

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

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 each spring 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 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 and/or Statement of Cash Flows for the most recently completed fiscal year or calendar year.

C. For applicants that received City grant funding in the immediate prior year, a full accounting of how prior year grant funds were spent is required.

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

3. FUNDING 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 serve a clearly defined public purpose.

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 percentage increments of the Hotel Motel tax revenue collected by the city.

5. FUNDING PRIORITIES

This policy is designed to outline the qualification process for considering grant 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 grant 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 applicants for funding must demonstrate a public purpose in their Funding Request Form application and be willing to enter into a written agreement.

To help guide funding decisions, the following priorities (from highest priority to lowest priority) will be used to evaluate requests:

- A. Applicants providing recreational, cultural, or educational programming to West Des Moines residents
- B. Applicants hosting special events which bring lodging stays and similar economic impact to West Des Moines
- C. Applicants which aid and support basic human needs of West Des Moines residents.

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.