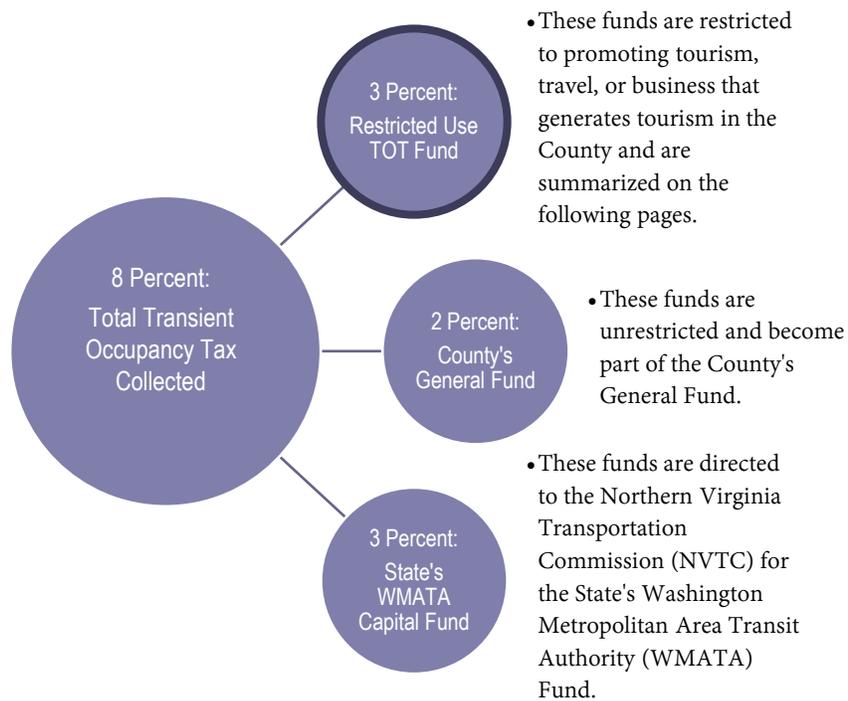




Restricted Transient Occupancy Tax Fund

Loudoun County levies a Transient Occupancy Tax (TOT) on hotels, motels, travel campgrounds, and other businesses offering guest rooms for rent. The application of this tax has several stipulations; for example, the business must meet certain room number requirements, and the rooms must be available for continuous occupancy, but for fewer than thirty consecutive days by the same individual. The tax is calculated at 8 percent of the lodging bill and is paid by the patrons of these businesses. The tax is collected by the business and remitted to the County Treasurer’s Office on a quarterly basis.

Breakdown of Total Transient Occupancy Tax Revenue Allocations



The Board of Supervisors adopted a Restricted Use TOT Funding Policy in July 2005, which was last revised in June 2016. The Funding Policy guides the Board of Supervisors in its efforts to strategically and proactively affect tourism in Loudoun County.

- **Core Tourism Services** to sustain Loudoun’s tourism base. Core Tourism Services, based upon standards recommended by Destination Marketing Association International, are provided by Visit Loudoun, the primary programmatic element of the County’s travel and tourism promotion efforts. Visit Loudoun is allocated 75 percent of the forecasted Restricted TOT revenues to implement these core services.
- **Strategic Tourism Growth Initiatives** to expand Loudoun’s tourism base by implementing projects to sustain Loudoun County’s Tourism Destination Strategy. The County’s Tourism Destination Strategy guides the marketing, promotion, and product development of Loudoun’s tourism sector. Of the remaining forecasted Restricted TOT revenues, 15 percent will be available to fund those uses as determined by the Board that best meet the goals of the Tourism Destination Strategy.

**Restricted Transient Occupancy Tax Fund****Revenues, Expenditures, and Changes in Fund Balance¹**

	FY 2019 Actual ²	FY 2020 Actual ³	FY 2021 Adopted	FY 2022 Proposed	FY 2023 Projected
Beginning Fund Balance	\$1,686,747	\$2,032,707	\$960,996	\$685,044⁵	\$880,616
Revenues					
Estimated Restricted TOT Revenue	\$3,841,077	\$2,865,058	\$4,071,700	\$3,065,000	\$3,971,000
Total – Revenues	\$3,841,077	\$2,865,058	\$4,071,700	\$3,065,000	\$3,971,000
Expenditures					
Visit Loudoun	\$2,938,000 ⁴	\$3,264,750	\$3,053,775 ⁵	\$2,298,750	\$2,978,250
Transfers to General Fund	415,817	412,119	434,639	447,677	461,107
Visit Loudoun Sports Grants	50,000	50,000	50,000	50,000	50,000
Visit Loudoun International Travel	22,100	36,500	36,500	36,500	36,500
Economic Development Authority International Travel	44,200 ⁶	36,500	36,500	36,500	36,500
Restricted TOT Grant Program	25,000	136,900	0	0	0
Total – Expenditures	\$3,495,117	\$3,936,769	\$3,611,414	\$2,869,428	\$3,562,357
Estimated Ending Fund Balance	\$2,032,707	\$960,996	\$1,514,782	\$880,616	\$1,384,759
Percent Change	21%	(53%)	58%	29%	46%
Policy Mandated Reserves ⁷	\$384,108	\$286,505	\$407,170	\$306,500	\$397,100
Available Fund Balance	\$1,648,599	\$769,991	\$1,107,612	\$574,116	\$892,159

¹ Sums may not equal due to rounding.

² Source: Loudoun County FY 2019 Comprehensive Annual Financial Report (CAFR).

³ Source: Loudoun County FY 2020 CAFR.

⁴ FY 2019 Visit Loudoun payment includes a TOT fund balance allocation of \$95,500.

⁵ At the November 17, 2020, Board Business Meeting, due to the uncertain economic conditions and a revised Restricted TOT forecast, the Board voted (8-0-1) to reduce the FY 2021 payment to Visit Loudoun to \$2,218,313. With the anticipated loss in revenue and the reduction in the payment to Visit Loudoun, the revised estimated ending fund balance for FY 2021 is \$685,044. Of this amount, \$250,000 is mandated reserves, and \$435,044 is available.

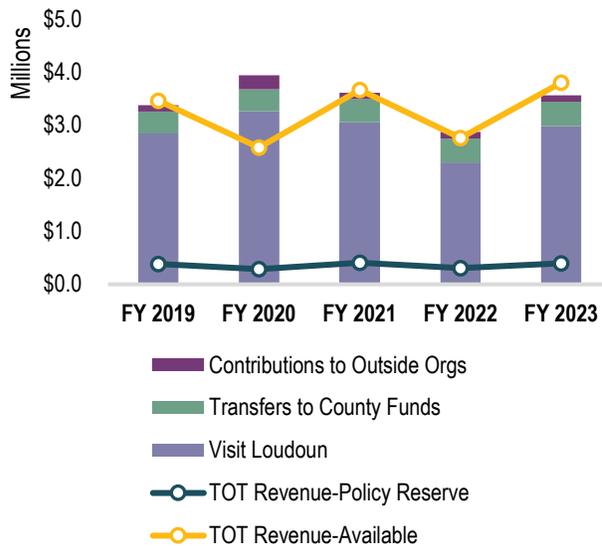
⁶ Includes accrued FY 2018 Economic Development Authority International Travel Payment.

⁷ Mandated Reserve Policy – per the Restricted TOT Funding Policy, 10 percent of annual Restricted TOT revenue must be held as reserves.



Restricted Transient Occupancy Tax Fund

Revenue and Expenditure History



Revenue/Local Tax Funding

As shown, the Restricted Use TOT Fund is entirely funded by Transient Occupancy Tax revenue. This fund is comprised of no local tax funding.

Expenditure

The majority of the expenditures in the Restricted TOT Fund are dedicated to contributions to external organizations (84 percent), which primarily includes contributions to Visit Loudoun. A portion of annual expenditures are transferred to the General Fund (16 percent).

In November 2020, the Board of Supervisors considered revised forecasts for RTOT taking into account the significant negative impacts of the COVID-19 pandemic on the hospitality industry. Occupancy rates remain well below pre-pandemic levels with full recovery not anticipated until after FY 2022. Recovery will be largely dependent on the acceptance and effectiveness of a vaccine and a resumption of business and vacation travel.

The FY 2022 Proposed Budget for the Restricted TOT Fund estimates revenue of \$3,065,000, a 24 percent decrease from the FY 2021 Adopted Budget, but a 23 percent increase from the revised forecast for FY 2021. FY 2022, revenues are anticipated to remain below pre-pandemic levels. Board policy mandates that 10 percent of projected revenue is held in reserve; the proposed reserve for FY 2022 is \$306,500. Per the Memorandum of Understanding (MOU) with the Board, Visit Loudoun receives 75 percent of projected Restricted TOT revenue to provide Core Tourism Services for the County, totaling \$2,298,750. Of the remaining 15 percent of projected revenues, \$50,000 is set-aside for the Sports Tourism program, and \$36,500 is budgeted for international travel for Visit Loudoun and the Economic Development Authority each.

The Restricted TOT Fund also includes the TOT Grant Program. Per the adopted Funding Policy, unallocated Restricted TOT funds may be granted to community organizations which provide tourism services or activities, consistent with the Board’s funding guidelines. This program began in FY 2018, and while FY 2019 saw a similar level of participation, FY 2020 saw a significant number of additional organizations apply and receive funding from the program. Due to the unclear economic picture resulting from the COVID-19 pandemic, FY 2021 funding for the grant program was not dispersed. It is important to note, the grant program is not budgeted for each year, and is dependent on the available fund balance. Up to 50 percent of the unreserved fund balance may be used for this purpose.

Looking to FY 2023, revenue is forecasted to increase by 30 percent as activity reaches pre-pandemic levels. With the projected increase in revenue, there will be an increase of approximately \$679,500 in the transfer to Visit Loudoun, per the MOU.

**Restricted Transient Occupancy Tax Fund****Expenditure Detail**

Department	FY 2019 Actual	FY 2020 Actual	FY 2021 Adopted	FY 2022 Proposed	FY 2023 Projected
Transfer to the General Fund					
Department of Economic Development	\$209,877	\$214,199	\$224,159	\$230,678	\$241,132
International cluster activities within the Department of Economic Development are funded through a transfer from the Restricted Use TOT Fund to the General Fund. The Department's funds are used to offset the cost of a position to support industry research analyses and cluster support service as part of the Department's international strategy. The growth of business throughout the clusters contributes to increased hotel occupancy due to associated business travel.					
Office of County Administrator (OEM)	\$88,160	\$80,140	\$92,700	\$99,219	\$102,195
Restricted Use TOT funding is used to offset the personnel cost of the Office of Emergency Management's (OEM's) Special Events Coordinator in the General Fund. This position serves as the conduit for collaborative work with event organizers to ensure compliance with permitting requirements; assists in the development of emergency contingency plans; aids in identifying ways to minimize the impact of events on the surrounding community; and, in many instances, provides onsite support during an event. Through the efforts of the Special Events Coordinator, OEM is able to work with event organizers to create safe and successful events benefiting the residents of and visitors to Loudoun County. Each year hundreds of special events in varying size, scope, and complexity occur at venues throughout the County, drawing thousands of participants. These events include community celebrations, parades, fairs and festivals, sporting events, runs and walks, concerts, and many charity events benefiting members of the community or organizations supporting the community. This economic activity promotes the core tourism principles that are part of the Restricted Use TOT Funding Policy.					
Department of Parks, Recreation, and Community Services	\$117,780	\$117,780	\$117,780	\$117,780	\$117,780
A portion of the Department of Parks, Recreation, and Community Services' (PRCS) athletic field maintenance expenditures are offset by Restricted Use TOT funding due to the relationship between the County's ability to facilitate sports tournaments and overnight hotel stays in the County. Quality maintenance of fields makes them more attractive venues for tournaments which bring economic activity. Field maintenance was completely funded through the General Fund until FY 2013 when a portion of Restricted Use TOT Funding was identified to offset some field maintenance expenditures. PRCS field maintenance services are under heavy pressure due to high usage of the County's athletic fields.					
Total – Transfer to the Other Funds	\$415,817	\$412,119	\$434,639	\$447,677	\$461,107

Contributions to External Organizations

Visit Loudoun	\$2,938,000	\$3,264,750	\$3,053,775	\$2,298,750	\$2,978,250
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Restricted Transient Occupancy Tax Fund

Department	FY 2019 Actual	FY 2020 Actual	FY 2021 Adopted	FY 2022 Proposed	FY 2023 Projected
Visit Loudoun is Loudoun County's designated destination management organization and the primary programmatic element of the County's travel and tourism promotion efforts. Visit Loudoun receives 75 percent of projected Restricted TOT revenue appropriated by the Board each year per the County's Memorandum of Understanding with Visit Loudoun, dated June 23, 2016.					
Visit Loudoun Sports Tourism Grant Program	\$50,000	\$50,000	\$50,000	\$50,000	\$50,000
Sports tourism, which refers to travel to view or participate in a sporting event, is a fast growing sector in the global travel industry. Loudoun is well-positioned to take advantage of this segment, with quality facilities, professional sports, parks and recreation organizations, and a community that supports tourism. The Sports Tournaments Grant Program was established as one of the Strategic Growth Initiatives of the Tourism Destination Strategy adopted by the Board of Supervisors in March 2006. The program is designed to support bids on sports tournaments, including human and animal events that generate the greatest return on investment in terms of visitor spending in the County. A competitive application process encourages cooperation, ensures that the tournaments can be accommodated, and increases their success.					
Visit Loudoun International Travel Strategic Tourism Initiatives	\$22,100	\$36,500	\$36,500	\$36,500	\$36,500
This expenditure category was created in FY 2018. As a part of the June 2016 revision to the Restricted TOT Funding Policy, the County has the option to support Visit Loudoun's travel to and attendance on international economic development trips where tourism subject matter experts or Visit Loudoun staff may provide a strategic benefit.					
Economic Development Authority International Travel	\$44,200	\$36,500	\$36,500	\$36,500	\$36,500
This expenditure category was created in FY 2018. As a part of the June 2016 revision to the Restricted TOT Funding Policy, the County has the option to support travel to and attendance on international economic development trips where local representatives may provide a strategic benefit to County tourism efforts. Funding these trips is accomplished with a transfer to the Loudoun County Economic Development Authority.					
Restricted TOT Grant Program	\$25,000	\$136,900	\$0	\$0	\$0
The Restricted TOT Grant Program was created in FY 2018. Organizations can submit proposals that provide tourism services or activities consistent with the County's Restricted TOT funding policy and the Code of Virginia. In FY 2020, grants were provided to the following organizations/events:					
<ul style="list-style-type: none"> • Town of Lovettsville to erect a "LOVE" Sign in the town square • Loudoun Museum for Haunting Tours in downtown Leesburg • Mosby Heritage Area Association for the Conference on the Art of Command in the Civil War • Mid-Atlantic Gaelic Games, Inc. for the three-day national Gaelic games final tournament • The Arc of Loudoun to support the Shocktober Halloween event at Paxton Manor. • Waterford Foundation to support digital marketing for the Waterford Fair's "Civil War through the Eyes of African Americans" exhibit • Sweet Jazz Festival LLC for the 2nd annual Tracy Hamlin's Sweet Wine & Jazz Festival 					
Total – Contributions to External Organizations	\$3,079,300	\$3,524,650	\$3,176,775	\$2,421,750	\$3,101,250

Policies

The Loudoun County Board of Supervisors adopted the Restricted Use Transient Occupancy Tax (TOT) Funding Policy on July 19, 2005. The Policy was last revised June 23, 2016 and details the guidelines and requirements for Restricted TOT funding.

The Restricted Use TOT Funding Policy identifies the purpose of the Fund as providing the Board with the opportunity to strategically and proactively affect tourism within the County, enabling targeted investment in high-priority tourism



Restricted Transient Occupancy Tax Fund

projects that advance the County’s strategic tourism objectives, and maximizing tax relief to the General Fund by increasing Restricted TOT revenues. It specifies that the use of Restricted TOT Funds must meet the purposes designated by Section 58.1-3819 of the Code of Virginia (1950), as amended, which is:

“(Any) excess over two percent shall be designated and spent solely for tourism and travel, marketing of tourism or initiatives that, as determined after consultation with the local tourism industry organizations, including representatives of lodging properties located in the county, attract travelers to the locality, increase occupancy at lodging properties, and generate tourism revenues in the locality.”

As noted above, the priorities for funding through Restricted Use TOT revenue are Core Tourism Services and Strategic Tourism Growth Initiatives. Core Tourism Services sustain Loudoun’s tourism base and competitively position Loudoun County to attract visitors. Core Tourism Services are defined and measured based upon standards recommended by Destination Marketing Association International. These services are provided by Visit Loudoun under a Memorandum of Understanding (MOU) with the County. Both the Restricted Use TOT Fund Policy and the MOU specify that 75 percent of Restricted TOT funds will be annually allocated to Visit Loudoun in order to deliver Core Tourism Services.

Strategic Tourism Growth Initiatives expand Loudoun’s tourism base by implementing high priority projects compatible with the programmatic elements of the Loudoun County Tourism Destination Strategy, which the County develops and adopts with Visit Loudoun. Visit Loudoun serves as the primary programmatic element of the County’s travel and tourism promotion activities. Projects funded as Strategic Tourism Growth Initiatives will be identified and prioritized as part of the County’s annual budget process. Projects can be funded by Board direction, competitive procurement, grants to non-profit entities, or transfers to County Agencies or Visit Loudoun. Any unused funds will be carried over for use as reserve or for multi-year projects. The Policy also details the funding process for Strategic Growth Initiatives. The Policy mandates a reserve of 10 percent of actual Restricted TOT Revenues, for use during years in which revenues received are less than projected.

The Policy calls for a 5-Year Tourism Destination Strategy, followed by a 4-Year Tourism Destination Strategy. The Tourism Destination Strategy is reviewed annually by the Board of Supervisors, Visit Loudoun, the Economic Development Advisory Commission, and industry partners to identify and prioritize Strategic Tourism Growth Initiatives.