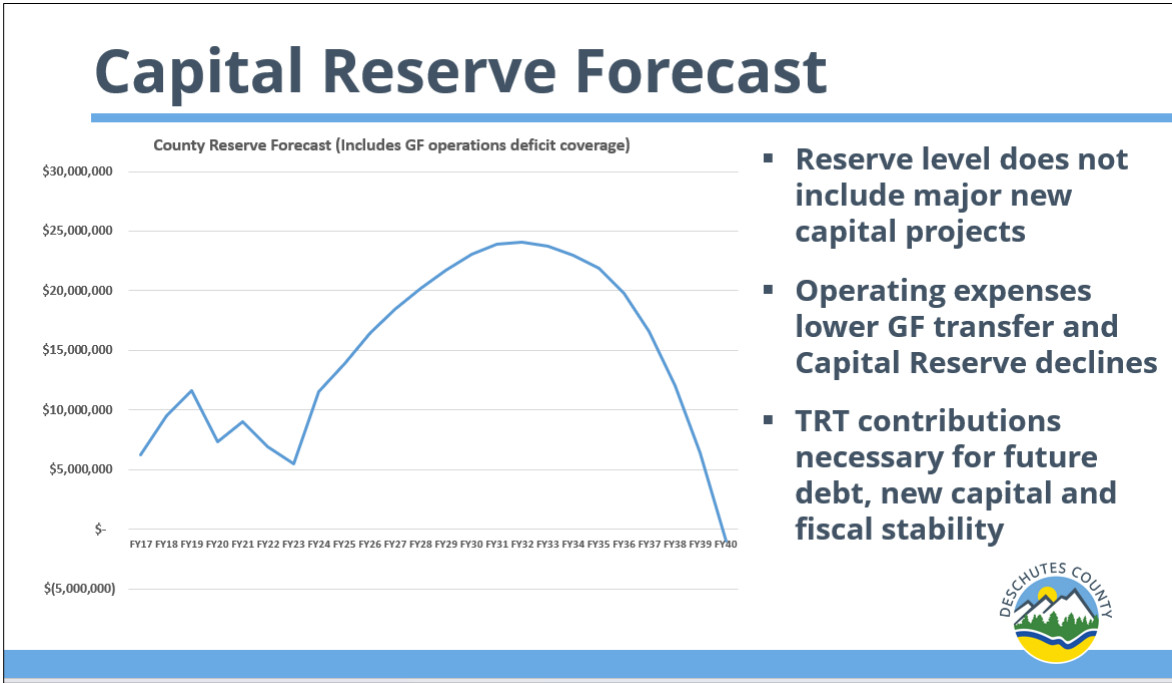
Any ongoing expense or ongoing grants greatly reduce the amount of funding available for County services or County capital needs. Additionally, depending on the level of any new commitment, internal cost reductions would need to occur to cover the annual courthouse debt service requirements.



The General Fund Long-Term Forecast was presented to the Board. The presentation included the future challenges the General Fund may face if the rate of operational growth is not reduced. The graph below showed that the General Fund would need to rely on the Capital Reserve to subsidize operations and by Fiscal Year 2042, the Beginning Working Capital would be depleted.



Additionally, once the General Fund requires a subsidy from the Capital Reserve, the reserve drops to zero by Fiscal Year 2040. The reserve graph below depicts the reserve with funds supporting the General Fund. The previous reserve graph showed the reserve prior to any General Fund support. The funds need to be viewed together, and not in isolation, since one affects the other.



County operations continue to grow, and future capital projects may be necessary. If financially viable, County capital projects would be funded through discretionary TRT. If General Fund provided service costs continue to increase, TRT funds would be necessary to fund services. In summary, ongoing TRT contributions outside of the current forecast jeopardizes the County's ability to:

- Cover courthouse debt service over the 20-year period.
- Maintain necessary capital improvements.
- Invest in future capital projects.
- Provide services at the same level to the community.

Any future TRT commitments should consider the full effect on County operations and capital needs, and should be based on actual funds received rather than projected. Since the Capital Reserve and future General Fund both rely on transfers from TRT, any additional commitments will move the General Fund 'fiscal cliff' sooner than discussed during the Long-Term Forecast presentation.

If you have any questions, or would like additional information, please let me know.



# APPENDIX A

## Deschutes County Transient Room Tax (TRT) Projections

	FY24	FY25	FY26	FY27	FY28	FY29	FY30	FY31	FY32	FY33	FY34
Beginning Working Capital	\$ 4,527,362	\$ 2,000,000	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>TRT Revenue</b>											
First 6% - 20% Tourism Promotion	\$ 1,867,500	\$ 1,890,000	\$ 1,938,000	\$ 1,986,000	\$ 2,035,500	\$ 2,086,500	\$ 2,139,000	\$ 2,193,000	\$ 2,248,500	\$ 2,304,000	\$ 2,361,000
First 6% - 80% Discretionary	7,470,000	7,560,000	7,752,000	7,944,000	8,142,000	8,346,000	8,556,000	8,772,000	8,994,000	9,216,000	9,444,000
Next 1% - VCO	1,556,250	1,575,000	1,615,000	1,655,000	1,696,250	1,738,750	1,782,500	1,827,500	1,873,750	1,920,000	1,967,500
New 1% - 70% Tourism Promotion	1,089,375	1,102,500	1,130,500	1,158,500	1,187,375	1,217,125	1,247,750	1,279,250	1,311,625	1,344,000	1,377,250
New 1% - 30% Discretionary	466,875	472,500	484,500	496,500	508,875	521,625	534,750	548,250	562,125	576,000	590,250
<b>Total TRT Revenue</b>	<b>\$ 12,450,000</b>	<b>\$ 12,600,000</b>	<b>\$ 12,920,000</b>	<b>\$ 13,240,000</b>	<b>\$ 13,570,000</b>	<b>\$ 13,910,000</b>	<b>\$ 14,260,000</b>	<b>\$ 14,620,000</b>	<b>\$ 14,990,000</b>	<b>\$ 15,360,000</b>	<b>\$ 15,740,000</b>
<b>TRT Distributions</b>											
<i>Required for Tourism</i>											
VCO (net)	\$ 3,341,853	\$ 3,381,699	\$ 3,468,260	\$ 3,554,785	\$ 3,644,023	\$ 3,735,974	\$ 3,830,635	\$ 3,928,007	\$ 4,028,089	\$ 4,128,128	\$ 4,230,875
Fair & Expo 615 (net)	993,331	1,005,787	1,033,100	1,060,397	1,088,551	1,117,561	1,147,429	1,178,152	1,209,731	1,241,290	1,273,704
Fair 616	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
RV Park 618	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
<i>Discretionary</i>											
Current Grants and Contributions	3,000,000	2,000,000	-	-	-	-	-	-	-	-	-
Sheriff 255	3,651,787	3,743,082	3,836,659	3,932,575	4,030,890	4,131,662	4,234,953	4,340,827	4,449,348	4,560,582	4,674,596
Environmental Health	368,417	377,627	387,068	396,745	406,663	416,830	427,251	437,932	448,880	460,102	471,605
Justice Court	364,688	373,805	383,150	392,729	402,547	412,611	422,926	433,499	444,337	455,445	466,831
Admin Fee (net of interest) - 7%	392,680	402,497	412,559	422,873	433,445	444,281	455,388	466,773	478,442	490,404	502,664
Admin Fee (net of interest) - 1%	38,268	39,225	40,205	41,210	42,241	43,297	44,379	45,489	46,626	47,791	48,986
Fair & Expo Reserve 617	455,395	460,733	472,438	484,137	496,203	508,636	521,436	534,603	548,137	561,663	575,554
Capital Reserve	1,517,943	-	-	-	-	-	-	-	-	-	-
Debt Service	758,000	1,500,000	1,501,750	1,502,000	1,500,750	1,503,000	1,498,500	1,502,500	1,499,500	1,499,750	1,503,000
<b>Total TRT Distributions</b>	<b>\$ 14,977,362</b>	<b>\$ 13,379,454</b>	<b>\$ 11,630,191</b>	<b>\$ 11,882,452</b>	<b>\$ 12,140,313</b>	<b>\$ 12,408,852</b>	<b>\$ 12,677,898</b>	<b>\$ 12,962,783</b>	<b>\$ 13,248,090</b>	<b>\$ 13,540,155</b>	<b>\$ 13,842,815</b>
<b>Discretionary TRT/Capital Reserve</b>	<b>\$ -</b>	<b>\$ 1,220,546</b>	<b>\$ 1,289,809</b>	<b>\$ 1,357,548</b>	<b>\$ 1,429,687</b>	<b>\$ 1,501,148</b>	<b>\$ 1,582,102</b>	<b>\$ 1,657,217</b>	<b>\$ 1,741,910</b>	<b>\$ 1,819,845</b>	<b>\$ 1,897,185</b>
<b>Ending Working Capital</b>	<b>\$ 2,000,000</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>

## Deschutes County Transient Room Tax (TRT) Projections (continued)

	FY35	FY36	FY37	FY38	FY39	FY40	FY41	FY42	FY43	FY44	FY45
Beginning Working Capital	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0	\$ 0
<b>TRT Revenue</b>											
First 6% - 20% Tourism Promotion	\$ 2,419,500	\$ 2,479,500	\$ 2,541,000	\$ 2,604,000	\$ 2,668,500	\$ 2,734,500	\$ 2,803,500	\$ 2,874,000	\$ 2,946,000	\$ 3,019,500	\$ 3,094,500
First 6% - 80% Discretionary	9,678,000	9,918,000	10,164,000	10,416,000	10,674,000	10,938,000	11,214,000	11,496,000	11,784,000	12,078,000	12,378,000
Next 1% - VCO	2,016,250	2,066,250	2,117,500	2,170,000	2,223,750	2,278,750	2,336,250	2,395,000	2,455,000	2,516,250	2,578,750
New 1% - 70% Tourism Promotion	1,411,375	1,446,375	1,482,250	1,519,000	1,556,625	1,595,125	1,635,375	1,676,500	1,718,500	1,761,375	1,805,125
New 1% - 30% Discretionary	604,875	619,875	635,250	651,000	667,125	683,625	700,875	718,500	736,500	754,875	773,625
<b>Total TRT Revenue</b>	<b>\$ 16,130,000</b>	<b>\$ 16,530,000</b>	<b>\$ 16,940,000</b>	<b>\$ 17,360,000</b>	<b>\$ 17,790,000</b>	<b>\$ 18,230,000</b>	<b>\$ 18,690,000</b>	<b>\$ 19,160,000</b>	<b>\$ 19,640,000</b>	<b>\$ 20,130,000</b>	<b>\$ 20,630,000</b>
<b>TRT Distributions</b>											
<i>Required for Tourism</i>											
VCO (net)	\$ 4,336,328	\$ 4,444,486	\$ 4,555,348	\$ 4,668,913	\$ 4,785,179	\$ 4,904,146	\$ 5,028,562	\$ 5,155,676	\$ 5,285,487	\$ 5,417,992	\$ 5,553,192
Fair & Expo 615 (net)	1,306,971	1,341,093	1,376,067	1,411,894	1,448,573	1,486,103	1,525,358	1,565,464	1,606,420	1,648,224	1,690,877
Fair 616	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000	75,000
RV Park 618	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000	20,000
<i>Discretionary</i>											
Current Grants and Contributions	-	-	-	-	-	-	-	-	-	-	-
Sheriff 255	4,791,461	4,911,248	5,034,029	5,159,879	5,288,876	5,421,098	5,556,626	5,695,541	5,837,930	5,983,878	6,133,475
Environmental Health	483,395	495,480	507,867	520,564	533,578	546,917	560,590	574,605	588,970	603,694	618,787
Justice Court	478,502	490,465	502,726	515,295	528,177	541,381	554,916	568,789	583,009	597,584	612,523
Admin Fee (net of interest) - 7%	515,230	528,111	541,314	554,847	568,718	582,936	597,509	612,447	627,758	643,452	659,538
Admin Fee (net of interest) - 1%	50,211	51,466	52,753	54,072	55,423	56,809	58,229	59,685	61,177	62,707	64,274
Fair & Expo Reserve 617	589,812	604,435	619,424	634,778	650,498	666,582	683,406	700,594	718,147	736,063	754,343
Capital Reserve	-	-	-	-	-	-	-	-	-	-	-
Debt Service	1,499,000	1,498,000	1,499,750	1,499,000	1,500,750	1,499,750	1,501,000	1,499,250	1,499,500	1,501,500	-
<b>Total TRT Distributions</b>	<b>\$ 14,145,911</b>	<b>\$ 14,459,783</b>	<b>\$ 14,784,278</b>	<b>\$ 15,114,241</b>	<b>\$ 15,454,772</b>	<b>\$ 15,800,723</b>	<b>\$ 16,161,197</b>	<b>\$ 16,527,052</b>	<b>\$ 16,903,397</b>	<b>\$ 17,290,094</b>	<b>\$ 16,182,009</b>
<b>Discretionary TRT/Capital Reserve</b>	<b>\$ 1,984,089</b>	<b>\$ 2,070,217</b>	<b>\$ 2,155,722</b>	<b>\$ 2,245,759</b>	<b>\$ 2,335,228</b>	<b>\$ 2,429,277</b>	<b>\$ 2,528,803</b>	<b>\$ 2,632,948</b>	<b>\$ 2,736,603</b>	<b>\$ 2,839,906</b>	<b>\$ 4,447,991</b>
<b>Ending Working Capital</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>	<b>\$ 0</b>