



INFORMATIONAL MEMORANDUM

TO: Planning and Economic Development

FROM: Brandon Miles, Business Relations Manager

CC: Mayor Ekberg

DATE: July 13, 2020

SUBJECT: 2021/2022 Lodging Tax Budget Process

ISSUE

Process and discussion of lodging tax budget for 2021/2022.

BACKGROUND

The City of Tukwila collects a 1% lodging tax on all eligible stays in Tukwila hotels, motels, and Airbnbs. Washington State law limits the use of lodging tax funds to tourism promotion activities. Funds collected can be used by the City or third parties to help bring tourists (both day and night tourists) to the City.

State Law allows the City to use lodging tax funds as follows:

- Tourism marketing;
- Marketing and operations of special events and festivals designed to attract tourists;
- Operations and capital expenditures of tourism-related facilities owned or operated by a municipality or a public facilities district; or
- Operations of tourism-related facilities owned or operated by nonprofit organizations.

Historically, the City has used lodging tax funds for a variety of activities including providing funds to Seattle Southside Regional Tourism Authority, the Museum of Flight, Starfire Sports, Seattle Southside Chamber of Commerce, and the City of Tukwila. Funds have been used for a variety of activities, such as marketing, small festivals, and sponsorship of tourist related events.

In 2019 the City collected \$819,000 in lodging tax. The City ended 2019 with approximately \$1.9 million of funds on hand. For 2020 the City is forecasting a significant drop in lodging tax funds due to COVID-19. Staff is now forecasting that lodging tax fund revenues will only be about \$400,000.

DISCUSSION

Traditionally, the City awarded lodging tax funds to applicants on an ongoing basis, provided funds were available. Starting in 2019 the City began to utilize a six-year financial model for lodging tax. The idea with the six-year financial model was to be able to plan out future funding opportunities and ensure that sufficient cash was maintained for these programs.

A review of past funding awards shows that the City is providing heavy funding for advertising¹ and tourism promotion and very little funding in capital projects or festivals. In 2019 the City made its first awards in tourism capital projects when it awarded funds for Southcenter art and to develop a master plan for Tukwila Pond.

¹ When combined with the TPA funds collected at Tukwila hotels, just over \$1.3 million dollars is being used for marketing and tourism promotion activities. These funds are combined with funds from the Cities of SeaTac and Des Moines and used by Seattle Southside Regional Tourism Authority.

As part of the 2021/2022 lodging tax budget staff has identified several goals to try and address in developing the budget:

1. Consider creating “buckets” with how lodging tax funds would be allocated. These buckets would reflect the allowable used of lodging tax funds. Staff would work with the City Council and Lodging Tax Advisory Committee on developing the specific “buckets.”
2. Discuss geographical allocation of programs in the City receiving lodging tax funds. The City should work to identify programs on Tukwila International Blvd that could receive lodging tax funds.
3. Creation and sponsorship of events and festivals within the City.
 - a. Tukwila Pride
 - b. Baker Blvd Event
 - c. Food Innovation Network
 - d. Juneteenth Festival
4. Tourism capital projects.
 - a. Tukwila Pond
 - b. Riverwalk
 - c. Wayfinding Signage
5. Other items the Committee would like staff to examine.

Staff would like to work on the proposed budget in August and September. PED will be briefed as we go through the update process. Staff would like input from the PED on items the committee would like staff to review and research as part of this budget process.

FINANCIAL IMPACT

N/A.

RECOMMENDATION

Discussion only.

ATTACHMENTS

- Current Six-Year Lodging Tax Financial Model

Lodging Tax Six Year Financial Plan

	Year	Actuals 2019	2020 Budget	2020, Updated	Forecasted				Totals
					2021	2022	2023	2024	
Revenue									
Original Estimated Amount		\$ 800,000	\$ 800,000	\$ 800,000	\$ 840,000	\$ 882,000	\$ 926,100	\$ 972,405	
Lodging Tax Collection (Revised, 5/7/20)		\$ 819,095	\$ 800,000	\$ 400,000	\$ 450,000	\$ 600,000	\$ 700,000	\$ 800,000	\$ 4,569,095
Expenses									
Marketing, Sales, Major Sponsorships									
Contracted DMO Services		\$ 202,500	\$ 202,500	\$ 202,500	\$ 202,500	\$ 202,500	\$ 202,500	\$ 202,500	\$ 1,417,500
SSRTA Emergency Funding		\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 472,500
Major Sponsorships Funding Request		\$ 150,000	\$ 150,000	\$ 50,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 150,000	\$ 950,000
Seattle Seawolves		\$ -	\$ -	\$ 10,000	\$ -	\$ -	\$ -	\$ -	\$ 10,000
Seattle Southside Chamber of Commerce		\$ -	\$ -	\$ 50,000	\$ -	\$ -	\$ -	\$ -	\$ 50,000
Virtual Sports		\$ 30,000	\$ 30,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 30,000
Small Event Development and Support		\$ 10,000	\$ 15,000	\$ 5,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 15,000	\$ 90,000
Digital Development and Website (Experience Tukwila)		\$ -	\$ 88,375	\$ 88,375	\$ 50,000	\$ 50,000	\$ 50,000	\$ 50,000	\$ 376,750
SavingLocalKC.com		\$ -	\$ 154,170	\$ 154,170	\$ -	\$ -	\$ -	\$ -	\$ 154,170
Destination Development									
Wayfinding Plan Development and Installation		\$ -	\$ 50,000	\$ 100,000	\$ 150,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 600,000
Southcenter Art Investments		\$ 600	\$ 39,400	\$ 39,400	\$ 75,000	\$ 75,000	\$ 75,000	\$ 75,000	\$ 379,400
Tukwila Pond		\$ -	\$ 125,000	\$ 125,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 200,000	\$ 1,050,000
World Cup Planning and Activation		\$ -	\$ -	\$ -	\$ 40,000	\$ 40,000	\$ 50,000	\$ 50,000	\$ 180,000
Administration/Operations									
Salary		\$ 58,040	\$ 56,586	\$ 53,870	\$ 58,284	\$ 60,032	\$ 61,833	\$ 63,688	\$ 412,333
Benefits		\$ 18,124	\$ 18,411	\$ 18,411	\$ 18,963	\$ 19,532	\$ 20,118	\$ 20,722	\$ 134,281
City Overhead Charge		\$ 18,741	\$ 19,416	\$ 19,416	\$ 19,998	\$ 20,598	\$ 21,216	\$ 21,853	\$ 141,239
Administration Expenses		\$ 21,385	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 201,385
		\$ 116,290	\$ 116,290	\$ 116,290	\$ 116,290	\$ 116,290	\$ 116,290	\$ 116,290	\$ 701,238
Total Expenditures:		\$ 479,390	\$ 1,053,858	\$ 1,021,142	\$ 1,009,745	\$ 962,663	\$ 975,668	\$ 978,763	\$ 5,932,888
Starting Year Balance:		\$ 1,617,625	\$ 1,957,330	\$ 1,957,330	\$ 1,336,188	\$ 776,443	\$ 413,780	\$ 138,112	\$ 138,112
Ending Fund Balance:		\$ 1,957,330	\$ 1,703,472	\$ 1,336,188	\$ 776,443	\$ 413,780	\$ 138,112	\$ (40,650)	\$ (40,650)

Notes

Salary for Bus Manager is split 50/50 between general fund and lodging tax. Salary savings reflects credit to lodging tax for 14 furlough days for 2020.

Revenue Increase (2021-2024)

0.05

Salary is assumed to rise 3% per year.

0.03

Benefits are assumed to rise 3% per year.

0.03

Indirect Cost Allocation is assumed to increase 3% per year.

0.03

This document does not bind the City to provide funds nor does it authorize any funding. All use of lodging tax funds must be approved by LTAC and the City Council through an application process. Overhead charge is charged to all special accounts and recoups the cost of the general fund to support the lodging tax fund. This includes facilities, IT services, legal, and accounting.

Cells in yellow show pending applications.

Cells in green show approved applications.

Cells in red are budgeted items that have not been encumbered.

7/14/2020
BJM