

City Council Agenda Memo

From: Paul Briseno, City Manager

Council Work Session: February 18, 2020

Subject: 2020 SDSU Visitor Promotional Fund

Person(s) Responsible: Paul Briseno, City Manager

Summary:

The 2020 SDSU Visitor Promotional Fund was decreased to \$10,000 from the historical \$50,000 level. City Council requested an evaluation of 2019 3B revenues to potentially increase the SDSU Visitor Promotional Fund. 2019 revenues were greater than expected mostly due to a onetime increase, which led to surplus funds. That said, Council can determine an increase to the SDSU Visitor Promotional Fund if desired.

Background:

Three B is a one percent tax charged on bed, booze, and board. The Pillow Tax is a \$2 charge on hotel rooms within a Business Improvement District. These revenues provide city funding for various outside visitor and economic agencies. Some agencies have increased their overall dependency over time; however, the revenue source that funds these agencies has not kept up with the demand. This unsustainable funding has been augmented with revenues from the Liquor Store through a transfer.

The future recommended funding levels need to mirror the revenue received from the three B and Pillow Tax in order to be sustainable. The annual increase in these revenue sources has been minimal. Additionally, Liquor Store revenues assist in funding the General Fund. The 2020 projected budget does not provide revenue necessary to fund all prior agency requests at historical levels. Therefore, many programs were reduced or eliminated within the 2020 budget while trying to maintain little or no impact on service delivery.

The SDSU Visitor Promotional Fund expended \$17,500 in 2017, \$42,000 in 2018, and assumed \$50,000 in 2019. The 2020 SDSU Promotional Fund is budgeted at \$10,000. Council requested a review of the funding allocation after the 3B revenues for 2019 were received and provide a true up if revenues allowed.

Item Details:

2019 3B revenue saw an \$87,500 surplus versus budget, of which \$61,000 is a one-time revenue from previous year amendment true up. Thus, this large increase will not be realized in the future. However, the increased revenue provides excess revenue and meets the overall expenditures with the augmentation of the Liquor Store transfer.

Excess funds do exist to fund the SDSU Visitor Promotional Fund to the City Council's desired amount or the requested \$50,000.

The future funding of this program will be dependent on increased revenues and funding levels of other economic development related agencies. The 2021 budget process will allow further discussion with more precise projections for 2020 estimated and 2021 projected revenues/expenditures.

Legal Consideration:

None.

Strategic Plan Consideration:

Staff provides the City Council with a balanced budget. Therefore, excess revenues should be utilized to meet the City Council Strategic Goals. Balanced budgets will be recommended in the future, and revenues will need to meet expenditures to be sustainable.

Financial Consideration:

The 2019 3B came in greater than projected and Council can afford to increase the SDSU Promotional Fund. However, the funding level is not sustainable unless other agencies decrease, or a revenue increase is realized matching expenditures.

Options and Recommendation:

This item is presented at a study session for discussion. Based on direction given, the item will be placed on the February 25th City Council meeting for action.

Supporting Documentation:

1. Presentation