



STAFF REPORT

Meeting Date: February 3, 2009
To: Honorable Mayor & City Council
From: Scott Miller, Director of Administrative Services/CFO,
Alison Maxwell, Director Economic Development and Marketing
Attachments: 1. Tourism and Marketing Program Expenditures 2007-2008

INTRODUCTION

This item provides information on a budget appropriation request that has been placed on the February 3, 2009 City Council Consent Agenda. The Consent Agenda item requests appropriation of Transient Occupancy Tax collected and unspent in 2007-2008. Specifically, the appropriation is for unspent "2% for Marketing" TOT.

BACKGROUND

The City has a Transient Occupancy Tax (TOT) rate of 14% on hotel gross room rates. Of that, 2% of gross sales (or 1/7th of the total TOT revenue) are dedicated to tourism marketing programs directed by the City. This amount is often referred to as the "2% for Marketing" TOT to reflect its designation for that purpose.

As a part of the fiscal year 2007/2008 budget staff projected that TOT revenues would provide \$3,356,500 for the City's tourism and marketing programs. The budget for these programs was developed and adopted based on this projection.

At the close of the fiscal year an analysis of TOT revenue and marketing expenditures is undertaken to a) establish whether additional revenue was collected and b) calculate any unspent prior year funds for roll over. The intent is to ensure, and demonstrate, that the entire "2% for Marketing" portion has been appropriated for its designated purpose of tourism and marketing.

The actual revenue received from TOT during fiscal year 2007/2008 plus amounts carried over and available from the prior year provide total revenue of \$4,584,833 for the Tourism and Marketing Program.

To give City Council an idea of where expenditures were allocated for the fiscal year 2007/2008 budget the City Council authorized:

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Program	Budget	Actual
CVB Base 2007-2008	\$2,156,500	\$2,093,155
Holidays	950,000	1,024,080
Rodeo Drive Committee	370,000	370,000
90210 Marketing	95,000	88,767
Rotary – Greystone Event	35,000	35,000
Also an amount is utilized for City administration and staffing of the program	200,000	200,000
Carry over Encumbrances		70,413
Total	\$3,806,500	\$3,881,415

The expenditures for fiscal year 2007/2008, including the original budget, carryovers from the prior year and additional funds appropriated total \$3,881,415.

The funds available of \$4,584,833 less the actual expenditures and amounts carried over of \$3,881,415 provide additional 2% for Marketing TOT funds in the amount of \$703,418.

Expenditure of additional TOT funds is confined to one-time projects that do not affect the City's on-going expenditure commitments.

Staff will work with the Council Committee(s) that oversee the Conference and Visitor Bureau (CVB) marketing activities and other events and holiday programs (Mayor Brucker and Council Member Briskman) on any new program expenditures. These will be brought back to City Council in accordance with Council expenditure policies.

One time projects already funded include the Sister City funding for \$37,500 and up to \$40,000 to fund the China delegation visit to Beverly Hills. Anticipated expenditures include: costs of a marketing strategic plan to provide the city and CVB with an overarching strategy for marketing; certain additional costs of creating an independent CVB; and, infrastructure investment for revitalized holiday design elements.

FISCAL IMPACT

While the funds being requested for appropriation in the amount of \$703,418 are available from the fiscal year 2007/2008 TOT it should be noted that current fiscal year (2008/2009) projections indicate that TOT will be less than budgeted. The most recent projection based on TOT receipts through November 2008 estimates that TOT revenues may be as low as \$27,519,000 as compared to the budgeted revenue of \$29,678,000. If this current projection is correct the funds available for the "2% for Marketing" program would experience a shortfall of \$308,429. As such, Economic Development & Marketing staff will work very closely with Finance staff and City Council to ensure that contracts and commitments plan for this potential shortfall.

The Consent Agenda item recommends that the City Council move to appropriate funds in the amount of \$703,418 of unallocated fiscal year 2007/2008 Transient Occupancy Tax (TOT) revenue into the Tourism and Marketing Program as follows:

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FROM	TO
\$703,418 General Fund unrestricted fund balance 01-30000	\$703,418 Tourism and Marketing 0101311-73440

RECOMMENDATION

Receive report. The Chamber Liaison Committee and the Events/Holiday/Rodeo Drive Committee (both Mayor Brucker and Council Member Briskman) met on January 26, 2009 to review the appropriation. The Committee concurred with the formal agenda recommendation to appropriate the "2% for Marketing" TOT and also recommended that staff work with Council to ensure expenditures and commitments plan for a potential shortfall in 2008-2009 revenue.


 Scott Miller
 Director Administrative Services/Chief
 Financial Officer


 Alison Maxwell
 Director Economic Development &
 Marketing

City of Beverly Hills
 Transient Occupancy Tax used for Tourism Marketing Program for FY 2007-2008

