



CITY OF SACRAMENTO
CALIFORNIA

OFFICE OF THE
CITY MANAGER

November 13, 1980

Revised December 9, 1980

CITY HALL
915 I STREET - 95814
(916) 449-5704

APPROVED
BY THE CITY COUNCIL

DEC 9 1980

OFFICE OF THE
CITY CLERK

City Council
Sacramento, California

Honorable Members in Session:

SUBJECT: Allocation of Transient Occupancy Tax Revenues to Convention and
Visitors Bureau

SUMMARY

For sometime the Budget and Finance Committee and the staff have been discussing the allocation of Transient Occupancy Tax revenues to the Convention and Visitors Bureau with a Committee appointed by the Bureau. At the present time the Bureau receives 1% of the Transient Occupancy Tax revenues. This report recommends that the formula be changed to a base allocation of \$350,000 for 1980-81. For each fiscal year thereafter the previous year's total allocation would be added to the amount equal to the annual increase in the C.P.I. or ten percent (10%) whichever is less for the given year. This report also recommends that \$30,000 be allocated from the Transient Occupancy Tax revenues to S.A.C.T.O. At this point \$30,000 has been advanced by the City to SACTO, so that when the Ordinance becomes effective the City will be reimbursed from Transient Occupancy Tax revenue.

BACKGROUND

When Proposition 13 passed, the City Council instructed the staff to make the Community Center self-supporting and to fund the Visitors and Convention Bureau from the Transient Occupancy Tax. It was agreed then that up to 1% of the T.O. Tax would be allocated to the Bureau.

Since that time, the revenues from the T.O. Tax have been increasing at an accelerating rate. As a result of these increases, the City Council asked that we re-evaluate the "1% agreement" and attempt to arrive at an equitable alternative with the Bureau.

These discussions have gone on for some time and both Attachments I and II set forth the information and analysis that we have been using in our meetings.

Attachment I sets forth the total T.O. Tax received and projected for both the City and the County, the total Budget of the Convention and Visitors Bureau, and the yield to the Bureau under the current arrangement as well as the alternative of using the C.P.I. as a allocation mechanism. You should note that since 1978-79 the County has been retaining 100% of their T.O. Tax

revenue to fund County community organizations, since the City's T.O. Tax revenue is now sufficient to cover the lease payment.

Attachment II shows the impacts to the Community Center Fund as a result of the alternative formula.

ANALYSIS

The following has been proposed:

1. The Convention and Visitors Bureau receives a flat amount of \$350,000 for 1980-81. For each fiscal year thereafter the previous year's total allocation would be added to the annual increase in the CPI or ten (10%) percent whichever is less for the given year.
2. The language in the Ordinance be specific regarding the formula, and that the Convention and Visitors Bureau be named and be entitled to the yield from application of the formula.
3. S.A.C.T.O. be allocated \$30,000 for 1980-81 and that no commitment be made for future years. At this point, \$30,000 has been advanced by the City to SACTO, so that when the Ordinance becomes effective the City will be reimbursed from Transient Occupancy Tax revenue.
4. The City Council, the staff and representatives of the Convention Visitors Bureau agree to review the total percentage level of T.O. Tax (10%) annually to determine whether a decrease is justified.

The advantage of the proposal is that it should limit the growth in the allocation of T.O. Tax to the Convention and Visitors Bureau in the future so that funds could be diverted to the renovation of the Memorial Auditorium. In addition the Convention and Visitors Bureau's budget for the City should be made more predictable thereby allowing better budget and program planning.

The obvious disadvantage of the proposal is that it has an immediate significant and adverse impact upon the Community Center Fund balance which reduces the 7% Administrative Contingency slightly and defers the payment to the General Fund. This may be mitigated, however, by the increase in revenues over our conservative estimates.

FINANCIAL

This proposal together with the reduced revenue projections will mean that the 7% contingency of the Community Center fund will drop slightly (\$2,107) and that the payment to the General Fund (\$351,000) will have to be deferred. These impacts will, of course, depend upon the receipt of T.O. Tax revenues during 1980-81. It should be clearly understood that the significantly reduced revenues which are now projected for the Transient Occupancy Tax are directly a result of the sluggish economy. This factor is the major reason that the contingency fund had to be reduced as well as the deferment of the General Fund repayment.

RECOMMENDATION

It is recommended that:

1. The Convention and Visitors Bureau receive a flat amount of \$350,000 for 1980-81. For each fiscal year thereafter the previous year's total allocation would be added to the amount equal to the annual increase in the CIP or ten percent (10%) whichever is less for the given year.
2. S.A.C.T.O. be allocated \$30,000 for 1980-81. At this point \$30,000 has been advanced by the City to SACTO so that when the Ordinance becomes effective the City will be reimbursed from the Transient Occupancy Tax revenue.
3. The City Council, the staff and representatives of the Convention and Visitors Bureau agree to review the total percentage levels of T.O. Tax (10%) next year to determine whether a decrease is justified.
4. Adopt the attached Ordinance.

Respectfully submitted,

William H. Edgar

William H. Edgar
Assistant City Manager

Recommendation Approved:

Walter J. Slive

Walter J. Slive
City Manager

ORDINANCE NO.

4449

FOURTH SERIES

ORDINANCE AMENDING SECTION 41.23-1 OF THE
SACRAMENTO CITY CODE RELATING TO USE OF
ADDITIONAL TRANSIENT OCCUPANCY TAX RECEIPTS

BE IT ENACTED BY THE COUNCIL OF THE CITY OF SACRAMENTO AS FOLLOWS:

SECTION 1.

Sec. 41.23-1 of the Sacramento City Code is hereby amended to read as follows:

Sec. 41.23-1 Additional tax established.

On and after June 30, 1978, an additional tax to that tax imposed by Section 41.23 of the City Code is hereby levied in the amount of an additional three percent (3%) of the rent charged by the operator. Such additional tax shall in all respects be subject to the provisions of this article to the extent and in the same manner as the tax levied by section 41.23, except that any other provision of this article to the contrary notwithstanding the following amounts shall be used for the following purposes:

(a) For the purpose of funding the Sacramento Convention and Visitors Bureau:

(1) For the fiscal year 1980-81, \$350,000.00;

(2) For each fiscal year thereafter, an amount equal to the previous year's allocation plus an amount equal to the annual increase in the consumer price index or ten percent (10%), whichever is less. As used herein, consumer price index means the U.S. Department of Labor, Bureau of Labor Statistics' Consumer Price Index (all urban) for the San Francisco-Oakland area (or the Sacramento area if the Index is established for the Sacramento area).

(b) For the fiscal year 1980-81, \$30,000 in tax receipts shall be used for the purpose of funding the Sacramento Area Commerce and Trade Organization. Such money shall be used only to fund the performance of functions and activities substantially similar to any of those functions and activities which could be performed by the Sacramento Convention and Visitor Bureau.

PASSED FOR PUBLICATION:

ENACTED:

EFFECTIVE:

ATTEST:

CITY CLERK

MAYOR

APPROVED
BY THE CITY COUNCIL

DEC 9 1980

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(b) For the fiscal year 1980-81, \$30,000.00 in tax receipts shall be used for the purpose of funding the Sacramento Area Commerce and Trade Organization. Such money shall be used only to fund the performance of functions and activities substantially similar to any of those functions and activities which could be performed by the Sacramento Convention and Visitors Bureau.

CONVENTION BUREAU PROPOSAL
ANALYSIS

ATTACHMENT I

	<u>I</u> T.O. TAX REVENUE				<u>II</u> CONVENTION BUREAU REVENUE				<u>III</u> CPI		<u>IV</u>		
	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>A</u>	<u>B</u>	<u>C</u>	<u>D</u>	<u>A</u>	<u>B</u>	<u>A</u>	<u>B</u>	<u>C</u>
<u>Year</u>	<u>Total</u>	<u>County</u> (1)	<u>Co. Retained</u> (3)	<u>City</u>	<u>City</u>	<u>County</u>	<u>Other</u>	<u>Total</u>	<u>Index</u>	<u>Percent</u>	<u>Current 1% Agreement</u>	<u>\$350,000 + CPI Not to Exceed 10%</u>	<u>Excess To Other Orgs.</u>
<u>Actual</u>													
1975									189.3				
1975-76	\$ 926,076	\$ 270,404	\$ 49,840	\$ 655,672	\$ 90,000	\$ 85,000	\$ 98,601	\$ 273,601		5.1			
1976									199.0				
1976-77	1,211,461	333,438	68,443	878,023	100,000	100,000	77,907	277,907		8.1			
1977									215.1				
1977-78	1,461,301	477,722	150,953	983,579	190,000	100,000	78,677	368,677		9.3			
<u>After 1% Agreement</u>													
1978									235.0				
1978-79	2,690,200	579,110	579,110	2,111,090	211,109	50,000	85,605	346,714		8.7	211,109		
1979									255.4				
1979-80	2,902,051	600,000 (2)	600,000	(2,250,000) - Burns Current Estimate 2,302,051	230,205	100,000	91,042	421,248		10.0	230,205		
<u>Estimated</u>													
1980									280.9				
1980-81	4,040,000	840,000 (4)	840,000	(3,900,000) - 1980-81 Preliminary Budget 3,200,000 (5)	320,000	122,464	75,000	517,464		10.0	320,000	350,000	(30,000)
1981									309.0				
1981-82	5,000,000	1,000,000	1,000,000	4,000,000	-	-	-	-		10.0	400,000	385,000	15,000
1982									340.0				
1982-83	6,000,000	1,200,000	1,200,000	4,800,000	-	-	-	-		10.0	480,000	423,500	56,500
1983									373.9				
1983-84	7,620,000	1,380,000	1,380,000	6,240,000	-	-	-	-		10.0	624,000	465,850	158,150

(1) Source: County Budget

(2) Actual is not available. This is a County estimate.

(3) The County remits to the City the amount needed to pay the lease payment to the Community Center Authority after subtracting City T.O. Tax and Admission Tax receipts. This column represents the excess of what is needed to provide for the lease payment and therefore is retained by the County and not transmitted to the City.

(4) This is a Convention Bureau estimate.

(5) This estimate has been revised downward from the estimate included in the 1980-81 Preliminary Budget of \$3,900,000.

FUND BALANCE ANALYSIS
COMMUNITY CENTER/ENTERPRISE FUND

	<u>1980-81 Preliminary Budget</u>	<u>1980-81 Final Budget</u>	<u>Budget & Finance Proposal</u>
Fund Balance - 6/30/80	\$ 37,862	\$ 267,827	\$ 267,827
 <u>1980-81 Revenues</u>			
<u>Center</u>			
1. T. O. Tax - 9%	3,510,000	\$2,880,000	\$2,880,000
2. Admissions Tax	71,000	75,000	75,000
3. Interest	10,000	10,000	10,000
4. Rentals - Property	616,000	616,000	616,000
5. Rentals - Equipment	27,000	27,000	27,000
6. Concessions	107,000	107,000	107,000
7. Box Office Fees	90,000	90,000	90,000
8. Catering Fees	47,000	47,000	47,000
9. Center Service Fees	20,000	20,000	20,000
10. Misc.	13,000	13,000	13,000
Sub Total	<u>\$4,511,000</u>	<u>\$3,885,000</u>	<u>\$3,885,000</u>
 <u>Bureau T.O. Revenue</u>			
T.O. Tax - 1%	<u>\$ 390,000</u>	<u>\$ 320,000</u>	<u>\$ 320,000</u>
	<u>\$4,901,000</u>	<u>\$4,205,000</u>	<u>\$4,205,000</u>
 <u>1980-81 Expenditures</u>			
<u>Center</u>			
1. Operating			
a. Expenditures	(\$3,045,589)	(\$3,016,095)	(\$3,016,095)
b. I.S.F. Transfers	(216,634)	(233,384)	(233,384)
2. Capital Improvements	-0-	-0-	(633,000)
3. Excess Dividends over Fleet Management Charges	4,644	15,545	15,545
4. Reserves			
a. Administrative Contingency	-0-	(228,000)	(225,893)
b. Repayment to General Fund	-0-	(351,000)	-0-
c. Future Capital	(1,291,283)	(339,893)	-0-
Sub Total	<u>(\$4,548,862)</u>	<u>(\$4,152,827)</u>	<u>(\$4,092,827)</u>
Bureau Contribution	<u>(\$ 390,000)</u>	<u>(\$ 320,000)</u>	<u>(\$ 350,000)</u>
S.A.C.T.O.	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ (30,000)</u>
TOTAL	<u>(\$4,938,862)</u>	<u>(\$4,472,827)</u>	<u>(\$4,472,827)</u>
Estimated Fund Balance - 6/30/81	<u>\$ -0-</u>	<u>\$ -0-</u>	<u>\$ -0-</u>



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NOV 25 1980

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*Cont.
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for Ord
approval*

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RECOMMENDATION

It is recommended that:

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Respectfully submitted,

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Assistant City Manager

Recommendation Approved:

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(b) For the fiscal year 1980-81, \$30,000 in tax receipts shall be used for the purpose of funding the Sacramento Area Commerce and Trade Organization. Such money shall be used only to fund the performance of functions and activities substantially similar to any of those functions and activities which could be performed by the Sacramento Convention and Visitor Bureau.

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