

BUDGET STUDY SESSIONS

FOLLOW UP FROM FINANCE DEPARTMENT

FINANCE DEPARTMENT

1. LEVY LID LIFT– information for 2019
2. LODGING TAX
 - Policy #20: acceptance of projects PFD
3. Convention Center
 - Policy #21: acceptance of Capital Facility Plan 2019-2022
4. Debt Schedule – information for 2019
will be presented November 13

COUNCIL VALUES

- Look for revenue opportunities in particular, those that do not add a burden on the residents
- Respect for restricted uses: Lodging Tax + PFD
- Get on the same page on debt- we all know the same thing
- Sales taxes are important (1/3 of our revenue)
- Support investments in City-owned assets
- Council makes policy; staff provides information



LEVY LID LIFT

Property Tax Levy – Policy #5

Staff follow up to Council questions

THREE KEY QUESTIONS:

1. What Property Tax levy capacity is available?
2. What is the projected revenue?
3. 2019 Next Steps?



Q: What is a “**Levy Lid Lift**”

A: The difference between

1. what the City is currently levying, and
2. what the City could levy with voter approval

Q: How is “senior” defined?

- 61 and under
- Income < 40K
- Lives in parcel



Property Tax Capacity

Demystifying the math

Actual

	Value	x	Tax Rate	=	Tax Revenue	
	<i>(from Assessor)</i>		<i>max \$3.10</i>		<i>Total Levy</i>	
2018	\$6,241,111,833	x	\$ 2.99	=	\$ 18,686,825	
					1% *	\$ 19,181,909
						2.6%
	10.37%					
2019	\$ 6,888,407,709	x	\$ 2.78	=	\$ 19,181,909	
	\$ 6,888,407,709	x	\$ 0.32	=	\$ 2,172,155	

* plus new construction and State increase (per Assessor)

Property Tax Capacity

\$68,884 for every 1-cent change in Property Tax rate

Value	x	Tax Rate	=	Tax Revenue	Difference
\$ 6,888,407,709		\$ 2.78	\$	19,181,909	
6,888,407,709	0.05	2.83		19,526,329	344,420
6,888,407,709	0.10	2.88		19,870,750	688,841
6,888,407,709	0.15	2.93		20,215,170	1,033,261
6,888,407,709	0.20	2.98		20,559,591	1,377,682
6,888,407,709	0.25	3.03		20,904,011	1,722,102
6,888,407,709	0.30	3.08		21,248,431	2,066,522
6,888,407,709	0.31	3.09		21,317,315	2,135,406
6,888,407,709	0.32	3.10		21,354,064	2,172,155

Questions for council:

Given the fund balance and the current tax rate, is there interest in pursuing a Levy Lid Lift?

If so, at what level, from 1 cent to 32 cents?

If so, when?



Questions?



LODGING TAX

Lodging Tax in the RCW

- Lodging tax can only be spent on Tourism-related:
 - Facilities,
 - Events, and
 - Expansion of a facility that brings tourism to the community
- Restricted
- Authority: RCW 67.28-1816

Incoming Lodging Tax

Where We Use

Hotel/Motel Tax Rates:										
Total 2% Local Option Received	Total 1% Local Option Received	2% State Credit Received		100%	170 Tourist Promotion Operations*	SunDome	171 Capitol Theatre Operations	287 Debt Service-1996 GO Bonds **	370 Convention Center Capital	
1997	317,891	158,945	318,152	794,988	278,788	-	64,500	424,200	27,500	794,988
1998	313,739	156,869	313,407	784,015	292,639	-	70,510	420,865	-	784,014
1999	332,647	166,324	332,144	831,114	290,536	-	70,510	442,569	27,500	831,115
2000	355,160	177,580	356,640	889,379	345,098	-	70,510	446,271	27,500	889,379
2001	361,239	180,620	360,710	902,569	354,408	-	75,810	444,852	27,500	902,570
2002	372,526	186,263	372,654	931,443	370,587	-	86,882	446,473	27,500	931,442
2003	364,145	182,073	364,169	910,387	349,267	-	88,620	445,000	27,500	910,387
2004	372,443	186,222	372,841	931,506	380,569	-	88,620	434,817	27,500	931,506
2005	373,252	186,626	373,252	933,130	437,297	-	90,620	405,213	-	933,130
2006	405,453	202,727	405,371	1,013,551	469,035	-	90,620	426,396	27,500	1,013,551
2007	457,102	228,551	457,103	1,142,756	505,660	-	93,340	426,256	117,500	1,142,756
2008	491,540	245,770	491,539	1,228,849	576,709	-	96,140	426,000	130,000	1,228,849
2009	470,052	235,026	470,059	1,175,137	495,576	-	93,108	442,000	144,453	1,175,137
2010	488,854	244,427	488,853	1,222,135	545,200	-	97,000	428,000	151,935	1,222,135
2011	492,246	246,123	492,246	1,230,615	545,200	-	97,000	428,000	160,415	1,230,615
2012	513,322	256,661	513,322	1,283,306	545,200	-	140,000	428,000	170,106	1,283,306
2013	533,920	266,960	533,920	1,334,800	570,000	-	140,000	428,000	196,800	1,334,800
2014	572,427	286,213	572,152	1,430,792	630,000	-	150,000	428,000	222,792	1,430,792
2015	595,717	297,858	595,719	1,489,294	651,000	75,000	175,000	428,000	160,294	1,489,294
2016	630,211	315,105	630,210	1,575,526	633,550	75,000	200,000	428,000	238,976	1,575,526
2017	658,848	329,424	659,462	1,647,735	660,000	75,000	205,570	428,000	279,165	1,647,735
2018				-						-
				<u>23,683,027</u>						<u>23,683,027</u>

The 1% from State, only for debt, 1997 - current

LT USES

WHAT ELSE CAN WE USE IT FOR?

1. Convention Center expansion

- \$12.5M – new construction for expansion (see cost in next slide)
- \$3.5M- Refi (possible)
- Would be paid for by lodging tax
- Convention Center expansion is an eligible use
- Existing cash flows about the same or better

2. Other Tourism-related Facilities, Events, and Expansion strategies

Sundome

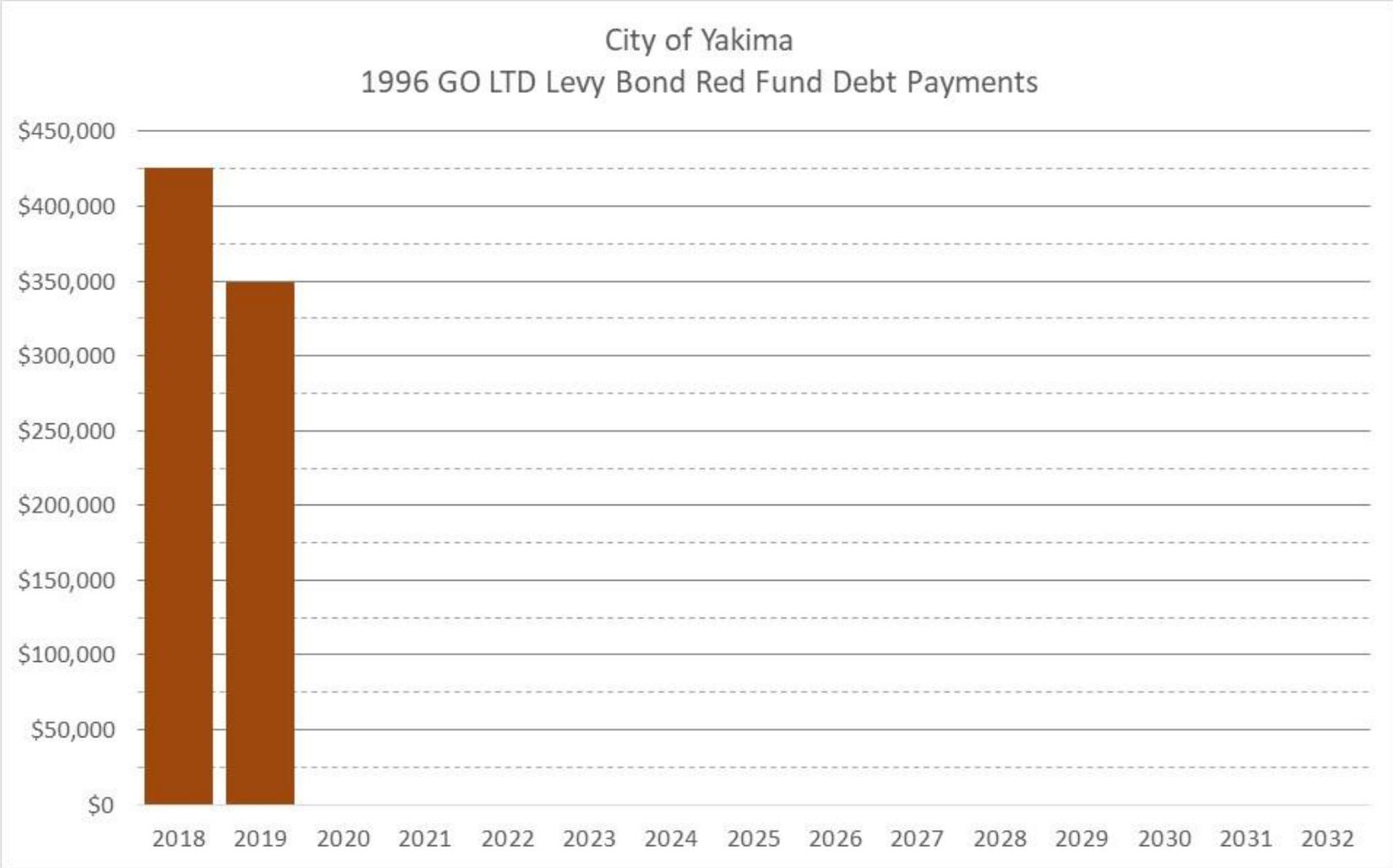
- The debt payment in REET jumped from 40K to 150K because more debt is paid out of REET instead of GF
- Debt paid for 16K sqf expansion (north side), seating capacity increase to 7,100, locker rooms and second floor improvements
- We pay for Debt through REET- \$150,000 in 2019
- We pay for operations through Lodging Tax- \$75,000
- We help Central WA Fair in this manner:
 - \$22,900 in PD time (out of a total: \$33,900 where \$11,000 is reimbursed)
 - \$18,600 in Transit services (Free shuttle)
 - \$5,309 in FD stand by services including OT
 - FD collected \$4,075 in fire inspections fees

Amount Financed	Payoff all Current Debt	Proceeds Available for Project	Interest Rate	Term (Years)	Annual Debt Service	Term (Years)	Annual Debt Service
15,000,000	3,500,000	11,500,000	3.0%	25	857,150	30	761,803
16,000,000	3,500,000	12,500,000	3.0%	25	914,294	30	812,590
17,000,000	3,500,000	13,500,000	3.0%	25	971,437	30	863,377
18,000,000	3,500,000	14,500,000	3.0%	25	1,028,581	30	914,163
15,000,000	3,500,000	11,500,000	3.3%	25	885,819	30	791,482
16,000,000	3,500,000	12,500,000	3.3%	25	944,874	30	844,247
17,000,000	3,500,000	13,500,000	3.3%	25	1,003,929	30	897,013
18,000,000	3,500,000	14,500,000	3.3%	25	1,062,983	30	949,778
15,000,000	3,500,000	11,500,000	3.7%	25	924,842	30	831,982
16,000,000	3,500,000	12,500,000	3.7%	25	986,498	30	887,448
17,000,000	3,500,000	13,500,000	3.7%	25	1,048,154	30	942,913
18,000,000	3,500,000	14,500,000	3.7%	25	1,109,810	30	998,379
15,000,000	3,500,000	11,500,000	4.0%	25	954,696	30	863,039
16,000,000	3,500,000	12,500,000	4.0%	25	1,018,343	30	920,575
17,000,000	3,500,000	13,500,000	4.0%	25	1,081,989	30	978,111
18,000,000	3,500,000	14,500,000	4.0%	25	1,145,636	30	1,035,647

How much does it cost to finance the Convention Center expansion?



LT DEBT-How much do we pay?



Convention Center-related
\$349,000 in 2019
(Historically: \$430K)



Scenario #1 – Status Quo

(If the Convention Center is not expanded)

Pro

- Debt ends Nov 2019
- \$350K freed up for other uses that are consistent with Lodging Tax

Con

- Fewer additional lodging tax due to lost hotel nights
- Fewer additional sales tax due to less convention guests
- 18 clients have left due to inadequate size (8.9M spending loss)
- 12 clients may leave due to capacity (4.8M impact)



Scenario #2 – 18,520 sqf Expansion

Pro

- Additional convention revenue
- Additional Lodging Tax
- Additional Sales tax
- Diversify economy
- Current Lodging Tax pays for \$350K in debt
- Potential improvements to hotels
- We own the land needed for expansion

Con

- Obligates fund for 25-30 years
- If revenues fall short, GF has to subsidize any gap
- Historically, Convention Center has been self sustaining (no burden on GF)
- Cost: \$857K-1.1M (from current sources)



Council & LTAC: Roles and Responsibilities

- City Council- Has decision making authority while Lodging Tax Advisory Committee- provides input
- Spending authorized in budget- Council authorizes or rejects projects
- Once the budget is adopted, Council may notify the LTAC of any changes in uses (projects). LTAC has 45 days to provide input.
- Council may amend 2019 budget any time.
- RCW 67.28.1816 requires all Lodging Tax recipients to provide the Council information on use of the tax and to do annual report to Joint Legislative Audit Review Committee.

RCW 67.28.1816

(b)(i) In a municipality with a population of five thousand or more, applicants applying for use of revenues in this chapter must submit their applications and estimates described under (a) of this subsection to the local lodging tax advisory committee.

(ii) The local lodging tax advisory committee must select the candidates from amongst the applicants applying for use of revenues in this chapter and provide a list of such candidates and recommended amounts of funding to the municipality for final determination. The municipality may choose only recipients from the list of candidates and recommended amounts provided by the local lodging tax advisory committee.

Lodging Tax Advisory Committee-

Appointed by Council:

- Elected official: Mayor Kathy Coffey
- Representatives of businesses required to collect tax:
 - Ledgestone Hotel – Sara Allen
 - Hilton – Lisa Vallejo
 - Oxford Inn – Sara Davila
 - Vacancy
- Businesses authorized to be funded by tax
 - Yakima Valley Tourism - John Cooper
 - Capitol Theatre – Charlie Robin
 - Convention Center – Angie Girard
 - Sundome – Greg Lybeck



PUBLIC FACILITIES DISTRICT

WHAT? WHO? HOW MUCH?

- Public facilities **districts (PFDs)** are municipal corporations with **independent taxing authority** and are taxing districts under the state constitution. There are two enabling statutes, [Ch. 36.100 RCW](#) for counties and [Ch. 35.57 RCW](#) for cities, towns, and contiguous groups of cities and towns. [Ordinance 2002-36](#) -Creates a public facilities district revenue fund, passed 06/2002
- Both the .033% collected for the Convention Center and the .025% collected for the Capitol Theatre are credits against the sales tax that would otherwise be sent to the State. – not a new tax; it is a credit.
- This district encompasses the cities of Yakima, Selah, and Union Gap.

PFD- City Created to Manage Convention Center

Resolution 2001-102 and Ordinance 2001-28 created it: **Responsibilities-** To govern the affairs of the Public Facilities District including; approval of changes in the district's bylaws; oversee the general operation and structure of the district; interface with and advise the Yakima City Council, City Manager and City Staff on operations of the District; interface with the hotel/motel owners and other convention and tourism related businesses within the District. The District was established to lease and operate the Yakima Convention Center. This allows for a portion of the sales taxes currently collected and sent to the state to be directed back to the PFD.

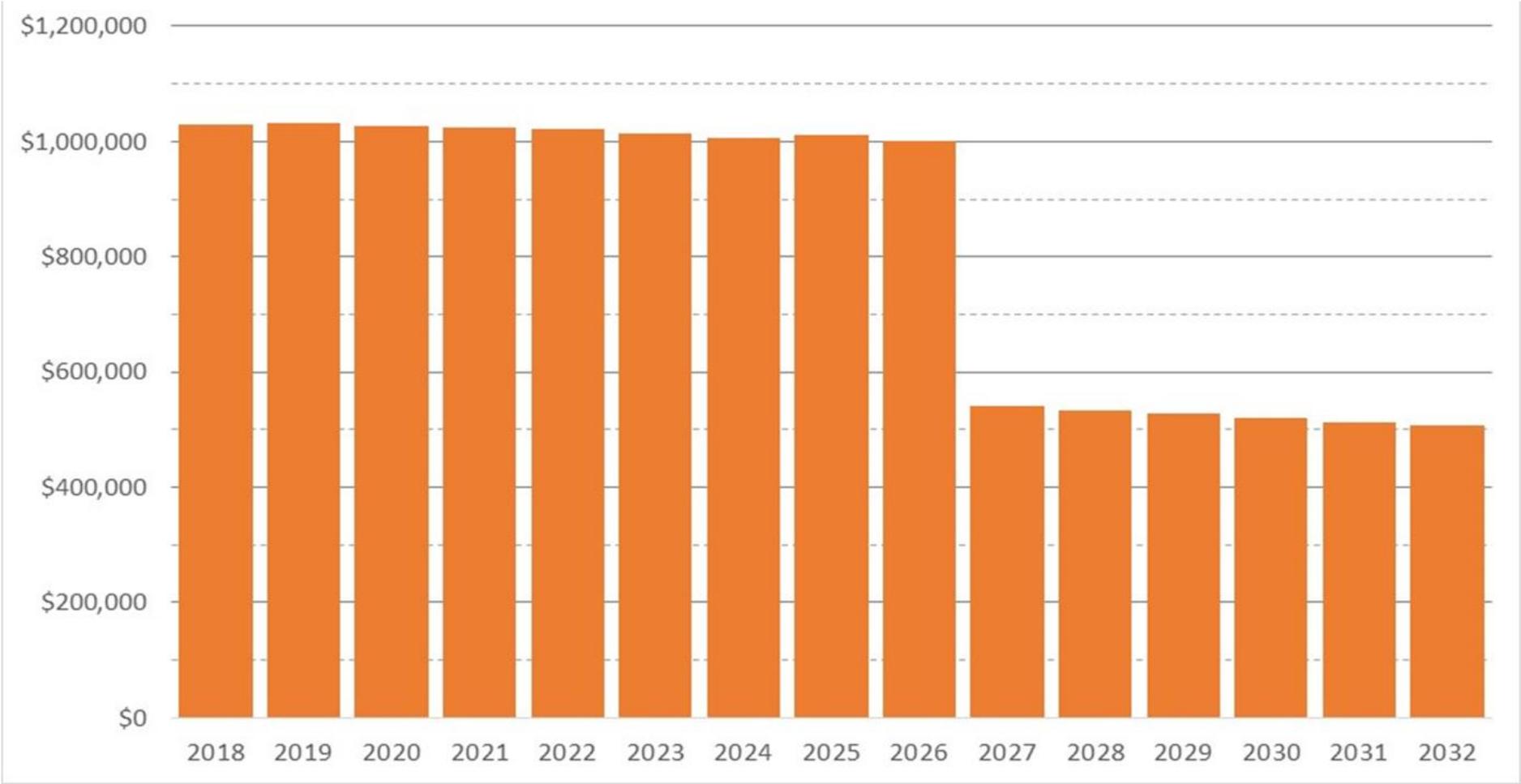
Membership:

1. **Margaret Luera – term expires June 30, 2022- Council appointed**
2. **Ron Gamache – term expires June 30, 2019- Council appointed**
3. **Angie Girard – term expires June 30, 2020- Council appointed**
4. **Ryan Beckett – term expires June 30, 2021- Council appointed**
5. **David Heinl – term expires June 30, 2021- Council appointed**
6. **VACANT (Selah rep) 2013**
7. **David Picatti (Union Gap rep) 2013**
8. **(Ex officio members: Kathy Coffey)**

Members may be removed by ordinance for any reason. Per Ordinance 2001-028 section 11. Charter section 6.2: Board members shall not be council members of the Cities either at the time of their appointment or at any time thereafter.



PFD DEBT- How much do we pay?



Capitol Theatre-related
\$500,000 through 2032
CC Related
\$460,000 through 2026

Public Facilities District History 2014-2018

CONVENTION CENTER FUNDING:	2014	2015	2016	2017	Budget 2018
<u>Revenue:</u>					
.033% Sales Tax Credit Revenue	\$ 796,002	\$ 831,341	\$ 863,866	\$ 890,415	\$ 925,000
Interest	750	750	750	750	750
Total Revenue	\$ 796,752	\$ 832,091	\$ 864,616	\$ 891,165	\$ 925,750
<u>Expenditures:</u>					
<u>Transfers to:</u>					
Convention Center Operations	\$ 70,000	\$ 145,000	\$ 100,000	\$ 100,000	\$ 100,000
Convention Center Debt Service	455,000	462,220	457,720	463,213	463,213
Convention Center Capital	100,000	110,000	155,000	155,000	155,000
Miscellaneous Board Expenses	11,991	21,510	11,972	11,838	15,000
	\$ 636,991	\$ 738,730	\$ 724,692	\$ 730,051	\$ 733,213
Total increase to fund balance	\$ 159,760	\$ 93,361	\$ 139,924	\$ 161,114	\$ 192,538

Where is
the
money
going?

Public Facilities District History

2014-2018

CAPITOL THEATRE FUNDING:	2014	2015	2016	2017	Budget 2018
<u>Revenue:</u>					
.025% Sales Tax Credit Revenue	\$ 602,640	\$ 629,905	\$ 654,332	\$ 674,180	\$ 700,750
Interest	500	500	500	500	500
Total Revenue	\$ 603,140	\$ 630,405	\$ 654,832	\$ 674,680	\$ 701,250
<u>Expenditures:</u>					
<u>Transfers to:</u>					
Capitol Theatre Operations	\$ 57,000	\$ 112,000	\$ 120,000	\$ 127,600	\$ 122,400
Capitol Theatre Debt Service	462,000	464,408	466,883	465,000	465,000
Capitol Theatre Capital	-	50,000	30,000	56,968	60,000
Miscellaneous Board Expenses	11,939	13,510	11,972	11,832	14,000
	\$ 530,939	\$ 639,918	\$ 628,855	\$ 661,400	\$ 661,400
Total increase (decrease) to fund balance	\$ 72,201	\$ (9,513)	\$ 25,977	\$ 13,280	\$ 39,850

What else?

- Can we create more PFD's? No, PFD is attached to a defined area, in this case, the city.
- Can we create more projects in the PFD? It depends- Capitol Theatre
- Foundation documents include: PFD Charter, Bylaws, Interlocal Agreement, Lease Agreement

Tourism Promotion Area

One Last Note: Tourism Promotion Area (TPA)

35.101.010- Definitions.

- (4) "Tourism promotion" means activities and expenditures designed to increase tourism and convention business, including but not limited to advertising, publicizing, or otherwise distributing information for the purpose of attracting and welcoming tourists, and operating tourism destination marketing organizations.

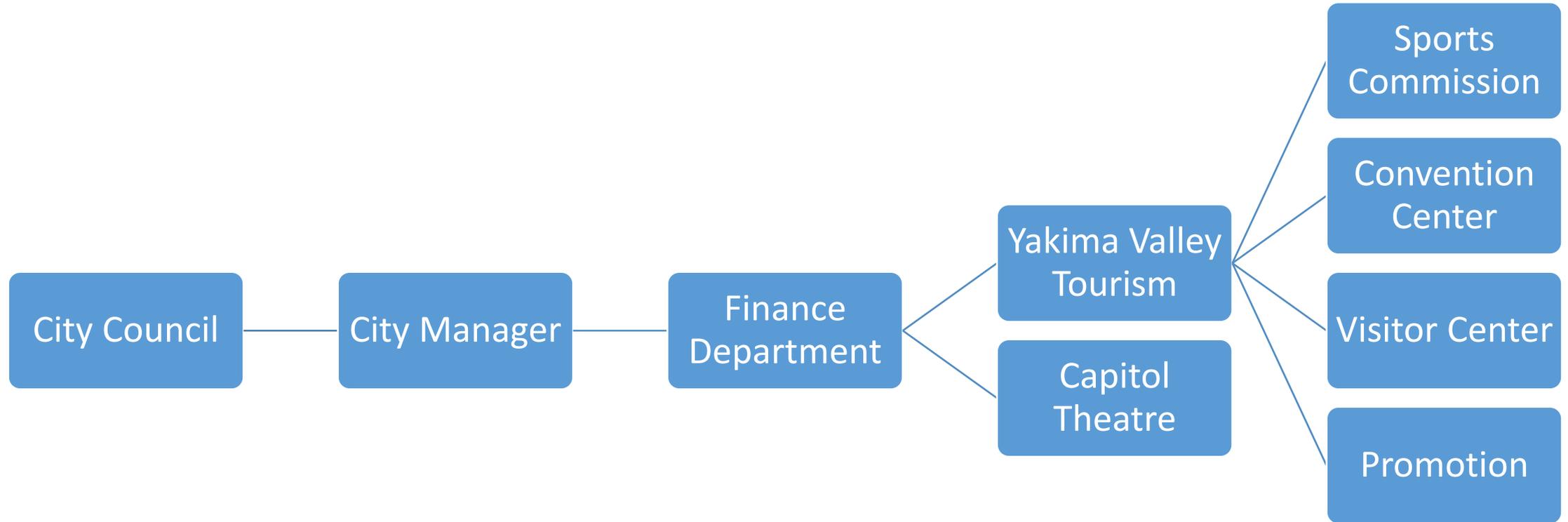
35.101.130. Legislative authority has sole discretion concerning use for tourism promotion— Contracts for operation of area.

- (1) The legislative authority imposing the charge shall have sole discretion as to how the revenue derived from the charge is to be used to promote tourism. However, the legislative authority may appoint existing advisory boards or commissions to make recommendations as to its use, or the legislative authority may create a new advisory board or commission for the [that] purpose.
- (2) The legislative authority may contract with tourism destination marketing organizations or other similar organizations to administer the operation of the area, so long as the administration complies with all applicable provisions of law, including this chapter, and with all county, city, or town resolutions and ordinances, and with all regulations lawfully imposed by the state auditor or other state agencies.
- \$2.00 per room night for promotion only. RCW 35.101.040

Who? What?

- Ordinance 2011-21 establishes the Yakima Hotel and Motel Commission.
- Members: Sara Allen, Sarah Davila (Baymont), Luis Gutierrez (Red Lion), Lisa Vallejo, Sydney Taylor Pons (Best Western), Carmen Mendez and Rand Elliott (Ex-officio)
- RCW 5.99.080 Expenditures from the account may only be used for tourism promotion resulting in overnight stays in the tourism promotion area lodging businesses.

WHO IS IN CHARGE?



SUMMARY: RELATED REVENUES

2019 EXPECTED REVENUES					
		DETAIL			
		PFD	Other	LT	TPA
Convention Center Ops- 170	1	\$ 100,000.00	\$ 928,250.00	\$ 670,000.00	
CC- Capital Improvement- Expan- 310	2	\$ 383,600.00	\$ 500.00	\$ 375,000.00	
PFD CC- Ops- 172	3	\$ 946,000.00			
PFD- Debt Service - CC- 272	4	\$ 459,795.00			
LT- LTGO BONDS/CC- 287	5			\$ 353,750.00	
Capitol Theatre (Cable tax) Ops- 171	6	\$ 144,400.00	\$ 102,750.00	\$ 205,570.00	
CT- Construction- 322	9	\$ 60,000.00			
PFD CT- ops- 174	7	\$ 711,250.00			
PFD-Debt Service-CT (less \$100K IRS rebate)- 272	4	\$ 571,130.00			
TPA- Promotion Area/CC- 173	8				\$ 690,350.00
Sundome- 170	1			\$ 75,000.00	
TOTAL		\$ 3,376,175.00	\$ 1,031,500.00	\$ 1,679,320.00	\$ 690,350.00

AGAIN: How do we pay for the debt if we expand?

- We may need up to 1.1M
- \$430,000 from LT
- \$460,000 from PFD
- \$250,00 from PFD
- =1.1M



Council Policy Direction

- POLICY #20- Capital Facilities Master Plan
 - ~~Convention Center Expansion?~~
 - Other improvements
- POLICY #21- Acceptance of Lodging Tax funded projects for 2019 and Request to review at Council meeting the JLARC report no later than April each year.