



City of Redmond

15670 NE 85th Street
Redmond, WA

Memorandum

Date: 4/25/2023
Meeting of: City Council Study Session

File No. SS 23-021
Type: Study Session

TO: Members of the City Council
FROM: Mayor Angela Birney
DEPARTMENT DIRECTOR CONTACT(S):

Planning and Community Development	Carol Helland	425-556-2107
------------------------------------	---------------	--------------

DEPARTMENT STAFF:

Planning and Community Development	Jackie Lalor	Economic Development and Tourism Program Administrator
Planning and Community Development	Philly Marsh	Economic Development Manager
Planning and Community Development	Seraphie Allen	Deputy Director

TITLE:
Lodging Tax Advisory Committee (LTAC) Budgeting Process Recommendations

OVERVIEW STATEMENT:

Per Council's request in October 2022, the LTAC reviewed the lodging tax budget percentage distributions approved by the Council in 2005. The LTAC is bringing forward three new budgeting process recommendations to the Council for approval.

☒ **Additional Background Information/Description of Proposal Attached**

REQUESTED ACTION:

☐ **Receive Information** ☒ **Provide Direction** ☐ **Approve**

REQUEST RATIONALE:

- **Relevant Plans/Policies:**
N/A
- **Required:**
RCW 67.28
- **Council Request:**
October 4, 2022
- **Other Key Facts:**
N/A

OUTCOMES:

The LTAC believes the formal Council recommendations they are providing will allow them to provide better recommendations to respond to current needs and opportunities to attract visitors and further support the tourism industry in Redmond. The final LTAC budgeting process recommendations are as follows:

1. The LTAC recommends that the lodging tax budgeting process is no longer percentage-based but instead, follows the City of Redmond's biennium budgeting process starting in 2025.
(Dan Angellar Moved; Melody Lanthorn Seconded, Unanimously Passed)
2. The LTAC recommends an end-fund practice of maintaining a target balance equal to or greater than the average annual fund revenues.
(Dan Angellar Moved; Latha Sambamurti Seconded, Unanimously Passed)
3. The LTAC recommends that the City of Redmond seeks alternative funding sources for City signature events and cultural arts programming outside of the lodging tax fund.
(George Manojlovic Moved; CM Steve Fields Seconded, Unanimously Passed)

COMMUNITY/STAKEHOLDER OUTREACH AND INVOLVEMENT:

- **Timeline (previous or planned):**
N/A
- **Outreach Methods and Results:**
N/A
- **Feedback Summary:**
N/A

BUDGET IMPACT:

Total Cost:

The total cost for the lodging tax fund relates to the 1% tax revenues on hotels and motels. For the 2023/2024 budget, this cost is estimated to be around \$1,048,359. An additional \$136,000 is funded through one-time ARPA funds for staff administration through 2024.

Approved in current biennial budget: ☒ **Yes** ☐ **No** ☐ **N/A**

Budget Offer Number:

000040 Community/Economic Development

Budget Priority:

Vibrant and Connected

Other budget impacts or additional costs: ☒ **Yes** ☐ **No** ☐ **N/A**

If yes, explain:

Possible impacts on the 2025 budget and beyond: City managed signature events and cultural arts programming could no longer receive an earmarked amount of 39% of the lodging tax fund if the budgeting process moves away from a percentage-based allocation. In recent years, the LTAC allocation to City-managed signature events has amounted to approximately \$150,000 annually. (See Attachment B, page two for a complete outline by year)

Funding source(s):

Lodging Tax Fund 2025 and beyond

Budget/Funding Constraints:

The fund is limited to lodging tax revenues earned by a 1% tax on Redmond hotels/motels.

☐ **Additional budget details attached**

COUNCIL REVIEW:

Previous Contact(s)

Date	Meeting	Requested Action
10/4/2022	Committee of the Whole - Planning and Public Works	Provide Direction
4/4/2023	Committee of the Whole - Planning and Public Works	Provide Direction

Proposed Upcoming Contact(s)

Date	Meeting	Requested Action
5/2/2023	Business Meeting	Approve

Time Constraints:

Need approval or direction from Council before the 2025/2026 budgeting process starts in early 2024.

ANTICIPATED RESULT IF NOT APPROVED:

Percentage split of the lodging tax fund will be unchanged, and expenditures would be limited to the current percentage caps:

50% Marketing

39% City Signature Events and Cultural Arts programming

9% Tourism Grants

2% Administration

ATTACHMENTS:

Attachment A: Council Presentation - LTAC Budget Process Recommendations

Attachment B: General Tourism and LTAC FAQ and Overview

Attachment C: March 6 LTAC Meeting DRAFT Minutes

Attachment D: March 6 LTAC Meeting Presentation