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Title: RESOLUTION DISTRIBUTING THE ESTIMATED 2018 HOTEL-MOTEL AND FOOD AND BEVERAGE TOURISM TAXES.

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|------------|------|--------------|---------|--------|
| 12/11/2017 | 1 | City Council | adopted | Pass |

RESOLUTION DISTRIBUTING THE ESTIMATED 2018 HOTEL-MOTEL AND FOOD AND BEVERAGE TOURISM TAXES.

CITY PROPOSAL:

WHEREAS, tourism taxes are collected on specific purchases and are used to fund legislatively allowable expenses mandated by Minnesota Laws and City Ordinance.

WHEREAS, it is expected that the tourism tax collections will exceed \$11.5 million for 2018. A significant amount of these collections - more than 60% - are set aside through specific authorizing legislation that tied bonding projects to tourism or through previously stated and mandated commitments. These are:

- DECC Improvement Refunding Bonds (AMSOIL Arena) - \$33,440,000
- Tourism Tax Revenue Bonds (St Louis River Corridor) - \$18,000,000
- Spirit Mountain Tax Abatement Bonds (Grand Avenue Chalet & Improvements) - \$7,055,000
- Minnesota Slip Bridge Interfund Loan - \$2,200,000
- Promotion & Publicity 3% Hotel/Motel Tax Mandate

WHEREAS, the allocations for City funding to the General Fund and Parks are focused on the costs of providing services for events and tourist-focused activities which include but are not limited to: Lakewalk, Enger Tower, Rose Garden, Public Safety staffing and road closures for special events.

WHEREAS, the remainder can be spent in ways that align with legislative intent in support of our tourism economy. These funds cannot be unilaterally applied to other non-tourism organizational needs of the City.

RESOLVED, that the 2018 hotel-motel and food and beverage tourism taxes, as estimated, be distributed in the following manner:

| | Total | Promotional & Operational | Capital Support & Debt Service |
|--|-------|---------------------------|--------------------------------|
| | | | |
| | | | |

| | | | |
|---|--------------|-------------|-------------|
| | | | |
| 3% Hotel/Motel Tax: | \$2,746,900 | \$1,050,700 | \$1,696,200 |
| 1% Hotel/Motel Tax: | \$915,700 | \$576,600 | \$339,100 |
| 1% Food & Beverage: | \$2,541,900 | \$2,541,900 | \$0 |
| Additional 2% Hotel/Motel: | \$1,713,200 | \$856,600 | \$856,600 |
| Additional .75% Food & Beverage: | \$1,906,400 | \$0 | \$1,906,400 |
| Additional .5% Food & Bev & .5% Hotel/Motel | \$1,699,200 | \$0 | \$1,699,200 |
| Total: | \$11,523,300 | \$5,025,800 | \$6,497,500 |
| | | | |
| | | | |
| DECC- Amsoil Arena Debt Service | \$3,602,600 | \$0 | \$3,602,600 |
| Spirit Mountain Bond - Chalet | \$500,000 | \$0 | \$500,000 |
| Spirit Mountain Adventure Park Lease | \$145,700 | \$0 | \$145,700 |
| Visit Duluth | \$2,000,000 | \$2,000,000 | \$0 |
| Other Advertising and Publicity | \$72,000 | \$72,000 | \$0 |
| Tourism Events Support General Fund | \$895,000 | \$895,000 | \$0 |
| Tourist-Related Park Maintenance | \$200,000 | \$200,000 | \$0 |
| Lake Superior Zoo | \$510,000 | \$510,000 | \$0 |
| Great Lakes Aquarium | \$360,000 | \$360,000 | \$0 |
| Business Improve District | \$200,000 | \$200,000 | \$0 |
| Heritage & Arts Center/Depot | \$220,000 | \$220,000 | \$0 |
| Public Arts | \$15,000 | \$15,000 | \$0 |
| Sister Cities | \$40,000 | \$40,000 | \$0 |
| Lake Superior & Mississippi Railroad | \$20,000 | \$20,000 | \$0 |
| Rail Alliance | \$15,000 | \$15,000 | \$0 |
| DECC - Bayfront Park Management | \$60,000 | \$60,000 | \$0 |
| DECC - Blue Bridge Operations | \$39,100 | \$39,100 | \$0 |
| Glensheen Matching Funds | \$50,000 | \$50,000 | \$0 |
| St Louis River Corridor Debt Service | \$1,699,200 | \$0 | \$1,699,200 |
| Spirit Mountain Operations | \$275,000 | \$275,000 | \$0 |
| Fourth Fest Fireworks | \$50,000 | \$50,000 | \$0 |
| Minnesota Slip Bridge | \$550,000 | \$0 | \$550,000 |
| Undesignated Fund Balance | \$4,700 | \$4,700 | \$0 |
| Total | \$11,523,300 | \$5,025,800 | \$6,497,500 |

STATEMENT OF PURPOSE: This resolution distributes the 2018 estimated tourism taxes as required by Minnesota State Statutes, City ordinance, or City policy. Despite the consistent, annual growth for these tax collections, we have chosen to maintain our projected 2018 tax collections at our actual 2017 collection amounts. We believe budgeting conservatively is better and more reliable than factoring in additional growth

for 2018. Tourism tax funding requests for 2018 totaled in excess of \$12 million.

This year, the City instituted an application process for tourism tax allocations. Applicants were asked to apply for funds, submit budgets, answer a series of questions and report on previous tourism tax funding levels and uses. This is the first time this process has been used. It was implemented with the intent to provide greater accountability, transparency, and process to a significant source of public funding. The City intends to do this process again next year with the hope that additional tourism experiences will be a part of the tourism tax portfolio for 2019.

There are three new elements that distinguish funding for 2018 from previous years. All of these come at the request and initiation of the City.

In 2018, all tourism tax funded entities will be asked and required to participate in two Community Day events open to the public. Visit Duluth will help coordinate these days to allow the local Duluth community, who also invests into tourism through food and beverage tax, to have the opportunity to benefit from that investment. Dates are yet to be determined and will likely take place during the quieter shoulder seasons, so as not to disrupt the more peak tourism time.

Additionally, we have asked Visit Duluth to explore and coordinate a broader City Pass for tourism outlets - both those that receive funding and those that do not. While not a requirement to participate, we hope that tourism entities will choose to collaborate in this way and expand current cross promotional efforts.

Finally, we have asked Visit Duluth to create and promote two mapping systems - one hard copy tear-away for guests at hotels and motels, and the other a digital trails map that can be accessed by smartphone.

We believe that these changes help bring the Duluth community into better understanding of the value of tourism to our economy and give residents a chance to become more fully informed of all that Duluth has to offer, so that - in turn - residents can engage personal promotion and endorsement of these experience to visitors they encounter, and feel a stronger connection to our robust tourism industry.