



CITY OF TOPEKA

CITY COUNCIL COMMITTEE
MEETING MINUTES

TRANSIENT GUEST TAX COMMITTEE

CITY COUNCIL
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Date: March 16, 2021

Time: 3:00pm

Location: Executive Conference Room; 3rd Floor City Hall 215 SE 7th St. (*virtual option also available*)

Committee members present: Councilmembers Sylvia Ortiz, Spencer Duncan, Michael Lesser

City staff present: Jessica Lamendola (Budget & Finance), Stephen Wade (Budget & Finance), Mary Feighny (Legal), City Manager Brent Trout

1) Call to Order

Committee member Duncan called the meeting to order at 3:04pm.

2) Elect Committee Chair

Committee member Ortiz made a motion to elect Committee member Duncan as the 2021 Chair. Committee member Duncan accepted the nomination. Committee member Lesser seconded. Motion approved 3:0, Committee member Duncan will serve as the committee Chair for 2021.

3) Update: Visit Topeka

Sean Dixon, Visit Topeka, provided a presentation to the committee.

Highlights:

- Began seeing measurable losses on March 10, 2020 as the pandemic began, so one full year later, the numbers are pretty up-to-date.
- The first big event that had to be cancelled due to the pandemic was the Kansas USA Wrestling tournament. This has been a two year cancellation with substantially negative financial results.
- Overall collections were down almost 33%, compared to 2019. Which is a decline of more than \$845,000 in Transient Guest Tax collections alone. It does not take into account

Questions from the committee

- Was the wrestling lost due to COVID?
Yes.

- Is there a way to have people call to receive information about visiting Topeka?
Yes. The Visit Topeka website has continued to provide updated information. The phone lines have also been working.
- Is Heartland Stampede still planning to continue?
Yes, currently. The Thunder Over the Heartland air show is another event that has been planned which will coincide with the Heartland Stampede.

4) Presentation: Stormont Vail Events Center; Renovation & Future [video 10:40 minute mark]

Kellen Seitz, SVEC, provided a presentation to the committee.

[This presentation will be available to view on the TGT Committee's webpage: <https://www.topeka.org/citycouncil/transient-guest-tax-committee/>]

Highlights:

- Renovation began in 2019. It is a \$48M project.
- Expansion to Exhibition Hall to almost double the size, to 78,500 sq. ft.
- NE Entry Expansion: Removed large concrete stairs and has fully enclosed the space to one indoor facility
- Landon Arena: Focused on patron experience and comfort amenities. Added suites for private rental, Prairie Band Party Deck, AV upgrades (4-sided jumbotron, two ribbon board, new seating
- Exhibition Hall & Landon Facilities: Adding more restrooms, additional concessions, additional storage spaces, LED RGB lighting product for sports broadcasting requirements and are fully RGB interfacing to match whatever color and individual lighting fixtures can be controlled.
- Production kitchen: Able to meet any catering needs.
- Domer Arena (equine facility): Added new seating, enclosed the warm-up area, added a drive & drop-off lane on the west side of the facility, added additional restrooms and renovated the ones that were there, renovated the café.
- Parking Lot improvements: Resurfacing and full depth in some areas. This work continues.

Chairman Duncan noted that a silver-lining to the pandemic is that the construction has been able to be completed much quicker than had originally been planned, which saves money and allows for events to begin sooner.

Questions from committee:

- Could you give a quick overview of what you think the next six months to the rest of the year will look like, in terms of planning events and working around the COVID-19 vaccination site?

The vaccination clinics inside of Exhibition Hall have been running since mid-December, 2020. They are due to run through the end of May, 2021. Shawnee County also has a clinic that is currently taking place in the Ag Hall, which will be finishing up at the end of this month as they transition some of their community based vaccination efforts more toward mobile sites. Similarly to the Visit Topeka report, many events are beginning to be booked again. There are a number of offers on the table for live entertainment content. Planning is taking place for events occurring in late summer through the end of 2021, and into 2022.

5) Discussion: Process of tracking/registration; qualification and collection of TGT dollars [video 27:00 minute mark] [*This presentation will be made available to view on the Committee's webpage.*]

Chairman Duncan stated his thought for this item was for Staff to provide the information on how the TGT process works. The process of TGT collection remittance, and what the City's process are for collecting and spending the TGT tax. Jessica Lamendola, Finance Director, provided a presentation about the TGT process.

Highlights:

- Transient Guest Tax (TGT) is levied in the City of Topeka, Kansas upon the gross rental receipts derived from or paid by transient guests for lodging or sleeping accommodations, exclusive of charges for incidental services or facilities, in any hotel, motel, or tourist court.
- Rate charged within the City of Topeka: 7% through 12/31/27, 6% 1/1/28 - 12/31/2032, and 5% 1/1/2033 forward
- Individual establishment collects the tax and remits it to the State of Kansas
- State remits to the City quarterly (late January, April, July and October)
- Once the City receives funding and confirms reporting requirements have been met, remits the allocation to the identified groups
- Of the full 7% TGT, 5% is allocated to the TGT Base, 1% to Sunflower Soccer Association (SSA), and 1% for Special Projects. The TGT Base is what would continue on.

- Goal of TGT:
 - Support conventions/tourism
 - Support City facilities connected with conventions/tourism
 - Defray cost of providing operational services for convention/tourism functions
 - Create innovative projects and activities
 - Promote general economic welfare of the City and its environs, including attracting industry
- The TGT Committee, and then ultimately the Governing Body, reviews, approves and adopts the budget. In 2021's adopted budget:
 - \$1.7M went to Visit Topeka
 - \$221K went to the Visit Topeka BID fund
 - \$221K went to the Topeka Zoo
- For the 1% dedicated to SSA:
 - It was adopted in 2012
 - Sunsets December 31, 2032
 - 1st Project: Extension of sanitary sewer to SSA Property
 - 2nd Project: Multi-function restrooms, concessions, pro shop, office and storage; road improvements/parking lots; landscaping, signage and shade, additional soccer fields
 - 1st project paid in cash; 2nd project bonded in Fall of 2015
 - \$560K approved for field and ground upgrades in 2019
 - In the 2021 Adopted Budget:
 - \$450,190
 - Funds to be used for payment of the special assessments related expenses; Annual debt payment \$273,960.35 and remaining debt service \$1,866,700 to be fully retired by 8/15/2027
 - Annual premium for insurance
- Special Projects:
 - Resolution adopted in 2015
 - Sunsets December 31, 2027

- 4 projects:
 - Downtown Plaza (\$3.435M)
 - Jayhawk Theatre (\$680K)
 - Constitution Hall (\$355K)
 - Evel Knievel Museum (\$300K)
- 2021 Adopted Budget - up to a total of \$432,928
- Reporting Requirements - Individual agencies provide quarterly updates on their progress.
- Director Lamendola noted that an important thing to remember is that the City operates as a pass-through. In cases of a revenue disruption, such as in 2020 due to the COVID-19 pandemic, the City would only pay through what the City has collected. In 2020, the City collected less money, therefore we paid less money to all of the entities.
- A question had been asked about how the City of Topeka ranks compared to other cities in Kansas. Information was taken from the State's website and shows that Topeka's 7% ranks on the lower end of the middle of the pack.
- TGT Budget Process:
 - As we move into the 2022 budget process, the TGT Committee will review and recommend the 2022 TGT budget to the Governing Body before the budget process
 - Preliminary 2022 budget will be modeled on the adopted 2021 budget

Questions from committee:

- Has Sunflower Soccer Association requested additional funding for new projects?
No. The fund has a little over \$140K in it. The second debt service payment accounts for all but \$4,000 of that. The City is not sitting on a significant fund balance.
- With the money we are sitting on, will we use it to make another payment on the debt?
Yes. Payments are made twice annually and the City is current on all payments.
- At the end of 2027, if collections do not get to where we would like for them to be, is the City committed to pay those projects the full amount? Or is it solely contingent on what is collected over the next seven years through TGT dollars?

Payments are contingent on funds available. If there are insufficient funds, SSA would be responsible for paying the remainder of the fee. The other four special projects are completely pass-through.

6) Discussion: Fee & Tax collection structure for Topeka and regional comparison [video 41:10 minute mark]

Chairman Duncan stated he had asked Mr. Dixon to help explain the various fees that are collected when guests check into a hotel room, and he wanted to get an idea of what that looks like in Topeka currently; and what the fees entail as far as what we are actually collecting. He asked Mr. Dixon to share how Topeka compares to other cities, if he has that answer, and if he did not have the answer to talk about how that information could be obtained. Chairman Duncan continued that as the Committee and Governing Body begin to look at some of the budget issues and other things, it would be good to know where we stand on the issue.

City Manager Brent Trout stated that the City of Topeka collects the sales tax rate that the hotels do. The basic rate is 9.15%. If a business is in a Community Improvement District (CID), of 1%-2%, that additional fee would be added to the sales tax number. City Manager Trout provided the example of the hotel located in the Wheatfield Village CID. Guests pay 2% more sales tax at that hotel than they would in another location of the city. The business would also collect the transient sales tax, 7%, and that for each hotel room, there is a \$1 T-BID fee that supports the plaza. The total combined rate could be as high as 12%-18.15% on the top end of the hotel room.

Chairman Duncan inquired if there was any idea of where that information puts Topeka, compared to any sort of region. Mr. Dixon stated that Wichita's T-BID collections are not a percentage and are usually a flat percentage. Wichita is about 16.25%; Overland Park is 18%; Kansas City, KS is 17.13%. Topeka is not the highest, but up toward the top. Mr. Dixon cautioned that moving up an extra percentage point would make the Topeka market less competitive with our comp. set.

Committee member Ortiz inquired as to how long the rates have been like that. Mr. Dixon replied that the additional percentage points were added on within the last decade. For a long time prior, it was only the 5% on the TGT. Kurt Young with the Topeka Lodging Association, stated that this percentage is something that the Lodging Association and Visit Topeka continuously monitor, to understand how

Topeka compares to other markets, because we do not want to put ourselves in a bad competitive situation. He noted that when the T-BID was reviewed, the consideration was made to keep Topeka out of the zone that we did not want to be in. Mr. Young noted that when he built his hotel in 2005, the TGT was 6% and went up to 7%, and that that rate was generated by the hotel industry.

Mr. Dixon clarified that in addition to the TGT percentage, there are additional taxes stacked on top of that rate. The overall effective tax rate for a hotel room will be closer to the 16%-18% in most markets in the state of Kansas. Looking at the outlying competitive states, Missouri is a little lower because they have lower sales tax rates throughout the state. But, for Topeka, we are competing against a lot of other in-state business, so that percentage is not as big of a concern.

Other Items

No additional items.

Adjourn

Chairman adjourned the meeting at 3:51pm.

Meeting video can be viewed at: <https://youtu.be/F299iyHxjiw>