

# **City of West Des Moines Policy Hotel/Motel Tax Funding for Community and External Organizations**

Adopted by City Council January 12, 2015

## **1. OVERVIEW**

The City Council considers funding requests from community and external organizations (“Organizations”) as it develops the City’s annual operating budget for the following fiscal year. Funding for these organizations is allowable under guidelines established for collection of Hotel/Motel taxes. The City’s budget is generally certified by each March 31 for the next fiscal year beginning July 1.

For Hotel/Motel Tax funding to be considered, the Organization must meet one of the following criteria:

- A. Organization must submit a request using the City’s Funding Request Form, as prescribed by this policy, and include all requested information outlined in the next section, by the deadline indicated on the funding request form,

OR

- B. Be party to a 28E Intergovernmental Agreement which obligates the City’s contribution (these entities will not need to complete the Funding Request Form each year).

## **2. DOCUMENTATION REQUIREMENTS**

All Organizations qualifying under criteria (a) above must submit each of the following, along with a completed Request for Hotel/Motel Tax Funding form:

- A. Financial Statements (balance sheet or statement cash position) as of the most recently ended month available.
- B. Income statement/statement of cash flow for the most recently completed fiscal year or calendar year.
- C. For applicants that have received City funding in the immediate prior year, a full accounting of use of prior year funds contributed by the City is required.

In addition, the City may request additional information for clarification or review during the application process.

### 3. HOTEL/MOTEL TAX FUND GUIDELINES

The Hotel/Motel tax is a locally imposed lodging tax that is collected by the State from within the corporate boundaries of the City and remitted to the City on a quarterly basis. Iowa law (423A.4) currently limits a City to a Hotel/Motel tax rate not to exceed 7%. Voters in the City of West Des Moines have approved the maximum tax allowed by the State.

Once funds are received from the State, the City credits a portion of the derived tax revenue to the Hotel/Motel Fund and a portion to the General Fund according to the basic formula outlined below, and specifically defined in Section 5. The basic spending restriction formula is as follows:

- A. Under State law (Chapter 423A), of the Hotel/Motel tax revenue remitted to the City, at least 50% must be spent for recreation, convention, cultural, or entertainment facilities. This includes:
  - 1) Acquisition of sites for, or constructing, improving, enlarging, equipping, repairing, operating, or maintaining related facilities, including parking lots at the facilities; OR
  - 2) Paying principal and interest on bonded debt for recreation, convention, cultural, or entertainment facilities; OR
  - 3) Promotion and encouragement of tourism and convention business in the City and surrounding areas.
- B. Under State law (Chapter 423A), the remaining derived Hotel/Motel tax revenue is credited to the General Fund of the City. The City may spend the derived Hotel/Motel revenue for any of its operations authorized by law within statutory limitations of City revenue derived from ad valorem taxes (property taxes).

State law (Chapter 423A) does not define a “qualified” Organization, however for purposes of the Hotel/Motel Fund revenue funding requests, the City will define a qualified Organization as follows:

- A. The Organization is designated as tax exempt and/or a non-profit entity under the Internal Revenue Code. Consideration may be given to an organization using a fiscal sponsor but will not be funded after three years in this status and must be a certified non-profit by the fourth year, OR
- B. The City has a formal 28E agreement in place that obligates funding.

Further, a “qualified” Organization’s request will be considered for funding from Hotel/Motel tax revenue only if the activities or proposed project for the fiscal year meets the intent of State law for use of the Hotel/Motel revenue and also serve a clearly defined public purpose.

~~The City has a preference~~~~The intent is~~ to support specific programs or services items that will bring in additional Hotel/Motel taxes through additional lodging in West Des Moines or the surrounding area(s). There is also preference for an Organization’s ability to demonstrate that the specific item requested for funding benefits recreation, convention, cultural, or entertainment facilities in West Des Moines and the Greater Des Moines area, or results in or promotes tourism or convention activities, either indirectly or directly.

~~This intent includes the Organization’s operating purpose and whether the specific item requested for funding benefits recreation, convention, cultural, or entertainment facilities in West Des Moines and the Greater Des Moines area, or results in or promotes tourism or convention activities, either indirectly or directly.~~

While not a requirement, it is hoped that the Organization’s request could fund either:

- A. **Capital-related Items** for purchase of assets – land, buildings, motor equipment, furniture, equipment, computers, etc. with a useful life of more than one year, OR
- B. **Special Projects** to support operations or supplies needed to complete a specific non-routine project, OR
- C. **Special Events** intended to support a specific local event or a metro-wide event that generates lodging in West Des Moines or the surrounding area(s).

During the application process, organizations will be asked to provide details such as these categories in order for the City to track award history and its impact on the community.

All applicants, and in particular any applicant which intends to use funding for on-going operations, should be aware that an **award of funding to an organization does not guarantee or imply future (ongoing) funding is ensured or guaranteed.**

#### 4. FUNDING FORMULAS

The amount of funding available for distribution to qualified Organizations is contingent on the City Council first fulfilling its legal obligations under previously-executed 28E Agreements for use of Hotel/Motel proceeds.

The City has executed several 28E Agreements which obligate the City to contribute Hotel/Motel funding before funding other agencies. Those Agencies having a 28E Agreement with the City are not required to complete the City's Funding Request Form described above. Generally these 28E Agreements are established either as a flat dollar contribution, or in 1/7 increments of the Hotel Motel tax. The City's current 28E Agreements are:

**A. Greater Des Moines Convention and Visitors Bureau**

This is a perpetual agreement to award 2/7 of total Hotel/Motel receipts.

**B. Bravo Greater Des Moines, Inc.**

This is a perpetual agreement to award 2/7 of total Hotel/Motel receipts. ~~A deduction from the Bravo 2/7 has been for the Iowa Events Center.~~

~~**C. The Iowa Events Center**~~

~~— A 28E Agreement was created in 2002, amended in 2005, and will end June 30, 2019. The amended commitment is for \$65,000 per year (\$1,300,000 total over 17 years); paid out quarterly.~~

~~The 50% spending requirement of the City for recreation, convention, cultural, or entertainment facilities related to Hotel-Motel tax (Chapter 423A) is met by the combined 2/7 of the above 28E agreements.~~

## 5. FUNDING PRIORITIES

This policy is designed to outline the qualification process for considering funding requests, but acknowledges that the Hotel/Motel revenue source is not unlimited and as such, there will likely not be enough funding to satisfy all requests. The City Council will likely not be able to fully fund all requests and reserves the right to fund some Organizations at a lower or higher amount than requested.

All requestors much demonstrate a public purpose in their application and be willing to enter into a written agreement. To help guide funding decisions, the City Council has developed the following priorities (from highest priority to lowest priority) to evaluate the funding requests received from Organizations:

- A. 28E legal obligations
- B. Special events/projects that directly bring in lodging stays to West Des Moines
- C. Capital-related projects with direct West Des Moines impact
- D. ~~All other requests that do not have direct West Des Moines impact~~

## **6. APPEAL PROVISIONS**

Under exceptional circumstances, if an entity misses the deadline for the submission of their application for funding, they may appeal to the City Manager for consideration of a late application. Any appeals will be forwarded to the City Council for review. Under no circumstances will a late application be considered if it is after the date of the City Council meeting when all applicants are required to give presentations.