IRVING
TEXAS

# MEMO

To: Chris Hillman, City Manager

From: Bret W. Starr, Chief Financial Officer

Date: February 21, 2025

Subject: Hotel Occupancy Tax Collections Report – February 2025

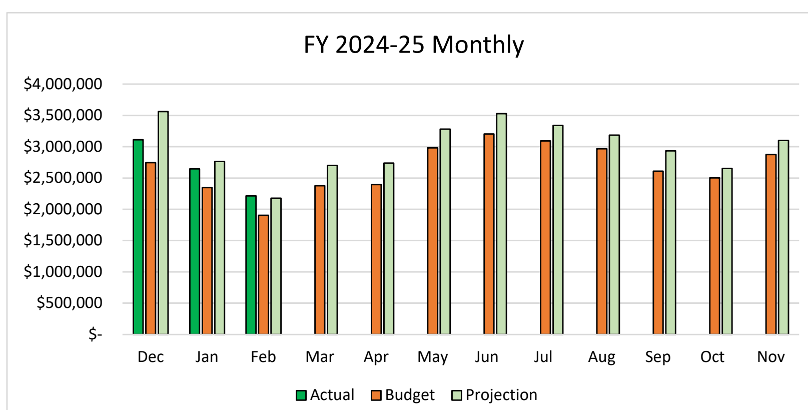
As shown in the table and graph below, total Hotel Occupancy Tax (HOT) collections for February 2025 (for December sales) were $2,214,712, $310,364 or 16.3% above the projected budget of $1,904,348. This is the third month of collections for FY 2024-25. The FY 2024-25 budget projection was held constant from the prior year with monthly projections and allocations based on collection patterns for the prior three years and revenue and occupancy forecasts by Tourism Economics as of March 2024. Collections for the month include $37,416 in prior period collections, penalties, and interest and 191,474 in audit collections. Collections from short term rentals (STR) account for $54,707 or 2.47% of the total.

HOT collections to date for FY 2024-25 are above prior year collections by $647,204 or 11.46%. and above budget by $947,574 or 13.9%.

**FY2024-25 HOT Cash Flow Projections vs Actuals**

**Updated on 2/18/2025**

| Month | FY 2024-25 Budget | FY 2024-25 Actual | FY 2024-25 Projection | Percent Difference |
|---|---|---|---|---|
| Dec | 2,746,121 | 3,111,709 | 3,562,845 | 13.3% |
| Jan | 2,346,712 | 2,645,334 | 2,763,349 | 12.7% |
| Feb | 1,904,348 | 2,214,712 | 2,176,640 | 16.3% |
| Mar | 2,377,994 | - | 2,701,381 | 0.0% |
| Apr | 2,393,163 | - | 2,738,416 | 0.0% |
| May | 2,982,209 | - | 3,280,468 | 0.0% |
| Jun | 3,202,344 | - | 3,526,881 | 0.0% |
| Jul | 3,093,553 | - | 3,338,988 | 0.0% |
| Aug | 2,965,433 | - | 3,185,444 | 0.0% |
| Sep | 2,608,674 | - | 2,934,611 | 0.0% |
| Oct | 2,501,664 | - | 2,654,076 | 0.0% |
| Nov | 2,875,340 | - | 3,100,398 | 0.0% |
| | 31,997,554 | 7,971,755 | 35,963,496 | -75.1% |




ICVB has engaged Tourism Economics, an Oxford Economics company, to prepare a custom forecast of key indicators for the City of Irving. The analysis relies on historical data developed in Tourism Economics' prior research on the Dallas tourism economy, Smith Travel Research hotel data, economic forecasts prepared by Oxford Economics, and assumptions on the future path of tourism sector recovery. They will be preparing semi-annual estimates of key lodging measures (supply, demand, room revenue, occupancy, ADR, RevPAR) over the next several years.

Their latest report was presented to the ICVB Board in January 2025 and included hotel data collected through December 2024. This report projected a decrease in revenues for FY 2024-25 from the March 2024 projections. The budget for FY 2024-25 was held at the same amount as the FY 2023-24 budget and is still below the revised projections. The next update is scheduled to be presented to the ICVB Board in May 2025 which will be incorporated into the FY 2025-26 Budget.

Key assumptions from the report include:

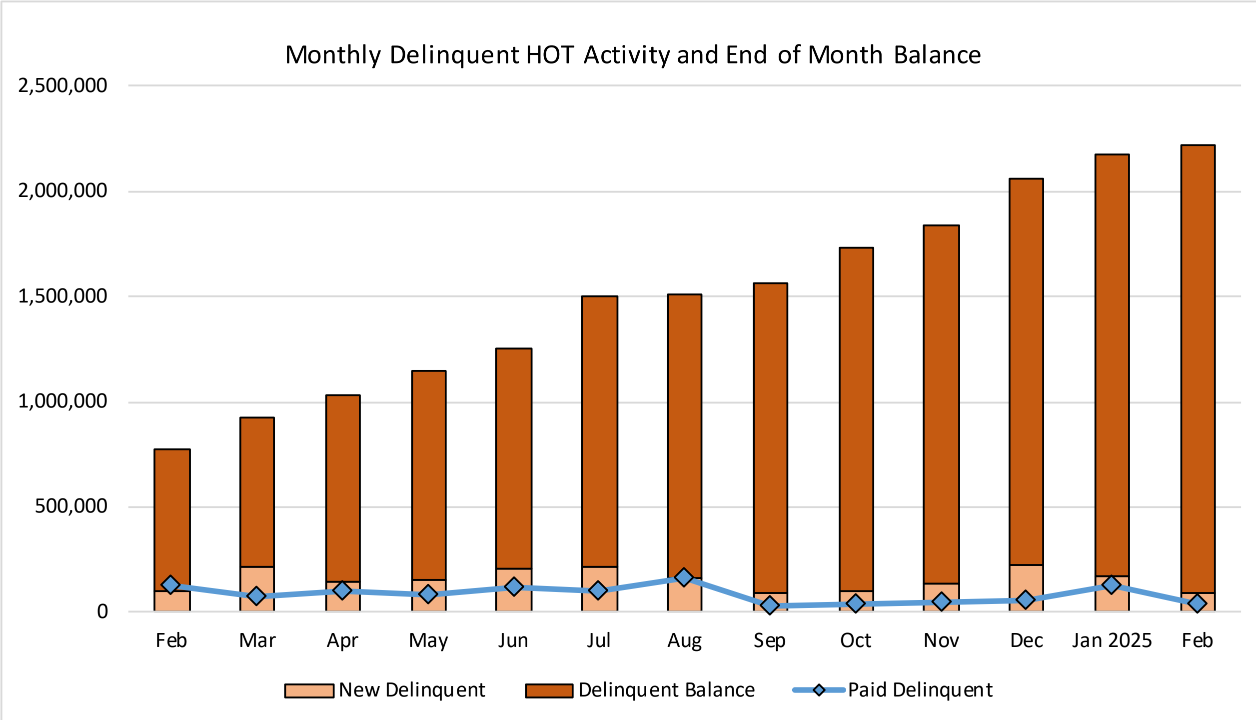
- US economy is headed toward a soft landing and projecting a GDP growth of 2.6% in 2025.
- Looking at the new administration, Tourism Economics is using a “limited” Trump scenario right now due to the fact there may not be support to accomplish all items on the agenda.
- The essentials (housing, utilities, food, gas, clothing) are consuming more of the low-income household budgets; therefore, these households are dedicating their budgets to the essentials more so than high-income households have to.
- The extension of the 2017 tax break will factor into household spending.
- Corporate profit margins look strong and this will aid corporate, transient and group hotel bookings. Business travel intentions are growing.
- Hotel room revenue grew 0.6% in 2024; this is slightly below previously forecasted growth of 1.9%.
- We expect more normalized room revenue growth in 2025.

Key data points from the report include:

- Expect Irving hotel room revenue to grow 2.2% in fiscal year ending September 2025.
- We expect room revenue to grow 5.0% in fiscal year ending September 2026.
- High income earners continue to spend, including on travel/lodging.
- Low-income earners are dedicating more of their budgets toward essentials due to inflation.
- The economy is headed for a “soft landing”. The results of the election and the current “limited” Trump scenario will positively affect the short term, with negative effects in the long term.
- FIFA World Cup in 2026 is expected to positively affect hotel performance throughout the Dallas area, including Irving.

Staff will continue to remain conservative in their projections as the outlook continues to improve.

For February 2025 the outstanding delinquent collections balance, including penalty and interest, was $2,220,850 of which $90,312 is newly delinquent for the month with the remainder outstanding from prior months. Two properties have had significant outstanding balances due from prior months. On June 8, 2023, Council authorized the city’s tax collection contractor, Linebarger, to file suit for the recovery of unpaid taxes, penalties, interest, and legal fees associated with collection efforts. The chart below shows total delinquent amounts for January 2025, the delinquent amounts added in the current month, and the amount collected on prior delinquent amounts. Monthly balances and collections are shown for the prior twelve months as a reference.




The HOT revenue budget of $32.0 million for FY 2024-25 represents the total 9 percent city HOT assessed. Of the city's 9 percent tax, 2 percentage points are allocated to the Convention Center Complex Fund to repay debt issued for the purchase of the land for the Convention Center, Convention Center hotel, and entertainment venue, as well as the construction costs of the Convention Center. An additional 2 percentage points are allocated to the construction and maintenance of the Entertainment Venue in the Convention Center complex.

The remaining 5 percentage points are allocated to the operations of the Irving Convention and Visitors Bureau (ICVB), Irving Arts Center (IAC), and Museums, as well as to preservation and redevelopment efforts and debt service for the Convention Center. Revenue is distributed to each area as follows: 57.0 percent to the ICVB, 35.5 percent to the IAC, 4.0 percent to debt service, 2.5 percent to Museums, and 1.0 percent to historic preservation. State law further limits how much HOT revenues can be spent on the arts, so the IAC distribution may be reduced marginally to comply with required maximums, with any excess funds dedicated to the Museum fund.