

Date of Meeting: July 19, 2022

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**BOARD OF SUPERVISORS
BUSINESS MEETING
ACTION ITEM**

**SUBJECT: FINANCE/GOVERNMENT OPERATIONS AND
ECONOMIC DEVELOPMENT COMMITTEE REPORT:
FY 2023 Restricted Transient Occupancy Tax Fund
Tourism Grants Funding Recommendations**

ELECTION DISTRICT(S): Countywide

CRITICAL ACTION DATE: At the pleasure of the Committee

STAFF CONTACT(S): John Sandy, Finance and Budget
Megan Cox, Finance and Budget

PURPOSE: To present qualified FY 2023 Restricted Transient Occupancy Tax (RTOT) Fund Tourism Grant applicants, proposal summaries, and review panel recommendations to the Board of Supervisors for consideration.

RECOMMENDATION(S):

Finance/Government Operations and Economic Development Committee (FGOEDC): At the FGOEDC meeting on July 12, 2022, the FGOEDC recommended (5-0) that the Board of Supervisors (Board) approve the FY 2023 Restricted Transient Occupancy Tax Fund Tourism Grants at the funding levels recommended by staff included in the July 12, 2022, Finance/Government Operations and Economic Development Committee Action Item.

Staff: Staff concurs with the FGOEDC recommendation.

BACKGROUND: The code of Virginia outlines in [Section 58.1-3819](#) that RTOT funds: ... *shall be designated and spent solely for tourism and travel, marketing of tourism or initiatives that... attract travelers to the locality, increase occupancy at lodging properties, and generate tourism revenues in the locality.*"

In addition to requirements in the Code of Virginia, the Board uses its RTOT Funding Policy (Attachment 1) to further define how RTOT funds can be used in Loudoun County. On February 23, 2017¹, the Board established an annual grant funding process for the RTOT Fund (8-0-1: Meyer

¹ [February 23, 2017, Board Business Meeting Item 9d, FGOEDC - Restricted Transient Occupancy Tax Grant Funding Process](#)

absent) through which organizations may be awarded funding for proposals that support or increase tourism in Loudoun County including:

- Funding opportunities for marketing agriculture-based businesses (e.g., craft beverages, agritourism, lodging, artisans, and equestrian).
- Funding opportunities for the promotion of special events with significant draw from other jurisdictions/regions.
- Funding opportunities for marketing cultural or outdoor recreational opportunities and assets to drive visitation.

Since the program's inception in FY 2018, over \$181,000 has been awarded to organizations and/or events which have provided for marketing agriculture-based businesses (e.g., craft beverages, agritourism, lodging, artisans, and equestrian); and the promotion of special events with significant draw from other jurisdictions/regions, and for marketing cultural or outdoor recreational opportunities and assets to drive visitation.

Due to the negative impact of the COVID-19 pandemic on TOT revenues, the grant program was suspended in FY 2021 and FY 2022. At the June 15, 2021, Board of Supervisors Business Meeting, the Board appropriated \$3.5 million (8-0-1, Buffington absent) of Loudoun County's American Rescue Plan Act (ARPA) State and Local Fiscal Recovery Funds (SLFRF) funding to be used to stabilize and replenish the RTOT fund— allowing the program to resume in FY 2023.²

ISSUES: Funding for the RTOT Grant program is anticipated at \$973,000 for FY 2023. The \$973,000 is 50 percent of the unrestricted balance of the fund that can be used to fund the grant program. For FY 2023 and FY 2024, the RTOT fund is supplemented by \$150,000 from the Virginia Tourism Corporation's (VTC) American Rescue Plan Act (ARPA) Tourism Recovery Program. This program is providing ARPA funding to all 133 Virginia counties and independent cities to invigorate tourism initiatives stunted by the pandemic.

For the FY 2023 process, staff solicited applications for funding between May 9 and May 25, 2022. After the application period closed, staff from the Department of Finance and Budget (DFB) conducted a preliminary review of applications for entity verification³ and potential conflicts, then screened for minimum qualification to receive RTOT funding. Applications that were determined to meet minimum qualifications to receive RTOT funds as defined by the Code of Virginia (noted above) were forwarded to a review panel consisting of staff from DFB, Economic Development (DED), as well as Visit Loudoun.

The application grading is built on a point scale, with four points as the maximum score for each question. The summed score achieved by an applicant across all panel reviewers is then averaged by the number of questions and the number of reviewers. Applicants with an average score of 3.0 or higher are considered strong applicants; those with an average score of 2.5 to 2.9 are viable

² [June 15, 2021, Board Business Meeting Item 5g, FGOEDC Report: Appropriation and Allocation of American Rescue Plan Act \(ARPA\) Funding](#)

³ This was accomplished through a Virginia State Corporation Commission entity search.

applicants with a reasonable alignment with the County’s mission and stated goals. Applicants scoring below an average of 2.5 are considered weak applicants. Of eight applications received, four exceeded the threshold of an average score of 3.0 or better for each question that determined a strong application. An additional three applications averaged above 2.7 per question based on evaluation criteria and have been recommended for at least partial funding.

Table 1 summarizes requested funding amounts, recommended funding amounts, and justifications for the review panel’s decisions.

Funding has not been recommended for two applicants, both of whom requested assistance with activities outside the scope of existing Board-approved RTOT policy. Two other applicants were recommended for partial funding, as portions of their budget include ineligible activities. Full reasoning is given in the profiles below.

Table 1. Event Descriptions and Funding Recommendations

Organization	Requested Funding	Recommended Funding	Event Description
One Family Gives	\$25,000	\$6,000	The Freedom Celebration honors first responders, the military and their families while raising funds to support local and national charities.
Town of Lovettsville	\$25,000	\$25,000	Oktoberfest is an annual event that brings vendors, entertainment and activities to downtown Lovettsville in celebration of the German tradition.
Chhandayan	\$9,500	\$9,500	The Dewali Festival Celebration, or festival of light, showcases traditional Indian music and dance along with cultural workshops.
Sweet Jazz Festival	\$25,000	\$9,000	The Sweet Jazz Festival is a quarterly concert series that benefits local charities and music scholarship, while spotlighting women-owned businesses and services.
Loudoun Jazz Society	\$5,000	\$0	Proposed to develop a Loudoun Youth Jazz Orchestra, a full pre-professional ensemble based in Loudoun County.
George’s Mill Farm	\$25,000	\$0	The farm holds events each March and April during spring baby goat season, including petting, feeding, and “goat camp” for children.
Middleburg Film Festival	\$25,000	\$25,000	Founded in 2013, this festival highlights narrative and documentary films, along with conversations with filmmakers and actors in intimate settings.
Town of Middleburg	\$25,000	\$25,000	The Mille Miglia has a storied history in Italy, representing sport, culture and community surrounding vintage cars of the race era of 1927-57.
Totals:	\$164,500	\$99,500	

The following information summarizes application information on organizations that are recommended for full or partial funding through the RTOT Grant Program:

One Family Gives

Requested Funding: \$25,000
Recommended Funding: \$6,000

One Family Gives conducts the Freedom Celebration, an annual outdoor celebration of veterans, first responders and military personnel on their 27-acre farm in Lovettsville. In 2021, the event had over 1,100 people throughout the day and raised over \$20,000 for charity. The day featured live music from bands that came in from New Orleans, Nashville, and locally. Over 300 attendees of the three-day festival were from out of state. Recommended funding will cover advertising costs. The additional funding requests were outside of the scope of RTOT grant and not fully described in the application.

Town of Lovettsville

Requested Funding: \$25,000
Recommended Funding: \$25,000

The Lovettsville Oktoberfest celebration features food vendors, free children's activities, entertainment from five high-energy bands, nearly 100 craft vendors, local and regional beers and wines, traditional German dancing, celebrated Weiner Dog Races, a 5K Race and Fun Run, an authentic German dinner and pancake breakfast, and all the fun and memories you can pack into a Friday and Saturday in late September. Oktoberfest regularly draws over 12,000 attendees and the town intends to utilize grant funds to expand its print and digital advertising campaigns to attract more outside visitors.

Chhandayan

Requested Funding: \$9,500
Recommended Funding: \$9,500

Chhandayan proposes to organize and hold the 2022 Dewali Festival Celebration in October. Dewali is the Indian Festival of Lights. The festival will feature performances by several famous musicians and dancers with their teams. Also included will be several seminars and workshops offered by the featured musicians and dancers from India. Marketing for this event will spread far beyond the area and Chhandayan estimates over 300 out of state attendees.

Sweet Jazz Festival, LLC

Requested Funding: \$25,000
Recommended Funding: \$9,000

Sweet Jazz Festival (SJF) uses music as a catalyst to give music scholarships and donations to local Loudoun County charities, while spotlighting women-owned products and services. Their proposal is to promote the 2023 Sweet Jazz Festival and Concert Series. The 2023 schedule

includes quarterly concerts and the festival to restore the series to pre-pandemic attendance levels. In years past the event has attracted over 500 attendees, of which 50% are estimated to have originated from outside the County. Recommended funding includes advertising for the event, however the additional funds requested were to hire bands, which is currently an unallowable expense per Board-approved policy.

Middleburg Film Festival

Requested Funding: \$25,000
Recommended Funding: \$25,000

Over the course of four days, attendees can experience the best in film from around the world in the beautiful, historic setting of Middleburg, VA. A carefully curated selection of narrative and documentary films are screened in intimate theatre environments, followed by fascinating conversations with world-renowned filmmakers, actors, and other special guests. The festival attracted an estimated 3,500 attendees in both 2018 and 2019. Based on tracking of ticket sales, 50 percent of attendees are from outside Loudoun.

Town of Middleburg

Requested Funding: \$25,000
Recommended Funding: \$25,000

The Town of Middleburg was selected to be the base of operations for the 1000 Miglia Warm-Up USA 2019 event. This iconic event has a storied history in Italy, representing sport, culture, and community with the focal point being vintage classic cars ranging from 1927-1957. Event participants will be hosted at the Salamander Resort & Spa from October 18-22, 2022, and depart each day from The Pink Box, the Town's Visitor Center at 12 N. Madison Street in downtown Middleburg. It is anticipated that 300-500 out of town visitors will attend this year's event.

FISCAL IMPACT: The projected FY 2022 year-end fund balance in the RTOT Fund, less the mandated reserve, is \$1,946,000. At the Board's direction, up to half of the prior year's projected fund balance (\$973,000) was available for allocation during this grant process. If approved, these grants will reduce the fund balance in the RTOT Fund by \$99,500.

ALTERNATIVES:

1. The Board may authorize grant funds at the levels recommended by staff.
2. The Board may authorize grant funds at a level other than those recommended by staff.
3. The Board may choose to not fund the grants, and direct staff how to proceed.

DRAFT MOTIONS:

1. I move that the Board of Supervisors approve the recommendation from Finance/Government Operations and Economic Development Committee that the Board of Supervisors approve the FY 2023 Restricted Transient Occupancy Tax Fund Tourism Grants at the funding levels recommended by staff, included in the July 19, 2022, Board of Supervisors Business Meeting Action Item.

OR

2. I move an alternate motion.

ATTACHMENT(S):

1. Loudoun County Government Administrative Policies and Procedures, BUD-05 Transient Occupancy Tax



Loudoun County Government Administrative Policies and Procedures

Title: Transient Occupancy Tax (TOT)	Effective Date: 07/19/05
Number: BUD-05	Date of Last Revision/Review: 06/30/11
	Date of Next Review: 06/30/12

Policy:

The Board of Supervisors' adopted Transient Occupancy Tax (TOT) policy establishes the criteria for approving distributions of restricted TOT funds to tax-exempt organizations and to County Government departments.

Background:

Loudoun County levies the TOT on hotels, motels, boarding houses, travel campgrounds, and other facilities offering guestrooms rented out for continuous occupancy for fewer than thirty consecutive days. The customers of these establishments, such as traveling businesspersons and vacationers, pay for this tax, which is 5% of the lodging bill. The funds are collected by these establishments as customers pay their lodging bills and are remitted to the County on a quarterly basis. Of the revenue generated by the tax, 2% is unrestricted and posted to the General Fund, while 3% is restricted to the promotion of tourism, travel, or business that generates tourism or travel in the County.

The Board of Supervisors adopted a revised policy for the allocation of restricted TOT revenue in 2005 and updated in 2010. The Board policy designates restricted TOT funding for two categories of activity: Core Tourism Services and Strategic Tourism Growth Initiatives.

Core Tourism Services – services to sustain Loudoun's tourism base and competitively position Loudoun County to attract visitors.

Strategic Tourism Growth Initiatives - services to expand Loudoun's tourism base by implementing high priority projects that are compatible with the programmatic elements of the Loudoun County Tourism Destination Strategy.

Loudoun Tourism Destination Strategy - a 5 year planned strategy that guides the marketing, promotion and product development of Loudoun's tourism sector.

Procedure:

Development of the Loudoun Tourism Destination Strategy:

1. Loudoun County will develop and adopt a 5-year Tourism Destination Strategy that will guide the marketing, promotion and product development of Loudoun's tourism sector.

2. Visit Loudoun (formerly LCVA), as the primary programmatic element of Loudoun County's travel and tourism promotion, will coordinate the Tourism Destination Strategy development process.
3. The development of the Tourism Destination Strategy will include broad participation from tourism industry sectors, citizens, advisory boards (Economic Development Commission, Rural Economic Development Council, Parks and Recreation Advisory Board, Loudoun PLACES), elected officials, and others.
4. The Tourism Destination Strategy will be reviewed annually by the Board of Supervisors, with the Economic Development Commission, Visit Loudoun, and industry partners. This annual review will identify and prioritize Strategic Tourism Growth Initiatives. It will also determine how to assign and manage the allocation of funds for Strategic Tourism Growth Initiatives.

Funding Policy for Core Tourism Services:

1. Core Tourism Services will be defined and measured based upon standards recommended by the International Association of Convention and Visitors Bureaus.
2. Loudoun County will develop a 5-Year Memorandum of Understanding (MOU) with Visit Loudoun to provide those defined Core Tourism Services.
3. 75% of projected Restricted Tourism Occupancy Tax funds will be allocated annually to Visit Loudoun to perform Core Tourism Services.
4. Visit Loudoun will report semi-annually to the Board of Supervisors, or one of its Committees, regarding its performance in the delivery of core tourism services.

Funding Process for Core Tourism Services:

1. Each year, by November 1, the Budget Office will provide Visit Loudoun with a preliminary projection of Restricted TOT revenues for the upcoming fiscal year.
2. Each year by December 1, Visit Loudoun will provide to the Budget Office, a complete description of the Core Tourism Services that will be performed in the upcoming fiscal year by Visit Loudoun based on the receipt of 75 percent of the projected Restricted TOT revenues.
3. Each year, along with the year-end fund balance report, the Board of Supervisors will consider the draft budget for Visit Loudoun for the upcoming fiscal year, to include any necessary increase or decrease based on the prior fiscal year's actual revenues.
4. The Budget Office will incorporate the draft budget for Visit Loudoun, with any changes recommended by the Board of Supervisors, into the County Administrator's proposed budget document for the upcoming year.

Funding Policy for Strategic Tourism Growth Initiatives:

1. Projects to be funded as Strategic Tourism Growth Initiatives will be identified and prioritized by the annual review of the Tourism Destination Strategy.

2. Specified projects may be funded by competitive procurement, grants to non-profit entities or transfers to county agencies or Visit Loudoun.
3. Unallocated funds may be carried over to the following year to use as a reserve or for multi-year projects. The Board will maintain a reserve of 10% of actual Restricted TOT Revenues, to be adjusted at the end of each fiscal year, for years in which revenues received are less than projected.
4. It is the Board's policy that non-profit entities receiving public funds for a certain project through other means (such as through Visit Loudoun, CDBG, Regional Organizations, or other such programs), will not be eligible for Restricted TOT grants.

Funding Process for Strategic Tourism Growth Initiatives:

1. Funding for Strategic Tourism Growth initiatives will be considered as part of the Countywide budget review.
2. Upon closing of the financial books for the previous fiscal year, staff will bring a year-end report of the Restricted TOT Fund to the Board of Supervisors, or one of its Committees, for review. Staff will also update the Board on the status of the Restricted TOT Reserve Fund and projected revenues for the upcoming fiscal year. The County Administrator (or designee) will recommend potential uses of the Restricted TOT Fund for the upcoming fiscal year. (November/December)
3. The annual review of the Tourism Destination Strategy will identify and prioritize the Strategic Tourism Growth Initiatives. The Board will make a recommendation for use of the Restricted TOT Fund for consideration in the upcoming budget process. (November/December)
4. Should the Board recommend funding Strategic Tourism Growth Initiatives outside of County programs, application will be due to Visit Loudoun by April 1. Applicants will be expected to complete the TOT Funding Application provided by the County and any additional materials requested by Visit Loudoun.
5. Proposals and applications will be reviewed by Visit Loudoun and recommendations provided to a Committee of the Board at a May meeting.
6. TOT funds for strategic tourism growth projects will be allocated by the Board of Supervisors prior to July 1st of such year. Any entity receiving funding through Strategic Tourism Growth Initiative funds will be required to enter into an MOU with the County guiding the use of those funds.

Responsible Department: Management and Financial Services/Budget

This policy remains in effect until rescinded or revised.