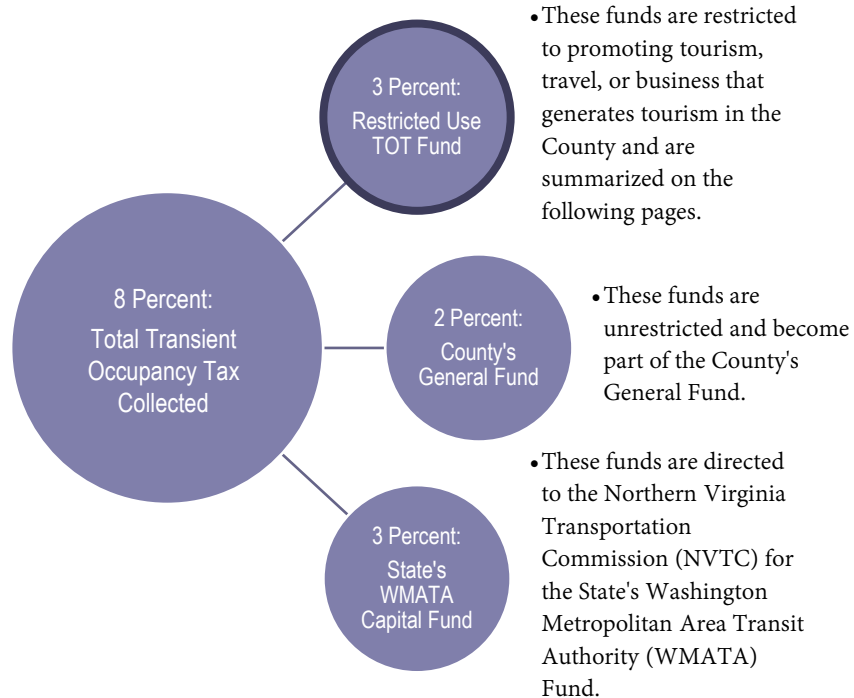




## Restricted Transient Occupancy Tax Fund

Loudoun County levies a Transient Occupancy Tax (TOT) on hotels, motels, short-term rentals, 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 2021. 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.
- **Policy Mandated Reserves** of 10 percent of actual RTOT revenues, adjusted at the end of each fiscal year, for use during years in which revenues received are less than projected.

**Restricted Transient Occupancy Tax Fund****Revenues, Expenditures, and Changes in Fund Balance<sup>1</sup>**

	FY 2021 Actual <sup>2</sup>	FY 2022 Actual <sup>3</sup>	FY 2023 Adopted	FY 2024 Proposed	FY 2025 Projected
<b>Beginning Fund Balance</b>	<b>\$960,996</b>	<b>\$161,947</b>	<b>\$2,761,213</b>	<b>\$3,033,871</b>	<b>\$3,392,287</b>
<b>Revenues</b>					
<b>Estimated Restricted TOT Revenue</b>	\$1,619,467	\$3,169,944	\$3,456,969	\$3,800,000	\$3,900,000
<b>Transfers from Other Funds<sup>4</sup></b>	0	2,992,500	0	0	0
<b>Total – Revenues</b>	<b>\$1,619,467</b>	<b>\$6,162,444</b>	<b>\$3,456,969</b>	<b>\$3,800,000</b>	<b>\$3,900,000</b>
<b>Expenditures</b>					
Visit Loudoun Annual Contribution	\$2,218,313	\$2,298,750	\$2,592,727	\$2,850,000	\$2,925,000
Visit Loudoun Pandemic Supplement <sup>5</sup>	0	543,750	0	0	0
Visit Loudoun Recovery Grants	0	150,000	0	0	0
Transfers to General Fund	113,704	447,678	468,584	468,584	479,108
Visit Loudoun Sports Grants	50,000	50,000	50,000	50,000	50,000
Visit Loudoun International Travel	0	36,500	36,500	36,500	36,500
Economic Development Authority International Travel	36,500	36,500	36,500	36,500	36,500
Restricted TOT Grant Program <sup>6</sup>	0	0	0	0	0
<b>Total – Expenditures</b>	<b>\$2,418,517</b>	<b>\$3,563,178</b>	<b>\$3,184,311</b>	<b>\$3,441,584</b>	<b>\$3,527,108</b>
<b>Estimated Ending Fund Balance</b>	<b>\$161,946</b>	<b>\$2,761,213</b>	<b>\$3,033,871</b>	<b>\$3,392,287</b>	<b>\$3,765,179</b>
Percent Change	-83%	1605%	10%	12%	11%
<b>Policy Mandated Reserves<sup>7</sup></b>	<b>\$161,947</b>	<b>\$316,994</b>	<b>\$345,697</b>	<b>\$380,000</b>	<b>\$390,000</b>
<b>Available Fund Balance</b>	<b>\$0</b>	<b>\$2,444,218</b>	<b>\$2,688,174</b>	<b>\$3,012,287</b>	<b>\$3,375,179</b>

<sup>1</sup> Sums may not equal due to rounding.

<sup>2</sup> Source: Loudoun County FY 2021 Annual Comprehensive Financial Report (ACFR)

<sup>3</sup> Source: Loudoun County FY 2022 ACFR.

<sup>4</sup> General funds that became available due to the provision of government services funded by the federal American Rescue Plan Act (ARPA) were used to replenish the RTOT fund and provide funding to Visit Loudoun. These funds were not included in the FY 2022 and FY 2023 Adopted Budgets, but rather approved as revisions in FY 2022 and FY 2023.

<sup>5</sup> Visit Loudoun Supplemental Funding and Recovery Grants approved by the Board of Supervisors at the [June 15 2021, Board Business meeting](#).

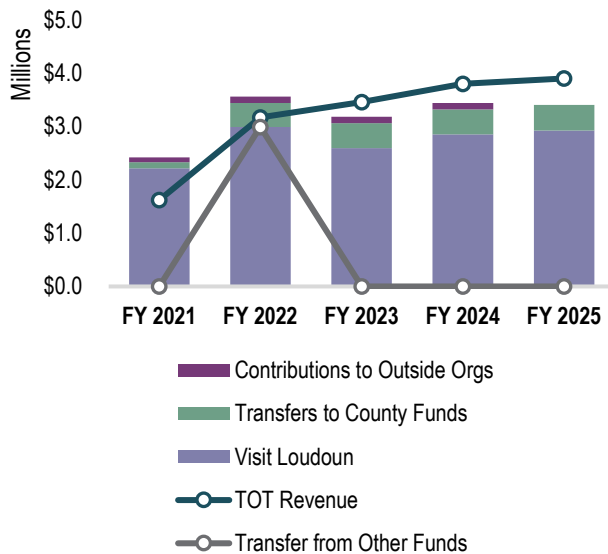
<sup>6</sup> The RTOT Grant Program was suspended in FY 2021 and FY 2022, however resumed in FY 2023. The program is not budgeted annually, but rather uses up to 50 percent of prior year ending fund balance.

<sup>7</sup> 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 historically has been entirely funded by Transient Occupancy Tax revenue. In FY 2022, ARPA funds were transferred to the RTOT to address pandemic-related revenue loss. 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 (85 percent), which primarily includes contributions to Visit Loudoun. A portion of annual expenditures are transferred to the General Fund (15 percent).

The COVID-19 pandemic had a significant impact on the hospitality industry. County TOT revenues decreased by 58 percent in FY 2021 compared to FY 2019 (pre-pandemic). However, by the end of FY 2022, occupancy rates had returned to pre-pandemic levels while the average daily rate of hotel rooms in the County surpassed FY 2019 levels due to high levels of inflation. Business-sector travel and passenger traffic from Washington Dulles International Airport, both of which are strong influences on TOT revenue, have yet to returned to pre-pandemic levels.

The FY 2024 Proposed Budget for the Restricted TOT Fund estimates revenue of \$3,800,000, a 10 percent increase from the FY 2023 Adopted Budget and one percent less than pre-pandemic (FY 2019). Per the Memorandum of Understanding (MOU) with the Board of Supervisors, Visit Loudoun receives 75 percent of projected Restricted TOT revenue to provide Core Tourism Services for the County, ten percent is held in reserve, and 15 percent is used to fund strategic tourism initiatives. 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 supports 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 increase in the number of applicants and awards. Due to the unclear economic picture resulting from the COVID-19 pandemic, FY 2021 and FY 2022 funding for the grant program was suspended. The program resumed in FY 2023. It is important to note, the grant program is not part of the annual budget and is dependent on available fund balance. Up to 50 percent of the unreserved fund balance may be used for this purpose.

Looking to FY 2025, revenue is forecasted to stabilize as influencing factors such as occupancy rates, average daily rates, Dulles International Airport traffic, and business and leisure travel begin to reach a new post-pandemic normal.



## Restricted Transient Occupancy Tax Fund

### Expenditure Detail

Department	FY 2021 Actual <sup>1</sup>	FY 2022 Actual	FY 2023 Adopted	FY 2024 Proposed	FY 2025 Projected
<b>Transfer to the General Fund</b>					
Department of Economic Development	\$58,641	\$230,678	\$240,496	\$240,496	\$247,711
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)	\$24,251	\$99,220	\$110,308	\$110,308	\$114,169
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	\$30,812	\$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.					
<b>Total – Transfer to the General Fund</b>	<b>\$113,704</b>	<b>\$447,678</b>	<b>\$468,584</b>	<b>\$468,584</b>	<b>\$479,660</b>

<sup>1</sup> Due to the significant negative impact the COVID-19 pandemic on the County's RTOT revenue, the transfer to the General Fund was decreased in FY 2021 to maintain the Fund's Policy Mandated Reserves.



## Restricted Transient Occupancy Tax Fund

Department	FY 2021 Actual	FY 2022 Actual	FY 2023 Adopted	FY 2024 Proposed	FY 2025 Projected
<b>Contributions to External Organizations</b>					
Visit Loudoun Annual Contribution	\$2,218,313	\$2,298,750	\$2,592,727	\$2,850,000	\$2,925,000
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 15, 2021.					
Visit Loudoun Pandemic Assistance	\$0	\$693,750	\$0	\$0	\$0
The RTOT Fund, which traditionally provides direct payments to Visit Loudoun, experienced a 64 percent reduction in revenue between FY 2019 (pre-pandemic levels) and FY 2021. At the June 15, 2021 Board of Supervisors Business Meeting, the Board approved up to \$3.5 million to stabilize Visit Loudoun and replenish the RTOT Fund. <sup>1</sup> In addition to Visit Loudoun's FY 2022 annual payment, funds were allocated to Visit Loudoun to supplement FY 2022 and FY 2023 shortfalls and to help achieve pre-pandemic levels of revenue (FY 2019). Additionally, \$300,000 was allocated over FY 2022 and FY 2023 to support targeted initiatives, including additional advertising, partnerships, and sponsorships to drive group market attraction and sponsorships to attract sports tournaments.					
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	\$0	\$36,500	\$36,500	\$36,500	\$36,500
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	\$36,500	\$36,500	\$36,500	\$36,500	\$36,500
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	\$0	\$0	\$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. Due to the negative impact of the COVID-19 pandemic on the RTOT revenues, the grant program was temporarily suspended in FY 2021 and FY 2022. The program resumed in FY 2023 and will be reflected in in FY 2023 Actuals.					
<b>Total – Contributions to External Organizations</b>	<b>\$2,304,813</b>	<b>\$3,115,500</b>	<b>\$2,715,727</b>	<b>\$2,973,000</b>	<b>\$3,048,000</b>

<sup>1</sup> June 15, 2022, Board of Supervisors Business Meeting, Item 5g, FGOEDC Report: Appropriation and Allocation of American Rescue Plan Act (ARPA) Funding



## Restricted Transient Occupancy Tax Fund

### 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 15, 2021 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 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 from a rate over two percent but not exceeding five 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 3-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.