



MEMORANDUM

To: Kurt Triplett, City Manager
From: Diana Hart, Government Affairs Manager
Date: October 11, 2024
Subject: **2025-2026 Outside Agency and Tourism Budget Issue Paper**

RECOMMENDATION:

Staff recommends City Council reviews the Outside Agency and Tourism Budget issue paper for the 2025-2026 budget cycle.

EXECUTIVE SUMMARY:

The City Manager's Office allocates Outside Agency Funding based on the following categories:

- **Partner Agencies** – Organizations that operate an ongoing program or facility owned by the City or provide services on behalf of the City. This designation is given to the Kirkland Performance Center (KPC) and the Kirkland Downtown Association (KDA). \$90,000 of ongoing general fund support is recommended for the KDA and \$100,000 of one-time general fund support is recommended for the KPC.
- **Special Events** – Events that have significant public appeal and are substantially funded and staffed by the City. In 2014, the City Council adopted a policy identifying a category of "Community Events" that are significant community events primarily intended for Kirkland residents and that do not require an admission fee to attend. The City Council designated the 4th of July Celebration, Summer Concert Series, and the Winterfest events as Community Events. WM grants for these three annual events are matched with one-time general fund contributions, \$32,000 is recommended for the two externally produced events (Summer Concert Series and Winterfest).
- **Tourism Funding** – The Tourism Development Committee (TDC), acting as the Lodging Tax Advisory Committee (LTAC), develops a recommendation to the City Council for the Explore Kirkland Tourism Program Budget for tourism projects and activities and funding for outside agencies producing tourism events. The TDC's recommended 2025-2026 budget of \$694,704 includes the annual \$60,000 Explore Kirkland Tourism Program Grant.

BACKGROUND:

Partner Agencies in 2023 – 2024 Budget

The City allocated \$90,000 of ongoing general fund to the Kirkland Downtown Association and \$100,000 of one-time general fund to Kirkland Performance Center to support operations and services provided on behalf of the City.

Special Events in 2023 – 2024 Budget

In 2013–2014, WM, the City’s contracted waste hauler formerly known as Waste Management, agreed to contribute \$224,000 over seven years (\$32,000 per year) to help fund Community Events. The City renewed its contract with WM on July 1, 2022, which included \$40,000 annually in donations to community events. The City Council allocated the funds as follows in both 2023 and 2024:

- 4th of July Celebration: \$20,000
- Summer Concert Series: \$10,000
- Winterfest: \$10,000

Since 2015, the City Council has matched WM’s contributions to support those same events at the same allocation amount. The City matched WM’s contribution with one-time funding for 2023-2024 for a total of \$64,000 (\$32,000 per year).

The 4th of July Celebration organization transitioned from the Kirkland Downtown Association (KDA) to the City of Kirkland in 2023. Due to the KDA’s support in 2023 of the transition, the WM’s contribution for the 4th of July Celebration continued to be distributed to the KDA in 2023 and was retained by the City to support the event in 2024.

A portion of the City’s annual Partner Agency support to the Kirkland Downtown Association of \$45,000 also supports event organization and promotion.

Tourism Funding in 2023 – 2024 Budget

The Tourism Development Committee (TDC) recommended and the Council approved the utilization of the City’s lodging tax revenues to be expended on City’s tourism program which includes staff support of tourism activities and management of the TDC, the Explore Kirkland digital platform, and digital marketing in addition to an annual \$60,000 per year grant program to support tourism events, activities, and marketing that attracted visitors from more than 50 miles away.

RECOMMENDED FUNDING FOR 2025-2026

Partner Agency

The 2025-2026 recommendation is to continue to support the KDA and the KPC as partner agencies through the biennium through general fund contributions.

Agency	2023–2024 Approved	2025-2026 Recommended	Source
Kirkland Downtown Association (KDA)	\$90,000	\$90,000	Ongoing General Fund
Kirkland Performance Center (KPC)	\$100,000	\$100,000	One-Time General Fund

Special Events

WM’s contract continues to include \$40,000 annually in donations to community events over the term of the new 10.5-year contract which began in 2022. The City Manager is recommending that the City’s matching contribution maintain at historical levels for the two externally produced events, Summer Concert Series and Winterfest. The City’s match for the 4th of July event is now captured in the event’s funding through the Parks and Community Services Department service package. The funding recommendation by event and year from both the City and WM is as follows:

WM Community Event Sponsorships

Community Event	2025	2026	2025-2026	Source
4 th of July	\$20,000	\$20,000	\$40,000	WM
Summer Concert Series	\$10,000	\$10,000	\$20,000	WM
Winterfest	\$10,000	\$10,000	\$20,000	WM
Total	\$40,000	\$40,000	\$80,000	WM

City Match Contributions

Community Event	2025	2026	2025-2026	Source
4 th of July	-	-	-	One-Time General Fund <i>Parks and Community Services Service Package</i>
Summer Concert Series	\$8,000	\$8,000	\$16,000	One-Time General Fund
Winterfest	\$8,000	\$8,000	\$16,000	One-Time General Fund
Total	\$16,000	\$16,000	\$32,000	One-Time General Fund

2025-2026 Tourism Budget

The Explore Kirkland tourism program is funded by the Lodging Excise Tax of one percent (1%) collected from short-term accommodations as authorized by state statute RCW 67.28. The City Manager's Office oversees the Explore Kirkland tourism promotion program with the primary goal of attracting visitors to Kirkland to sustain a vibrant and healthy economy. The City Manager's Office also provides staff support to the Tourism Development Committee (TDC), which acts as the Lodging Tax Advisory Committee as required by statute, and whose role is to provide recommendations on the use of the lodging tax funds and help guide Explore Kirkland tourism program goals and priorities.

The TDC unanimously recommended the 2025-2026 budget and 2026 Explore Kirkland Grant awards at their October 10, 2024, meeting to the City Council for consideration. The City's lodging tax revenues continue to exceed estimates and, combined with expense actuals coming in below budget, the City's lodging tax reserves are now well exceeding the target identified in the City's reserve policy. The TDC recommends maintenance of the core programs in the 2023-2024 budget with the inclusion of three new programs to the 2025-2026 budget that reflect a 12.4% increase in expenditures:

1. Woodinville Wine Country Annual Membership - \$12,000
 - Woodinville's wine industry continues to be a strong driver of tourism to Kirkland as Kirkland offers many of the hotel, restaurant, shopping, and activity opportunities that align with the interests of wine tourists. Joining Woodinville Wine Country as a member will enable feature of Kirkland hotels, restaurants, shops, and activities in WWC's promotions.
2. PacerAI Tourism Tracking and Reporting - \$16,000
 - The City Manager's Office initiated a one-year pilot subscription with PlacerAI in the Economic Development budget for 2024 that enables the City to utilize anonymized location data to evaluate the service to improve data informed programming and decision making. Due to the success of the pilot and the strong alignment of the tool to advance the City's tourism program, the subscription is recommended to be included in the tourism budget moving forward.
3. Event Marketing - \$20,000
 - The 2024 Event Marketing pilot was funded as a Explore Kirkland grant recipient and is recommended for relocation to the City's tourism program in alignment with the other marketing programs. The pilot is still in early deployment but is expected to be

a helpful tool focused on providing digital marketing of the events occurring in Kirkland to promote Kirkland as a premier destination for tourism travel.

The TDC updates its criteria each year to evaluate applications for the annual Explore Kirkland Tourism Program Grant. For the 2025 grant program, the following criteria was utilized:

- **Tourist Attraction and Marketing—50 points**
The extent the event/program demonstrates the ability to attract visitors from 50 miles or more away and generate overnight stays.
- **Project Scope—20 points**
The extent the event/program improves the City's overall values of providing a positive and welcoming visitor experience to everyone including people of color (BIPOC – Black, Indigenous and People of Color), people of different cultures, people who do not speak English, LGBTQIA+ people, people of different economic status, and people with accessibility needs; and promoting the area's existing attractions including the Kirkland waterfront, Totem Lake, the Cross Kirkland Corridor and other compelling areas of Kirkland.
- **Economic Impact—10 points**
The extent the event/program will generate a positive economic impact by supporting small Kirkland-based businesses and increasing visitor expenditures in Kirkland.
- **Project Success and Sustainability—10 points**
The extent the applicant has a track record of implementing a successful event/program including contract and permit compliance. The ability of the event to secure additional funding sources beyond City of Kirkland tourism funding.
- **Community Collaboration—10 points**
The extent the applicant partners and collaborates with other Kirkland events and organizations and especially forms culturally diverse partnerships, in leveraging resources and marketing efforts.

Bonus Points:

- **New Event—15 points**
New event/programs that have been in existence for less than three years qualify for up to 15 bonus points.
- **Shoulder Season Impact—10 points**
Events that take place in the shoulder season (October–April) qualify for up to 10 bonus points.
- **Multiday Competitive Tournaments (athletic and otherwise)—10 points**
Events that offer multiple days (two or more) of competitive activities, whether athletic tournaments or competitive gaming events, qualify for up to 10 bonus points.

Based on the TDC's interviews of grant applicants and scored applications against the above criteria, the TDC recommends maintaining the annual \$60,000 Explore Kirkland in 2025 with the following organization and event awards:

Organization & Event	2025 Funding Request	2025 Funding Recommendation
Iranian Society of Washington State - Nowruz Celebration (3/23/25)	\$13,800	\$2,500
Little League Baseball Inc. - Junior League Softball World Series (7/28/25–8/2/25)	\$15,000	\$15,000
Cascade Stride - 12ks of Christmas (12/25/25)	\$3,000	\$1,000
Studio East - Summer Teen Musical (7/25/25-7/27/25 & 8/1/25-8/3/25)	\$5,000	\$1,000
Studio East - StoryBook in the Park (weekend in August 2025)	\$1,500	\$1,000
Kirkland Arts Center - Fringe Festival Development (9/12/25 – 9/14/25)	\$10,000	\$10,000
Bold Hat - Kirkland Uncorked (7/18/25-7/20/25)	\$22,000	\$19,500
Kirkland Arts Center - ARTful Summer (8/2/25)	\$5,000	\$2,500
Running Joyfully - Kirkland Downtown Road Mile (4/26/24)	\$5,000	\$2,500
Kirkland Downtown Association - Kirkland Waterfront Car Show (8/10/25)	\$18,000	\$5,000
	\$98,300	\$60,000

Summary of Recommended Funding

The following tables provide a summary of the recommended funding levels by type of funding. Partner Agencies and Special Events are funded in 2025 and 2026. Tourism funding will be updated upon the TDC’s final recommendation in October of 2024 and will include a base budget for 2025-2026 and grant award recommendations for 2025.

2025-2026 Funding Requests and Recommendations

Source: General Fund	2023–2024 Approved	2025–2026 Requested	2023–2024 Recommended
Partner Agency - Ongoing	\$90,000	\$90,000	\$90,000
Partner Agency - One-time	\$100,000	\$100,000	\$100,000
External Special Events (City Portion Only)	\$64,000	\$32,000	\$32,000
Subtotal General Fund	\$270,000	\$222,000	\$222,000

2025-2026 Funding Requests and Recommendations

Source: Lodging Tax	2023-2024 Approved	2025–2026 Requested	2025–2026 Recommended
Tourism Grant Funding	\$60,000/year	\$60,000 in 2025	\$60,000 in 2025
Total Tourism Budget (including Grant Funding)	\$618,523	\$694,704	\$694,704

If the City Council is interested in modifying the lodging tax funding recommendations, RCW 67.28.1816 requires that the City Council “may choose only recipients from the list of candidates and recommended amounts provided by the local lodging tax advisory committee” and must submit proposed change(s) to the TDC for review and comment at least 45 days before final action is taken.