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City Council

Approval of a Resolution to Reallocate 2020 Lodging Tax Revenue

Agenda Date: 5/5/2020
Agenda Item Number: 4.D
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Title

Approval of a Resolution to Reallocate 2020 Lodging Tax Revenue

Recommended Action

Committee Recommendation:

Finance Committee met on April 15 and received a briefing on the 2020 Lodging Tax Revenue and directed staff to prepare a proposal to reallocate 2020 Lodging Tax Revenue

City Manager Recommendation:

Approve the resolution to reallocate 2020 Lodging Tax Revenue

Report

Issue:

Whether to approve a resolution to reallocate 2020 Lodging Tax Revenue

Staff Contact:

Jay Burney, Interim City Manager, 360.753.8740

Kellie Purce Braseth, Strategic Communications Director, 360.753.8361

Debbie Sullivan, Administrative Services Director, 360.753.8499

Presenter(s):

None - Consent Calendar Item

Background and Analysis:

Lodging Tax is collected by hotels, motels, and other similar facilities in the City of Olympia. The purpose of collecting Lodging Tax is to generate revenue that can be used for activities and operations to increase tourism. The total tax charged is 4 percent. The first 2 percent of the revenue generated from the tax is allocated to the Washington Center for the Performing Arts (The Center). The second 2 percent is allocated to several local non-profits based on a recommendation from the Lodging Tax Advisory Committee.

The 2020 Adopted Operating Budget appropriated \$520,000 in Lodging Tax to The Center; and \$405,923, in varying amounts, to fourteen non-profit organizations. Unfortunately, the COVID-19

pandemic has hit our local economy hard, and the 2020 revenue needs to be adjusted because fewer and fewer people are traveling and staying in our local hotels.

The Visitor Convention Bureau currently reports a 20 percent occupancy in local hotels; of that, 30 percent are extended stay and are not subject to the tax. Lodging Tax actual revenue collections could be as low as 50 - 80 percent of the original appropriation. The 2020 Lodging Tax Revenue will not be sufficient to meet the original appropriation.

At this time, staff recommends fully funding the Lodging Tax appropriation to the Washington Center for the Performing Arts through June 30, 2020. The Center will re-assess their financial need for the next quarter (July - September) and present a request to the Finance Committee. If additional funds are needed, Finance Committee could recommend accessing the Lodging Tax Reserve.

For recipients who received an allocation based on the Lodging Tax Advisory Committee recommendation, staff recommends fully funding the original appropriation to the following organizations: Harlequin Productions, Olympia Film Society, and the Visitor Convention Bureau. The remaining organizations were directed to freeze spending on April 17 to allow Council time to address this issue. Any LTAC funds already spent by these organizations prior to the April 17 notification to freeze spending will be paid.

If the "Stay Home, Stay Healthy" restrictions are lifted and events are able to be held, Council could use reserves to fund the original appropriation for those organizations who were directed to freeze spending. The Lodging Tax Reserve is approximately \$1.6 million. The reserve can be used to mitigate the 2020 revenue gap. At an 80 percent reduction in revenue, the impact to the reserve would be nearly \$700,000.

Neighborhood/Community Interests (if known):

Twelve non-profit organizations who promote and host invaluable events and programs may lose funding for marketing and promotion.

Options:

1. Approve a Resolution to Reallocate 2020 Lodging Tax Revenue
2. Modify the Resolution to Reallocate 2020 Lodging Tax Revenue
3. Do not approve the Resolution to Reallocate 2020 Lodging Tax Revenue and use the Lodging Tax Reserve to mitigate the revenue impact.

Financial Impact:

The Washington Center for the Performing Arts will receive 50 percent (\$264,000) of the original appropriation. The Lodging Tax Advisory Committee recipients will receive \$224,237 of the \$405,923. This is a reduction of 45 percent of the original appropriation.

Attachments:

Resolution
2020 Recipients of Lodging Tax Funding

