



City Council

2013 Lodging Tax Advisory Committee Recommendations

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Agenda Item:

2013 Lodging Tax Advisory Committee Recommendations

Issue:

How shall the City use 2013 lodging tax revenue for tourism-related purposes?

Committee Recommendation:

Approve tourism-related service contracts totaling \$221,000 with 10 agencies and groups (detailed below and in the attachments), and continue the practice of maintaining a 2 month cash flow / operating reserve in that portion of the Fund considered by the committee.

City Manager's Recommendation:

Forward the committee's proposal to the budget public hearing for comment. Staff concurs that a minimum 2 month cash flow / operating reserve should be maintained in that portion of the Fund considered by the committee.

Staff Contact:

Cathie Butler, Communications Manager, 360.753.8361

Presenter(s):

Julie Hankins, Councilmember and Chair of the Olympia Lodging Tax Advisory Committee
Cathie Butler, Communications Manager

Background and Analysis:

General Background about Lodging Tax and the Committee

State law requires that cities with a local lodging tax appoint an advisory committee to recommend how to use the money. The committee's role is "advisory" in nature; the final decision rests with the City Council. By State law, the committee consists of at least two representatives of agencies eligible to receive funding, at least two representatives of lodging establishments who pay the tax, and a Councilmember who serves as Chair.

Olympia receives the equivalent of a 4% tax on local hotel/motel lodging. This revenue is to be deposited in a Lodging Tax Fund to be used for tourism-related purposes as authorized by State law. One-half of Olympia's lodging tax is dedicated for various uses associated with The Washington Center for the Performing Arts, a tourism-related facility owned by the City. The Lodging Tax Advisory Committee makes

an annual recommendation on use of the other half.

Lodging Tax is a dedicated revenue source to be used for tourism promotion and the acquisition / operation of tourism-related facilities as defined in RCW 67.28.080. Until June 30, 2013, "tourism promotion" means "activities, operations, and expenditures designed to increase tourism, including but not limited to advertising, publicizing, or otherwise distributing information for the purpose of attracting and welcoming tourists; developing strategies to expand tourism; operating tourism promotion agencies [such as a Visitor and Convention Bureau]; and funding the marking of or the operation of special events and festivals designed to attract tourists." After June 30, 2013, authority ends for the funding of tourism event / festival operations.

Per RCW 67.28.1817, the committee is to consider the whether proposals "accommodate activities for tourists or increase tourism, and the extend to which proposals will affect the long-term stability of the [Lodging Tax] fund" (in other words, will expenditure of lodging tax funds result in people staying in local hotels and motels).

2013 Revenue Projections

Net projected amount available for 2013 contracts: \$221,000.

The city traditionally carries a 2 month cash flow / operating reserve in the Fund in addition to the contract amounts. Also, 2013 is the final \$30,000 payment from the fund of a prior \$600,000 commitment for capital costs of the new Hands on Children's Museum, and that \$30,000 use is not proposed to change. The net amount was calculated after subtracting the \$30,000 capital commitment and the 2 month cash flow / operating reserve.

2013 Recommendations

The committee received \$40,000 more in proposals than estimated revenue. Also, the projected 2013 net amount is about \$25,000 less than 2012.

After reviewing all proposals (copies attached), the committee unanimously recommends contracts with the following agencies for tourism promotion services. The committee determined that the recommended services are consistent with the intent of the law regarding use of the fund for tourism promotion and that the services have the potential to generate tourism activity and overnight stays in Olympia lodging establishments:

Capital City Pride Festival / Rainbow Coalition	\$ 5,000 for event marketing
Earthbound Productions / Procession of Species	\$ 3,500 for event marketing
Greater Olympia Dixieland Jazz Society	\$ 14,000 for event marketing
Hands on Children's Museum	\$ 53,500 for event marketing
Olympia Film Society	\$ 5,000 for event marketing
Olympia-Lacey-Tumwater VCB	\$103,500 for operation of a tourism agency
Olympic Flight Museum / Annual Airshow	\$ 6,000 for event marketing
Washington State Historical Society	\$ 2,000 for event marketing
Washington State Senior Games	\$ 10,000 for event marketing
Wolf Haven International	\$ 18,500 for event marketing
Total Tourism-Related Service Contracts:	\$221,000

Note: June 30, 2013 state law removes the local option of using lodging tax to fund operating costs of events designed to attract tourists. The Lodging Tax Advisory Committee establishes consistent proposal

criteria for the entire calendar regardless of when a specific event or tourism-promotion is held. The committee chose not to accept 2013 proposals for festival/event operating expenses so that each group, regardless of the timing of their event or festival, had equal opportunity to compete for contracts based on uniform and consistent criteria. See attached information from the Association of Washington Cities and MRSC about the June 30 change.

Neighborhood/Community Interests (if known):

In addition to the recommended \$3,500 for marketing, Earthbound Productions requested funding for operating expenses such as facility rent and supplies for their Community Art Studio. Their total 2013 request is \$19,725 - an increase of \$5,075 from 2012. They expressed concern about their ability to pay rent and purchase supplies for the Community Arts Studio if funding is not received from the City in 2013.

The committee only reviewed Earthbound's marketing proposal given the committee's published criteria as reflected in the above "Note." The committee did not make a determination whether general operation of a Community Arts Studio could be construed as an essential operating component of a festival or event. In 2011 and 2012, the committee recommended Lodging Tax funding for some rent and supplies as seed money for a 2-day event designed to attract tourists. The recommendations was with the understanding that those expenses were directly related to creating components needed for the Processions with the intent of creating a 2-day event that would attract tourists who would stay overnight in Olympia lodging establishments. It was also with the stipulation that Earthbound work cooperatively with the VCB on tourism marketing, which Earthbound has declined to do.

Options:

1. Receive the report and forward to the budget public hearing for comment.
2. Forward a revised proposal to the budget public hearing for comment.

Financial Impact:

Commits \$221,000 in 2013 Lodging Tax Fund for service contacts, in addition to the previously committed \$30,000 in capital costs for the new Hands on Children's Museum. Retains a 2 month cash flow / operating reserve in the Fund.