



Legislation Text

File #: 21-0832R, Version: 1

RESOLUTION DISTRIBUTING THE ESTIMATED 2022 HOTEL-MOTEL AND FOOD AND BEVERAGE TOURISM TAXES. (REPLACEMENT)

CITY PROPOSAL:

WHEREAS, Tourism Taxes are collected on specific purchases and are used to fund legislatively allowable expenses mandated by Minnesota Laws and City Ordinance.

WHEREAS, it is expected that tourism tax collections will return to pre-pandemic levels of approximately \$12 million. A significant amount of these collections- more than 50%- are set aside through specific authorizing legislation that tied bonding projects to tourism or through previously stated and mandated commitments. These are:

- DECC Improvement Refunding Bonds (AMSOIL Arena) - \$33,440,000
- Tourism Tax Revenue Bonds (St Louis River Corridor) - \$18,000,000
- Spirit Mountain Tax Abatement Bonds (Grand Avenue Chalet & Improvements) - \$7,055,000
- Minnesota Slip Bridge Interfund Loan - \$2,200,000
- Promotion and Publicity 3% Hotel/Motel Tax Mandate

WHEREAS, the allocations for City funding to the General Fund and Parks are focused on the costs of providing services for events and tourist-focused activities which include but are not limited to: Lakewalk, Enger Tower, Rose Garden, Public Safety staffing and road closures for special events.

WHEREAS, the remainder can be spent in ways that align with legislative intent in support of our tourism economy. These funds cannot be unilaterally applied to other non-tourism organizational needs of the City.

RESOLVED, that the 2022 hotel-motel and food and beverage tourism taxes, as estimated, be distributed in the following manner:

| | Total | Promotional & Operational Support | Capital Support & Debt Service |
|----------------------------|--------------|--|---|
| 3% Hotel/Motel Tax: | \$2,908,200 | \$1,112,400 | \$1,795,800 |
| 1% Hotel/Motel Tax: | \$963,600 | \$669,100 | \$294,500 |
| 1% Food & Beverage: | \$2,612,100 | \$2,612,100 | \$0 |
| Additional 2% Hotel/Motel: | \$1,802,300 | \$901,100 | \$901,200 |

| | | | |
|--|--------------|-------------|-------------|
| Additional .75% Food & Beverage: | \$1,959,100 | \$0 | \$1,959,100 |
| Additional .5% Food&Bev & .5% Hotel/Motel | \$1,754,700 | \$0 | \$1,754,700 |
| Tourism Tax Fund Unappropriated Fund Balance | \$1,347,600 | \$1,347,600 | \$0 |
| Total: | \$13,347,600 | \$6,642,300 | \$6,705,300 |
| | | | |
| DECC- Amsoil Arena Debt Service | \$3,754,900 | \$0 | \$3,754,900 |
| Spirit Mountain Bond - Chalet | \$500,000 | \$0 | \$500,000 |
| Spirit Mountain Adventure Park Lease | \$145,700 | \$0 | \$145,700 |
| St Louis River Corridor Debt Service | \$1,754,700 | \$0 | \$1,754,700 |
| Minnesota Slip Bridge | \$550,000 | \$0 | \$550,000 |
| DECC - Bayfront Park Management | \$71,300 | \$71,300 | \$0 |
| DECC - Blue Bridge Operations | \$44,500 | \$44,500 | \$0 |
| Tourism Events Support General Fund | \$1,095,000 | \$1,095,000 | \$0 |
| Tourism Marketing Position | \$100,000 | \$100,000 | \$0 |
| Greater Downtown Council/Duluth Downtown Waterfront District | \$220,000 | \$220,000 | \$0 |
| Lake Superior Zoo | \$510,000 | \$510,000 | \$0 |
| Northern Lights Express | \$15,000 | \$15,000 | \$0 |
| Bellmont Partners | \$1,800,000 | \$1,800,000 | \$0 |
| Event and Convention Sales | \$650,000 | \$650,000 | \$0 |
| Fourth Fest Fireworks | \$57,000 | \$57,000 | \$0 |
| Duluth Airport - Denver Flight | \$50,000 | \$50,000 | \$0 |
| Great Lakes Aquarium | \$320,000 | \$320,000 | \$0 |
| The Depot Foundation | \$200,000 | \$200,000 | \$0 |
| Duluth Sister Cities International | \$25,000 | \$25,000 | \$0 |
| Lake Superior & Mississippi Railroad | \$20,000 | \$20,000 | \$0 |
| Glensheen | \$35,000 | \$35,000 | \$0 |
| Duluth Children's Museum | \$20,000 | \$20,000 | \$0 |
| Hawk Ridge Bird Observatory | \$30,000 | \$30,000 | \$0 |
| North Shore Scenic Railroad | \$50,000 | \$50,000 | \$0 |
| City of Duluth Parks and Recreation | \$46,000 | \$46,000 | \$0 |
| Spirit Mountain Operations | \$450,000 | \$450,000 | \$0 |
| Customs Facility - Cruise Ship | \$450,000 | \$450,000 | \$0 |
| Visit Duluth Website | \$300,000 | \$300,000 | \$0 |
| Zeitgeist Center for Arts and Community | \$25,000 | \$25,000 | \$0 |
| Kraus Anderson Bike Duluth Festival | \$8,500 | \$8,500 | \$0 |
| Bentleyville Tour of Lights | \$50,000 | \$50,000 | \$0 |
| Total | \$13,347,600 | \$6,642,300 | \$6,705,300 |

STATEMENT OF PURPOSE: This resolution distributes the 2022 estimated tourism taxes as required by Minnesota State Statutes, City ordinance, or City policy. A 33% increase in 2022 tax collections was factored in determining the allocations above. A comparison of 2021 approved allocations to 2022 proposed allocations is attached as Exhibit A.

For 2022, the City intends to use \$1,347,600 of unappropriated fund balance from the tourism tax fund.

This year, the City reinstated its application process for tourism tax allocations after taking one year off due to the pandemic and projected decreases in revenue. As in previous years, all applicants were asked to apply for funds, submit budgets, answer a series of questions and report on previous tourism tax funding levels and uses. This is the third year this process has been used and it was implemented with the intent to provide greater accountability, transparency, and process to a significant source of public funding.