



## CITY OF KIRKLAND

### City Manager's Office

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## MEMORANDUM

**To:** Dave Ramsay, City Manager  
Tracey Dunlap, Finance Director

**From:** Sheila Cloney, Special Projects Coordinator

**Date:** September 22, 2008

**Subject:** 2009-2010 TOURISM BUDGET RECOMMENDATION

### RECOMMENDATION

Staff recommends that the following proposed budget be included in the City Manager's Preliminary 2009-2010 Budget and that staff be directed to continue to work with the Lodging Tax Advisory Committee for input. This report is also being submitted as the 2007-2008 Finance Director report on the Tourism Program as required by RCW 67.28,

### BACKGROUND

Lodging Tax provides the revenue source for the Tourism Program based on a percentage of the sale of hotel/motel rooms in Kirkland. KMC Chapter 5 and RCW Chapter 67.28 govern the use of Lodging Tax revenue and define the role of the LTAC in recommending how the revenue should be spent. Pursuant to KMC Chapter 5.19.230 the LTAC shall submit a report to the City's Finance Director regarding the proposed use of the tax revenue to ensure that fund expenditures are consistent with the intended use and long term stability of the lodging tax fund. This memo shall constitute the report from the LTAC.

During the LTAC's review of the staff's proposed tourism budget, concerns were expressed about the tourism program's management as it related to staff duties compared to contracted duties. The LTAC was unable to develop an alternate budget proposal for consideration by the City Manager in sufficient time for inclusion in the preliminary budget. The LTAC expressed an interest in exploring alternative options for staffing and management of the tourism program and to return with a recommendation later this year. Staff is preparing information in response to this request and plans to have more information to the committee by the first of the year.

Attachment A summarizes the 2009-2010 preliminary budget for the tourism program as presented by staff. Since the LTAC did not reach consensus on a budget recommendation, staff recommends that the budget as presented be considered by the City Manager as the proposed tourism budget until further study can be completed with the LTAC. Please note that the outside agency grant portion of the budget was reviewed and accepted by LTAC.

## TOURISM BUDGET

### **Revenues**

Lodging Tax revenue has steadily increased over the past three years reflecting the addition of two new hotels (Marriott and Heathman). The following table provides a five-year history of lodging tax revenue including the 2009-2010 Estimate which was used in developing the tourism budget.

	Lodging Tax Revenue
2004	\$124,952
2005	\$135,952
2006	\$153,468
2007	\$212,193
2008 (est)	\$237,000
2009 (est)	\$235,000
2010 (est)	\$265,000

The Lodging Tax Fund will have an estimated available fund balance of \$176,000 at the end of 2008 (available balance after 2009/2010 reserves and carryover requests are funded). The LTAC is recommending that the available fund balance be used for \$17,000 of the outside agency grant recommendation and for the two proposed service packages (\$55,000).

### **Expenditures**

The 2009-2010 proposed tourism budget falls into the three general categories:

- Program Management
- Contracted Public Relations and Marketing Services
- Outside Agency Grants

#### Program Management

Program management is provided by the Tourism Program Coordinator and administrative support by staff in the City Manager's Office. Generally, the Tourism Coordinator is responsible for implementing the Tourism Marketing Plan first adopted in 2002. Until 2007, program coordination was provided by a .10 FTE Special Projects Coordination. In 2007-2008, staff support was increase to .25 in recognition of the growing importance of Tourism as one of the City's economic development efforts and revenue generators.

In late 2007, the LTAC recommended that program support be increase from .25 FTE to .90 FTE beginning in July 2008 so that a more robust Tourism Program could be developed with available revenue. The City Council subsequently approved the LTAC's recommendation and the staff's proposed 2009-2010 budget reflects the previously-adopted staffing level.

Internal staff performs a variety of functions including:

- Overall coordination of tourism program
- Coordination of regional and national public relations and marketing consultants
- Maintenance of ExploreKirkland website content
- Overall coordination of marketing materials and program business tools
- Oversight of lodging tax outside agency grants
- Management of tourism budget
- Staff support to the Lodging Tax Advisory Committee

- Program reporting to Kirkland City Council and the State of Washington
- Marketing and promotion of tourism events
- Stakeholder and partnership development, support and networking opportunities
- Development and distribution of the monthly Kirkland Event Guide (KEG)
- Contract management with vendors
- Maintenance and development of Kirkland travel asset data base
- Coordination with State of Washington (CTED) program and with other local and regional tourism professionals and associations.

In 2008, the LTAC determined that an update of the Tourism Marketing Plan and branding exercise should be undertaken. Building on the feedback received at a Tourism mini-retreat in May '08, the Tourism Coordinator will work with a consultant to measure community, business and tourism stakeholder preferences (see proposed service package). This data will be used to guide future efforts of the Tourism Program and to develop an integrated 3 to 5-year marketing strategy that will define Kirkland's market position and be supported by key messages and branding concepts. The strategy will be based on Kirkland's unique assets, marketing demographic, geographical location and market position with Seattle/King County, Washington State and the Northwest region. It is expected that the updated marketing strategy will have longevity and will complement the existing marketing and branding efforts of other tourism products being offered locally and state-wide.

In addition to these special projects, staff will continue existing tourism activities:

- The Tourism Coordinator will work closely with local hotels, the Seattle Visitors and Convention Bureau, the State of Washington, and surrounding cities to improve Kirkland's offering and create awareness of Kirkland as an Eastside destination. The tourism and economic development and Cultural Council programs have now been formally combined in an effort to create efficiencies and leverage opportunities. The combination of these three programs is typical in other cities and on the state level.
- The Tourism Coordinator will manage the re-design of the ExploreKirkland.com website. While successful in its current state, ExploreKirkland.com will need to undergo a redesign in 2009. LTAC recognizes that this expenditure may range from \$25,000-\$35,000 and recommends using the available lodging tax fund balance to finance the web update (see proposed service package).
- Demand for print, downloadable, and online publications is steady. As the Kirkland Event Guide and other visitor-related collateral materials become more popular, the Coordinator will pursue streamlined and cost-effective methods for gathering and distributing content to target markets in print and online formats.
- Travel and industry shows, media blitz, and media market places are an opportunity for staff to pitch Kirkland directly and establish relationships with media and travel professional writers. Shows are typically held in large cities such as Los Angeles and New York. The Tourism and Economic Development video improves Kirkland's offering at these events. The Coordinator recently partnered with Washington State to attend the Adventures in Travel Expo which is an annual international show that Seattle secured in 2008. In lieu of a participation fee of \$2500 staff traded hours worked at the State's booth for a presence at the expo.
- In 2008, in an effort to ensure that tourism funds are being spent most effectively, State law now requires that an annual report be filed regarding the estimated return on investment generated by lodging tax revenues granted to outside agencies. The Coordinator together with the Finance Department will ensure compliance with these more stringent requirements. A regular format for reporting tourism program performance measures has also been developed and will be provided to the City Council quarterly.

- The Coordinator allocates a modest advertising budget among publications directed at overnight visitors and day-trippers coming from at least 50 miles away. Advertising dollars are currently used for publications such as Sunset, Where Magazine, the Seattle Visitor's Guide, Seattle Travel Planners and Meeting Planners guides, and state-level visitor publications that serve Kirkland's tourist market. Each of these publications has a wide distribution and some offer free advertorial and supplemental publications.

### **Contracted Public Relations and Marketing**

Public Relations and Marketing consultants provide senior level expertise and expand the programs reach beyond local and regional markets. The consultants' existing relationships with media in major markets allow them to pitch Kirkland to travel writers generating interest and repeat coverage and requests for information about the Kirkland tourism product. The national media consultant has secured media to attend familiarization tours in 2007 and 2008 that resulted in top level coverage of Kirkland as a travel destination. Consultants have access to media contact databases, work with staff on annual storylines and prepare travel related editorials about the area for submission to local, regional and national media outlets. Consultants generate and track the value of earned media and impressions on target audiences. The local consultant disseminates calendar listings (generated and prepared by City staff) to target media, print and online publications and blogs on a local, regional and national level. Consultants also assist with media campaigns as they relate to key tourism events (i.e. Kirkland Uncorked as a tourism event).

### **Outside Agency Funding**

The Lodging Tax Advisory Committee recommends that \$47,000 be allocated to outside agencies for tourism promotion activities. Funding requests were received in the amount of \$74,000 as part of the outside agency funding process (attachment B). Applications were reviewed for consistency with state guidelines and how the proposal meets the priorities established in the Tourism Marketing Action Plan. Tourism funding will be used for products such as the Kirkland Gallery Association Art Guide, Kirkland Performance Center brochure, and national ads. Bold Hat's grant request for marketing of Kirkland Uncorked is being recommended by the LTAC contingent on receipt of an economic impact statement that was not available at the time LTAC reviewed their request. The Lodging Tax Advisory Committee will make its final recommendation on funding Kirkland Uncorked upon receipt of the final financial report and economic impact statement on the event.

### **Summary**

Tourism, like other types of marketing and public relations oriented activities, relies on a variety of disciplines to function effectively. Staff now has more dedicated time to oversee marketing, public relations, web development, and distribution and creation of collateral materials, while focusing on developing the overall tourism program to its full potential. These efforts support the overall purpose of the program to diversify the local economy. Over the coming months, staff will work closely with LTAC to better understand and address their concerns regarding the direction of the tourism program.

**PROPOSED 2009-2010 TOURISM BASIC BUDGET**

(excludes proposed service packages)

	2009	2010	Notes
<b>PROGRAM MANAGEMENT</b>			
Tourism Staff	116,820	117,934	Tourism Coordinator at .90 FTE and hourly administrative support at approximately .25 FTE. Provides overall coordination of tourism program including : contract management and reporting; development and maintenance of asset databases and collateral materials; stakeholder and partner support and networking; coordination of website design and maintenance, support for LTAC, and management of the lodging tax budget; coordination with the State of Washington (CTED) tourism program and other local and regional tourism professionals and associations.
Training and Travel	4,200	4,200	Participation in local, regional and national travel trade shows, media blitz events, media marketplace, and training.
Dues and Memberships	1,000	1,000	Seattle Visitors and Convention Bureau, Public Relations Society of America (PRSA)
Internal Technology Charges	5,944	6,212	PC and Telephone service and support
Office Supplies, Postage and Copies	3,200	3,200	General supplies, and tourism promotional items. Printing of monthly Kirkland Event Guide.
<b>Subtotal Program Management</b>	<b>131,164</b>	<b>132,546</b>	
<b>CONTRACTED SERVICES</b>			
Graphic Design	5,000	5,000	Concept-to-completion design. Ad and brochure production such as maps, rack cards, shopping and dining guides.
Advertising	21,000	21,000	Targeted ad buys in regional and national publications with wide circulation
Brochure Printing	5,000	5,000	Outside printing of collateral materials (i.e. maps, rack cards, brochures)
Press Clip Service	1,800	1,800	Press clipping service provider used by Tourism Coordinator for monitoring press coverage. (Used in addition to free online services).
Clean Pix	5,000	5,000	Hosting service to enable client to store, manage and transfer digital asset files (pictures) via the CleanPix digital asset management hosting system.
Web Hosting	500	500	Monthly Web hosting service fees
Special Projects	10,000	10,000	As requested by LTAC or City Council
Photography	3,000	3,000	As needed for development of marketing and collateral materials and for posting to Clean Pix service
Regional Distribution Service	5,000	5,000	Annual regional distribution and stocking of brochures through display racks (e.g. Washington State Ferries, Sea-Tac Airport, Walla Walla, I-5 Corridor locations.)
National Publicist	18,000	18,000	Senior level expertise from independent travel industry publicist to expand reach beyond local and regional market. Consultant manages national media relations in major markets, secures travel writers for local tours, provides access to media contact databases, pitches to media include story line development and copywriting. Consultant generates and tracks value of earned media and impressions on target audiences.
Local Marketing and Public Relations	15,000	15,000	Senior level expertise from independent PR and Marketing professional. Dissemination of calendar listings to target media, print and online publications locally, regionally and nationally. Conduct media campaigns as they relate to key events (i.e. Kirkland Uncorked as a tourism event). Preparation and distribution of seasonal storylines targeted to local and regional markets. Generate and track media impressions on target audience.
<b>Subtotal Contracted Services</b>	<b>89,300</b>	<b>89,300</b>	
<b>TOURISM GRANTS</b>			
Grants to Outside Agencies	47,000	30,000	See attached memorandum for details
<b>TOTAL TOURISM BUDGET</b>	<b>267,464</b>	<b>251,846</b>	


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**MEMORANDUM**

**To:** David Ramsay, City Manager  
Tracey Dunlap, Finance Director

**From:** Sheila Cloney

**Date:** September 24, 2008

**Subject:** 2009 Tourism Outside Agency Requests – LTAC Recommendation

The Lodging Tax Advisory Committee (LTAC) reviewed requests for tourism grants totaling \$74,000. The LTAC recommends increasing the total 2009 Tourism Outside Agency funding amount from \$30,000 to \$47,000. Their recommendation is based on maintenance of 2008 funding levels and the degree to which the request supports tourism activities. The following table summarizes the LTAC's recommendation for 2009.

<b>Agency/Project</b>	<b>2008 Funding</b>	<b>2009 Requested</b>	<b>2009 Recommended</b>	<b>Notes</b>
Kirkland Gallery Association Brochure Printing and Distribution	-	\$21,000	\$3,000	Additional \$5,000 for distribution will be allocated through Tourism Budget
Concours d'Elegance Marketing	\$6,000	\$8,000	\$8,000	Provides national-level advertising
Celebrate Kirkland Marketing	\$4,000	\$6,000	\$3,000	
Kirkland Uncorked	\$30,000	\$15,000	\$15,000	Final approval pending receipt of economic impact statement in October 2008
Kirkland Performance Center Brochure	\$8,000	\$12,000	\$8,000	
Kirkland Artist Studio Tour Marketing	\$2,000	\$4,000	\$2,000	
Kirkland Downtown Association Marketing	\$8,000	\$8,000	\$8,000	
<b>Total</b>	<b>\$58,000</b>	<b>\$74,000</b>	<b>\$47,000</b>	

The base Lodging Tax budget has historically allocated \$30,000 for tourism grants. The LTAC recommends that additional funds in the amount of \$17,000 be allocated from the available fund balance in the Lodging Tax Fund (estimated available fund balance is \$176,000 at the end of 2008).