



# City Manager Report

The City of  
**OKLAHOMA CITY**

**NO: 976**

**DATE: FEBRUARY 14, 2017**

**TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL**

**SUBJECT: HOTEL TAX COLLECTIONS THROUGH DECEMBER 31, 2016**

Hotel Taxes for FY 2017 are down \$418,058 or 5.5% through the second quarter of FY 2017.

Collections have continued to decline through the second quarter of this fiscal year for hotel tax. For the year, collections are down 5.5% over last year and 1.5% below projections. An increase in the number of missing and delinquent hotel tax payments has contributed to the decline. In addition, according to the Smith Travel Research Report, hotel occupancy and room rates have also experienced decreases city-wide, falling 2.7% and 1.4% respectively.

## **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 second 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:

<b>FISCAL YEAR-TO-DATE COMPARISON</b>				
	<b><u>Projection</u></b>	<b><u>Revenue</u></b>	<b><u>Over/Under Projection</u></b>	<b><u>% Over/Under Projection</u></b>
<b>Convention and Tourism</b>	\$2,660,308	\$2,620,350	(\$39,958)	
<b>State Fairgrounds</b>	\$3,990,461	\$3,930,525	(\$59,936)	
<b>Event Sponsorship</b>	\$665,077	\$655,087	(\$9,990)	
<b>Total</b>	<b>\$7,315,846</b>	<b>\$7,205,962</b>	<b>(\$109,884)</b>	<b>(1.5%)</b>

QUARTERLY AND FISCAL YEAR-TO-DATE PERFORMANCE						
Sector of City	Q2 FY 2017	Q2 FY 2016	Percent Change	YTD FY 2017	YTD FY 2016	Percent Change
Central	1,158,286	1,162,501	(0.4%)	2,298,376	2,330,935	(1.4%)
Northeast	101,267	126,091	(19.7%)	235,591	288,847	(18.4%)
Northwest	855,000	942,884	(9.3%)	1,862,217	2,011,916	(7.4%)
Southeast	161,275	184,635	(12.7%)	352,665	397,466	(11.3%)
Southwest	1,196,392	1,241,666	(3.6%)	2,457,113	2,594,857	(5.3%)
<b>TOTAL</b>	<b>3,472,219</b>	<b>3,657,777</b>	<b>(5.1%)</b>	<b>7,205,962</b>	<b>7,624,020</b>	<b>(5.5%)</b>

Central: The majority of the second quarter 0.4% decline in the Central sector is due to a hotel failing to remit their November hotel tax payment before the end of the quarter. This payment was received after the quarter ended. If the payment had been received before quarter end, this sector would have seen a 1.5% increase over the second quarter of FY 2016.

Northeast: This sector experienced the largest downturn for both the quarter and fiscal year-to-date. One of the larger hotels in the sector has not submitted hotel tax payments for nine months and defaulted on their payment plan. An item was approved by City Council on January 3, 2017 to begin legal proceedings in Oklahoma County District Court against the hotel owner. City staff is currently working on this action. Another hotel has been delinquent for the last five months. After the quarter ended, three of these months were paid and the hotel intends to remit all outstanding payments next quarter.

Northwest: Only nine out of the 46 hotels in the Northwest sector saw growth for the second quarter causing the 9.3% decrease. In addition, the second largest hotel in the sector did not remit for two out of the three months this quarter. City staff is working to pursue further legal actions against the hotel.

Southeast: The Southeast sector is down 12.7% for the quarter and 11.3% fiscal year-to-date. A few smaller hotels missed several payments during the second quarter; however, all of these missed payments were received after the quarter ended.

Southwest: Five out of the 63 hotels in the sector make up over one-fourth of hotel tax collections. Four out of these five hotels had growth in the second quarter. The majority of the remaining hotels saw declines which contributed to the 3.6% drop in collections.

Delinquencies: As of December 31, 2016, 44 correction notices remain unpaid representing an outstanding balance of \$17,101. In addition, there was an estimated outstanding balance of \$149,584 from 45 instances of unreported taxes from eleven hotels. The two hotels mentioned above, that City staff is pursuing legal actions against, make up 59% of this total. After the quarter ended, \$47,530.02 was received and will be reported on the third quarter City Manager report. 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