

LTAC and Tourism Overview

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?

The Revised Code of Washington (RCW) 67.28.180 provides authority for cities to adopt a lodging tax. A 1% tax is charged on each overnight stay at Redmond hotels and motels.

What are the goals and limitations of the revenue?

These funds 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.

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
- Review fund applicants and make funding recommendations to the legislative body

How are the funds used at the City of Redmond?

- At the city, the 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

What were the past recommended funding amounts?

Year	# Of Applicants*	LTAC Recommendation*	Notes
2015	7	\$ 42,500	
2016	10	\$ 70,000	
2017	16	\$ 126,000	
2018	12	\$ 114,500	
2019	17	\$ 146,000	
2020	16	\$ 150,000*	*Only \$48,837 was used due to the pandemic and most events were cancelled. The City reimbursed fees incurred regardless of event status to help the applicants.
2021	5	\$ 45,000	
2022	23	\$ 252,500	2 application rounds held due to covid impacts
2023	18	\$ 154,000	

Year	Community Events/Arts Allocations	Notes
2015	\$ 140,000	
2016	\$ 140,000	
2017	\$ 140,000	
2018	\$ 160,000	
2019	\$ 194,000	
2020	\$ 205,000*	*Only \$9,120 was used due to the pandemic.
2021	\$ 75,000	
2022	\$ 150,000	
2023	\$ 146,000	

**These are estimates based on past documents and Council memos staff located*

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 a part of the annual event grant process or 9% allocation.

All dollars allocated to City Events and Cultural Arts programming shall follow the same guideline and limitation on how the dollars may be spent. All funds used must align with expenditures requirements in RCW 68.28 and City specific instructions.

At the end of each calendar year the city will need to provide an outline to the state 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.

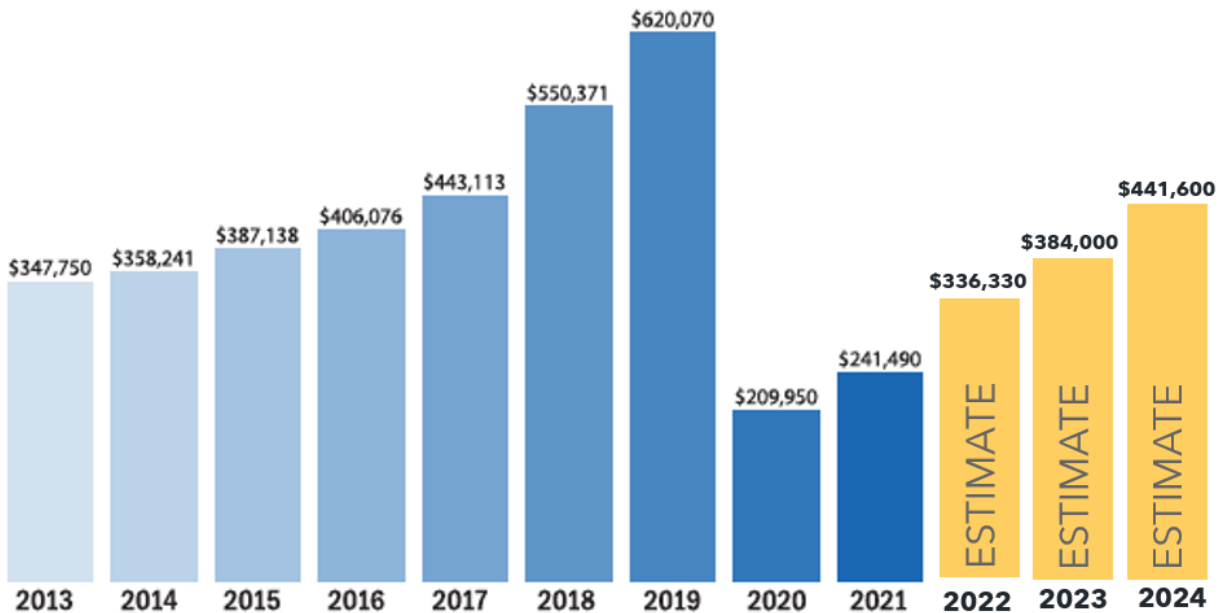
If there are any unused funds at the end of the year those dollars shall be transferred back to the end fund balance. Finance may determine preference on annual transfer of allocated funding upfront and retransfer of an unspent funds or smaller transfers throughout the year.

How is the lodging tax fund performing?

The lodging tax fund currently has approximately 800K in the end fund balance (as of July 2022). However, the impacts of covid on the hotel industry have drastically declined incoming funds over the past couple of years. City staff and Finance worked together to make some educated estimates on what the fund recovery may look like. Below is a snapshot of the fund and future estimates.

In 2023, staff and the LTAC are anticipating discussing the current revenue split and future fund performance with Council.

Historical annual revenue amounts from lodging tax is as follows:



What is Council's role with those applicants not recommended for funding by the LTAC?

LTAC's role and the appointed committee members is to evaluate and determine using their qualified expertise which applicants should be recommended for funding and advancement to Council. Council's role is to make a final decision on those applicants recommended for funding.

Non-funded events are not intended to be a part of Council's final decision, although, they are included in the spreadsheet for Council's knowledge and for transparency.

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

- In order for Council to change any recommendation, the proposed and 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.

How does the City use the "Marketing" portion of the lodging tax fund:

The city has a current contract with Bullseye Creative for \$178,000 a year to manage and staff the Experience Redmond brand needs. The contract is in its last renewal option and will require an RFP to be completed prior to the conclusion of the contract in 2024. Bullseye provides reports throughout the year on the return on investment the city receives in response to their contracted work.

The remainder of the marketing balance not used on the Bullseye contract has traditionally been used to help fund additional community grants above the 9% allocation. Due to the reduction of revenue as a result of the pandemic, it is likely that the 2022 and 2023 marketing allocation of 50% will not cover the contracted amount and marketing costs with Bullseye in addition to the community grants overage. The end-fund balance (currently around 800K) will likely need to be used to help cover these additional expenses while the lodging tax fund continues to recover from the pandemic.

How does the LTAC handle conflict of interest when reviewing applicants?

Conflicts of interest with applicants are common on this committee due to the requirement that members must either be an entity for which the tax is charged or an entity that might receive grant dollars. Conflicts of interest are noted in the full scoring spreadsheet. Members were not asked to recuse themselves from the recommendation vote or discussion per the MRSC guidance. However, staff did request that if a personal financial interest was involved, that a recusal would be requested. No personal financial interests were present or noted for the 2023 applicant recommendations.