

**THOMAS G. MACKIN** MAYOR OF PERRYSBURG

201 W. Indiana Avenue | Perrysburg, OH 43551 | Office 419 872 8010 | [www.ci.perrysburg.oh.us](http://www.ci.perrysburg.oh.us)

Date: August 7, 2023

To: City Council

From: Mayor Tom Mackin

Re: Farmers Market

**Issue**

How to establish funding stability for the Farmers Market and other events that attract visitors to Perrysburg? This question has triggered consideration of other issues that could be addressed as part of resolving the primary question.

**Executive Summary**

The Administration is recommending levying an additional Lodging Excise Tax (Hotel Tax) of 2% utilizing R.C. 5739.08(A). This request for the additional tax of 2% (less than the allowable 3%), would allow for a stable ongoing funding source for the Market, public arts, the fireworks, and possibly even more events that promote health and wellness within the community. This tax would not be a burden to the residents and the businesses within the City, as the tax is paid by individuals that stay at lodging facilities within the City, predominantly individuals visiting the City or its surrounding areas.

Once this funding source is acquired, the Administration will utilize the City's procurement process to procure an entity to manage the Market and possibly other events.

Analyzing how to address the above issue has brought to light additional issues that should be resolved. For those issues, the Administration recommends:

1. Consider a slight increase in the cost of obtaining a food truck license. The price has not been increased since it was originally established.
2. Hire a firm to monitor and enforce Hotel Tax collection from short term rentals.
3. Stabilize support for community events and programs that attract visitors and have a positive economic impact.

4. Evaluate what cost savings could be achieved by performing some functions internally.

## **Background**

The City established the Convention and Visitor's Bureau (CVB) in the 1990's and funded the CVB through a Hotel Tax of 3% on visitors to Perrysburg. Half of that tax is allocated to the CVB and half to the City's General Fund. By funding the CVB in this manner, the cost of promoting tourism is borne by the visitors, not the residents of Perrysburg.

At the time the CVB was developed, there were only a couple hotels in Perrysburg and one of the CVB's primary focuses was to manage the Farmers Market. Over time, as new hotels have been added to the City, the CVB's revenue has increased. With that revenue increase, the CVB has also seen an increase in the scope of its responsibilities beyond managing the Market. The CVB has made it clear that their expansion of duties conflicts with the increased burden of continuing to manage a very successful event each week.

The success of the Market is undisputed, as it has become a staple of the community. Every Thursday in the summer, the region gathers in uptown Perrysburg to have fun, enjoy each other's company, and to celebrate "small town" America. While promoting health and wellness in the community, this event brings people together while enhancing their sense of community pride and has an economic impact for businesses throughout Perrysburg.

As part of the restarting of the Farmers Market after COVID, the City created a DORA district to attract more individuals to the Market and other community events. While this worked as anticipated, the City did see an increase in costs related to providing safety and services to the Market and other community events. To keep the burden of the additional costs off residents, in 2022, the City began charging these additional costs back to the entity organizing the event. These charges were incurred by the entities organizing the Farmers' Market, Winterfest, Fall Fest, Perrysburg Homecoming, and Zip the Burg. They were charged for the actual costs incurred by the City in providing safety and services to clean trash, clean the public restroom, and monitor the DORA. Though the Administration knows that these events are worthwhile to the community, the Administration believes that the entities organizing these events, and the individuals attending these events should bear the burden of paying for the additional services and the costs should not be pushed back onto the resident taxpayer.

Relevant to the Farmers Market, in 2022, the City charged the CVB \$10,186.02 for safety and services. While this increase may not have been initially budgeted for by the CVB, it is necessary to note that the CVB's budgeted revenue in 2022 was \$250,000, while its actual revenue in 2022 was \$367,368, which is an increase in revenue of \$117,368.

This year, the Market has continued to be a success. The City anticipates that the cost of providing services and safety to support the event will be \$16,196.84. The CVB's expected revenue for 2023 is on track to exceed its approved budget by over \$60,000.

## **Current Situation**

In November 2022, the CVB voted to discontinue managing the Farmers Market. That vote was amended to continue to manage the event through 2023, while attempting to find another entity to manage the event. Even though the CVB was unable to recommend to the City another entity to manage the event, in June, the CVB affirmed its decision to stop managing the Market after the 2023 season. The CVB then submitted an offer to contract with the City to provide management services for the Farmers Market and certain other community events for a term of 5 years. In this offer, the CVB requested their portion of the Hotel Tax be raised by 20% and all charges associated with safety and services provided by the City be waived. The proposed agreement has an annual cost to the City of approximately \$167,000. Conservatively, the approximate total value of the five-year agreement would be at least \$750,000, with an additional waiver of at least \$85,000 of cost incurred by the City.

In addition to moving away from managing the Market, in 2023, the CVB has also withdrawn financial support and sponsorships for other events. Specifically, the CVB notified the City that it would no longer sponsor or manage the Sculpture Walk at Woodlands Park or contribute towards Perrysburg's share of paying for the July 4th fireworks. The City assumed the cost of the Sculpture Walk, \$16,450.00, and July 4th fireworks, \$24,375 and paid for these additional costs from the General Fund. While appropriate to ensure these events continued in 2023, paying for these events from the General Fund shifts the burden of these events onto just the residents of Perrysburg, not to all those who benefit from them. The Administration does not believe that this is a viable long-term solution for funding these events.

The CVB's proposal, which requires additional funds to be diverted from the General Fund instead of from utilizing funds previously allocated to the CVB, has prompted the Administration to evaluate how to move forward in the best interest of the City and its residents and businesses, while staying consistent with state and local laws. Due to the estimated cost of providing the services offered by the CVB being over \$50,000, the City must procure the services through a formal competitive process. Unfortunately, that means that the City is unable to accept the CVB's proposal. The City has notified the CVB of that decision. A copy of that letter is provided to you.

## **Solution**

Administration is requesting that the City assess an additional 2% tax on individuals staying at a hotel in Perrysburg. By only assessing 2%, the rate charged by the City will remain lower than the tax assessed by most of Perrysburg's neighbors. A copy of the comparable rates is also provided to you.

This new tax on visitors will provide a stable funding source for community events like the Farmers Market. In utilizing the estimate of costs provided by the CVB, the cost associated with managing the Market and other community events, including the costs that were requested to be waived, is approximately \$167,000 annually. If the City also includes the costs

of the July 4th fireworks and the Sculpture Walk at Woodlands Park, the total cost of maintaining those services is over \$200,000 annually. The current 3% Hotel Tax does not provide sufficient funds to support these events without placing an additional burden on the residents and businesses.

The Administration believes that a slight, 2% increase in the Hotel Tax, would collect sufficient funds to support public art, the Market, the fireworks, and possibly other community events without reducing the amount of funds available to provide police, fire, recreation, and other services. The Administration is recommending only 2% even though it has the authority to recommend an increase of 3%. The proposed 2% is consistent with the City's long-standing practice of providing a high quality of services at the lowest cost possible. At 2%, the tax paid by the individual staying at a hotel in Perrysburg would increase by \$2.50, if the hotel charged \$125/night; \$3.00, if the rate is \$150/night; and \$3.50, if the rate is \$175/night.

Having a stable, sustainable funding source will also help address uncertainty that has been created by the City assessing costs for safety and service and the CVB withdrawing support of local community events. Events like Downtown Perrysburg, Inc.'s Zip the Burg and Winterfest, the Chamber's fall Homecoming Festival, and more may receive additional benefit from the increased tax. Knowing that funds are available to support those events, a structure could be established to provide an objective criterion for determining when an event's value to the community warrants the community providing financial support to the event. Factors that could be considered would be economic impact, community involvement, and cost. That structure could be created to be applied in 2024.

This proposal allows for all these opportunities while keeping the burden of paying for these services off the residents of Perrysburg.

Due to the fact this plan includes a tax, the Administration recommends that the proposal be reviewed by the Finance Committee and then moved forward to the entire council at the August 15 meeting for a first reading. Council has recently done this on multiple issues so that the entire council can debate topics that affect the entire community. The proposal can then be voted on at the first meeting in September after its second reading.

Once funding is established the Administration can move forward in the procurement process for a company to manage public events. The City will also review what can be managed internally.

### **Tangential Issues**

Food trucks have been a huge success at the Farmers Market. The cost of obtaining a license to operate in the City has not increased since the original rate of \$100 per year was established in 2017. The Administration asks Council to consider whether that rate should be increased for the 2024 season.

The CVB has pointed out that some house rentals are not paying the applicable tax. The Administration has reviewed this matter and believes that the City should retain a firm to enforce the collection of that tax. The company would be paid from the taxes it helps the City collect.

Previously, discussions with nonprofit organizations began developing a structure for grants to support events. Once funding is established, these discussions can be renewed. These community events should remain community organized and sponsored events but establishing a structure for the City to cover additional costs for services related to each event and to ensure viability of these events going forward.