

LTAC and Tourism Overview

What is LTAC's role per current RMC 4.37 and [RCW 68.28](#)?

- LTAC can advise on the creation of a Lodging Tax;
- The increase or reduction of a Lodging Tax; or
- The Repeal of a lodging tax
- How the funds are used. At the city LTAC and City Council predetermined how the tax dollars are spent via an adopted allocation split.
 - 50% to marketing
 - 39% to City Events
 - 2% to administration
 - 9% to event grants
- Review fund applicants and make funding recommendations to the legislative body

What is the process or requirements for City Arts and Events Dollars?

They do not have to go through the grant process. The money was designated outright and is not part of the annual event grant process or 9% allocation.

All dollars allocated to City arts and events shall follow the same guideline and limitation on how the dollars may be spent. All funds use must align with expenditures requirements in RCW 68.28 and City specific handouts or instructions (updated in 2022).

At the end of each calendar year the city will need to provide an outline of how the dollars were used, and performance summary data like that of the grants. The city is required annually to submit summary outcomes for all uses of tax dollars that went to any events.

If there are any unused funds at the end of the year those dollars shall be transferred back to the end fund balance. Finance may determine preference on annual transfer of allocated funding upfront and retransfer of an unspent funds or smaller transfers throughout the year.

Annual Grants:

The city has been funding local events using Lodging Tax for over ten years. The process has verified and there is limited documentation of the programs structure or approach beyond five years ago. Through recent audits (2020-2021) and meetings with the city attorney, some inconsistencies were discovered. Examples include, how criteria were evaluated, the application process and windows, Parks city events being required to participate, and some funded events did not align with RCW 68.28. Additionally, while many City grants and contracts that are for amounts less than \$50k are processed administratively, the Tourism grants have gone through council. This is neither correct nor incorrect. It is an acceptable process for these grants.

As of 2022, the city has revised the criteria for the grant awards in response to LTAC and council feedback, as well as to ensure better alignment with RCW 68.28. In response to council's feedback requesting reduced subjectivity in the evaluation of the grants, a weighted ranking method was created. It has been revised twice since its creation in 2021 and will be refined annually as needed.

Per the City Attorney, RCW 68.28 states that the legislative authority shall appoint LTAC board members. However, when speaking about who makes the decision on the grants, it states that LTAC shall make grant recommendation to the Municipality. It does not state the legislative body. Due to this language, it was confirmed that it does offer some flexibility in how grant decisions are made. Examples below:

1. LTAC recommends to City Council – this was the common approach we found among other cities.
2. LTAC recommends criteria and weighted evaluation for approval to City Council and then upon approval, their recommendation on grants is given final decision by an administrative designee.
3. LTAC recommends to an administrative designee.

Currently staff does not recommend change from the current process, but does suggest the discussion continue.

Grants are typically opened once per year but were made available twice in 2022 in response to the uncertainty the pandemic created.

It is common that in previous years the end fund balance has been used to supplement and award all grant applications. In 2020- present lodging tax revenues declined dramatically. If the City is not strategic, the end fund balance could be depleted over a few years.

LTAC Recommendation and Council Decision on Grants:

LTAC recommendations are for events and programs proposed to be funded. Non-funded events are not intended to be part of recommendation taken forward to the legislative authority for decision. The role of LTAC is to take forward events recommended for funding and the role of the designated legislative authority is to make a final decision on funding those applicants brought forward.

MSRC has confirmed that it would not be in alignment with the state regulations to bring forward to the decision authority of event funding recommendation of \$0.00. Applicants not recommended for funding are intended to be excluded from funding decisions by the legislative body. Per the statute, the legislative body may not award funds to any recipient not recommended by LTAC. LTAC's role and the appointed committee members is to evaluate and determine using their qualified expertise which events should be recommended for funding and advancement. The legislative body's role is to make a final decision on those applicants brought forward for funding.

What if the designated decision authority wants to change the final dollar amounts of any of LTAC's recommendations?

- If the decision body changes any recommendations, the proposed revised dollar amounts must go back to LTAC for further discussion and deliberation for a period of no less than 45 days before final action.
- Following the reconsideration and deliberation of the revised recommendations, LTAC would then finalize their recommendations to support or alter the legislative authority's proposed changes.

- The most current recommendation would then go back to the designated legislative decision authority for final discussions, decision or be sent back depending on discussion.
- The purpose of this process is to ensure those being taxed and benefiting from the tax who have been appointed to LTAC by the city to guide the expenditures of the lodging tax revenue have a prioritized voice in the decision making.

MSRC is offering annual legal webinars on Lodging Tax and Advisory Committees for anyone interested.

Marketing:

The city has a current contract with Bullseye Creative. The contract is in its last renewal option and will require an RFP be completed prior to the conclusion of the contract. Due to the reduction of revenue, it is likely that the 2022 and 2023 revenue allocation of 50% will not cover the contracted amount and marketing costs. The end-fund balance will need to be used. Bullseye provides reports throughout the year on the return on investment the city receives in response to their contracted work.

Budget:

The end fund balance has approx. \$800K in it. It will need to support annual grants to ensure large events and programs supporting hotels and business return and will need to support the marketing contract. During the Strategic Plan, budget process and joint meetings with council, LTAC is anticipating discussing the current revenue split.

Rules and Procedure:

LTAC does not have rules and procedures adopted as required by the RMC. A draft version has been created and will be reviewed by LTAC in 2022. Once approved, they will be included for council's approval with the October grant recommendations, revised criteria, Strategic Plan Presentation and LTAC/ CC joint meeting.

Tourism Strategic Plan:

Staff prepared drafts for LTAC to approved during their 3/8 meeting based upon their feedback in 2021. Following their discussion and approval, the Strategic Plan will be finalized and presented in October to Council.

Annual Joint Meeting:

Each year LTAC and City Council are to have a joint meeting. This has not occurred in the past and has been requested by both LTAC and Council. At this time the goal would be to earmark adequate time for the joint meeting in October and present all updates at that time.

LTAC Board members:

The board is required to have a minimum of five members. One Council Member, two members who represent those being charged the tax and two members who represent organizations who

host or put on events. The board may exceed five members but must keep non-council membership seats balanced.

There have been several concerns regarding conflicts of interests by council. The RCW 68.28 lays out requirements of the board members. Conflict is inherent to those requirements and intentional so that those being taxed and benefiting from the tax directly have a voice in the use of the funds. Additionally, MSRC provides expanding information on the voting approach of members with events seeking grant funding: <https://mrsc.org/Home/Research-Tools/Ask-MRSC-Archives/Legal.aspx#Is-there-a-conflict-with-a-Lodging-Tax-Advisory-Co>

"It's our opinion that LTAC members may participate in voting on funding of activities they are specifically involved with. Although that would appear to present a conflict of interest situation, that conflict is, in our opinion, impliedly authorized by the language in [RCW 67.28.1817](#)(1) providing that at least two members of the committee be "persons involved in activities authorized to be funded by revenue received under this chapter." Also, the committee is advisory only, and it is the council that makes the actual decision on the use of the funds.

So, although there is no specific legal authority (AGO or court decision) on this issue, we think it's okay for the members to vote in such circumstances."

Meeting Agendas, Minutes and Notice:

- LTAC has limited authority and a narrow focus. For those reasons the board meets 3-5 times a year. Because they do not meet at a regularly scheduled time special meeting notice is required to be issued prior to each meeting.
 - An agenda shall be posted in advance of the meeting.
 - The chair shall call for agenda and meeting minute approval.
 - Due to the infrequency of the meetings draft minutes shall be posted following each meeting and replaced by approved mins as soon as available.
- There are no approved meeting mins prior to 2021.

History of LTAC:

- How did the Lodging Tax Advisory Committee begin?
An advisory committee was assembled in accordance with the State regulations to weigh-in on the creating of a hotel/ motel tax.
- When was Committee and Tax implemented?
 - 1998 LTAC was formed
 - 1999 the Lodging tax was implemented
 - Funding for this program is made possible through revenues Redmond collects from a one percent (1%) lodging tax on the rental of hotel/ lodging rooms in Redmond.
- Where does the funding come from?
A 1% tax is charged on each overnight stay at Redmond hotels and motels.
- What are the goals and limitations of the revenue?
 - *Must be used to attract visitors external to the city. Due to the funding being generated by our local hotels, grants and uses of the tax revenue often prioritizes efforts that will*

support hotels night stays, but attraction of external visitors to our small businesses and enrichment of the community is also heavily weighted.

- *As an example, events that would likely draw only Redmond residents in majority would not align with the goals of the tax.*