



City Council Study Session

Agenda

May 25, 2017

12 Noon

City Hall, Medford Room

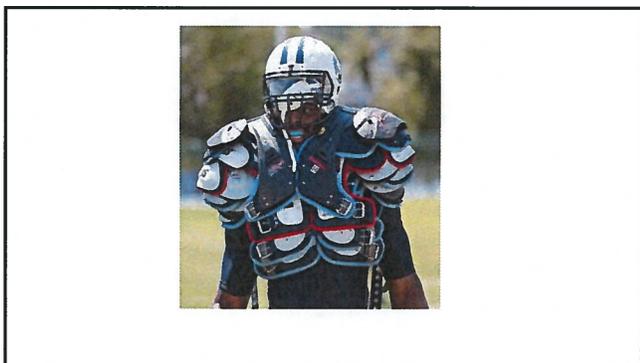
411 West 8th Street, Medford, Oregon

1. Travel Medford

Your *Journey* begins . . .

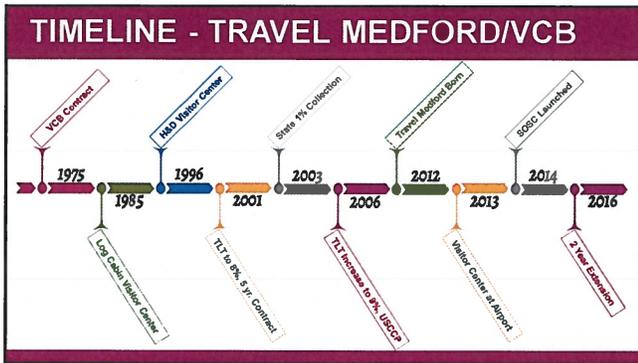


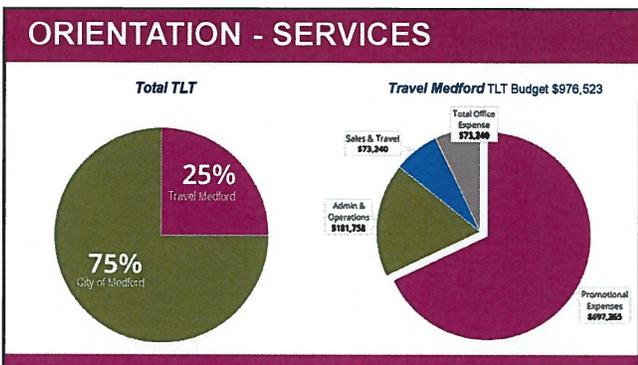
STUDY SESSION
May 25, 2017



STUDY SESSION OBJECTIVES

- *Audit Summary- Rick Brewster, CPA*
- *Travel Medford History/Orientation*
- *Year in Review*
- *Where We Want to Go- Moving Forward*





MARKETING & PROMOTION

Itineraries for Tour Operators | Print Media | Digital Media | Social Media | Sponsored Content | Special Events

A collage of marketing and promotion materials. It includes:

- Itineraries for Tour Operators: A document with text and images of scenic views.
- Print Media: A brochure or flyer with a photo of a group of people.
- Digital Media: A video player with the text "Your Journey Begins" and a play button.
- Social Media: A grid of small images, likely social media posts or ads.
- Sponsored Content: A graphic with the word "SOBC" and "FROM SPORTS.COM" and "VISITORS".
- Special Events: A grid of small images, likely photos of events.

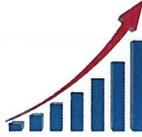
TRAVEL & TOURISM TRENDS

➤ Oregon

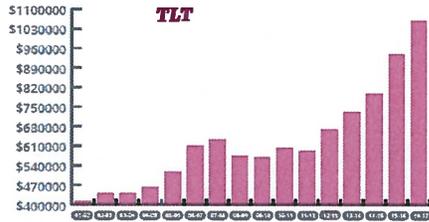
- Total Direct Spending - \$11.3 Billion, 2016
- Employment - 109,500 jobs

➤ Jackson County

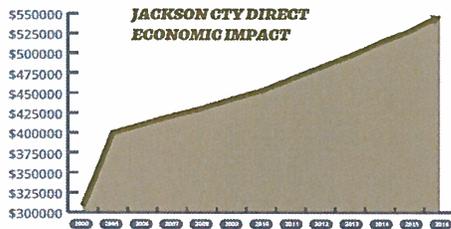
- Economic Impact - \$547.9 million, 2016
- Employment - 4,400 jobs



TRANSIENT LODGING TAX - 25%



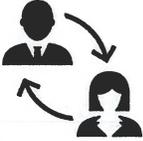
DIRECT ECONOMIC IMPACT



YEAR IN REVIEW - PARTNERSHIP

➤ **Addressing Concerns/Issues**

- Financial Fiscal Year
- Political Action Committee
- Communication/Transparency
- Governance Structure



YEAR IN REVIEW - PARTNERSHIP

➤ **Addressing Concerns/Issues**

- TLT Subsidizing
- Community Support/Events
- Chamber Members



TRAVEL MEDFORD

Why Travel Medford?

- Successful History & Performance
- Excellent Community Oversight
- Business Community Leadership



MOVING FORWARD

- **Stronger Together**
- **Contract Renewal**





THANK YOU!



City of Medford

Office of the City Manager

Continuous Improvement ~ Customer Service

MEMORANDUM

TO: Mayor and Council

FROM: Brian Sjothun, City Manager 

RE: Travel Medford Study Session – May 25 @ Noon

DATE: May 18, 2017

Seeking Council Direction

Staff is seeking Council direction on the following areas:

- Negotiate a renewal of existing agreement with Chamber.
- Make-up of contract negotiations team for City of Medford, or;
- Advertise a competitive request for proposals seeking Destination Marketing Organization services.

Presentation Outline

- Introduction and initial information – Brian Sjothun
- Travel Medford Organization – Eli Matthews
 - Presentation of Financial Statement and Audit – Rick Brewster
- Discussion and Direction by Council – Mayor and Council

Background

The City of Medford currently has an agreement with the Chamber of Medford/Jackson County (Chamber), scheduled to expire on June 30, 2018, to provide the promotion of the City of Medford for recreational, cultural, convention and tourist-related services and programs. These services are coordinated through a Destination Marketing Organization (DMO). Travel Medford serves as the City's DMO and is a division of the Chamber organization.

The City has had a long-standing relationship and contract with the Chamber for such DMO services. The most recent agreement was approved on June 17, 2010 for a five year period. A subsequent amendment to the agreement was approved on March 17, 2016 making modifications to the original agreement and extending the expiration date to June 30, 2018. Copies of both the June 2010 and March 2016 agreements have been provided as attachments.

411 West 8th Street, Medford, OR 97501

Tel. 541.774.2000 • email: citymanager@cityofmedford.org • Fax 541.618.1700

www.cityofmedford.org

On December 15, 2016, Council passed a motion to direct staff to issue a letter to the Chamber of Medford/Jackson County requesting an audit for the fiscal year beginning July 1, 2015 and ending June 30, 2016. This request is pursuant to Section 9 – Records and Accounting of the current agreement related to the use of transient lodging tax that is paid to the Chamber for promotion of tourism through Travel Medford. The audit is to be presented to the Council prior to April 30, 2017.

Travel Medford provided staff, in advance of the April 30 due date, the requested audit report for the year ended June 30, 2016. The audit is attached and will be formally presented to the Council by Rick Brewster, CPA, PC on behalf of Travel Medford.

I would like to draw your attention to page 11 of the audit which outlines the allocation of shared costs between the Chamber and Travel Medford. This would include the salary allocations for three positions shared between the two organizations. I believe that this was information specifically requested by the Council from Travel Medford in the past.

There have been questions regarding the City's bidding requirements in regards to selection of a DMO. Medford Municipal Code states specifically:

2.579 Advertising and Tourist Promotion Contracts

The manager may purchase advertising without competitive bidding or competitive quoting. Contracts for promoting the use of the city of Medford for recreational, cultural, convention and tourist-related activities and services are exempt from competitive bidding and competitive quoting.

[Added Sec. 3, Ord. No. 5510, Sept. 5, 1985.; Amd. Sec. 1, Ord. No. 6613, May 3, 1990; Amd. Sec. 39, Ord. No. 2002-37, March 7, 2002.]

Due to this code language, the Council is not obligated to bid for these services. The decision on exercising this option is a policy decision for the Council.

Timing

Many DMO's purchase advertising to promote events and the region they serve anywhere between 9-12 months in advance of the publication date. Due to this timing, we're at a point where Council direction is needed in order to avoid missing promotional opportunities that could have a negative impact on the travel industry as well as revenues to the City.

Process for Renewal or Request for Proposals (RFP)

The decision/direction of Council to either negotiate a renewal of the existing agreement with the Chamber or to advertise a competitive Request for Proposals for DMO services is strictly a policy decision by Council. I would recommend the following for either of the two options for seeking DMO services:

Renewal

- Mayor or Council appoints two Council members as the City negotiation team
 - Seek input from other Council members on contract language and outcomes
 - City Manager and Finance Director will serve as technical advisors and provide support to the negotiation team
 - Team negotiates with Chamber/Travel Medford team
 - Proposed contract is finalized and presented to Council for consideration
 - Estimated Council Action Date: July 20

RFP

- Staff develops RFP based on direction from Council
 - RFP selection committee appointed
- RFP is finalized and advertising begins
- RFP is advertised for 30-day period
- Scoring Committee reviews proposals
 - In-person interviews are conducted (Optional)
- Intent to award issued
- Contract negotiated
- Estimated Council Action Date: September/October

Closing

We have provided you with as much details in regards to the existing contract and information requested to be provided by Chamber/Travel Medford. If there is additional information that is needed in order to provide direction to staff, please contact my office and we'll make every effort to get the items to you well in advance of the meeting.

I look forward to working with each of you on this item.

Thank you – Brian Sjothun



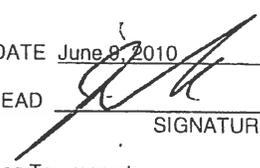
Exhibits

- Agreement with The Chamber of Medford/Jackson County - June 17, 2010
- Amendment to Agreement – March 29, 2016
- Travel Medford Audit Report for the Year Ended June 30, 2016

**CITY OF MEDFORD
AGREEMENT PROCESSING CONTROL RECORD**

I. INITIATING DEPARTMENT: COMPLETE SECTIONS I & II

INITIATING DEPARTMENT City Manager's Office DATE June 9, 2010

APCR PREPARED BY Lynette O'Neal NAME Asst to DCM TITLE DEPT HEAD SIGNATURE 

AGREEMENT OR CONTRACT TITLE Agreement for payment of a portion of Transient Lodging Tax receipts

AGREEMENT OR CONTRACT PURPOSE To allow payment of 25% of funds collected from the Transient Lodging Tax (TLT)

CONTRACT PARTIES City of Medford and Chamber of Medford/Jackson County

CONTRACT TERM BEGIN July 1, 2010 END June 30, 2015 1 YEAR 2 YEAR MORE THAN 2 YEARS
(PROJECTIONS ARE ACCEPTABLE)

DATE OF COUNCIL ACTION July 1, 2010 6/17/10

OTHER GOVERNMENT(S) AFFECTED N/A

WHO PREPARED THE AGREEMENT OR CONTRACT Bill Hoke, Deputy City Manager

FINANCIAL IMPACT Average of \$563,000 annually (estimate)

BUDGET ACCOUNT NUMBER 030-0102-663 27-16

BUDGET PROJECT NUMBER (if applicable) N/A BOLI YES NO

II. CHECK 'YES' TO ALL APPLICABLE SECTIONS BEFORE ROUTING TO RECORDER'S OFFICE FOR FURTHER PROCESSING (NO ACCEPTABLE FOR AGREEMENTS WITH OTHER GOVERNMENTAL ENTITIES)

	YES	NO	N/A
FUNDING IS AVAILABLE (DEPARTMENTS MUST CERTIFY UNENCUMBERED RESOURCES ARE AVAILABLE TO FULLY FUND THE CONTRACT)	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
COMPETITIVELY SOLICITED	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
OTHER PARTY HAS EXECUTED	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
PERFORMANCE BOND OR OTHER SECURITY IS ATTACHED	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
INSURANCE CERTIFICATE(S) ATTACHED	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
LEGAL DESCRIPTIONS BEEN RECEIVED AND CHECKED	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
OTHER COMMENTS <u>None</u>			

PROVIDE TWO (2) COPIES OF COMPLETED APCR AND ATTACH TWO (2) COPIES OF AGREEMENT TO BE SIGNED

III. CITY RECORDER
DATE RECEIVED 6/10/10 APCR No 200-10 DATE ROUTED 6/10/10

IV. LAW DEPT KRM DATE 6-15-10

V. CITY MANAGER  DATE 6/16/10

VI. ACTION RECORD

CITY COUNCIL ACTION DATE 7/1/10 ORDINANCE NO 2010-137

MAYOR/CITY MANAGER/DEPT HEAD EXECUTION DATE 6/17/10

CITY RECORDER COMPLETION DATE 6/18/10

DISTRIBUTION ORIGINAL City Recorder's Office DEPT RETURNED TO CMO

AGREEMENT

THIS AGREEMENT is entered into between the City of Medford, a municipal corporation organized under the laws of Oregon, hereinafter referred to as "MEDFORD" and THE CHAMBER OF MEDFORD/JACKSON COUNTY, hereinafter referred to as "CHAMBER".

WHEREAS, the voters of Medford on August 5, 1975, approved a charter amendment authorizing the City to levy a tax not exceeding six percent on the privilege of transient occupancy within the City and authorizing the utilization of a portion not exceeding twenty-five percent of the proceeds of the tax for the purpose of promoting the use of the City of Medford for recreational, cultural, convention and tourist-related services and programs;

WHEREAS, on December 6, 1984, the City Council enacted Ordinance No. 5316 levying a six-percent transient lodging tax to be effective January 1, 1985; and

WHEREAS, as a result of the voter-approved increase of the transient lodging tax to nine-percent,

For and in consideration of the mutual terms and conditions contained herein, the parties agree as follows:

1. Medford shall pay to Chamber from funds lawfully appropriated during the fiscal years commencing July 1, 2010 and ending June 30, 2015, twenty-five percent of the net proceeds from the transient lodging tax. Actual payments shall be made as follows: not later than thirty (30) days from the date upon which monthly collections from the tax are required to be paid to Medford by operators, Medford shall pay to Chamber twenty-five percent of the net proceeds of said collections. Any such funds from each fiscal year disbursed to Chamber and not expended by Chamber at the close of business on September 30 each year shall be repaid to Medford not later than November 30 each year.
2. Chamber shall maintain adequate accounting records of all revenues and expenditures with supporting invoices. Said records shall be maintained by Chamber for a period of three (3) years. Chamber shall deposit all Medford funds received pursuant to this agreement in a separate checking account. No funds shall be disbursed from this account except for purposes authorized by this agreement. Provided however, that Chamber may deposit such amounts of its own funds in this account as may from time to time be necessary to carry out their duties under this agreement in the most efficient manner. Such advances may be repaid out of the separate account without interest. Provided, further, that Chamber shall be allowed to charge against the separate account an

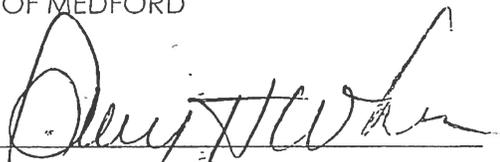
amount not exceeding 50% per year for the share of overhead (salaries, fringe benefits, rent and utilities) attributable to the services performed for Medford under this agreement. All other funds received from Medford shall be spent for materials and services to be provided for the benefit of Medford. Expenditures shall be in substantial compliance with an annual Budget Proposal that shall be provided to Medford on or before July 1 of each.

3. The Finance Director of Medford, or any persons authorized in writing by him, may examine during normal business hours the books and accounting records of Chamber after notifications to Chamber. Information regarding the contents of books, paper, and accounting records shall be considered confidential, provided that nothing shall prevent the disclosure to other Medford officials for the purpose of enforcing any provisions of this agreement. Chamber shall provide Medford with an annual accounting of all funds received and expenditures thereof under this agreement. The accounting shall be by a certified public accountant in accordance with agreed upon procedures, attached hereto as Exhibit "A", to evaluate compliance with the terms of this agreement and to be furnished to Medford not later than December 31 of each year during the term of this agreement.
4. Chamber, in receiving monies from Medford and in providing services to Medford hereunder, shall.
 - a) At all times be deemed an independent contractor and not an agent or partner or joint association with Medford. The parties acknowledge that any contracts entered into between Chamber and any third party shall not be obligation of Medford, and Chamber shall not represent that it has the power or authority to contractually bind or obligate Medford.
 - b) Cooperate with any governmental agency as directed by Medford in preparation of various studies and reports related to the Chamber's promotional activities hereunder.
 - c) Not discriminate in providing services hereunder on the basis of age, race, sex, color, religion, or national origin.
5. Chamber shall, upon written request, furnish the Finance Director with all information concerning services performed for Medford as may be deemed necessary to verify compliance with this agreement.
6. Chamber agrees to and does indemnify and agree to hold harmless Medford from all liabilities except for payments required to be made by Medford pursuant to the terms of this agreement.

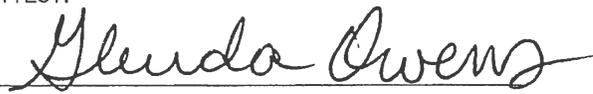
7. Notwithstanding any other provisions of this agreement, Medford shall be obligated to make payments due to Chamber only to the extent of monies available and on deposit in the City's Community Promotions Fund.
8. This agreement is extended for an additional term of five (5) years. Either party, upon one hundred eighty (180) days' written notice to the other, may terminate this agreement without further obligations. Waiver by either party of any breach or violation of this agreement shall not be construed or deemed as continuing waiver and shall not prevent the party from terminating this agreement for any subsequent breaches or violations.
9. In the event any suit, action, or proceeding is brought to enforce the terms of this agreement, or any portion hereof, the prevailing party in such suit, action or proceeding, or any appeal therefrom shall be entitled to reasonable attorney's fees in an amount to be set by the court.
10. Chamber, for the value received from Medford, agrees to provide services to Medford as described in Exhibits "B" and "C" attached hereto and by this reference incorporated herein.

THIS AGREEMENT is entered into this 14 day of JUNE, 2010

CITY OF MEDFORD

By 
Mayor

ATTEST:


City Recorder

THE CHAMBER OF MEDFORD/JACKSON COUNTY

By 
PRESIDENT & CEO

EXHIBIT A

AGREED UPON PROCEDURES TO DETERMINE THE
CHAMBER'S COMPLIANCE WITH AGREEMENT
BETWEEN THE CITY AND THE CHAMBER

1. Identify the separate bank account used by the Chamber to receipt and disburse funds received under the contract with the City.
2. Trace all payments from the City to deposits to the separate VCB bank account.
3. Total the amounts deposited and compare to the amount the City advises was paid to the VCB. Compute any difference in amounts paid and received.
4. Total amount paid to the Chamber for overhead (salaries, fringe benefits, rent and utilities) attributable to VCB services; compare to fifty percent (50%) of receipts and compute the difference.
5. Review all other disbursements of funds in excess of \$1,500 received under the contract for substantial compliance with the budget proposal.

Document the review as follows:

- a) purpose;
 - b) classification;
 - c) comparison of payee and endorsement;
 - d) accuracy of posting to the general ledger; and
 - e) identify the check signers.
6. Obtain the VCB financial statement for each year ended June 30, with comparison to the proposed budget.
 - a) Trace actual amounts to the VCB general ledger.
 - b) Trace the budget amounts to the proposed budget required by the City contract.
 - c) Compare the actual amounts by classification to the totals of amounts by classification that were examined under procedure 4 and 5, and compute the difference.
 - d) Identify the amounts received that were not spent by June 30 of each year.
 7. Total all amounts disbursed by the VCB, relating to payments received from the City, and identified in procedure 3, by the close of business on September 30 each year. Compare to the total amounts received from the City and compute the difference.
 8. Agreed upon procedures are to be undertaken by a firm of CPA's in accordance with professional standards.

SERVICES TO BE PROVIDED BY THE VISITORS AND CONVENTION BUREAU 2010-2015 (contract with city)

1. Visitor Information Center

Provide information and services for visitors to Medford at the Visitor Information Center located at Harry and David Country Village. This includes daily management, recruitment and training of volunteers, complete and updated brochures, and information provided in a friendly, attractive atmosphere.

2. Conventions, Meetings, Events

- a) Promote Medford as a convention and meeting destination by a direct sales effort to meeting planners, association and corporate executives, and local officials.
- b) Encourage major events in Medford that bring in overnight visitors.
- c) Provide services to conventions, meetings and events in Medford, which include planning, information, literature, welcome speeches, gift baskets, resources, etc.

3. Brochure Production and Distribution

Update, produce and distribute the following promotional brochures: Medford Visitors Guide (which includes dining, lodging, and attractions. Other promotional pieces include golf, convention promotion bid packet and group planners guide, Medford's historic walking tour, and Medford kid's guide. Other promotional pieces produced as needed.

4. Visitor Packet Requests

Promptly answer all correspondence and requests for information relative to recreational, cultural, tourist and convention related activities in Medford and the area.

5. Media Advertising

Develop and implement an advertising plan to position Medford as "The Center Of The Rogue Valley"... the place to stay when vacationing here. Develop partnerships with private businesses and other tourism marketing organization, (i.e., Southern Oregon Visitors Association, Travel Oregon, etc.)

6. Market Research and Analysis

- a) Conduct local industry surveys for use as economic indicators. Continue to survey visitors at the Visitor Information Center to determine the visitor profile, (i.e. why they visit, what they visit, length of stay, etc.) Participate in other state or local surveys as requested and appropriate.
- b) Conduct research and surveys to measure advertising effectiveness.

- c) Develop and keep updated statistics and data on the visitor industry in Medford, the region and statewide. Work cooperatively with SOREDI in tourism business development.

7. Public Relations

- a) Prepare articles, news stories and photographs descriptive of Medford's resources to attract travel writers and as a resource for film and video recruitment.
- b) Promote Medford to the Group Travel Market (motor coach tour operators) using the Group Tour Manual, CD's, and attend the annual tour association conferences where one-on-one meetings are held with tour operators.
- c) Participate in trade and travel shows in our primary marketing area (WA, CA, AZ & OR) in cooperation with the local tourism industry.

8. Local Community, Region, State

- a) Be an advocate for the visitor industry and build local awareness through public speaking, customer service training, and community involvement.
- b) Work with the Southern Oregon Visitors Association to provide strong regional marketing and regional publications for expanded exposure.
- c) Continue involvement with the state Tourism Commission (aka) Travel Oregon and other state and industry organizations to ensure that the voice of southern Oregon is heard.
- d) Maintain communication with legislators and awareness of legislative action as it relates to the tourism industry.

Competent and trained professional staff employed by the Chamber of Medford/Jackson County shall carry out the above services. The Chamber shall provide necessary office space, equipment and material for the purposes of carrying out the promotional program with maximum efficiency and effectiveness.

**ADDITIONAL SERVICES TO BE PROVIDED BY CHAMBER REGARDING U.S. CELLULAR COMMUNITY PARK
("USCCP")**

1. Chamber, through its Medford Visitors and Convention Bureau Department (VCB) shall budget \$10,000 to line item USCCP in 2010-11 fiscal year for use of:
 - A. Tournament Solicitation
 - B. Hosting
 - C. Promotions

2. VCB and the City of Medford Parks and Recreation Department ("MPRD") to discuss each February/March new opportunities for Tournament Solicitation, Hosting and Promotions for USCCP. At that time VCB and MPRD can discuss needs for upcoming year/years

3. Chamber, through its VCB, ~~to~~ shall give staff support of \$15,000 in 2010-2011 fiscal year.
 - A. Committed staff resources
 - a) Convention Sales Director to reflect 20% of their described responsibilities to USCCP and its endeavors.
 - b) Visitor Center Manager to reflect 5% of their described responsibilities to USCCP and its endeavors. (i.e. Visitor booth at USCCP/Airport during selected tournaments - tournaments will be determined by VCB/MPRD.
 - c) Micro-sites / List major MPRD events on calendar of events / secure donations, promoting USCCP.

4. In the event USCCP Phase IV is completed, event hosting capacity will be increased, and future annual funding can be determined during the annual meetings prescribed in item #2.

AMENDMENT TO AGREEMENT

This amendment is made this 29 day of March, 2016, by and between the City of Medford, hereinafter referred to as "Medford", and THE CHAMBER OF MEDFORD/JACKSON COUNTY, hereinafter referred to as "Chamber".

The Agreement entered into between Medford and Chamber on June 17, 2010, and extended on June 3, 2015 is amended as follows:

Section 1. Paragraph 1 thereof is amended as follows:

"1. Medford shall pay to Chamber from funds lawfully appropriated during the fiscal years commencing July 1, ~~2015~~**2016**, and ending June 30, ~~2016~~**2018**, or until a new contract is negotiated, twenty-five percent of the net proceeds from the transient lodging tax. * * *"

SECTION 2. Paragraph 8 thereof is amended as follows:

"8. This agreement is extended for an additional term of **two (2) years, or until a new a contract is negotiated.** * * *"

Add the following:

Section 9. Records and Accounting

- a. CHAMBER shall maintain records and accounts that will allow MEDFORD to assure a proper accounting for all funds paid for the performance of this Agreement. MEDFORD shall have the right during the term of this Agreement or within 180 days after expiration or termination of this Agreement, to audit the Travel Medford fund records for the period of three years prior to the date of the audit.
- b. The audits shall be undertaken by a qualified person or entity to be paid for by CHAMBER from transient lodging tax funds referred to in Section 1 of this Agreement.
- c. CHAMBER agrees that, semi-annually, it will provide financial records from its accountants relating to the preceding six months to the MEDFORD. The financial records shall include, but not be limited to, a balance sheet and income and expense reports. CHAMBER shall maintain financial records for at least six (6) years after the expiration of the Agreement.

Section 10. Local Community, Region, State

- a. CHAMBER will promote Medford and the Rogue Valley without discrimination, and regardless of affiliation with the Chamber of Medford/Jackson County, in order to fulfill its duties to the MEDFORD as described in Exhibits A, B, and C of this Agreement.

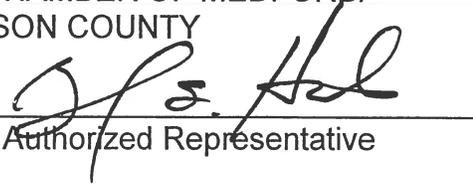
All remaining terms and conditions of the June 17, 2010 Agreement agreed to by the parties remain unchanged.

IN WITNESS WHEREOF, the parties have executed this document as of the day and year first written above.

CITY OF MEDFORD

By: 
Mayor

THE CHAMBER OF MEDFORD/
JACKSON COUNTY

By: 
Authorized Representative

*NOTE: Matter in **bold** is new. Matter ~~struck out~~ is existing language to be omitted. Three asterisks (* * *) indicate existing language which remains unchanged but was omitted for the sake of brevity.

TRAVEL MEDFORD

AUDIT REPORT

FOR THE YEAR ENDED JUNE 30, 2016

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT
MEDFORD

TRAVEL MEDFORD
For the Year Ended June 30, 2016

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INDEPENDENT AUDITOR'S REPORT

RICHARD W. BREWSTER, CPA, PC

CERTIFIED PUBLIC ACCOUNTANT

670 SUPERIOR COURT, #106
MEDFORD, OREGON 97504
(541) 773-1885 · FAX (541) 770-1430
www.rwbrewstercpa.com

INDEPENDENT AUDITOR'S REPORT

To the Board of Directors of
The Chamber of Medford/Jackson County

I have audited the accompanying financial statements of Travel Medford (formally known as the Visitors and Convention Bureau), which comprise the Statement of Financial Position as of June 30, 2016, and the related Statements of Activities and Cash Flows for the year then ended, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of the financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementations, and maintenance of internal control relevant to the preparation and fair presentation of financial statement that are free from material misstatement whether due to fraud or error.

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on my audit. I conducted my audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinion.

Opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Travel Medford as of June 30, 2016, and the changes in its net assets and its cash flows for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Report of Supplementary Information

My audit was conducted for the purpose of forming an opinion on the financial statements as a whole. The schedule of detailed expenses is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statement or to the financials statement themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the information is fairly stated in all material respects in relation to the financial statements as a whole.



Richard W. Brewster
Certified Public Accountant

April 14, 2017

FINANCIAL STATEMENTS

TRAVEL MEDFORD
Statement of Financial Position
June 30, 2016

ASSETS

Current Assets

Cash and cash equivalents \$ 232,640

Receivable from the City of Medford 74,409

Total current assets 307,049

Property and equipment

Leasehold improvements 2,258

Furniture, fixtures and equipment 4,841

Less accumulated depreciation (2,571)

Net property and equipment 4,528

TOTAL ASSETS \$ 311,577

LIABILITIES AND NET ASSETS

Current liabilities

Accounts payable \$ 10,248

NET ASSETS

Temporarily restricted 301,329

TOTAL LIABILITIES AND NET ASSETS \$ 311,577

See notes to the financial statements

TRAVEL MEDFORD
Statement of Activities
For the Year Ended June 30, 2016

REVENUES

City of Medford Transient Lodging Tax	\$ 736,370
Other	4,670
	<hr/>

Total revenues 741,040

EXPENSES

Administration	163,432
Office Expense	5,688
Promotion Expense	524,204
Sales & Travel	44,141
Depreciation	839
	<hr/>

Total expense 738,304

Change in Net Assets 2,736

NET ASSETS

Beginning Net Assets	<u>298,593</u>
Ending Net Assets	<u><u>\$ 301,329</u></u>

See notes to the financial statements

TRAVEL MEDFORD

Statement of Cash Flows
For the Year Ended June 30, 2016

CASH FLOWS FROM OPERATING ACTIVITIES	
Change in Net Assets	\$ 2,736
Adjustments to reconcile change in Net Assets to net cash from operating activities	
Depreciation	839
(Increase) decrease in accounts receivable	19,310
Increase (decrease) in accounts payable	<u>2,692</u>
Total adjustments	<u>22,841</u>
NET CASH PROVIDED (USED) BY OPERATING ACTIVITIES	<u>25,577</u>
CASH FLOWS FROM INVESTING ACTIVITIES	
Capital asset purchases	<u>(1,507)</u>
NET CASH PROVIDED (USED) BY INVESTING ACTIVITIES	<u>(1,507)</u>
NET INCREASE (DECREASE) IN CASH	24,070
CASH AT BEGINNING OF YEAR	<u>208,570</u>
CASH AT END OF YEAR	<u><u>\$ 232,640</u></u>

See notes to the financial statements

NOTES TO FINANCIAL STATEMENTS

TRAVEL MEDFORD

Notes to Financial Statements For the Year Ended June 30, 2016

1. NATURE OF THE ORGANIZATION

Travel Medford (formally known as the Visitors and Convention Bureau), is a division of The Chamber of Medford/Jackson County (the Chamber). Per the signed contract, the City of Medford has engaged the Chamber to spend 25% of the net proceeds from the transient lodging tax to promote the community. Also per the contract, the Chamber is allowed to charge an amount not to exceed 50% per year for the share of overhead (salaries, fringe benefits, rent and utilities) attributable to the services performed for the City of Medford under this agreement.

Travel Medford receives 99.37% of its funding from the City of Medford. While the use of this funding is limited to activities contained in the contract between the City and the Chamber, the nature of Travel Medford is such that these restrictions will be met in the normal course of business. The main services to be provided by Travel Medford are : 1) to promote Conventions, Meetings, and Events, bringing visitors to Medford and the Rogue Valley, 2) to operate the Visitor Information Center, 3) to update and provide visitor brochure production and distribution, 4) to respond to visitor packet requests, 5) to develop and implement Media Advertising on behalf of tourism to Medford and the rogue Valley, 6) to conduct local Market Research and Analysis, 7) to develop and promote Public Relations, 8) to be an advocate for tourism activities within Medford and the Rogue Valley, Southern Oregon and the State. As a result, this activity is considered unrestricted for financial reporting purposes.

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This summary of significant accounting policies of the Chamber/Travel Medford is presented to assist in understanding of the Travel Medford's financial statements. The financial statements and notes are representations of Chamber/Travel Medford's management who is responsible for their integrity and objectivity. These accounting policies conform to accounting principles generally accepted in the United States, unless otherwise stated, and have been consistently applied in the preparation of the financial statements.

BASIS OF ACCOUNTING AND PRESENTATION

The financial statements of Travel Medford have been prepared on the accrual basis of accounting and, accordingly, reflect all significant receivables, payables, and other liabilities. Financial statement presentation follows the recommendations of the Financial Accounting Standards Board in Accounting Standards Codification (ASC) 958, *Not-for-Profit Entities*. Under ASC 958, Travel Medford is required to report information regarding its financial position and activities according to three classes of net assets: unrestricted net assets, temporarily restricted net assets, and permanently restricted net assets.

All Travel Medford funds are kept separate from all other Chamber funds and are presented as unrestricted net assets because they may be used at the sole discretion of the Chamber's Board of Directors for the sole purpose of promotion of tourism through Travel Medford.

TRAVEL MEDFORD

Notes to Financial Statements For the Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

CASH AND CASH EQUIVALENTS

Cash and cash equivalents consists of cash in banks and highly liquid investments with maturity dates of three months or less determined at date of purchase. The carrying value of cash and cash equivalents approximates fair value because of the short maturities of those financial instruments.

CASH FLOW

For purpose of the Statement of Cash Flows, Travel Medford considers all highly liquid debt instruments purchased with an original maturity of three months or less to be cash equivalents. As of June 30, 2016, Travel Medford had only demand deposits.

RECEIVABLE

Travel Medford recognizes income for transient taxes collected by the City Medford as part of a contract. Travel Medford receives 25% of the net revenues collected. The City pays these revenues on a monthly basis, based on the revenues reported by the local hotels/motels. No allowance for doubtful accounts is considered necessary.

PROPERTY AND EQUIPMENT

The majority of property and equipment has been purchased, maintained and owned by the Chamber. Travel Medford pays a monthly fee for the use for some, but not all, of this equipment.

Property and equipment that was purchased through Travel Medford is stated at cost at the date of acquisition, while contributed property is stated at fair market value of the property and equipment at the date of the contribution. Significant additions, renewals, and betterments of property and equipment with a useful life of one year or more are capitalized. Expenditures for maintenance and repairs are charged to expense as incurred. Capitalized items of property and equipment (items with a cost or fair market value of \$500 or more) are depreciated over their estimated life using the straight-line method. Gains or losses on the disposition of fixed assets are recorded as proceeds less net book value.

USE OF ESTIMATES

The preparation of the financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates. Depreciation expense and the allowance for doubtful accounts are such estimates.

TRAVEL MEDFORD

Notes to Financial Statements For the Year Ended June 30, 2016

2. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

INCOME TAXES

Because Travel Medford is considered to be a division of the Chamber, the Chamber has received, in prior years, a "Tax Exempt" determination under Section 501(c)(6) of the Internal Revenue Code. The Chamber's income is not taxable, with the exception of advertising income from publications. No tax liability is reported for Travel Medford.

ADVERTISING EXPENSES

Travel Medford expenses all advertising costs as incurred.

DONATED GOODS AND SERVICES

Donated services have not been reported in the financial statements. Travel Medford receives a substantial amount of services donated by community members, predominately Chamber members, in carrying out Travel Medford's community services and administration through volunteers at the Visitor Information Center and the Airport Information Booth. No amounts have been reflected in the financial statements for those services since they do not meet the criteria for recognition under FASB Codification: Accounting for Contributions Received and Contributions Made.

COMPENSATED ABSENCES

All Travel Medford employees are Chamber employees performing Travel Medford duties. All employees accrue vacation leave at varying amounts based on each employee's date of hire. Vacation leave cannot be carried over from one year to another.

Sick leave is accumulated at eight hours per month to a limit of 240 hours. Sick leave is not paid on termination of employment. The potential sick leave at June 30, 2016 is \$2,393 for employees whose perform Travel Medford duties on a full-time equivalent basis.

RISK MANAGEMENT

Because Travel Medford is a division of The Chamber of Medford/Jackson County, the Chamber is responsible for risk management. The Chamber is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Chamber carries commercial insurance for all such risks of loss. Settled claims resulting from these risks have not exceeded commercial insurance coverage in any of the past three fiscal years.

TRAVEL MEDFORD

**Notes to Financial Statements
For the Year Ended June 30, 2016**

3. OTHER REVENUES

A summary of total other revenues for the year ended June 30, 2016, is as follows:

Interest	\$ 64
Miscellaneous	<u>4,606</u>
Total	<u>\$ 4,670</u>

4. VISITORS AND CONVENTION BUREAU CONTRACT

Travel Medford receives its funding from the City of Medford pursuant to an agreement between the City of Medford and the Chamber of Medford/Jackson County. The original agreement was for the periods July 1, 2010, through June 30, 2015 and was dated June 14, 2010. On March 29, 2016 this contract was renewed for the fiscal years commencing July 1, 2016 through June 30, 2018 or until a new contract is negotiated. Among other things, this agreement provides for 25% of the net proceeds of the hotel/motel tax to be given to the Chamber of Commerce for the operation of Travel Medford. Pursuant to this agreement, Travel Medford has until September 30 to spend any such funds that were not expended at the close of business on June 30. At June 30, 2016, the amount not expended by Travel Medford was \$296,800. All of these amounts were expended by September 30, 2016.

Additionally, the agreement provides that the Chamber shall be allowed to charge an amount not to exceed 50% per year for the share of overhead salaries, fringe benefits, rent and utilities attributable to the services performed for the City of Medford. Travel Medford also reimburses the Chamber for personnel costs related to operation of the information center.

401(K) RETIREMENT PLAN

Substantially all employees are covered by the American Chamber of Commerce Executives 401(k) Retirement/Savings Plan, adopted in 1985. The Chamber contributed a matching amount of up to 6% for a total of \$11,877 for the fiscal year ended June 30, 2016.

CONCENTRATION OF CREDIT RISK

The Travel Medford/Chamber maintains two bank accounts at one bank. Accounts at an institution are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. The Travel Medford/Chamber's bank balances at June 30, 2016 were all covered by FDIC insurance.

7. SUBSEQUENT EVENTS

Travel Medford has evaluated subsequent events through April 14, 2017, which is the same date as the auditor's report. The report was available to be issued on April 21, 2017.

SUPPLEMENTARY INFORMATION

TRAVEL MEDFORD
Expense Detail
For the Year Ended June 30, 2016

	<u>Actual</u>	<u>Budget</u>	Variance (favorable) unfavorable
Administration			
Rent and Operations	\$ 28,760	\$ 34,512	\$ (5,752)
Shared Salaries	27,917 *	33,500	(5,583)
Salaries/Benefits	<u>106,755 *</u>	<u>134,085</u>	<u>(27,330)</u>
Total Administration	<u>163,432</u>	<u>202,097</u>	<u>(38,665)</u>
Office Expense			
Telephone	890	4,560	(3,670)
Postage	558	1,500	(942)
Supplies	1,632	5,500	(3,868)
Legal & accounting	<u>2,608</u>	<u>2,700</u>	<u>(92)</u>
Total Office Expense	<u>5,688</u>	<u>14,260</u>	<u>(8,572)</u>
Promotion Expense			
Advertising Support	36,616	25,229	11,387
Salaries /Benefits	33,841 *	81,700	(47,859)
Other	147,954	194,800	(46,846)
Brochures & Printing	14,461	32,550	(18,089)
Art, Design services	51,338	30,600	20,738
Convention Sales/Group Tours	23,761	33,276	(9,515)
Salaries/Benefits	34,264 *	52,228	(17,964)
Promotional Materials	15,308	9,500	5,808
Special Projects/Events	15,798	16,500	(702)
Research	2,000	7,000	(5,000)
Website	57,547	16,190	41,357
Salaries/Benefits	9,684 *	15,799	(6,115)
USCCP	9,601	10,000	(399)
Information Center	32,846	23,855	8,991
Salaries/Benefits	<u>39,185 *</u>	<u>46,044</u>	<u>(6,859)</u>
Total Promotion Expense	<u>524,204</u>	<u>595,271</u>	<u>(71,067)</u>
Sales & Travel			
Conferences	12,203	21,680	(9,477)
Dues & Subscriptions	6,584	6,735	(151)
Meetings	<u>25,354</u>	<u>38,450</u>	<u>(13,096)</u>
Total Sales & Travel	<u>44,141</u>	<u>66,865</u>	<u>(22,724)</u>
Total Depreciation	<u>839</u>	<u>-</u>	<u>839</u>
Total Expense	<u>\$ 738,304</u>	<u>\$ 878,493</u>	<u>\$ (140,189)</u>

* see next page

