



City Manager Report

The City of
OKLAHOMA CITY

NO: 1049
DATE: AUGUST 1, 2017
TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL
SUBJECT: HOTEL TAX COLLECTIONS THROUGH JUNE 30, 2017

Hotel Taxes for FY 2017 are down \$477,053 or 3.3%.

Hotel tax collections ended the fiscal year down 3.3% and below projections by 1.0%; however, they were up 3.4% for the fourth quarter. This marks the first time that there has been an increase in collections over the prior quarter since the second quarter of FY 2016. According to the Smith Travel Research Report, both room revenue and occupancy have increased by an average of 1.6% city-wide. Room supply has increased by 1.2% due to three hotels that opened during the fourth quarter.

HOTEL TAX COLLECTIONS

Hotel taxes are collected by local hotels and remitted to the City the month after being collected. This report summarizes hotel tax collections for fiscal year 2017 and is limited exclusively to hotel tax. Any sales tax collected by hotels is reported separately in the monthly sales and use tax City Manager report.

The distribution of collections from the City's 5.5% hotel tax is set by ordinance, with 4/11 used to promote convention and tourism, 6/11 for fairgrounds improvements, and 1/11 to sponsor and promote local events. The current rate has been in effect since January 1, 2005. The following table represents year-to-date revenue collections and annual projections for each of these purposes:

FISCAL YEAR-TO-DATE COMPARISON				
	<u>Projection</u>	<u>Revenue</u>	<u>Over/Under Projection</u>	<u>% Over/Under Projection</u>
Convention and Tourism	\$5,194,256	\$5,141,957	(\$52,299)	
State Fairgrounds	\$7,791,383	\$7,712,935	(\$78,448)	
Event Sponsorship	\$1,298,564	\$1,285,489	(\$13,075)	
Total	\$14,284,203	\$14,140,381	(\$143,822)	(1.0%)

QUARTERLY AND FISCAL YEAR-TO-DATE PERFORMANCE						
Sector of City	Q4 FY 2017	Q4 FY 2016	Percent Change	YTD FY 2017	YTD FY 2016	Percent Change
Central	1,342,298	1,311,497	2.3%	4,611,254	4,637,771	(0.6%)
Northeast	141,450	141,154	0.2%	470,075	533,147	(11.8%)
Northwest	1,038,344	999,994	3.8%	3,616,993	3,785,739	(4.5%)
Southeast	182,927	188,955	(3.2%)	670,613	741,458	(9.6%)
Southwest	1,336,852	1,266,421	5.6%	4,771,446	4,919,320	(3.0%)
TOTAL	4,041,870	3,908,021	3.4%	14,140,381	14,617,434	(3.3%)

Central: The Central sector is up 2.3% for the fourth quarter and down 0.6% for the fiscal year. As noted in previous City Manager reports, one hotel in this sector had several missing payments throughout the year. As of June 30th, all hotel tax payments have been received from Central sector hotels.

Northeast: The Northeast saw a slight improvement of 0.2% for the quarter; however, this was the poorest performing sector in FY 2017, with a decrease of 11.8%. As mentioned in last quarter's report, one of the larger hotels in the Northeast sector had become 13 months delinquent and was temporarily closed on March 3, 2017. This hotel was able to reopen this quarter and entered into a new payment plan for their delinquent hotel taxes and has made all agreed upon payments.

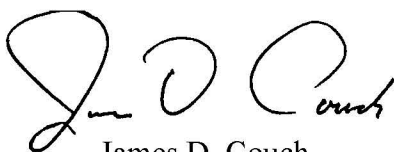
Northwest: Two hotels in this sector entered into payment plan agreements for their delinquent hotel taxes and began remitting under the terms of their agreements this quarter. There was also the addition of a new hotel this quarter. Both of these factors contributed to the 3.8% fourth quarter increase in the Northwest.

Southeast: The Southeast sector was the only sector that experienced a decline in the fourth quarter, down 3.2% for the quarter and 9.6% for the fiscal year.

Southwest: This sector welcomed two new hotels during the fourth quarter, which assisted in the 5.6% rise for the quarter. Currently, over 38% of all hotels are located in the Southwest.

Delinquencies: As of June 30, 2017, 26 correction notices remain unpaid representing an outstanding balance of \$6,105. In addition, there was an estimated outstanding balance of \$104,342 from 39 instances from five hotels of unreported taxes or taxes being collected in payment plans. City staff is working closely with these hotel operators to ensure corrections and unreported taxes are addressed in a timely manner.

Respectfully submitted,



James D. Couch
City Manager