



City Manager Report

The City of
OKLAHOMA CITY

NO: 922
DATE: OCTOBER 25, 2016
TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL
SUBJECT: HOTEL TAX COLLECTIONS THROUGH SEPTEMBER 30, 2016

Hotel Tax Collections are down \$232,501 or 5.9% through the first quarter of FY 2017.

Hotel tax collections have started off this fiscal year down 5.9% and below projections by 2.7%. Declines were spread throughout Oklahoma City and experienced by all five sectors of the city. According to the Smith Travel Research Report, hotel occupancy has decreased by an average of 2.5% city-wide and room rates are down 1.4%.

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 first quarter of 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				
	Projection	Revenue	Over/Under Projection	% Over/Under Projection
Convention and Tourism	\$1,395,420	\$1,357,725	(\$37,695)	
State Fairgrounds	\$2,093,130	\$2,036,587	(\$56,543)	
Event Sponsorship	\$348,855	\$339,431	(\$9,424)	
Total	\$3,837,405	\$3,733,743	(\$103,662)	(2.7%)

QUARTERLY PERFORMANCE			
Sector of City	Q1 FY 2017	Q1 FY 2016	Percent Change
Central	1,140,090	1,168,434	(2.4%)
Northeast	134,324	162,756	(17.5%)
Northwest	1,007,218	1,069,032	(5.8%)
Southeast	191,390	212,831	(10.1%)
Southwest	1,260,721	1,353,191	(6.8%)
TOTAL	3,733,743	3,966,243	(5.9%)

Central: The Central sector was down 2.4% for the first quarter. This is the first decline in performance for the sector since the fourth quarter of FY 2011. The majority of the decline is due to a hotel failing to remit their August report or payment; however, the hotel became current shortly after the quarter ended.

Northeast: This sector saw the largest decline in the first quarter. Out of the 20 hotels in the Northeast, only two hotels experienced growth in the first quarter. One of the larger hotels in the sector has not submitted a payment for the last six months. This hotel has signed a payment plan beginning in October 2016 for all outstanding hotel taxes due.

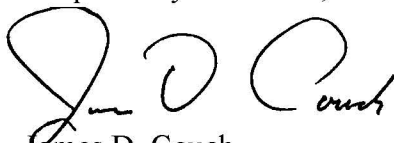
Northwest: A larger hotel in this sector changed ownership in early May. The new management was late on remitting all of their reports for the quarter and the payment due in September was not received until after the quarter had ended, which contributed to the 5.8% drop. As noted in the previous report, a smaller hotel in this sector has not remitted hotel tax for 19 out of the last 25 months. City staff had been working with the hotel on a payment plan; however, the hotel did not agree to the terms of the plan. Staff is pursuing further actions against the hotel.

Southeast: This sector experienced a decline of 10.1%. Only one-fifth of the hotels in the Southeast sector improved sales in the first quarter compared to last year for the same period.

Southwest: The Southwest sector has welcomed two new hotels since the fourth quarter of FY 2016; however, the sector had one hotel close last quarter which contributed to starting this fiscal year down 6.8%.

Delinquencies: As of September 30, 2016, 28 correction notices remain unpaid representing an outstanding balance of \$4,144. In addition, there is an estimated outstanding balance of \$88,779 from 33 instances of unreported taxes from eight hotels. 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