

# LTAC Recommendations

April 25, 2023

Jackie Lalor, Economic Development & Tourism Program Administrator

Philly Marsh, Economic Development Manager

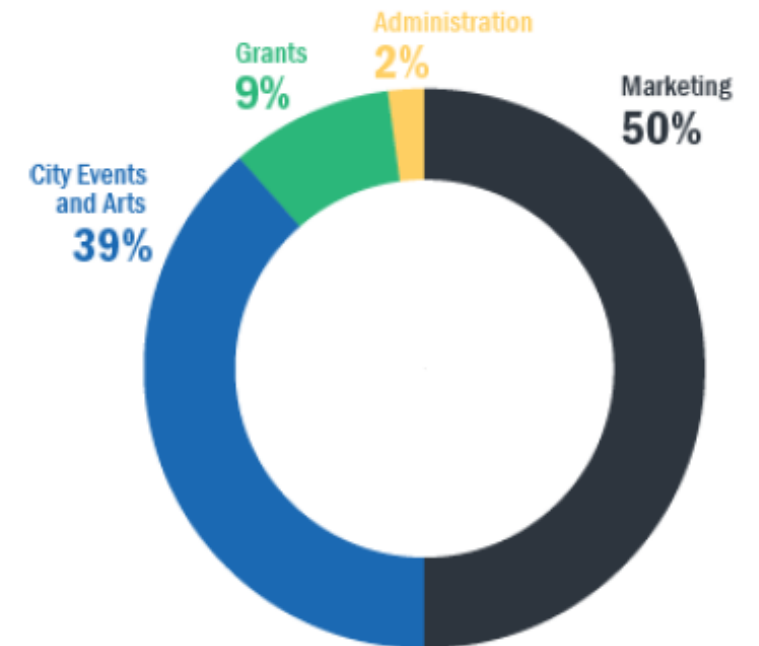


# Council's Ask

October, 2022:

Council requested for the LTAC to review and recommend if the current approved lodging tax fund expenditure percentages are still relevant or if they need to be updated.

**In 2005, Redmond City Council approved the distribution of funds to be as follows:**



# LTAC Touches & Research

- LTAC Meetings:
  - Nov. 7, 2022
  - Feb. 14, 2023
  - March 6, 2023
- LTAC Research:
  - Historical review of the fund and allocations
  - Review of hotel and tourism industry recovery and trends
  - Review of six neighboring city lodging tax expenditures and process
  - Guest speaker: Parks Director Loreen Hamilton
  - Guest speaker: Bullseye Creative (manage the Experience Redmond brand)



# Lodging Tax Fund Reminders

The fund is generated by a 1% tax on Redmond hotels. Through state law, funding is required to attract external visitors to the City and can be used for:  
**(a) tourism marketing, (b) special events designed to attract tourist, (c) tourism related facilities**

The Joint Legislative Audit and Review Committee (JLARC) requires that all fund recipients annually report on the following metrics per the RCW:



Overall program attendance



People traveling 50 or more miles one way



People traveling and staying overnight in paid accommodations



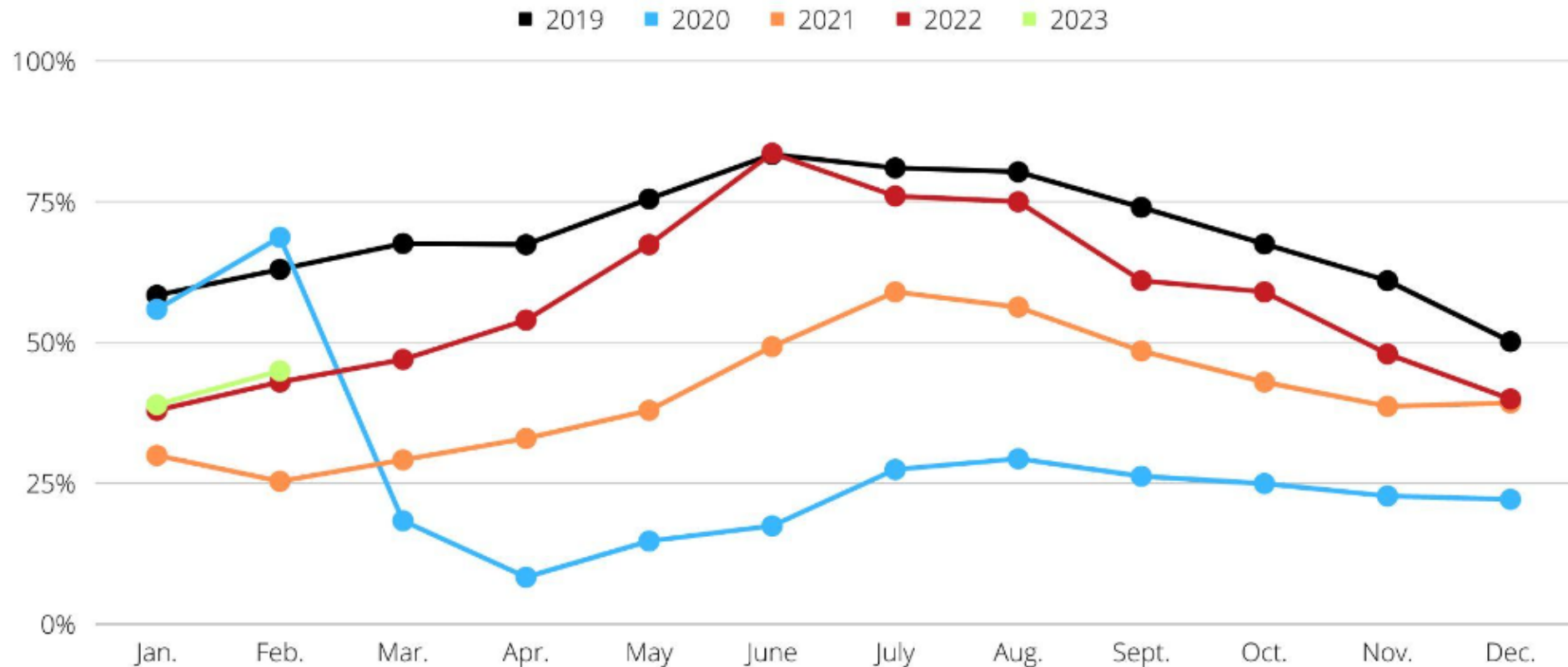
People traveling from another country or state



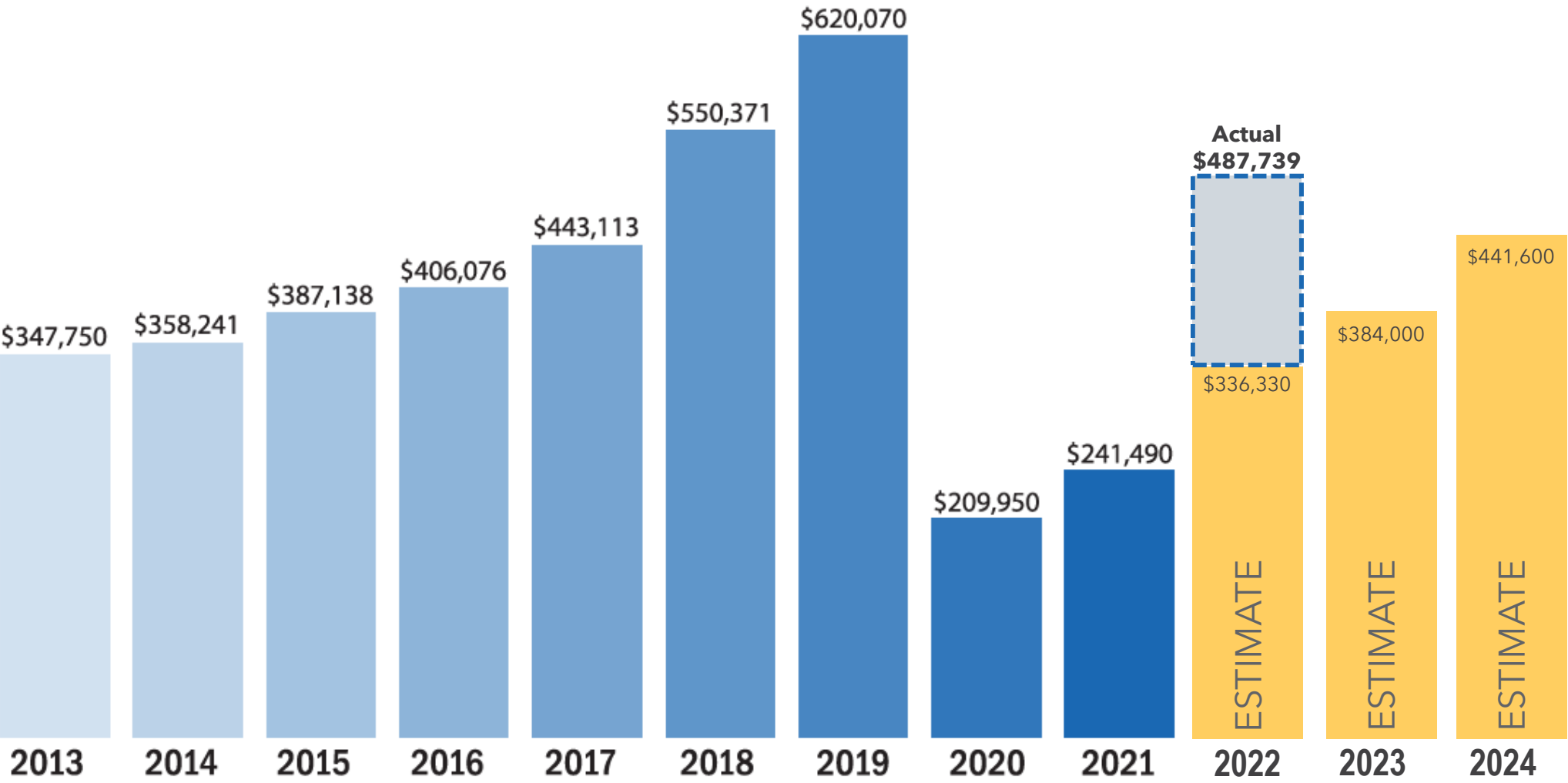
Data collection methods used

# Redmond Hotel Industry - Recovery Snapshot

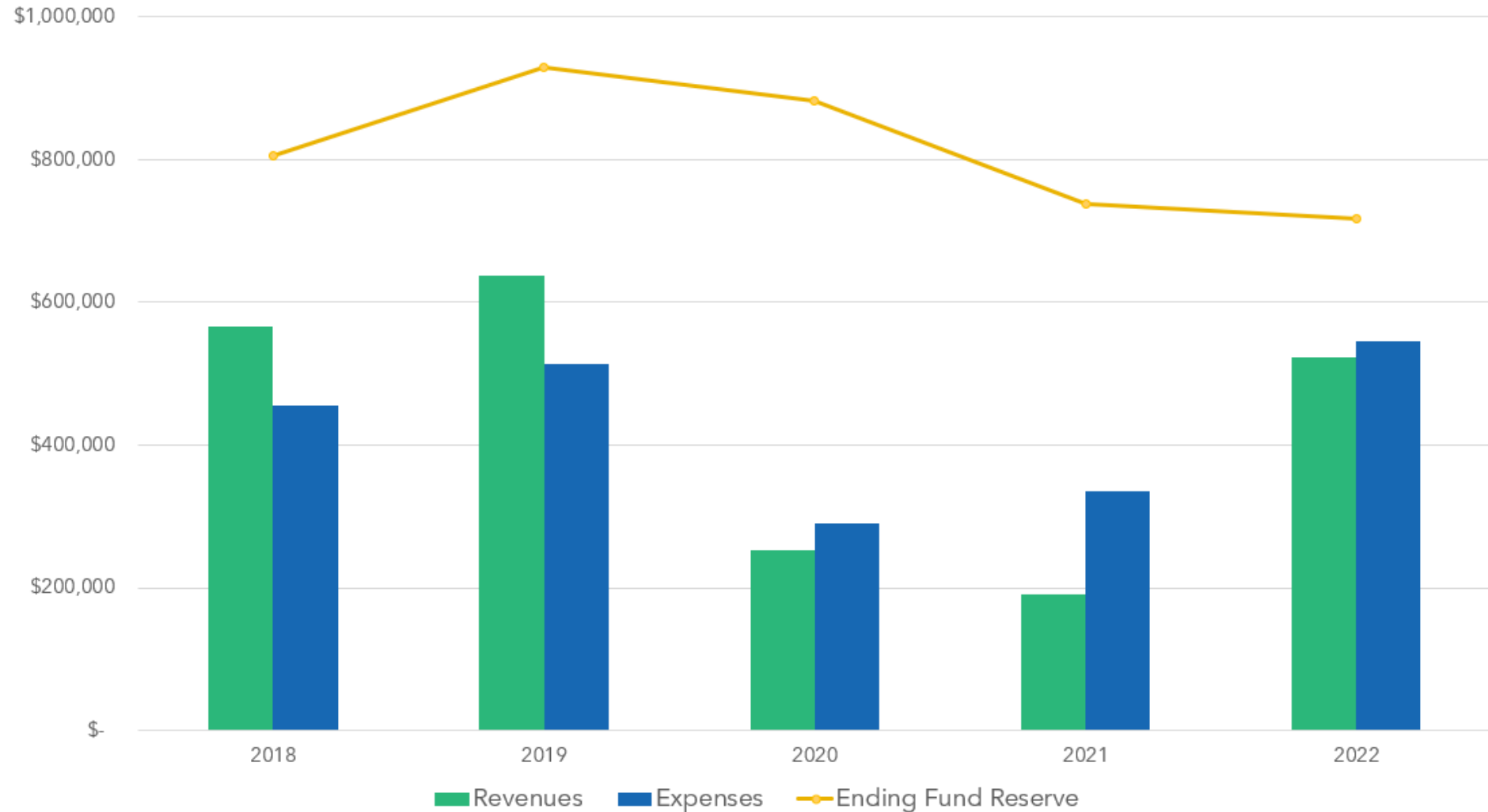
## OCCUPANCY



# Lodging Tax Revenues



# Lodging Tax Fund Summary



# Percentage Breakdown for 2022

Percentage limits based on  
\$487K Actual Revenues:

2% = \$10K  
Administrative/Overhead

9% = \$44K  
Tourism Grants

39% = \$190K  
City Signature Events & Cultural Arts

50% = \$243K  
Marketing

Actual 2022 Expenditures with  
\$487,739 Actual Revenues

2.5% = \$12K  
(+ 68K one-time ARPA funds)

45% = \$219K

31% = \$150K

43% = 210K

121.5% of revenues spent



# Summary of Research Findings

- Every city is unique and not all categories of spending are an easy comparison
- All cities contacted were not restricted by percentages within their budgeting process
- One other city gave lodging tax funds to their city events at an amount of 7% of their 2022 revenues (Redmond budgets 39%)
- On average the other cities gave 32% of their 2022 to tourism grants (Redmond budgets 9%)
- On average, the other cities gave 42% of their 2022 fund to marketing (Redmond budgets 50%)
- On average, the other cities gave 13% of their 2022 fund to administrative and overhead costs (Redmond budgets 2%)
- On average, other cities gave 11% of their 2022 fund to their local visitor centers (N/A in Redmond)
- Many other cities had an end-fund balance target practice

# LTAC Desired Outcomes & Considerations

The committee expressed a desire to use their collective expertise to make future funding recommendations to:

- Strengthen Redmond as a tourism destination to drive overnight stays and local economic impact to our businesses
- Capture business travel market share
- Leverage lodging tax investments and find new opportunities to increase tourism stays during the shoulder season (Q4/Q1)

Some examples of desired investment opportunities that were discussed in the meetings included:

- Soliciting new tourism centric events to take place during the “shoulder season”
- Leverage Redmond’s proximity to Woodinville wine country for hotel stays
- Increase corporate event and bleisure travel (business/leisure)
- Targeting marketing campaigns in feeder markets

# LTAC's Formal Recommendations

Recommendations passed unanimously 5 yes; 0 no votes (1 member absent). These recommendations would begin with the 2025/2026 budgeting process:

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.
2. The LTAC recommends an end-fund practice of maintaining a target balance equal to or greater than the average annual fund revenues.
3. *(dependent on recommendation 1 approval)*  
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.



# Recommendations **Impacts for Consideration**

- Recommendation 1: Remove percentage based budgeting process
  - Provides more flexibility with fund expenditures
  - Provides opportunity to continue to fund tourism events at the same number and dollar amount of recent levels
  - Removes fund assurances for specific purposes like signature events and arts programming
- Recommendation 2: End-fund practice of maintaining annual revenues
  - Creates an agreed on practice for managing and maintaining the end-fund balance
  - Allows for a reserve fund should revenue expectations not be met
  - Limits the allowance to drop the end-fund balance below average annual revenues of the fund
- Recommendation 3: Seek alternative funding sources for city signature events and cultural arts programming
  - If approving recommendation 1, the 39% assurance to signature events and arts programming is not guaranteed. These events and programs may still receive some money through tourism grants.
  - If signature events and arts programs are not provided alternative City funding in the amount of \$150,000, the impact would be a budget decrease of:
    - 43% for Redmond Lights | 29% for Derby Days | 15% for Cultural Arts programming

# Council Options for Consideration

- Recommendation 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.
  - **Approve** - as presented by the LTAC
  - **Do not approve** - all percentages will remain the same as they currently are
  - **Do not approve and amend** - for example the Council could provide different percentage distributions
- Recommendation 2: The LTAC recommends an end-fund practice of maintaining a target balance equal to or greater than the average annual fund revenues.
  - **Approve** - as presented by the LTAC
  - **Do not approve** - there would be no end fund balance practice or guidance in place
  - **Do not approve and amend** - for example the Council could provide an alternative end-fund practice such as maintaining a percent of annual revenues rather than a full year of revenues

# Council Options for Consideration

*(dependent on recommendation 1 approval)*

- Recommendation 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.
  - **Approve** – To maintain current level of programming, Council can direct staff to propose a budget enhancement for signature events and cultural arts programming in the 2025/2026 budgeting process
  - **Do not approve** – Not seeking alternative City funding would result in a reduction of signature events and cultural arts programming
  - **Do not approve and amend** –
    - Examples:
      - Request the LTAC earmarks a specific dollar (not percentage) amount for signature events and cultural arts programming on an ongoing basis or for a limited amount of years

# Questions & Next Steps