



## Legislation Details (With Text)

**File #:** 18-0807R **Name:**  
**Type:** Resolution **Status:** Passed  
**File created:** 11/30/2018 **In control:** Finance  
**On agenda:** 12/10/2018 **Final action:** 12/10/2018  
**Title:** RESOLUTION DISTRIBUTING THE ESTIMATED 2019 HOTEL-MOTEL AND FOOD AND BEVERAGE TOURISM TAXES.

**Sponsors:**

**Indexes:**

**Code sections:**

**Attachments:** 1. Exhibit A

Date	Ver.	Action By	Action	Result
12/10/2018	1	City Council	adopted	Pass

RESOLUTION DISTRIBUTING THE ESTIMATED 2019 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 \$11.9 million for 2019. 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 and 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 estimated 2019 hotel-motel and food and beverage tourism taxes be distributed in the following manner:

	Total	Promotional &	Capital Support
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		Operational Support	& Debt Service
3% Hotel/Motel Tax:	\$2,901,000	\$1,109,600	\$1,791,400
1% Hotel/Motel Tax:	\$963,800	\$672,500	\$291,300
1% Food & Beverage:	\$2,605,700	\$2,605,700	\$0
Additional 2% Hotel/Motel:	\$1,808,800	\$904,400	\$904,400
Additional .75% Food & Beverage:	\$1,954,300	\$0	\$1,954,300
Additional .5% Food&Bev & .5% Hotel/Motel	\$1,753,100	\$0	\$1,753,100
Total:	\$11,986,700	\$5,292,200	\$6,694,500
DECC- Amsoil Arena Debt Service	\$3,745,700	\$0	\$3,745,700
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	\$25,000	\$25,000	\$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	\$40,000	\$40,000	\$0
Glensheen Matching Funds	\$50,000	\$50,000	\$0
St Louis River Corridor Debt Service	\$1,753,100	\$0	\$1,753,100
Spirit Mountain Operations	\$275,000	\$275,000	\$0
Fourth Fest Fireworks	\$57,000	\$57,000	\$0
Minnesota Slip Bridge	\$550,000	\$0	\$550,000
Hawk Ridge Bird Observatory	\$20,000	\$20,000	\$0
Duluth Children's Museum	\$20,000	\$20,000	\$0
Canal Park Trolley	\$55,000	\$55,000	\$0
Undesignated Fund Balance	\$215,200	\$215,200	\$0

Total	\$11,986,700	\$5,292,200	\$6,694,500
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STATEMENT OF PURPOSE: This resolution distributes the 2019 estimated tourism taxes as required by Minnesota State Statutes, City ordinance, or City policy. While growth in tax collections is expected, allocation is based on 2018 collections so as to prevent the risk of overpromising and under-delivering to organizations who have to build firm financial numbers into their budgets. This allows an undesignated amount to be available for unexpected events or emergencies and provides a modest financial cushion. A comparison of 2018 approved allocations to 2019 proposed allocations is attached as Exhibit A.

This is the second year in which the City instituted an application process for tourism tax allocations. All applicants were asked to apply for funds, submit budgets, and answer a series of questions and report on previous tourism tax funding levels and uses. This process was implemented with the intent to provide greater accountability, transparency, and process to a significant source of public funding. There are three specific items to report out from 2018:

1. As part of 2018 tourism tax allocations, all funded entities were required to commit to Community Day Events, to allow the local Duluth community, who also invests into tourism tax through food and beverage funding, to have the opportunity to benefit from that investment through free or low cost access to funded attractions and programs. During 2018, more than 15,000 Duluth residents participated in these Community Day Events. Community Day is a requirement for tourism tax allocation for 2019.
2. Visit Duluth was asked to coordinate a "City Pass" for attractions as part of their 2018 tourism tax allocation. In October of this year, the Duluth Discount Pass became a reality, providing three and five day options that can save up to 50% on the price of admissions. We will track its success and report out next year.
3. The City of Duluth requested that Visit Duluth also work on an attractions map - both paper and electronic - that can be made available at different lodging outlets and via electronic device. This continues to be a work in progress, with our IT department supporting this process in partnership with the detailed trail maps available via our DFD and emergency rescue teams.