



City Manager Report

The City of
OKLAHOMA CITY

NO: 831

DATE: APRIL 26, 2016

TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL

SUBJECT: HOTEL TAX COLLECTIONS THROUGH MARCH 31, 2016

Hotel Taxes for FY 2016 are up \$101,361 or 1.0% through the third quarter of FY 2016.

Hotel tax collections improved 1.0% over FY 2015 and 5.3% above projections through three quarters, despite experiencing a third quarter decline of 1.3%. This quarter is being compared to the unusually high collections of the third quarter of FY 2015, which saw 10.0% growth due to the opening of many new hotels and increased room rates city-wide.

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 the third quarter of fiscal year 2016 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 TO PROJECTION

	<u>Projection</u>	<u>Revenue</u>	<u>Over/Under Projection</u>	<u>% Over/Under Projection</u>
Convention and Tourism	\$ 3,696,707	\$ 3,894,332	\$ 197,625	
State Fairgrounds	\$ 5,545,061	\$ 5,841,498	\$ 296,437	
Event Sponsorship	\$ 924,177	\$ 973,583	\$ 49,406	
Total	\$ 10,165,945	\$ 10,709,413	\$ 543,468	5.3%

QUARTERLY AND FISCAL YEAR-TO-DATE PERFORMANCE BY SECTOR

QUARTERLY PERFORMANCE			
Sector of City	Q3 FY2016	Q3 FY2015	Percent Change
Central	995,339	949,123	4.9%
Northeast	103,146	126,417	(18.4%)
Northwest	773,829	837,918	(7.6%)
Southeast	155,036	179,730	(13.7%)
Southwest	1,058,043	1,033,156	2.4%
TOTAL	3,085,393	3,126,344	(1.3%)

FISCAL YEAR-TO-DATE PERFORMANCE			
Sector of City	YTD FY2016	YTD FY2015	Percent Change
Central	3,326,274	2,968,184	12.1%
Northeast	391,993	429,174	(8.7%)
Northwest	2,785,744	3,066,740	(9.2%)
Southeast	552,503	614,766	(10.1%)
Southwest	3,652,899	3,529,188	3.5%
TOTAL	10,709,413	10,608,053	1.0%

Central: Collections from hotels located in the Central sector have remained strong this quarter and fiscal year; however, less than half of the hotels experienced individual growth this quarter compared to the same quarter last year. This can be attributed to the addition of several new hotels since 2014.

Northeast: The Northeast sector is down 18.4% for the quarter and 8.7% fiscal year-to-date. The decline is due to one of the larger hotels in the sector not submitting hotel tax payments for five out of the last six months. A promissory note has been signed by the hotel agreeing to pay all delinquent hotel tax, interest, and penalty beginning in April.

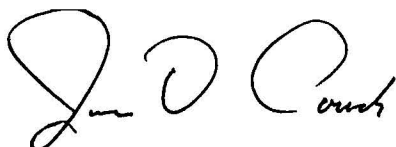
Northwest: Some of the fiscal year decrease of 9.2% in the Northwest is related to two hotels that have changed hotel chains since last fiscal year. Collections for these hotels are 60% lower compared to the third quarter of last year. In addition, a smaller hotel in this sector has not remitted hotel tax for 18 months. There is currently a lien filed on the property and city staff has starting issuing citations at the location.

Southeast: Less than one-fourth of the hotels in this sector improved sales this quarter compared to last year for the same period. In addition as mentioned in previous reports, a portion of this sector's decline can be attributed to a hotel that closed after being damaged from a tornado in May 2015.

Southwest: This sector continues to see steady growth, up 2.4% for the quarter and 3.5% for the fiscal year. The Southwest welcomed three new hotels since the third quarter of last fiscal year, with an additional hotel expected to open in April.

Delinquencies: As of March 31, 2016, 39 correction notices remain unpaid representing an outstanding balance of \$13,017. In addition, there is an estimated outstanding balance of \$37,582 from 27 instances of unreported taxes. City staff is working closely with hotel operators to ensure corrections and unreported taxes are addressed in a timely manner.

Respectfully submitted,



James D. Couch
City Manager