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CITY OF
YACHATS

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September 4, 2014

Mayor Ron Brean
City Council
City of Yachats
P.O. Box 345
Yachats, OR 97498

Dear Mayor Brean and City Council,

I understand that in September you will consider a municipal code amendment to make the following changes:

- Reducing the collection fee for TRT and the Food and Beverage Tax from 7.5% to 5%,
AND
- Eliminate the discount for fees charged the operators for credit card payments.

I also understand that the stated justification for this move is that 'This would make Yachats consistent with the State Transient Rental Tax Law.' The real objective is to transfer more money to the City, so this is really a revenue enhancement decision.

I oppose these changes for multiple reasons. The first reason is that comparing the City TRT tax to the State's 1% tourism tax is not an apples-to-apples comparison. Early last decade the State of Oregon passed the bill which created the 1% lodging tax. The Lodging industry worked with and supported this legislation because, except for relatively small administrative expenses, 100% of the Oregon 1% tax is used to promote Oregon tourism. We had a vested interest in this tax being collected and to funnel as much money as possible to promote Oregon tourism. We, the hospitality industry, supported a minimal 5% collection fee as we knew that even if it costs us more than the 5% collection fee nearly 100% of the proceeds were going to promote us (which as a by-product enhances municipal TRT proceeds as our business grows). This is not the case with collecting the Yachats tax. Most of the 7% tax collected by lodging properties in Yachats funds general city operations. Thus our guests lose buying power (7% of their buying power) to spend in restaurants, gift shops or to upgrade to a more deluxe lodging room.

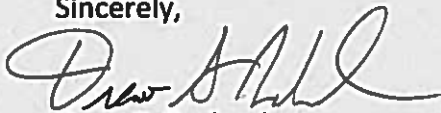
Secondly, I reviewed our most recent Yachats TRT returns and found that the credit card discount fees range between 2.3% and 3.74%, depending on the quarter. Our total TRT collection cost, which is the sum of the discount fees and our other collection and administration expenses, oftentimes will not be covered by a bare bones 5% collection fee. We do not itemize our collection expenses outside of the credit card discount fees, but there is substantial administrative time every quarter quantifying the tax collected and ensuring that we accurately complete the City's TRT forms. Additionally, credit card discount fees increase

every year as the credit card companies (Chase, Capital One, Bank of America, etc.) enhance the mileage or cash rewards given to the consumer. Every time they increase these benefits, they pass the costs on to the merchant. Assuming this pattern continues, the discount fees will substantially increase over time.

I know that some of your primary responsibilities as a council are to operate the city efficiently and within a budget. I was on the Yachats Public Works and Streets Commission for eight years, so I understand the constant desire to increase revenue. I reflect on my time on the Commission and regret that I did not focus more on finding efficiencies as opposed to increasing revenue. A few years ago, I recall seeing the Yachats Finance committee's top 10 list for funding the city's operations during a recession. Nine of the ten recommendations were for additional revenue. Only one was to examine operational efficiencies.

Over the nearly two decades of operating businesses in Yachats, many times I have attempted to discourage City Council from increasing the governmental burdens placed on our businesses. I rarely succeeded and when I did, the additional burdens were only delayed. So I realize it is unlikely that I would convince you to abandon both of these tantalizing low-hanging-fruit revenue enhancing opportunities (reducing the collection fee and eliminating the credit card discount reduction). However, I hope that I can urge you to limit your decision to only one of the options. If you 'reduce' AND 'eliminate', you will cut over half of the current administration fee allowed to the business operator which subsequently will not consistently cover our TRT collection expenses.

Sincerely,



Drew S. Roslund