



CITY OF TOPEKA

CITY COUNCIL COMMITTEE MEETING MINUTES

CITY COUNCIL
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TRANSIENT GUEST TAX COMMITTEE

Date: May 8, 2019

Time: 9:30 am

Location: City Hall 1st Floor Conference Room; 215 SE 7th St

Attendance

Committee Members Present: Tony Emerson, Aaron Mays (Chair), Michael Padilla

City Staff Present: Nick Hawkins (Finance)

1) Call to Order

Councilmember Mays called the meeting to order. Committee and staff members introduced themselves.

2) Approve May 2nd, 2019 Minutes

Councilmember Padilla made a motion to approve the minutes.

Councilmember Emerson seconded the motion. Motion carries 3:0.

3) 2020 TGT Fund Budget Review

Nick Hawkins, Budget & Performance Manager, provided an overview of the 2020 TGT fund. As a timeline, the committee will review the suggested items and hear public comment from community agencies at today's meeting. A second meeting will be set up for the end of May to have the committee approve a recommendation. The recommendation will then be presented at a Governing Body meeting and if approved, will be put into the 2020 Operating Budget.

Mr. Hawkins provided a brief overview of how the budget is put together for the Transient Guest Tax noting:

- 7% Tax on room night stays in Topeka:
 - To support tourism
 - Facilities connected with conventions and tourism to defray the cost of providing operational services for a convention and tourism function
 - Create innovative projects and activities
 - Promote general economic welfare of the City and its environment including attracting industry.
- Of the 7% TGT Fund, a 5% base supports those functions.

- Of the revenue received, 2% is taken off and goes toward an administration fee.
- 80% of what is remaining goes to Visit Topeka
- An additional 10% goes to the Visit Topeka Bid Fund
- The remaining 10% goes to the Topeka Zoo through a general fund transfer.
- There is a 1% tax that is allocated to Sunflower Soccer Association. This was adopted in 2012 and will end December 31, 2032. The bulk of these funds go toward a lease payment for prior facility improvements. An additional \$560,000 was provided in 2019 for further improvements.

Mr. Hawkins noted that when discussing “contingency” and the “fund balance” that builds up, it only builds up in the Sunflower Soccer Association piece. The other 5% base and 1% allocation (special projects) are based on a formula where whatever revenue is collected is distributed to those agencies based on that formula.

- The final 1% allocation is for Special Projects, based on a Resolution adopted in 2015, and ends in December of 2027. Four projects are included in this:
 - Downtown Topeka Plaza - \$3.4 million
 - Jayhawk Theatre - \$680,000
 - Constitution Hall - \$355,000
 - Evel Knievel Museum - \$300,000

A percentage of fund money is sent to those groups based on payments received by TGT revenue to the City. The City sends the organizations an email, they correspond with their quarterly report and the payment is distributed.

For 2020, staff is proposing a change to the 5% TGT base, that \$100,000 be transferred into the general fund for special events. The City pays about \$200,000 currently for special events annually which also support tourism, neighborhood development and such. Staff feels this is an appropriate use of those dollars.

Councilmember Padilla asked Mr. Hawkins to provide more detailed information as to what is covered in the \$100,000. Mr. Hawkins noted overtime pay for police, barricades to block street traffic. Mr. Hawkins noted he had a more specific list that he could send to the committee members.

Councilmember Mays opened the floor to the public for comments.

Brett Oetting, President of Visit Topeka, addressed the committee and noted it was the fourth year in a row that he has addressed the committee and staff for the same reason. Mr. Oetting provided two dates: May 24, 2018 - article from the Topeka Capital Journal "Census Bureau: Topeka Population Falls for 6th Straight Year". Second article from the Topeka Capital Journal dated April 23, 2019 "Census Bureau: Shawnee County Population Falls for Third Straight Year". Mr. Oetting noted that Visit Topeka, Downtown Topeka Inc, ArtsConnect, and other organizations enhance and improve the quality of life for people in Topeka. Those organizations also serve as the marketing and communications arm of the City. Mr. Oetting noted that economic development is what Visit Topeka provides for the City. Mr. Oetting noted that through a study by Oxford Economics in 2018, Visit Topeka had an impact of \$377 million of spending in the community from travel and tourism. The tax implications amount to \$34 million for the local area. Mr. Oetting noted three things that could be covered with \$34 million in Shawnee County: every police officer for the year, every single bit of the fire department budget for the year, and the entire Shawnee County Sheriff's Office budget along with the entire Shawnee County Parks + Recreation budget for the year.

Mr. Oetting provided handouts to the committee and staff which showed how Visit Topeka tracks return on investment. There were sixteen different events that received funding from Visit Topeka. Those events received \$153,000 total, which Mr. Oetting noted was a similar amount to the funding that City staff is proposing to remove. Mr. Oetting continued to share the benefits of those events which brought in 75,000 people were brought into the community where they then spent over \$492,000 in sales taxes. Sales taxes were \$5.3 million. Blizzard Bash is an event that has seen a lot of success. Mr. Oetting provided detailed information about the event to conclude that with \$15,000 that was provided to support this event, over \$72,000 in sales tax that was collected in the Topeka/Shawnee County area for the single event. In summary, if \$15,000 for one event brought in this type of revenue, \$100,000 has that impact many times over. Mr. Oetting provided other examples to support the funding to continue the TGT base. Mr. Oetting asked the committee to recommend not transferring \$100,000 to the City's General Fund for Special Events.

Councilmember Padilla inquired with Mr. Oetting about the paring of events with local realtors to participate with the events to provide information to potential clients and whether or not this was happening. Mr. Oetting noted he found the suggested idea to be great. Currently, visitor guides and event information is provided to realtors.

Councilmember Padilla noted that today's generation of working professionals are drawn to a location based on the activity and quality of life and will move based on those things before finding a job, rather than past generations which moved to a location for a job and then found things to do in that area. Mr. Oetting agreed.

Councilmember Padilla then noted that there are many events in the downtown area and inquired if other events could be set up to occur around other areas of the city. Mr. Oetting noted that some discussion had been had between himself and Councilmember Padilla to host a walk or other event in the Hi-Crest neighborhood, and noted that other events around the city could be a definite possibility.

Councilmember Padilla noted that Topeka has a rich heritage and history with regard to ties to the Civil Rights movement. Mr. Oetting agreed and stated that Visit Topeka will be launching a new Heritage Tours program very soon and that a website and passport trail program have been set up.

Councilmember Emerson noted that past conversations have been had to increase the Mill Levy, which is something he is against and he sympathizes with staff who are trying to work with the reductions to the budget as well as keeping the burden to tax payers as low as possible.

Councilmember Emerson noted the increased police presence at events put on by Visit Topeka and inquired as to how that process was conducted, whether by coordination of agencies or done at the request of Visit Topeka. Mr. Oetting noted that Visit Topeka provides a list of events to the Police Department. Mr. Oetting noted the event staff is most concerned about is the Tap That event as it revolves around alcohol.

Councilmember Emerson also inquired if there was a dollar amount on a per event basis that Visit Topeka might be able to provide, perhaps on a cost-sharing partnership. Mr. Oetting noted he spoke to the events fee and that there is a \$50 Event Permit fee, a \$200-\$500 debris deposit that can be returned upon a quality clean-up. From the Greater Topeka Partnership's perspective, cleaning up post-event has been done well and should not take much, if any, of the City's staff time. Mr. Oetting noted additionally that he could only speak to the GTP events, not events put on by other parties.

Councilmember Mays inquired if additional security was provided by the Shawnee County Sheriff's Office. Mr. Oetting was not sure about the SNSO assistance but noted that communication was made to the Topeka Police Department.

Councilmember Mays inquired about the cost of barricades, particularly of the water barricades. Mr. Oetting did not know specific details but noted he felt it was an obscene amount of money.

Kurt Young, President of the Topeka Lodging Association, addressed the committee to compliment statements made by Mr. Oetting. Mr. Young noted that Topeka Lodging Association has made great efforts based on the belief that the Downtown Plaza would be successful. Funds were provided toward the Downtown Plaza to help pay for the annual subsidy of the operation for the plaza, and architectural design. Mr. Younger noted that an estimated \$350,000-\$400,000 that will be supplied to the subsidy. The Topeka Lodging Association is in the position that a continued effort needs to be made on the City's side to find other monies to support the special events fund, and that anything that takes away from the marketing effort that makes Topeka a quality destination will hurt in the end. Mr. Young asked the committee on the behalf of the industry to recognize that removing the \$100,000 out of the Visit Topeka funding is the wrong decision.

Councilmember Mays noted that during the financial quarterly report, it was noted that the sales tax revenues for the first quarter are down.

Christy Classi, Chair-elect on the Visit Topeka Board of Directors and the Executive Director of the Kansas Society of Association Executives, addressed the committee to speak from the perspective of KSAE. Ms. Classi noted that KSAE has 105 state-based executive associations and that the members are state-based. The associations host conferences all over the state and being able to provide a financial incentive to bring them to Topeka is vital. Ms. Classi provided the potential example of a dentist from Salina being interested in moving to Topeka following a four-day conference in the city and enjoying their time here. In summary, Ms. Classi stated that keeping the \$100,000 allocated to Visit Topeka as it is, and being able to fund ten conferences which draw hundreds of thousands of people from the State of Kansas to Topeka is a much better use of the money.

Spencer Duncan, Board Member to the Topeka Performing Arts and Advisory Committee member to the Kansas Expocentre, addressed the committee to present his perspective. Mr. Duncan noted that the contingencies attached to the dollars funded for events that are provided by Visit Topeka are very specific and allow for tracking detailed information. Mr. Duncan stated that he was not personally in favor of nor against the transfer of funds to Visit Topeka, but wanted to share information.

Brent Trout, Topeka City Manager, addressed the committee to speak to the numbers related to Visit Topeka. Mr. Trout asked Mr. Oetting if the numbers presented to the committee on the provided form were the total sales tax dollars created, and stated that if the \$5.3 million in spending generated \$492,000 in total sales tax revenue, only \$80,000 was received by the City of Topeka. Mr. Trout continued that \$100,000 was given by the City to Visit Topeka, and asked committee members to keep in mind the percentage of dollars that go to the City out of the total sales tax revenue received. Mr. Trout did not want to discount the value of the events to the community, however staff is looking for opportunities to address the shortfall within the budget. Mr. Trout addressed the suggestion of raising the special events fee, noting that the intention of the current fee is to be reasonable for smaller organizations, however that perhaps reviewing events on a case-by-case basis could be a consideration. For staff, reviewing all options is necessary and feels that further discussion and verification by staff and Mr. Oetting would be a priority. Mr. Trout noted that comments made by Mr. Oetting with regard to the four main downtown events would be reviewed to find out what the true cost was on the City's end and what the true impact of received income were and to then work out a plan to best support those findings.

Jessica Lamendola, Financial Director, addressed the committee to note that City departments were asked to provide a 3% budget cut for 2020 and that in the end, some departments may be cut further. Ms. Lamendola asked the City's partners to come together with the City as a team to look at ways to become more efficient in making every dollar count. Ms. Lamendola noted that regardless of direct requests made by organizations for the police department assistance or street barricades, the City does not have a choice in whether or not to provide those. Public security and an experience of feeling safe while attending events is necessary for continued attendance at the events.

Councilmember Padilla inquired with Mr. Trout about the event fees and noted that some discussion had been had a number of years ago with the City of Lincoln, Nebraska, who had seen a burden on their budget and police department with the increasing number of events. Lincoln decided to increase their event fee by a substantial amount and found that there was a decline in the number of events. Councilmember Padilla noted that many of the event coordinators joined together to host a single event by both or multiple parties to cover the new event fee, but that it also created a more efficient process overall. Mr. Trout responded that barricade fees were another large fee, but that raising the event fee would be an additional burden for organizations. Mr. Trout noted that finding efficiencies in staffing had also been made.

Councilmember Mays began to speak about the larger budget. Mr. Oetting stepped to the podium to re-address the committee about State and Federal statutes that dictate where and how tourism dollars can be spent. Mr. Oetting also provided the position that Visit Topeka is the sales and marketing team to the City of Topeka and that reducing income to the organization would be detrimental.

Councilmember Emerson inquired about the fluctuating (Business Improvement District) BID fund and questioned if Visit Topeka was constrained to that fund. Mr. Oetting responded that the BID fund is utilized to compete with other cities to bring events to Topeka while at the same time, funds from other budgets is used to put toward being strategic to bringing organizations to Topeka. Councilmember Emerson encouraged Mr. Oetting to reach out to the City for additional funding with regard to bringing larger conferences/events to Topeka, noting he felt it was a positive return on investment. Mr. Oetting provided some examples of ways Visit Topeka tries to help themselves with funding.

Monty Parrish, GM of the Downtown Ramada, addressed the committee to speak to the quality of life brought to the employees of small businesses, and that he does not support transferring the TGT funds.

Councilmember Mays and Mr. Hawkins discussed agenda items for the next committee meeting.

4) Other Items Before the Committee

No other items.

5) Set next meeting date

The Transient Guest Tax Committee will meet again on May, 21 at 9:30am.

Councilmember Mays provided guidance to staff for the next meeting to include: keeping the \$100,000 in the TGT base fund as it stands, and perhaps reviewing events, or finding efficiencies for spending money on barricades. Councilmember Mays noted that in 2018, staff wanted to transfer \$50,000 and the committee and Governing Body did not want to take that action, and now that staff is requesting double there is continued resistance to shift those funds.

Councilmember Emerson tasked staff with researching and providing information about the cost of purchasing/owning barricades as often as they are used.

6) Adjournment

Meeting was adjourned.

The video of this meeting can be viewed at: <https://youtu.be/G93bGyjh9js>