



City Manager Report

The City of
OKLAHOMA CITY

NO: 1005

DATE: APRIL 25, 2017

TO: THE MAYOR AND MEMBERS OF THE CITY COUNCIL

SUBJECT: HOTEL TAX COLLECTIONS THROUGH MARCH 31, 2017

Hotel taxes for FY 2017 are down \$610,903 or 5.7% through the third quarter of FY 2017.

In addition, hotel tax collections are down 6.3% for the third quarter. Declines were spread throughout Oklahoma City and experienced in all five sectors of the city. Delinquent hotel tax payments have continued to be a problem throughout the year. Eleven hotels had missing hotel tax payments during the third quarter. Collections remain below projections by 1.8%.

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 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	\$3,738,003	\$3,672,186	(\$65,817)	
State Fairgrounds	\$5,607,004	\$5,508,279	(\$98,725)	
Event Sponsorship	\$934,501	\$918,046	(\$16,455)	
Total	\$10,279,508	\$10,098,511	(\$180,997)	-1.8%

QUARTERLY AND FISCAL YEAR-TO-DATE PERFORMANCE						
Sector of City	Q3 FY 2017	Q3 FY 2016	Percent Change	YTD FY 2017	YTD FY 2016	Percent Change
Central	970,580	995,339	(2.5%)	3,268,956	3,326,274	(1.7%)
Northeast	93,034	103,146	(9.8%)	328,625	391,993	(16.2%)
Northwest	716,432	773,829	(7.4%)	2,578,650	2,785,744	(7.4%)
Southeast	135,020	155,036	(12.9%)	487,686	552,503	(11.7%)
Southwest	977,481	1,058,043	(7.6%)	3,434,594	3,652,899	(6.0%)
TOTAL	2,892,548	3,085,393	(6.3%)	10,098,511	10,709,413	(5.7%)

Central: The Central sector is down 2.5% for the quarter and 1.7% fiscal year-to-date. The majority of this decline is due to a hotel failing to remit two out of three hotel tax payments for the third quarter. One of the two missing payments was received after the quarter ended. If this payment had been received before the quarter end, this sector would have only experienced a 0.5% decrease compared to the third quarter of FY 2016.

Northeast: One of the larger hotels in the Northeast sector has not submitted hotel tax payments for twelve months. As mentioned in last quarter's report, an item was approved by City Council on January 3, 2017 to begin legal proceedings in Oklahoma County District Court against the hotel owner. Since that time, the hotel was temporarily closed on March 3, 2017. The hotel is currently working to negotiate a new payment plan for their delinquent hotel taxes.

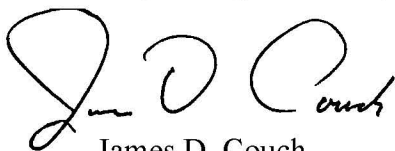
Northwest: Despite the addition of a new hotel this quarter, the Northwest declined by 7.4% for both the quarter and fiscal year-to-date. One of the largest hotels in the sector did not remit for two out of the three months this quarter and has four outstanding correction invoices. City staff is working to pursue further legal actions against the hotel.

Southeast: The Southeast sector saw the largest decline for the third quarter. Only four of the 21 hotels in this sector had growth during this quarter.

Southwest: Only 25% of hotels in the Southwest sector had growth in the third quarter which contributed to the 7.6% quarter and 6.0% fiscal year-to-date downturn.

Delinquencies: As of March 31, 2016, 21 correction notices remain unpaid representing an outstanding balance of \$20,062. In addition, there was an estimated outstanding balance of \$148,113 from 46 instances of unreported taxes from eleven 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