



**CITY AUDITOR** 345 6<sup>th</sup> Street, Suite 100, Bremerton, WA 98337-1873 & Phone (360) 473-5369

---

May 2, 2019

To Audit Committee Members:

Leslie Daug, Audit Committee Chair and Council Member  
Deborah McDaniel, Audit Committee Vice-Chair and Citizen Member  
Lori Wheat, Council Member  
Darryl Riley, Citizen Member  
Dennis Treger, CPA

### **Re: Lodging Tax Process Review**

Dear Audit Committee Members:

At your request and based on the information available to date, I am submitting my findings regarding the Lodging Tax Process Review. The purpose of this review was to provide Council and Administration information that can be used to improve the Lodging Tax allocation process and provide ideas for Lodging Tax fund uses.

Included with this report are the following attachments:

1. Exhibit A: Recommendations/Considerations
2. Exhibit B: Examples of Lodging Tax awards in 2016
3. Exhibit C: Examples of Lodging Tax awards in 2017
4. Exhibit D: Entities that Received LTAC Funds from Bremerton and Other Jurisdictions
5. Exhibit E: Records considered and/or analyzed for this report
6. Exhibit F: Individuals who provided information used in this report

### **LODGING TAX USE HISTORY**

The Legislature adopted the first version of the present day lodging excise tax in 1967 to build the Kingdome. The original version of the tax supported municipal authority to acquire, finance, construct, and operate sports stadiums. A series of subsequent amendments expanded the permissible uses. For example, in 1973, the Legislature expanded the tax use to include acquisition and operations of convention center facilities. Six years later, the acquisition and operation of performing arts center facilities, like the Admiral Theatre, were added.



Today, the guiding principle for use of lodging taxes is that they must be used for activities, operations and expenditures designed to increase tourism. More specifically, lodging taxes can be used for:

- Tourism marketing including activities, operations, and expenditures designed to increase tourism, including but not limited to advertising, publicizing, or otherwise distributing information for the purpose of attracting and welcoming tourists; and developing strategies to expand tourism.
- Marketing and operations of special events and festivals designed to attract tourists.
- Operations and capital expenditures of tourism-related facilities owned or operated by a municipality or a public facilities district. “Tourism-related facility” means real or tangible personal property with a usable life of three or more years, or constructed with volunteer labor that is: (a) (i) Owned by a public entity; (ii) owned by a 501(c)(3) nonprofit organization; or (iii) owned by a 501(c)(6) nonprofit organization, a business organization, destination marketing organization, main street organization, lodging association, or chamber of commerce and (b) used to support tourism, performing arts, or to accommodate tourist activities.
- Operations of tourism-related facilities owned or operated by nonprofit organizations.
- Fund direct and indirect administrative costs to support LTAC, including LTAC staff support, contract administration, finance and payroll.
- The City can also issue general obligation or revenue bonds to provide funding to public housing authorities for affordable workforce housing within a half mile of a transit center and pledge lodging taxes to the repayment of the bonds.

In King County, after it paid off its Kingdome debt with lodging tax dollars, the county used lodging tax dollars to help fund CenturyLink Field, whose debt will be paid off in 2020. The legislature determined that beginning in 2021, King County must use at least 37.5 percent of its lodging tax for affordable workforce housing and services for homeless youth, 37.5 percent for art, cultural and heritage facilities, as well as the performing arts. The remainder — just 25 percent or less of the total lodging tax revenue collected in King County — may be used toward tourism promotion, which includes sports stadiums and events.

### **BREMERTON LODGING TAX DISTRIBUTIONS**

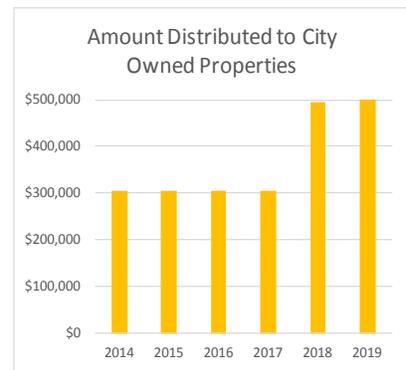
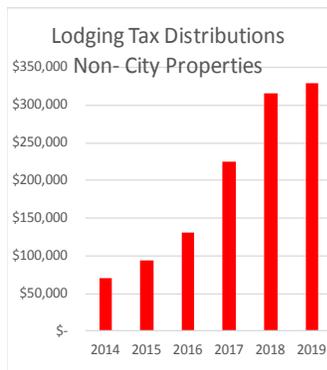
The chart and graphs below summarize the Bremerton lodging tax distributions from 2014 through 2019<sup>1</sup>:

---

<sup>1</sup> The year represents when the funds will be paid. The lodging tax award process occurs the prior year.



Description	Lodging Tax Distribution							2019 Request	2019 Award % Of Request
	2014	2015	2016	2017	2018	2019	6-Year Total		
Bremerton Historic Ships	\$ 15,000	\$ 18,000	\$ 36,000	\$ 55,000	\$ 66,000	\$ 70,000	\$ 260,000	\$ 79,000	89%
WA State Science and Engineering Fair	11,000	14,000	19,000	20,000	45,000	43,000	152,000	45,000	96%
Chamber of Commerce	10,000	18,000	22,000	25,000	32,000	30,000	137,000	38,000	79%
Bremerton Symphony Association	11,000	12,000	17,000	25,000	25,000	20,000	110,000	25,000	80%
Kitsap Historical Society	11,000	12,000	14,000	21,000	24,000	20,000	102,000	26,600	75%
Visit Kitsap Peninsula				18,000	40,000	40,000	98,000	120,500	33%
Kitsap Entrepreneurial Center - Harbor Festival	4,500	9,000	10,000	12,000	12,000	25,000	72,500	40,000	63%
Downtown Bremerton Assoc - Wayz Goose					20,000	24,000	44,000	30,000	80%
Kitsap Admirals	5,000	10,000	12,000	15,000			42,000	-	NA
Downtown Bremerton Assoc - Other					20,000	20,000	40,000	50,000	40%
Peninsula Film Festival				15,000			15,000	-	NA
Roxy Bremerton Foundation						15,000	15,000	33,000	45%
Valentinetti Puppet Museum				5,200	7,000		12,200	-	NA
Kitsap Pride - Festival					5,000	6,500	11,500	6,500	100%
West Sound Arts & Music Association				5,000	5,000		10,000	-	NA
Olympic College Foundation - Festival					10,000		10,000	-	NA
Manette Business Association - Heavy Jeans						9,000	9,000	12,270	73%
Broad Humor Festival				8,000			8,000	-	NA
Dominion Workboat Historical Assoc					4,000	4,000	8,000	15,000	27%
Collective Visions Gallery	3,500					2,500	6,000	2,500	100%
City of Bremerton Quincy Square on 4th Street						-	-	25,000	0%
<b>Subtotal</b>	<b>71,000</b>	<b>93,000</b>	<b>130,000</b>	<b>224,200</b>	<b>315,000</b>	<b>329,000</b>	<b>1,162,200</b>	<b>548,370</b>	<b>60%</b>
City owned properties:									
Admiral Theatre	150,000	150,000	150,000	150,000	150,000	150,000	900,000	150,000	100%
Kitsap Conference Center (operations)	155,000	155,000	155,000	155,000	250,000	250,000	1,120,000	250,000	100%
Kitsap Conference Center (debt service)					95,000	100,000	195,000	200,000	50%
<b>Distributed to City owned properties</b>	<b>305,000</b>	<b>305,000</b>	<b>305,000</b>	<b>305,000</b>	<b>495,000</b>	<b>500,000</b>	<b>2,215,000</b>	<b>600,000</b>	<b>83%</b>
<b>Total Lodging Tax distributions</b>	<b>\$ 376,000</b>	<b>\$ 398,000</b>	<b>\$ 435,000</b>	<b>\$ 529,200</b>	<b>\$ 810,000</b>	<b>\$ 829,000</b>	<b>\$ 3,377,200</b>	<b>\$ 1,148,370</b>	<b>72%</b>
<b>Percent distributed to City owned properties</b>	<b>81.1%</b>	<b>76.6%</b>	<b>70.1%</b>	<b>57.6%</b>	<b>61.1%</b>	<b>60.3%</b>	<b>65.6%</b>	<b>52.2%</b>	



**LODGING TAX ADVISORY COMMITTEE (“LTAC”) ROLE**

Applicants for use of lodging tax revenues submit their applications directly to the LTAC whose task is to select the candidates from amongst the applicants and provide a list of such candidates and recommended amounts of funding to the municipality for final determination. In its role, the LTAC should be focused on the long term sustainability of the fund (and applicants), the economic impact the applying organizations may have on the community, and the benefits of long term dedicated funding (i.e. conference center). The LTAC submits its award recommendations to City Council.



## **CITY COUNCIL'S OPTIONS RE: THE LTAC RECOMMENDATIONS**

An informal Attorney General opinion dated August 17, 2016 states a municipality may accept the LTAC recommendations as presented or it may award amounts different from the LTAC's recommended amounts. If awarding a different amount, the municipality must satisfy a procedural requirement whereby the municipality must submit its proposed change to the LTAC for review and further input at least 45 days before final action on the proposal. While the municipality has the final say in distributing revenues (i.e. the award amount), it cannot choose to award recipients that were not recommended by the advisory committee.

The informal opinion acknowledges that this interpretation of the statutes preserves the role of the advisory committee by allowing it to advise while also preserving the role of the municipality as the final decision maker.

## **MUNICIPALITY DIRECTING THE LTAC**

Ms. Toni Nelson of Municipal Research and Services Center ("MRSC") explained that although the LTAC is tasked with selecting the candidates and recommended amounts of funding, the municipality is permitted to communicate requests to the advisory committee in advance of the LTAC's deliberations, such as a multi-year commitment for lodging taxes to pay down conference center debt. Based on Ms. Nelson's experience with cities that disagreed with the advisory committee's vision for lodging taxes, Ms. Nelson advises maintaining good communication between the municipality and the LTAC.

At the beginning of Yakima's lodging tax process last year, their Council sent a letter to the LTAC advising them not to fund the county Sun Dome. The four hoteliers that serve on the Yakima LTAC presented their case for funding the Sun Dome at a Council meeting and ultimately the Council agreed to the full funding request for the Sun Dome.

Some general ideas Council may consider directing the LTAC on include:

- Priority metrics such as heads in beds, generating economic impact, and/or vibrant community
- Dollar amounts available for different types of uses, such as a specific dollar amount for the Conference Center, X percent for festivals and Y percent for marketing associations
- Establishing award parameters, such as limits on how much an individual entity can receive each year and whether the limits change over time

## **TOURISM**

RCW 67.28.080 defines tourism as "economic activity resulting from tourists, which may include sales of overnight lodging, meals, tours, gifts, or souvenirs." Tourism promotion is defined as activities, operations, and expenditures designed to increase tourism, including but not limited to advertising, publicizing, or otherwise distributing information for the purpose of attracting and welcoming tourists; developing strategies to expand tourism; operating tourism promotion agencies; and funding the marketing of or the operation of special events and festivals designed to attract tourists.

A May 2018 economic analysis prepared by Dean Runyan Associates for the Washington Tourism Alliance indicates 16 percent of Kitsap County overnight visitors stay in commercial lodging and account for 54 percent of visitor spending. 81 percent of Kitsap County



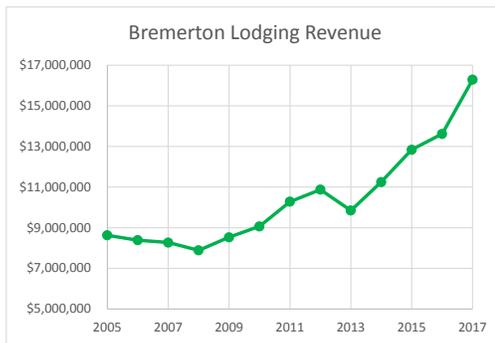
overnight visitors stay in private homes and account for 43 percent of visitor spending. Below is a recap:

Description	Visitor	
	Accomodations	Spending
Commercial lodging	16%	54%
Private home	81%	43%
Other	3%	3%

While tourism is often associated with leisure travel, some definitions specify business travel as well. Based on rough estimates provided by three Bremerton inns, Puget Sound Naval Shipyard contract workers comprise the majority of lodging stays, accounting for approximately 75 percent (or more) of their business. Thus, in terms of overnight visitors, it seems Bremerton is presently more of a destination for business travelers rather than leisure.

The primary activities of business tourists are work-related, such as consultancy, meetings, conferences, etc. Secondly, business tourists are like leisure tourists, engaging in activities such as dining out, recreation (golf), shopping, sightseeing, etc. Leisure tourism often occurs during the summer months, whereas business travel can also be during the less attractive times of the year. The average business traveler is generally expected to spend more money than the average leisure traveler.

The charts below depict annual historical lodging and food and beverage service revenue generated in Bremerton from 2005 through 2017. These charts show a substantial increase in revenue since 2013:



### EXAMPLES OF LODGING TAX USES

After interviewing multiple jurisdictions, it seems determining how the funds will be allocated is a matter of prioritizing or balancing the wants and needs of the jurisdiction. Some ideas that seem worth noting are mentioned below:

- Some jurisdictions allocate lodging tax funds for various golf events, tournaments, and summer golfing.
- Many jurisdictions use substantial funds to support internal economic development/tourism promotion departments or internal marketing programs, including websites designed with the tourist in mind.



- Pierce County is discontinuing its funding of visitor bureaus and similar agencies and funding festivals instead. The Pierce County representative stated some in her jurisdiction believe there would be no change in tourism if the lodging tax program was discontinued.
- Some jurisdictions provide more funding to start up festivals to help them get established, then reduce the funding over time.
- In Kennewick, the LTAC is supportive of marketing and Kennewick’s tourism facilities, which have events that generate overnight stays. Kennewick’s LTAC previously supported a fourth of July festival until it learned from hoteliers that the night of this festival had very low occupancy. They currently have no festivals that receive lodging tax support. (Kennewick does not make its lodging tax applications readily available and has a long of history of not funding events or festivals. Although there is no contractual obligation to award lodging tax funds to Kennewick’s facilities, this is what the LTAC supports.<sup>2</sup>)
- Yakima formally committed lodging tax dollars to repayment of the general obligation bonds used to construct its convention center as well as repayment of subsequent general obligation bonds used to expand the convention center. They also use a significant portion of its lodging tax dollars for convention center operations. (Bremerton committed parking revenue to the repayment of its conference center garage construction bonds.)
- As previously noted, lodging taxes can also be used to repay bonds for affordable workforce housing within one-half mile of a transit station.
- Many jurisdictions award substantial lodging tax funds to their respective event/conference centers. The table below summarizes convention center lodging tax and other subsidies in certain cities in 2017:

Convention Center Location	Convention Center Subsidy		
	Lodging Tax	Other	Total
Bremerton	\$ 155,000	\$ 210,000	\$ 365,000
Kennewick	-	1,798,351	1,798,351
Lynnwood	1,201,788	1,781,629	2,983,417
Ocean Shores	621,953	-	621,953
Wenatchee	1,230,264	-	1,230,264
Yakima	727,013	100,000	827,013
<b>Total</b>	<b>\$ 3,936,018</b>	<b>\$ 3,889,980</b>	<b>\$ 7,825,998</b>

Although most, if not all, publicly owned conference centers in Washington operate at a loss, many city leaders are supportive of conference centers because of the additional measures of economic impact resulting from conference center visitor spending (direct economic impact), plus tax revenues and jobs created (indirect economic impact). Visitor spending includes lodging, transportation, registration fees, food, shopping, recreation, entertainment,

<sup>2</sup> The City of Kennewick provides substantial lodging taxes to the Toyota Center, a multi-purpose arena in Kennewick that is available for conventions, special events, trade shows, concerts, Broadway shows, and is the home of the Tri-City American hockey team. The City of Kennewick does not provide lodging taxes to the Three Rivers Convention Center (reflected in the table), which is owned by the Kennewick Public Facilities District.



etc. In my October 17, 2018 report on the Kitsap Conference Center (“KCC”) it was noted that although KCC generally is not profitable, it creates an estimated \$2 million additional economic impact to the Bremerton economy beyond its own operations.



## JURISDICTION SURVEY RESULTS

Jurisdictions included in the survey were considered for their population, conference or events center, sports facilities, and similar festivals and events. Key areas of the LTAC's process were discussed further with those cities' staff, including 1) Committee and Voting Structure; 2) Request for Proposals; and 3) Criteria for Applications.

### Committee and Voting Structure

RCW 67.28.1817 requires the LTAC to be comprised of at least five members, appointed by the legislative body, unless the municipality has a charter providing for a different appointment authority.<sup>3</sup> One member is an elected official, generally a council member or mayor, who serves as chair of the committee.

At least two members represent businesses required to collect the lodging tax, and at least two members are involved in activities authorized to be funded by the lodging tax. There must be an equal number of collecting and receiving members. Each of the members is a voting member, including the chair. The committee may include additional voting members with equal membership, or a nonvoting County elected official member.

Some jurisdictions had more members than the required minimum, as shown below:

- Anacortes, Kirkland, Kitsap County, and Wenatchee have 7 members.
- Bainbridge Island has 6 members, with a 2<sup>nd</sup> Council Member serving as Vice-Chair who is a non-voting member.
- Bellingham's LTAC is a sub-committee of its 12-member Tourism Commission.
- Pierce County has 12 members including four from the lodging industry, four who are eligible to receive an award, two at large members who are not affiliated with the lodging industry nor the tourism industry, a City official that collects lodging tax that goes to Pierce County, and a County Commissioner who serves as chair.

An advantage of additional members is the potential for more ideas; however, additional members can lead to challenges with finding sufficient volunteers and scheduling.

### Applicant Interviews

Each year, Bremerton schedules 30 minute interviews with each applicant although the interviews are generally shorter. One of the jurisdictions interviewed allows 3-5 minutes for each interview while another does not conduct interviews, stating all the information they need should be in the application.

### Requests for Proposals (RFPs)

Most RFPs include more extensive instructions than Bremerton, and they include more information concerning eligibility requirements to receive funding and eligible uses of funds. Some jurisdictions also include checklists with the RFP to help respondents properly complete their applications. A few jurisdictions hold an orientation for new applicants. To ensure applications are complete and to control the volume of information provided in the application, an online fillable PDF form can be developed in-house or an online application management software program can be purchased.

---

<sup>3</sup> Neither Bremerton's Charter nor BMC provide for a different appointment authority.



### Criteria for Rating Applications

Several jurisdictions interviewed use formal criteria to rate the applicants. Some of these jurisdictions score the applicants – calculating a numeric score based on criteria ratings. Other jurisdictions, including Bremerton, use criteria as a guideline for evaluating the applicants but do not score the applicants. Following is a list of some criteria used to rate applicants:

- The extent the event/program demonstrates the ability to attract visitors from 50 miles or more away and generate overnight stays.
- The extent the event/program improves the city's overall image by providing a positive visitor experience and/or promoting the area's existing attractions, such as the waterfront.
- The extent the event/program will generate a positive economic impact by increasing visitor expenditures in the jurisdiction.
- The extent the applicant has a track record in implementing a successful event/program including contract and permit compliance.
- The ability of the event to secure additional funding sources beyond City tourism funding.
- The applicant partners and collaborates with other City events and organizations in leveraging resources and marketing efforts.
- Events that have been in existence for less than three years qualify for bonus points.
- Events that take place in the shoulder season (January through June) qualify for bonus points.
- The applicant provides measurable outcome performance indicators, i.e. how they will track tourism.
- Duration of the activity, i.e. multi-day events.
- An event that will later function successfully on its own is preferred.
- Preference for projects that leverage award funds with matching funds or donations.

The scores are generally used to evaluate and rank the applicants. It is our understanding that the scores are not used to compute the amount of the lodging tax award.

Most, if not all, jurisdictions want lodging tax dollars to go toward efforts that will increase tourist spending in lodging, food and drink, entertainment, and shopping. However, quantifying tourist spending is costly. A 2012 report prepared by the Joint Legislative Audit and Review Committee ("JLARC") found that the economic impact data submitted by many lodging tax recipients is unreliable. The JLARC report stated that for many small nonprofit events and facilities, the cost to conduct a valid economic impact study could potentially use up a large portion of the lodging tax revenue the nonprofit received. Several jurisdictions we interviewed commented on how unreliable the overnight stay estimates provided by the lodging tax applicants are.

Hoteliers are likely in the best position to know which events lead to heads in beds although there can be some reluctance to share proprietary information. If it is communicated to the hoteliers that the City recognizes lodging as an important industry to the City and that the City wants to help the hotels by supporting facilities or events that support their industry, the hoteliers may be more receptive to sharing that information.



A one-time six-year monthly trend report (Smith Travel Trend Report) can be purchased for \$550 that includes hotel/motel occupancy, average daily rate, revenue per available room (RevPAR), supply, demand and revenue. The following Bremerton motels are included in the data (and you can pick and choose which hotels you want to include in the report): Motel 6, Super 8, Quality Inn, Hampton, Fairfield, and Baymont. The City could request lodging tax funding for this report.

### **TOURISM PROMOTION AREAS**

Another funding source for tourism promotion is a fee charged by hotels in a Tourism Promotion Area ("TPA") for overnight and short term stays under 30 days (RCW Chapter 35.101). The TPA allows up to \$2 per night for an additional charge on lodging.

Hoteliers in Kennewick requested a TPA be put in place. The Kennewick TPA was initially set at \$1.50 per room night but was so successful that the hoteliers asked to raise it to \$2.00 per room night. The Kennewick TPA board is separate from LTAC. The funds are used for tourism promotion with efforts focused specifically on advertising outside the regional market to bring tourism from Western Washington, Montana, Idaho and Oregon. It is a very intentional effort tied to heads in beds. Kennewick's TPA was established through ordinance. Having hoteliers request the TPA made implementation easier. An added benefit of the TPA is that it provides useful information for tracking occupancy/room nights.

### **OTHER MATTERS**

Some cities have developed a Tourism Strategic Plan. The strategic plans include tourism trends, best uses of funds, and is a useful tool for elected officials. Anacortes, Lynnwood, and Pierce County are a few of the jurisdictions with strategic plans. Their plans were prepared by either an ad-hoc committee or a consultant. The committee was comprised of volunteers and council members, and the consultant was paid with lodging tax funds.

Please contact me if you have questions or need additional information.

Sincerely,

Jennifer L. Sims CPA/CFF, CFE  
City Auditor

cc: Mayor Wheeler  
City Council  
DeWayne Pitts, Finance Director  
Mike Riley, Assistant Finance Director



## **Exhibit A**

### **Recommendations/Considerations**

1. Whether it is for conference center debt, festivals, affordable housing, a balanced approach, or some other strategy, Council needs to decide generally how it wants lodging tax funds used for the City; and should consider communicating its lodging tax priorities to the LTAC at the front end of the process. This could be in the form of a letter.
2. In determining its lodging tax strategy, Council members undoubtedly have competing preferences; however, Council has a fiduciary duty to Bremerton residents and should focus on maximizing the impact of taxpayer dollars.
3. If the LTAC disagrees with Council's direction (above), it certainly has the option of responding with its rationale and case for alternative funding ideas.
4. If after the LTAC submits its recommendations (at the end of the process), Council disagrees with those recommendations, Council should submit its proposal to the LTAC at least 45 days before final action on or passage of the proposal (i.e. budget) by the municipality. The LTAC should then submit comments on Council's proposal, including an analysis of the extent to which the proposal will accommodate activities for tourists or increase tourism, and the extent to which the proposal will affect the long-term stability of the lodging tax fund. Council is not required to submit an amended proposal and can award an amount that is different from the amount recommended by the LTAC.
5. The LTAC should provide more extensive application instructions and include more information such as eligibility requirements to receive funding and eligible uses of funds in the application or application instructions.
6. The LTAC may want to consider using an online application process, purchased from an outside vendor<sup>4</sup> or potentially developed in-house. Features that could be added to an online process include requiring fields to be completed before continuing the application and limiting the number of characters in fillable PDF forms.
7. The LTAC is currently requesting financial statements but is not specifying the time period. Applications reviewed from 2019 provided six-month profit and loss statements (January through June 2018) rather than a full fiscal year. Requesting the most recent two fiscal years of detailed profit and loss statements (including specifics of other income sources) and year-end balance sheets is recommended. Some jurisdictions also request operating budgets.
8. The LTAC chair should make sure the LTAC committee members are reviewing all of the relevant information provided with the applications, particularly the financial statements that could contain pertinent information that may affect lodging tax decision making, such as other income sources and profitability. For example, the Visit Kitsap profit and loss statement reports the following income in the first six months of 2018:

---

<sup>4</sup> The City currently uses Fluid Review, a purchased online application management software, for its Community Development Block Grant ("CDBG") application process.



Income	
Advertising Income	5,000.00
Primary Income	
Bremerton	16,666.65
City of Bainbridge Island	2,250.00
City of Port Orchard	4,000.00
City of Poulsbo	10,416.29
Kitsap County	133,669.03
Primary Income - Other	44,500.00
Total Primary Income	211,501.97
Secondary Income/Members	
Corporate Funding	3,750.00
New Membership	60.00
Secondary Income/Members - Other	4,890.00
Total Secondary Income/Members	8,700.00
Total Income	225,201.97

And below is the Historic Ships "Contributed Support" income for the first 4 ½ months of 2017 and 2018:

Ordinary Income/Expense	<u>Jan 1 - May 15, 18</u>	<u>Jan 1 - May 15, 17</u>	<u>\$ Change</u>
Income			
4000 · Contributed Support			
4105 · Dry Dock Contributions	5,283.40	322,268.96	-316,985.56
4107 · Other Donations	13,621.93	32,926.05	-19,304.12
4108 · Turner Joy Sailor Contributions	200.00	100.00	100.00
4541 · Hotel Motel Tax Grant	33,000.00	27,500.00	5,500.00
4551 · Tin Can Sailors Contributions	0.00	10,615.00	-10,615.00
4552 · Port of Brem-Maint	0.00	100,000.00	-100,000.00
Total 4000 · Contributed Support	52,105.33	493,410.01	-441,304.68

At a minimum, the LTAC should have a basic understanding of the applicant's other income sources, how much is being spent on direct marketing, and the applicant's profitability.

9. The LTAC Chair is a voting member and should vote (unless there is a conflict.)
10. The LTAC Chair could be instrumental in communicating the Council philosophy to the LTAC.
11. The criteria for determining award amounts depends on the particulars of any given city. Some considerations the City may wish to include in its criteria include:
  - a. Extent the funds will be used for out of area marketing
  - b. The estimated financial impact the facility, event or marketing has on the City
  - c. Cap award amounts by type (festival, capital improvement, etc.)
  - d. A sunset provision for applicants that limits the number of years they can apply
  - e. Separate criteria (and process) for new applicants
  - f. Funding provisions for events that bring business during the shoulder season (January through June)
12. Written procedures need to be updated and should be sufficiently detailed that if current lodging tax staff was unable to perform her job someone else could step in and proceed.
13. The application should include questions and document requests that help the LTAC assess how well the use of funds aligns with Council's funding priorities.
14. Consider offering or requiring an orientation for new applicants.
15. Consider reducing the time allotted for applicant interviews.



16. Consider tracking the relative contribution of lodging tax revenues to the total cost of the event, as well as to the number of tourists and lodging stays reported for the event or facility.

## Exhibit B

### Examples of Lodging Tax awards in 2016

Activity Name	2016 Funds Awarded
City of Anacortes street <b>parklet</b> purchased by city to enhance space in downtown Anacortes by allowing visitors, etc., the opportunity to sit and enjoy the city	\$11,454
City of Anacortes <b>restroom</b> maintenance	2,335
Anacortes Police Department Oyster <b>Run</b>	10,000
City of Chehalis <b>Wedding Show</b>	13,500
Chelan <b>Parks</b> Department: debt, maintenance, capital purchases	296,159
Chelan Golf Course (city owned) <b>summer golfing</b>	26,773
Clallam County <b>Parks</b> : mowing, weeding, garbage, signs, out-of-area advertising etc	28,899
Clark County: <b>debt service on event center</b>	397,231
Cowlitz County Tourism Department for <b>marketing</b> <sup>5</sup>	178,225
City of Edmonds construction of new downtown <b>restroom</b>	60,000
City of Fife <b>marketing</b> program used for the management of the lodging tax fund, projects, and contracts. Used to manage the overall marketing activities, direct sales and event management for the City of Fife.	77,000
City of Fife venue sales used to increase the <b>marketing</b> span for event sales in Fife	72,000
City of Fife visitor website: create, update and manage the City of Fife <b>website</b> as a marketing tool for visitors, travelers, and businesses.	38,490
Town of Friday Harbor custom <b>benches</b> for a pocket park	6,275
City of Gig Harbor <b>tourism promotion</b> (staff salaries, oper costs, advertising, etc)	276,500
Grays Harbor County <b>Tourism operations and marketing</b>	848,780
City of Kennewick Toyota Center and Arena ( <b>event center</b> )	878,850
City of Kirkland <b>Tourism Program</b>	223,818
Kitsap County awarded to <b>Visit Kitsap</b> Peninsula	209,000
City of Lacey Regional Athletic Complex	150,000
City of Lakewood Waughop Lake Trail	100,000
City of Leavenworth Facilities tourism expenses pertaining to public restrooms, <b>cost allocations for equipment and central services</b> , garbage, ice melt, repair and maintenance of downtown restroom and park facilities, etc.	495,975
Lewis County <b>IT for Discoverlewiscounty.com</b>	85,000
City of Long Beach <b>destination marketing</b>	230,000
City of Tacoma <b>debt service</b> for Greater Tacoma Convention Center	4,310,312

<sup>5</sup> The county's tourism department link connects to an impressive Mt. St. Helens tourism website.





## Exhibit C

### Examples of Lodging Tax awards in 2017

Activity Name	2017 Funds Awarded
City of Chelan debt service for <b>parks facility improvements</b> for the marina & beach	\$138,068
City of Chelan <b>golf facilities</b> : operations, clubhouse repairs, and equipment	121,000
City of Colville: <b>electricity</b> at a city park	26,470
Cowlitz County: City of Kelso <b>signage</b>	52,248
City of Dupont: City of Dupont event/festival <b>overtime</b>	15,290
City of Dupont: Awarded the Home Course for the <b>Collegiate Open</b>	14,700
City of Dupont: Mayor's Cup <b>Golf Tournament</b>	5,000
City of Dupont: <b>Tourism coordinator</b>	96,063
City of Fife: Dacca Park <b>restroom</b>	100,000
Town of Friday Harbor: Construction and art acquisition for new <b>pocket park</b>	59,851
Port of Friday Harbor: Facility and operation upgrades for service from Victoria, BC	9,700
City of Gig Harbor <b>tourism promotion</b> (staff salaries, oper costs, advertising, etc)	337,000
City of Kalama: City sponsored street <b>dance</b> night prior to car show to draw overnights	3,025
City of Kelso: <b>signage</b>	100,000
Kitsap County: <b>Visit Kitsap</b>	270,000
Kitsap County: <b>WA State Science and Engineering Fair</b> (2-day event)	20,000
Ocean Shores: <b>Convention center operations</b>	937,941
Ocean Shores: <b>Convention center marketing</b> campaign	72,600
City of Washougal: Portion of <b>employee salary</b> for social media, web development, event assistance, with 20%+ of employee time for tourism	11,498



## **Exhibit D**

### **Entities that Received LTAC Funds from Bremerton and Other Jurisdictions 2016 and 2017**

Description	2016 LTAC Award From			2017 LTAC Award From		
	Bremerton	Others	Total	Bremerton	Others	Total
Bremerton Symphony	\$ 17,000	\$ 5,000	\$ 22,000	\$ 25,000	\$ -	\$ 25,000
Kitsap County Historical Society & Museum	14,000	70,000	84,000	21,000	30,000	51,000
Washington State Science & Engineering Fair	19,000	7,500	26,500	20,000	20,000	40,000
Visit Kitsap Peninsula	-	238,725	238,725	18,000	306,000	324,000

The table above shows the entities that received lodging tax funds from Bremerton and other jurisdictions in 2016 or 2017. Amounts in the table include lodging tax funds only – the recipients have additional income sources that are not shown above.



## **Exhibit E**

### **Documents Considered and/or Analyzed**

1. [King County Website – Lodging Tax](#)
2. [Revised Code of Washington Chapter 67.28](#)
3. [Bremerton Municipal Code 2.38](#)
4. [Joint Legislative Audit & Review Committee \(JLARC\) 2014-2017 Activity Specific Report](#)
5. [City of Bremerton – Request for Proposals including Applications and Rating Criteria](#)
6. [Attorney General Office Opinion dated August 17, 2016](#)
7. [Economic Analysis by Dean Ryan Associates dated May 2018](#)
8. [Department of Revenue Gross Business Income Report](#)
9. [Kitsap Conference Center Report dated October 17, 2018](#)
10. [JLARC Report on Economic Impact dated 2012](#)
11. [RCW Chapter 35.101](#)
12. [Anacortes Tourism Strategic Plan](#)
13. [Lynnwood Tourism Strategic Plan](#)
14. [Pierce County Tourism Strategic Plan](#)
15. Other miscellaneous research



## **Exhibit F**

### **Individuals Who Provided Information**

1. Steve Groom, Finance Director (Yakima)
2. Dan Legard, Finance Director (Kennewick)
3. Lee Reyes, Administrative Services Manager (Kitsap County)
4. Joann Stewart, Planning, Community & Economic Development Administrative Assistant  
(Anacortes)
5. Shannon Taysi, Planning & Community Development Program Specialist (Bellingham)
6. Angela Folkers, Finance Director/City Clerk; and Joe Martin, Council Member/2018 LTAC Chair  
(Ocean Shores)
7. Christy Murray, Economic Development Project/Tourism Manager (Lynnwood)
8. Katherine Sorgenfrei, Economic Development Program Manager (Pierce County)
9. Philly Marsh, Economic Development Special Projects Coordinator (Kirkland)
10. Allison Williams, Executive Services Director (Wenatchee)
11. Hannahlee Hallers, Legislative Assistant (Spokane)
12. Roz Lassoﬀ, Executive Assistant (Bainbridge Island)
13. Mary McCluskey, Parks & Recreation Director (Poulsbo)
14. Toni Nelson, Finance Policy Consultant, Municipal Research Services Center (MRSC)