



## Memorandum

**Date:** 7/18/2023  
**Meeting of:** City Council

**File No.** AM No. 23-100  
**Type:** Consent Item

**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<br>Tourism Program Administrator |
| Planning and Community Development | Philly Marsh   | Economic Development Manager                              |
| Planning and Community Development | Seraphie Allen | Deputy Director                                           |

**TITLE:**

Approval of Updated Lodging Tax Advisory Committee (LTAC) Budget Recommendations

**OVERVIEW STATEMENT:**

Per Council's feedback at the April 25, 2023, meeting, the LTAC has updated recommendations for Council's consideration. The LTAC unanimously passed two new recommendations related to the end fund reserve for Council's approval.

The LTAC will review the additional recommendations that impact signature events and cultural arts programming designated funding with Parks and Receptions staff at a later scheduled LTAC meeting. Those updated recommendations will likely come to the Council in early 2024.

☐ **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:**  
April 25, 2023

- **Other Key Facts:**  
Original request from Council came October 4, 2022

**OUTCOMES:**

The LTAC met on June 6, 2023, to review Council's feedback on their original budget process recommendations and to review guidance from the City Finance Department related to an acceptable end fund reserve minimum cash balance. After reviewing all the information, the LTAC passed two recommendations for Council's approval. Those recommendations are as follows:

1. The LTAC unanimously recommends maintaining a target end fund reserve of 60% of projected budget revenues.

The LTAC may recommend to Council at any time, a funding plan above the 60% threshold to adequately invest in identified, large spending opportunities.

(Councilmember Steve Fields moved; unanimously passed)

2. The LTAC unanimously recommends allocating up to \$80,000 to support a tourism strategic plan.

(Councilmember Steve Fields moved; 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:**

The request to utilize up to \$80,000 for a Tourism Strategic Plan would draw down the Lodging Tax end fund reserve by up to \$80,000 over the next nine months.

**Funding source(s):**

Lodging tax reserve fund

**Budget/Funding Constraints:**

The revenue fund is limited to lodging tax revenues earned by a 1% tax on Redmond hotels/motels. For 2022, the lodging tax fund revenues were approximately \$522,000. The reserve fund fluctuates each year based on the lodging tax revenues and expenses. As of April 30, 2023- there was \$758,000 in the end fund reserve.

☐ 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 |
| 4/25/2023 | Study Session                                      | Provide Direction |
| 7/5/2023  | Committee of the Whole - Planning and Public Works | Provide Direction |

**Proposed Upcoming Contact(s)**

**Time Constraints:**

For Recommendation 1: Need approval or direction from the Council before the 2025/2026 budgeting process starts in early 2024. For Recommendation 2: Need approval as soon as possible in order to complete the 8-10-month process of developing a Tourism Strategic Plan with a consultant in time to help inform the 2025/2026 budget.

**ANTICIPATED RESULT IF NOT APPROVED:**

Recommendation 1: The end fund reserve will continue to have no minimum cash balance guidance around its use.

Recommendation 2: The City will not have a Tourism Strategic Plan in place to help inform budgeting for the 2025-26 biennium and other important decisions.

**ATTACHMENTS:**

Attachment A: Draft LTAC June 6 Meeting Minutes

Attachment B: General Tourism and LTAC FAQ Overview