



FAIRBANKS CITY COUNCIL
SPECIAL WORK SESSION – DECEMBER 2, 2022
MEETING WILL BE HELD VIA [ZOOM WEBINAR](#) AND AT
FAIRBANKS CITY COUNCIL CHAMBERS
800 CUSHMAN STREET, FAIRBANKS, ALASKA

SPECIAL WORK SESSION

7:00 A.M.

1. Roll Call

2. Ordinance No. 6223 – An Ordinance Amending Fairbanks General Code Chapter 74, Article V, Room Rental Tax, to Change the Allocations to Golden Heart Plaza/Barnette’s Landing and Discretionary Grants. Introduced by Council Member Marney.
 - a) Room Rental Tax History
 - b) Room Rental Distributions
 - c) Room Rental Use of Funds
 - d) Timeline of Sponsor’s Proposal
 - e) Explore Fairbanks’ Proposal vs. Current Distribution Model
 - f) Open Discussion on Ordinance No. 6223

3. Adjournment

ORDINANCE NO. 6223

**AN ORDINANCE AMENDING FAIRBANKS GENERAL CODE
CHAPTER 74, ARTICLE V, ROOM RENTAL TAX, TO CHANGE
THE ALLOCATIONS TO GOLDEN HEART PLAZA/BARNETTE'S
LANDING AND DISCRETIONARY GRANTS**

WHEREAS, the room rental tax was first enacted as the hotel/motel tax in 1979;
and

WHEREAS, the rate of the tax was increased to the current 8 percent in 1985; and

WHEREAS, the "purpose and limitation" section of the ordinance has been amended at least 10 times since 1979; and

WHEREAS, Explore Fairbanks deserves recognition for its diligent, hard work which has resulted in an increase in tourism for the Fairbanks North Star Borough, especially during the winter tourist season; and

WHEREAS, the allocations for discretionary grants and to Golden Heart Plaza/ Barnette's Landing have not been changed since 2003; and

WHEREAS, Golden Heart Plaza is a historical landmark that annually attracts many thousands of visitors from all over the world; and

WHEREAS, in 2021, the City received discretionary grant applications from 32 organizations requesting a combined total of \$857,512; and

WHEREAS, in 2022, the City received discretionary grant applications from 29 organizations requesting a combined total of \$784,156; and

WHEREAS, as recognized from the original enactment of the hotel/motel tax, discretionary grant applicants play an important role in attracting visitors to Fairbanks; and

WHEREAS, had discretionary grant funding been adjusted for inflation, today's grants would total \$585,000.

NOW, THEREFORE, BE IT ENACTED BY THE CITY COUNCIL OF THE CITY OF FAIRBANKS, ALASKA, as follows:

Section 1. FGC Sec. 74-117(b) is amended as follows [new text in **bold/underline** font; deleted text in ~~strikethrough~~ font]:

Sec. 74-117. Room rental tax purpose and limitation.

(b) Subject to annual appropriation, revenues collected under this article shall be allocated as follows:

- (1) The City of Fairbanks will receive 22.5 percent for fund collection, administration, and tourism impact.
- (2) ~~\$500,000~~400,000 will be distributed annually as follows:
Fairbanks Economic Development Corporation \$ 100,000.00
Golden Heart Plaza and Barnette Landing Maintenance \$ ~~50,000.00~~
~~30,000.00~~
Discretionary Grants \$ ~~350,000~~ 270,000.00
- (3) All remaining room rental tax revenues will be distributed to the Fairbanks Convention and Visitors Bureau, dba Explore Fairbanks (hereinafter "Explore Fairbanks").
- (4) **The allocations under this section will be reviewed by the city council at least once every five years.**

Section 2. That the effective date of this Ordinance is the ____ day of _____ 2022.

David Pruhs, Mayor

AYES:
NAYS:
ABSENT:
FAILED:

ATTEST:

APPROVED AS TO FORM:

D. Danyielle Snider, MMC, City Clerk

Paul J. Ewers, City Attorney

HISTORY OF THE ROOM RENTAL TAX (aka bed tax)

<u>Date</u>	<u>Ord/Res</u>	<u>Tax Rate</u>	<u>Comments:</u>
May-79	Ord #3793	2%	Implementing ordinance: Postponed twice and finally adopted August, 1979. Established a 2% rate, a Commission on Economic and Tourism Development to recommend uses of the monies collected to council, and stated the purpose of the tax. Five people testified at the original public hearing held 05/21/1979. Four of the five were from the hotel industry with two of those opposed to implementation. The other two had concerns about various aspects of the tax with one saying that he would like to see the ordinance have more consideration for the hospitality industry when it come to distributing funds. The fifth person to testify was from the visitor's bureau. He had concerns over the proposed amendments to the ordinance. There was no further testimony at future meetings.
Nov-79	Ord #3856	--	Eliminated the Commission on Economic and Tourism Development
Nov-81	Ord #4053	6%	Raised the tax to 6%. There was no reason stated.
Feb-85	Res #2633	--	The first time flat amounts were set aside for two organizations: Alpar and the Beautification Committee.
Jun-85	Ord #4436	--	FCVB first listed under purpose of the tax use and set aside a flat 60% for them while requiring certain financial information.
Jun-85	Ord #4438	8%	Raised the tax to 8% and dedicated 25% to Alaskaland.
Jul-85	Res #2689	--	Re-established a committee to review the bed tax discretionary funds: Consisted of two Council Members, two representatives of the local visitor industry, and one "citizen".
Jul-87	Ord #4670	--	Repealed 25% dedication to Alaskaland.
Aug-87	Ord #4688	--	Bed and Breakfasts added to the list of those required to collect the tax.
May-88	Ord #4771	--	Set out exact distribution percentages and started process of forward funding the tax. 10%: FEDC; 70% - FCVB; 15% - Discretionary; 5% - Forward Funding.
Aug-89	Ord #4870	--	Before H/M funds disbursed, City should subtract overhead costs by the City's Finance Department.

<u>Date</u>	<u>Ord/Res</u>	<u>Tax Rate</u>	<u>Comments:</u>
Sep-90	Ord #4947	--	Costs for one downtown patrolman taken off the top before disbursements (along with accounting costs previously passed).
Nov-91	Ord #5024	--	All percentages are eliminated and there is no mention of any organization in the intended purposes section.
Feb-92	Ord #5039	--	All City costs associated with the H/M tax (not just accounting) are to be taken off the top before distribution. Also, Golden Heart Plaza maintenance is added to City expenses along with existing patrolmen.
Oct-94	Ord #5206	--	Limited total amount of H/M taxes that could be distributed to \$1.3 million.
Oct-96	Ord #5299	--	Eliminated all language regarding \$1.3 million limitation and City expenses reimbursement. Essentially, the distribution was now totally up to the council with no restrictions.
Apr-00	Ord #5415	--	Changed the purpose of the tax and re-established percentage allocations.
Oct-00	Ord #5420	--	Charter amendment to remove Hotel/Motel tax from tax cap limitations
Dec-01	Ord #5461	--	Changed reporting requirements of FEDC and FCVB.
Nov-02	Ord #5506	--	Penalty established for failure to file sales tax returns and make timely payments of H/M taxes.
Mar-03	Ord #5520	--	Substantial changes-Distribution and percentage allocations: City - 22.5%; FEDC - \$100,000; Golden Heart Plaza/Barnette Landing - \$30,000; Discretionary grants - \$270,000; Remainder to FCVB. Reporting requirements established. Committee re-established to two from the City (1 from the Council), two from FCVB, two from discretionary recipients, one from FEDC.
Sep-03	Ord #5550	--	Adding (h) under 74-117 establishing criteria and protocol required for application and selection for discretionary grant monies. Composition of the Committee changed to: Five community members and a Council Person who functions as Chair.
Nov-04	Ord #5580	--	Adding exemptions to set out government employee exemptions.

<u>Date</u>	<u>Ord/Res</u>	<u>Tax Rate</u>	<u>Comments:</u>
May-05	Ord #5606	--	Amend the exemptions to match the FNSB.
Dec-05	Ord #5629	--	Clarifying procedures for operators seeking exemption for a permanent resident.
Jul-06	Ord #5652	--	Adding 74-120 through 74-147 Adopting uniform collection, interest and penalty procedures for all taxes.
Nov-06	Ord #5674	--	Amended Code to allow the postmark date to count as filing/remittance date.
May-07	Ord #5696	--	Removed "recommendations" committee and designated Finance Committee to review the budgetary process for compliance with the distribution formula. (According to the 05/21/07 minutes, this was the reasoning behind Ord #5696: <i>Mr. Cleworth stated that some years ago there was a battle over distribution rates and that ratios were changed by the Council. An Ordinance was written based on those meetings. The committee was formed, via that Ordinance, to police the Council to make sure that the council complied with the code. The committee was never formed and no one was ever appointed. Further, the system in place now seems to be working and the need for the committee is no longer an issue.</i>)
Aug-09	Ord #5781	--	Misc. clarifications on application deadlines and terms of office. Adding the structure of meetings and committee deadline to submit numerical assessments prior to distribution meeting.
Jun-10	Ord #5807	--	Amend the exemptions to match the FNSB
Nov-10	Ord #5822	--	Granted CSP funding for 2011, 2012, 2013 and 2014
Sep-11	Ord #5857	--	Specified the purpose of the Hotel/Motel Discretionary Fund
Oct-11	Ord #5862	--	Required that grant recipients use funds exclusively for purpose(s) stated in application and provided an October 31 deadline requirement for reporting to remain eligible for future funding
Jan-13	Ord #5901	--	Modified factors relating to taxes due and the penalty structure for filers
Jan-13	Ord #5913	--	Amended definitions in hotel/motel sales tax ordinance

<u>Date</u>	<u>Ord/Res</u>	<u>Tax Rate</u>	<u>Comments:</u>
Jun-21	Ord #6172	--	Repealed and Reenacted all sales/excise tax codes; requirements and penalties for sales/excise taxes consolidated to Chapter 74, Article III; Hotel/Motel tax renamed to Room Rental tax and moved from Article IV to Article V of Chapter 74

**CITY OF FAIRBANKS
ROOM RENTAL TAX DISTRIBUTIONS**

CITY OF FAIRBANKS [8% Tax - 22.5% City & 77.5% Promote Tourism & Economic Development]

	YR2017	YR2018	YR2019	YR2020	YR2021	5YR Total	Percent	YR 2022	Percent	Change
Room Rental Tax	\$ 3,145,048	\$ 3,380,579	\$ 3,430,782	\$ 1,473,829	\$ 3,148,807	\$ 14,579,045		\$ 4,200,000		
Explore Fairbanks	\$ 2,037,413	\$ 2,219,949	\$ 2,258,856	\$ 742,217	\$ 2,040,326	\$ 9,298,760	63.8%	\$ 2,855,000	68.0%	\$ 814,674
FEDCO	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 100,000	\$ 500,000	3.4%	\$ 100,000	2.4%	\$ -
Golden Heart Plaza	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 30,000	\$ 150,000	1.0%	\$ 30,000	0.7%	\$ -
Discretionary Grants	\$ 270,000	\$ 270,000	\$ 270,000	\$ 270,000	\$ 270,000	\$ 1,350,000	9.3%	\$ 270,000	6.4%	\$ -
City of Fairbanks	\$ 707,635	\$ 760,630	\$ 771,926	\$ 331,612	\$ 708,482	\$ 3,280,284	22.5%	\$ 945,000	22.5%	\$ 236,518

**ROOM RENTAL TAX NON-DISCRETIONARY RECIPIENTS
PROFIT & LOSS STATEMENTS
AS OF DECEMBER 31, 2021**

	Explore Fairbanks	FEDCO	Golden Heart Plaza
REVENUES			
City of Fairbanks	\$ 2,040,326	\$ 100,000	\$ 30,000
FNSB	794,207	350,000	-
Other	192,205	200,294	1,000
In Kind	75,129	-	-
TOTAL	<u>3,101,867</u>	<u>650,294</u>	<u>31,000</u>
EXPENSES			
Salaries & Benefits	1,102,589	422,121	21,009
Advertisement	1,346,789	13,796	-
Dues & Subscriptions	15,769	10,356	-
Insurance	14,122	18,819	-
Postage & Direct Mail	171,553	686	-
Professional Services	11,278	13,278	53,887
Rent	196,388	40,200	-
Telephone & Utilities	12,003	10,492	-
Travel	17,140	893	-
Other Program Costs	17,767	4,384	5,024
Other Admin Costs	135,182	31,271	-
In Kind	75,129	-	-
TOTAL	<u>3,115,709</u>	<u>566,296</u>	<u>79,920</u>
NET INCOME	<u>\$ (13,842)</u>	<u>\$ 83,998</u>	<u>\$ (48,920)</u>

DATE: December 1, 2022
TO: Council Members
FROM: Lonny Marney
SUBJECT: 2022 Timeline

January 19 – Discretionary Fund Wrap-Up Meeting; Committee members expressed concerns about the amount of funding. Mr. Marney stated he would address this item in September.

August 24 – Mr. Marney informed Explore Fairbanks board of directors his intent to propose a change in the allocations.

August 31 – Met with CFO regarding the payments to Explore Fairbanks and the allocations to other agencies.

September 1 – Met with CFO, City Clerk, and City Attorney to discuss the next steps for addressing the change in allocations; CFO tasked with preparing a report that determine the amount in discretionary grant funds if CPI was applied every year.

September 2 – Met with Scott McCrea to discuss the proposed changes to the allocation.

September 6 – Discussed at Finance Committee Meeting.

September 6 – Met with Scott McCrea of Explore Fairbanks, Jomo Stewart of FEDC, Julie Jones of Festival Fairbanks, and Jessica Pena of Fairbanks Arts Association.

September 7 – Met with Scott McCrea and received their proposal. Met with CFO to provide Explore Fairbanks proposal. [This report only reflects one of several meetings with Mr. McCrea.]

September 12 – Met with CFO regarding Explore Fairbanks Proposal that included a change in the allocation method.

September 20 – Discussed at Finance Committee Meeting. Committee Members expressed concerns about changing the allocation method since the city would receive less funds.

October 4 – Discussed at Finance Committee Meeting.

October 18 – Discussed at Finance Committee Meeting.

November 14 – First reading at Council Meeting.

November 22 – Discussed at Finance Committee Meeting.

November 28 – Second reading at Council Meeting – Postponed.

CITY OF FAIRBANKS
ROOM RENTAL CURRENT & PROPOSED ALLOCATIONS

	Current Formula \$4,200,000		Current Formula with Proposal \$4,200,000		Explore Fairbanks Proposal \$4,200,000			Current Formula City Pay \$4,200,000				
COF	\$	945,000 22.5%	\$	945,000 22.5%	\$	943,500	\$ (1,500)	25.5%	\$	845,000	\$ (100,000)	20.1%
DISCRETIONARY	\$	400,000	\$	500,000	\$	500,000			\$	500,000		
EXPLORE	\$	2,855,000 68.0%	\$	2,755,000 65.6%	\$	2,756,500	\$ (98,500)	65.6%	\$	2,855,000	\$ -	68.0%