



CITY OF LEE'S SUMMIT


207 S.W. MARKET
P.O. BOX 1600
LEE'S SUMMIT, MO 64063
(816) 251-2300
FAX 251-2455

MAYOR
Karen R. Messerli

CITY ADMINISTRATOR

Arthur A. Davis III

TO: Mayor Karen Messerli

FROM: Art Davis, City Administrator 

SUBJECT: Request For Information On Bed/Guest Tax

DATE: July 3, 1997

COUNCILMEMBERS

District 1
Kay Ford
Mary E. Watson

District 2
Charles L. Plank
John M. Smith

District 3
Joseph C. Spallo
Thomas M. Weir

District 4
William A. Decker
James F. Freeman, III

Please find attached the information related to the Hotel/Motel Bed Tax you requested last month. One strategy might be to earmark a portion of the funds for the Economic Development Council. If we instituted the maximum 5.5% amount authorized (paid by non Lee's Summit residents), it would generate sufficient funds (nearly \$150,00) for our annual contribution to the Economic Development Council with additional funding to bring us to a comparable level of our competition, plus provide additional monies for other possible uses such as; establishing a convention tourism bureau, enhancing our historical museum, assisting with the Cole Younger house renovation, or assisting with specific economic development projects. A policy of allocating the revenues on a proportionate basis would allow the annual amount to continue to grow for each recipient as additional hotel/motel developments are constructed within our city limits. Another great benefit would be that it would free up the \$75,000 allotment currently earmarked in our general fund for other needs within the city.

If you have any questions or suggestions, please feel free to contact me.





CITY OF LEE'S SUMMIT

207 S.W. MARKET
 P. O. BOX 1600
 LEE'S SUMMIT, MO 64063
 (816) 969-7300
 FAX 969-7455

MAYOR

Karen R. Messerli

CITY ADMINISTRATOR

Arthur A. Davis III

TO: Mayor & City Council

FROM: Art Davis, City Administrator

SUBJECT: Recommendation Regarding the Hotel/Motel Tax and Ordinance Provisions
 Required if Placed on the April Ballot.

DATE: January 9, 1998

District 1
 Kay Ford
 Mary Watson

District 2
 Charles L. Plank
 John M. Smith

District 3
 Joseph C. Spallo
 Thomas M. Weir

District 4
 William A. Decker
 James F. Freeman III

On Monday, November 24, 1997, the Mayor & City Council held a Budget Priorities Work Session and discussed the possible placement of a hotel/motel tax on the April 7, 1998 ballot. Shelley Temple-Kneuvean, Assistant to the City Administrator, has prepared an updated analysis of potential revenues including two hotels currently under construction (attached.) In consultation with Joanne Graham, Assistant City Attorney, we have determined that to place this issue on the April 7th ballot, the following provisions must be decided prior to bringing forth an ordinance on January 20th for Council review and adoption:

1. The amount/percentage of the tax to be applied to gross receipts.

Staff Recommendation: A tax in the amount of 5% of gross daily rental receipts derived from transient guests for sleeping accommodations. This 5% rate is consistent with those in our neighboring communities of Independence and Blue Springs and is significantly less than the rates charged in Jackson, Platte, and Clay Counties. It is estimated the tax would generate approximately \$273,628 annually.

2. The ballot language may (but does not have to) designate the funds for a particular purpose.

Staff Recommendation: "Revenue may be utilized to promote the general economic welfare of the City including the attraction and retention of business

and industry to the community and/or to promote and/or provide facilities for tourism, conventions, visitors.

3. Whether the ballot language should designate a sunset period for the tax.

Staff Recommendation: *No sunset provision be included in the language on the ballot.*

This tax must be approved by a majority of the voters and if approved, there is no set time for implementation of the tax other than a limitation of implementing within a "reasonable" amount of time after passage by the voters. If the measure does not pass, there is no mandatory time limit before the measure can be placed on the ballot again.

If the measure is placed on the ballot and approved, the following items must be decided to implement the tax:

1. A definition of hotel and motels, specifically if it includes a bed and breakfast, and the number of bedrooms furnished for guests required.

Staff Recommendation: *[A]ny structure, or building, under one management or ownership, which contains rooms furnished for the accommodation or lodging of guests, with or without meals being provided, and kept, used, maintained, advertised, or held out to the public as a place where sleeping accommodations are sought for pay or compensation to transient guests or permanent guests and having more than three (3) bedrooms furnished for the accommodation of such guests.*

2. A definition of Transient Guests. (Specifically the number of days stay constituting a transient stay).

Staff Recommendation: *Transient Guests should be defined as persons who occupy "a room in a hotel or motel for twenty-eight (28) consecutive days or less".*

3. Whether to include federal, state and local taxes in the definition of gross receipts.

Staff Recommendation: *"Gross Daily Rental Receipts" means all receipts from the rental of sleeping accommodations by hotels or motels, including all state, federal and local taxes, whether paid in cash, credits or property, and without any deduction or exemption.*

The Staff would recommend that a general policy for an implementation date and the disbursement of funds be developed over the next few months by the Finance and Personnel Committee and forwarded to the City Council for review.

This recommendation will be forwarded to the Finance & Personnel Committee for review Monday morning, and placed on the Agenda for discussion Tuesday evening, January 13th. The Staff looks forward to answering any questions you may have.

cc: Management Team
Joanne Graham, Assistant City Attorney



QUESTION 1

Shall a tax be imposed by the municipality of Lee's Summit, Missouri, in the form of a license tax on certain gross receipts of hotels, motels and similar places of business, in an amount equal to five percent (5%) of gross daily rental receipts derived from transient guests for sleeping accommodations, the proceeds of which shall be used to promote the general economic welfare of Lee's Summit including, but not limited to, the attraction and retention of business and industry to the community and/or the promotion and provision of facilities for tourism, conventions, and visitors?

YES: 8,578 NO: 1,764

SECTION 3. That the certification as submitted by the Election Authority of Cass County for the candidates seeking the offices of Mayor, Councilmembers for Districts 1, 2, 3 and 4, and Municipal Judge, Division I, is as follows:

MAYOR

John M. Smith	93
Karen R. Messerli	75

DISTRICT 2

Randall L. Rhoads	75
John D. Kreisel Sr.	10
Kurt Pycior	72

MUNICIPAL JUDGE, DIVISION I

William A. Lewis	128
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SECTION 4. That the notice as submitted by the Election Authority of Cass County for Question No. 1 is as follows:

QUESTION 1

Shall a tax be imposed by the municipality of Lee's Summit, Missouri, in the form of a license tax on certain gross receipts of hotels, motels and similar places of business, in an amount equal to five percent (5%) of gross daily rental receipts derived from transient guests for sleeping accommodations, the proceeds of which shall be used to promote the general economic welfare of Lee's Summit including, but not limited to, the attraction and retention of business and industry to the community and/or the promotion and provision of facilities for tourism, conventions, and visitors?

YES: 130 NO: 36



Jan 6 1998 City Council Meeting

ROUNDTABLE:

- Mayor Messerli planned to present a draft of a policy for economic development at the next Council meeting and asked for input from the councilmembers.

Jan 13 1998: re: Deletion of Historic Preservation and issue re: tourism

REVIEW: Proposed Hotel/Motel Tax Ordinance Provisions, scheduled for consideration on January 20, 1998, for placement on April 1998 ballot.

Councilman Decker stated the Finance and Personnel Committee reached a consensus on the primary three issues listed in the January 9, 1998, staff letter to Council regarding the proposed hotel/motel tax. The general support is to adopt a 5% gross daily rental for sleeping accommodations; revenue to be utilized to promote the general economic welfare of the City including the attraction and retention of business and industry to the community and/or to promote and/or provide facilities for tourism and visitors; and, that no sunset be included in the ballot language. The Committee did not include historical preservation, as listed under item No. 2 because of concern that this may become similar to the CDBG (Community Development Block Grant).

City Administrator Art Davis clarified the metropolitan Hotel/Motel tax rates for Kansas City, Missouri, including Jackson - 12.1%, Clay - 12.1% and Platte Counties - 12.35%. The above counties use the Kansas City tax and have included a 5.5% gross daily rental receipts tax. Assistant City Administrator Kirk Davis noted that the total percentages include 1-3/4% restaurant tax, convention and visitors tax and a state tax. Mr. Art Davis added the taxes are special legislation taxes specifically for Kansas City up and beyond the 5.5% authorized the state.

Mayor Messerli was surprised to see the revenue projections increase from an estimate in July of \$150,000 to \$273,628.36 in January. Assistant City Attorney Ms. Joanne Graham stated Staff needs direction on the first three items of the January 9th memo. The statutes do not require the specific purpose for the money be stated, but if the Council wants to designate it for general purposes, it can be included in the ballot language. This is called an occupational license tax and is distinguished as a bed tax. There is specific legislation authorizing certain communities to impose a tax as a percentage of the room rate and this one is distinguished because it is imposed as a percentage of the gross receipts. If an ordinance is requested to be drafted, staff will include the second list of three items, which will include defining what gross daily rental receipts constitutes.

Councilwoman Watson asked if any opposition had been received. Mayor Messerli stated she had one individual contact her, but was philosophically opposed to any taxation, not specifically the hotel/motel tax. This issue is one of the reasons she campaigned for a charter form of government because the City did not have the ability to impose the tax as a fourth class city. Mayor Messerli addressed Councilman Plank's comment by stating the message she received from the Chamber of Commerce Board was that there was not a definite plan, but felt tourism was something the City should be

interested in.

On motion of Councilman Plank, second by Councilman Decker, the Council voted unanimously to **DRAFT AN ORDINANCE** including items 1, 2 and 3, deleting the historical preservation reference of Staff's memo dated January 9, 1998

Minutes of January 12, 1998

The regular meeting of the Finance and Personnel Committee met in the Administrative Conference Room beginning at 7:30 am. Members in attendance at call to order were Councilman William Decker, Chairman, Councilwoman Kay Ford, Councilman John Smith, and Councilman Joseph Spallo. City staff present included City Administrator Art Davis, City Attorney Joanne Graham, Finance Director Conrad Lamb, Treasurer Kathy Vangorkom, and Financial Analyst Darlene Wishon.

Mr. Davis and Ms. Graham reported in order to put this issue on the April 7th ballot there are some provisions that have to be decided on in order to bring forth an ordinance on January 20th for Council review and adoption. Some of these included, a tax in the amount of 5% be applied to the daily retail receipts derived from transient guest for sleeping accommodations, should the ballot language designate the funds for a particular purpose, it was decided that it would be best not to go into great detail on how the funds would be spent, It was decided that historical preservation be removed from this ballot language Should the ballot language designate a sunset period for the tax. It was recommended that the definition of a hotel, motel and bed and breakfast be that there be at least five bedrooms before the tax be implemented. The definition of transient guest be a person occupying a room in a hotel or motel for 28 consecutive days or less. And weather to include federal, state and local taxes in the definition of gross receipts. Staff is going to be bringing to the next meeting the findings of who the 12% Jackson County Tax applies to. There was concensus on the first three items of this issue. Discussion was closed on this item.

Jan 20 1998

BILL NO. 98-10 AN ORDINANCE CALLING AN ELECTION IN THE CITY OF LEE'S SUMMIT, MISSOURI, A CONSTITUTIONAL CHARTER CITY, FOR THE PURPOSE OF SUBMITTING TO THE QUALIFIED VOTERS OF SAID CITY THE QUESTION OF WHETHER TO IMPOSE A LICENSE TAX ON CERTAIN GROSS RECEIPTS OF HOTELS, MOTELS AND SIMILAR PLACES OF BUSINESS; AUTHORIZING THE BOARD OF ELECTION COMMISSIONERS OF JACKSON COUNTY, MISSOURI, AND THE ELECTION AUTHORITY OF CASS COUNTY, MISSOURI, TO CONDUCT SAID ELECTION; PRESCRIBING THE FORM OF QUESTION TO BE USED; AND PROVIDING THAT NOTICE OF SAID ELECTION BE GIVEN AND SAID ELECTION BE HELD IN ACCORDANCE WITH APPLICABLE MISSOURI LAW.

Councilwoman Watson read the bill for the first time. Motion was made by

Councilwoman Watson, seconded by Councilman Plank, for a second reading and motion passed. The bill was read for the second time by Councilwoman Watson, who then moved for **ADOPTION**; motion was seconded by Councilman Plank.

ROLL CALL:

Councilwoman Ford	Aye
Councilwoman Watson	Aye
Councilman Plank	Aye
Councilman Smith	Aye
Councilman Spallo	Aye
Councilman Weir	Aye
Councilman Decker	Aye
Councilman Freeman	Aye

Motion passed to adopt Bill No. 98-10, which was assigned Ordinance No. 4560.

F&PC Minutes April 28, 1998

The Finance and Personnel Committee met on Tuesday April 28, 1998 at 7:30 am in the Administrative Conference Room. Committee Members in attendance at call to order were Councilman John Smith, Councilman Joseph Spallo, and Councilwomen Kay Ford. City staff present included City Administrator Art Davis, Finance Director Conrad Lamb, Treasurer Kathy Vangorkom, Assistant to the City Administrator Curt Wenson, City Attorney Christine Treat, and Assistant City Attorney Joanne Graham. Committee members absent at call to order included Chairman William Decker. In Chairman Decker's absence Councilman Smith acted as Chairman.

Item number one on the agenda, approval of the minutes of the March 16, 1998 committee meeting was presented by Councilman Smith. Motion to approve was made by Councilwomen Ford and seconded by Councilman Spallo.

City Administrator Art Davis presented agenda item number two; Hotel Motel Tax Distribution Process. Mr. Davis stated that this tax is estimated to generate approximately \$273,000 a year based on projected revenues of five hotels. A draft ordinance was prepared for implementation of this tax. Staff is recommending that it begin July 1, 1998 at the same time the City's Fiscal Year begins. Revenues would be received on a monthly basis beginning August 20, 1998. This tax will be imposed at a rate of five percent (5%) on gross daily rental receipts. The ordinance also prescribes penalties for nonpayment, including a percentage penalty for nonpayment, the ability to suspend or revoke a business or liquor license for nonpayment, which would give the City the punitive abilities to hold the business responsible for nonpayment. With the implementation of this ordinance the "Business and Industry Fund" would be established to collect and deposit revenues into. In accordance with this ballot language, proceeds of this fund shall be used for the "attraction and retention of business and industry to the community and/or promotion and provision of facilities for tourism, conventions, and visitors." The City is authorized to use up to six percent (6%) of

the funds collected to cover the cost of levying, collecting and appropriating the tax. After review of the suggested fund distribution, the committee addressed some concerns.

Councilman Spallo is opposed to allocating \$68,000 to the Convention and Visitors Bureau due to lack of information on how this money would be spent. He believes that \$5,000 to \$10,000 would be adequate to start with, and would like to see the balance go toward some sort of retention projects perhaps area beautification.

Councilwomen Ford is also opposed to allocating \$68,000 to the Convention and Visitors Bureau and also feels that \$5,000 is an adequate amount. She would like to see more specific plans as to what they would be spending this money on. She asked if it would be appropriate to take the \$15,000 a year that is appropriated to Downtown Lee's Summit that is currently taken out of the General Fund out of this fund? Is \$273,000 the amount that you plan to bring in on Aug. 20th? It would be 1/12 of \$273,000 because the money would be collected monthly. How is the EDC going to be paid? They are currently paid quarterly. Is General Fund money going to have to be used to pay the EDC for the first quarter? If it came down to taking money from the General Fund the City would just reimburse themselves.

Councilman Smith is concerned with the first paragraph of the ordinance stated that the funds shall be used for the attraction and retention of business and industry to the community and/or the promotion and provision of facilities for tourism, conventions, and visitors.

He is concerned that the City is planning on building a Convention Center. Mr. Davis noted that this language is in the ordinance to leave that option open, the City is not recommending this at this time. He is also concerned with allocating \$68,000 to the Convention and Visitors Bureau and agrees with the other members that a smaller amount be established. Councilman Smith feels that the wording needs to be changed on (section 28) Bond Requirements, there needs to be included more options such as: posting of a bond with an A+ rated bonding company licensed to do business in the state of Missouri. He also feels that the business should have the option of defraying cost of the bonding by being able to post an irrevocable letter of credit or a cash in advance deposit.

Motion was made by Councilman Spallo to recommend moving the ordinance to the City Council for approval, motion was seconded by Councilwomen Ford.

F&PC SEPTEMBER 21 1998

Chairman John Smith called the Finance and Personnel Committee of the City Council to order at 8:00 am on Monday December 14, 1998 in the Administrative Conference Room at City Hall. City Administrator Art Davis, Assistant City Administrator Barbara Burns, Finance Director Conrad Lamb, Director of Community Development David

Robinson, Public Works Director Chuck Owsley, Treasurer Kathy Van Gorkom, Financial Analyst Darlene Wishon, and Financial Analyst Nancy Fryer.

OPENING ROLL CALL:

Councilmember John Smith Present
Councilmember Dan Pack Present
Councilmember Joseph Spallo Present
Councilmember Kay Ford Present
Councilmember Bob Johnson was also in attendance

DISCUSSION

Councilmember Pack questioned Mr. Lamb if he had received any information on where the City stood on sales tax? Mr. Lamb stated that year-to-date amounts were pretty much still flat. Chairman Smith stated that the hotel/motel tax was down sixteen percent at the last meeting and questioned where it was at the present time? Mr. Lamb stated that it also has dropped, the city only received \$ 12,000 this last month. The EDC received their percentage of this money. Mr. Lamb stated that the businesses still have until the 20th of December to turn in their November receipts. Mr. Lamb stated that they anticipate receiving the \$200,000 to cover the EDC, but they wanted to start to establish a balance to start paying these individuals in advance or quarterly. Councilmember Spallo questioned if the EDC was receiving a portion of moneys collected by the City or were they receiving all of these funds and is the City still establishing a excess fund balance? Mr. Lamb stated that they are receiving their proportionate share which is roughly 75% of what the city is receiving, and yes, there is a excess fund balance at this time, but there will become a time where if the total revenues are only \$202,000 there is the commitment to the EDC for the full \$202,000. Chairman Smith was concerned with the agreement that stated that the EDC would receive 75% with up to a maximum of \$202,500.

F&PC DECEMBER 14 1998

Chairman John Smith called the Finance and Personnel Committee of the City Council to order at 8:00 am on Monday December 14, 1998 in the Administrative Conference Room at City Hall. City Administrator Art Davis, Assistant City Administrator Barbara Burns, Finance Director Conrad Lamb, Director of Community Development David Robinson, Public Works Director Chuck Owsley, Treasurer Kathy Van Gorkom, Financial Analyst Darlene Wishon, and Financial Analyst Nancy Fryer.

OPENING ROLL CALL:

Councilmember John Smith Present
Councilmember Dan Pack Present
Councilmember Joseph Spallo Present
Councilmember Kay Ford Present
Councilmember Bob Johnson was also in attendance

DISCUSSION

Councilmember Pack questioned Mr. Lamb if he had received any information on where the City stood on sales tax? Mr. Lamb stated that year-to-date amounts were pretty much still flat. Chairman Smith stated that the hotel/motel tax was down sixteen percent at the last meeting and questioned where it was at the present time? Mr. Lamb stated

that it also has dropped, the city only received \$ 12,000 this last month. The EDC received their percentage of this money. Mr. Lamb stated that the businesses still have until the 20th of December to turn in their November receipts. Mr. Lamb stated that they anticipate receiving the \$200,000 to cover the EDC, but they wanted to start to establish a balance to start paying these individuals in advance or quarterly. Councilmember Spallo questioned if the EDC was receiving a portion of moneys collected by the City or were they receiving all of these funds and is the City still establishing a excess fund balance? Mr. Lamb stated that they are receiving their proportionate share which is roughly 75% of what the city is receiving, and yes, there is a excess fund balance at this time, but there will become a time where if the total revenues are only \$202,000 there is the commitment to the EDC for the full \$202,000. Chairman Smith was concerned with the agreement that stated that the EDC would receive 75% with up to a maximum of \$202,500.

F&PC MARCH 17 1999

THOSE PRESENT:

Councilmember Kay Ford, Councilmember Dan Pack
 Barbara Burns, Conrad Lamb, Kathy VanGorkom Ray Seidelman, Mark Schauffler, Tom Lovell, Brent Boyce, Sid Marlow, Darlene Wishon, David Brock, Pam DeVault

The EDC is to get their portion of the Hotel/Motel Tax and it has been discovered that they were paid all proceeds from bed tax in July. The Finance Department will adjust last four checks to compensate for the overpayment.

**FINANCE AND PERSONNEL COMMITTEE MINUTES
 FROM
 MONDAY, MAY 17, 1999
 8:00 A.M.
 ADMIN. CONF. ROOM**

Roll Call:	Chairman John Smith	present
	Councilmember Dan Pack	present
	Councilmember Kay Ford	present
	Councilmember Joseph Spallo	present
Also present:	Mary Stacy - Downtown Lee's Summit Main Street	
	Gary Fruits - Downtown Lee's Summit Main Street	
	Shane Ledford - Downtown Lee's Summit Main Street	
	Curt Wenson - City of Lee's Summit	
	Sid Marlow - City of Lee's Summit	
	Darlene Wishon - City of Lee's Summit	
	Conrad Lamb - Finance	
	Kathy VanGorkom - Finance	
	Ken Conlee - Police	
	John VanGorkom - Fire	
	Shelley Temple-Kneuvean - City of Lee's Summit	
	Kim Beltz - Finance	
	Dave Gayle - Economic Development Council	
	Aimee Crawford - City of Lee's Summit	
	Barry Jennings - Lee's Summit Economic Development Council	

Opening Remarks:

No opening remarks were made.

Item #1: Budget Presentations

a) Economic Development Council – Barry Jennings addressed the committee. He noted that this has been a transition year and the City has worked diligently to meet the demands of the EDC's commercial prospects. One of the items he handed out was the resume of Executive Director Jim Devine who will start with EDC on June 15. Mr. Devine brings 25+ years experience to committee. He is currently the Executive Director in Glendale, Arizona. Jim Devine was the leading candidate out of 25 final candidates. Mr. Devine is the President-elect and will be installed the first of June as the President of the Economic Development Council. He brings many good credentials.

Upon questioning by Councilman Smith, Mr. Jennings explained that the handout regarding the EDC's budget shows a full year for the EDC. During the year the goal has been to hold the line regarding budget funding. There has been a problem with cash flow to meet the funding. The hotel/ motel tax has not been at the level expected. Once Mr. Devine is online, he has planned to work with allies such as the KCADC group, Summit Technology, metropolitan utility companies, realtors, and known consultants. Mr. Devine will spend time developing relationships with these companies and tagging onto their budget. The goal of EDC is to be accountable and provide good communications with positive momentum that will produce some results of which we are proud. The EDC's intent for the city's budgeting purposes is to hold the line in the budgeting process. The EDC wants to work toward obtaining accountability and in the following year will be back with plans and needs for additional funding. At this point in time, if the EDC can continue where they are, they feel like they will be in good shape. One of our goals is to try and develop a 6 month reserve so that they are strong and can handle the cash flows, provide a strong marketing program, and work additionally with the private sector to try and develop more funds. There has been an increase of approximately \$10,000 this year so far in private sector funding. They would like to hold the line and continue to do those things that will make them accountable and do a good job.

Councilman Smith requested a time frame for the new director, Jim Devine, to have a marketing plan in place for the City Council to view? Mr. Jennings said that would be available within the first 30 days.

Councilman Smith noted there are a few places in the budget for advertising and those numbers could change. Mr. Jennings agreed. He believes Mr. Devine does not believe that advertising is the best choice. Although, he wants to invest in some advertising that supports Missouri.

Councilmember Smith requests an update from Barbara Burns regarding income or other items before Council discussion. Barbara Burns indicated the reasons why the projections did not end up where they were projected to be was there were a number of hotels that were not open at the time the projections were done. Some of those hotels opened later than anticipated. There was also one hotel that was under renovation for part of the time. This led to an actual amount that was below the projection. In addition, there were some errors in vacancy and room rates. Those were some of the reasons why the revenue projections were not where they thought they would be. Ms. Burns also indicated that at the last F&PC meeting there was a request that the EDC receive the full \$202,500 for their fiscal year which is calendar year 1999. There is a lot of confusion in the original report due to the difference in the fiscal year. Ms. Burns had reviewed the EDC and City of Lee's Summit fiscal years with the help of Conrad Lamb and Sid Marlow to put them on an even status. Receipts to the EDC for calendar year 1999 (EDC's fiscal year) were provided to the F&PC. It is anticipated that they will receive \$141,256.21 from the hotel/motel tax. That presumes that the city waives the 6% administrative fee to which the City is entitled under the enabling legislation. This means there would be a shortfall of about \$61,200.

Councilmember Smith asked how the City would make that amount up. Ms. Burn's suggestion was to use the budgeting error from the City's current fiscal year to cover this amount. The error came from the hotel/motel tax not being passed at the time the budget was originally drafted. The City had budgeted in the general fund for the current fiscal year \$202,500. The shortfall amount could be transferred to the Business and Industry fund and that would be available to make up that shortfall.

Councilmember Smith requested an exact shortfall amount. Barbara Burns stated that it was \$61,243.79.

Councilmember Smith requested the amount that was double budgeted. Barbara Burns indicated this amount was the full \$202,500. The budget presented Thursday evening reflected that \$75,000 would be transferred to the Business and Industry fund prior to _____. The budget proposed tentatively scheduled some funding to be transferred to the Business and Industry fund so it was known what the City was working with.

Councilmember Smith questioned about next year. Councilmember Pack stated that he believes this committee agreed to recommend this at the last meeting. Councilmember Smith agreed. Barbara Burns indicated that she believed an actual vote was withheld until further discussion of the budget hearings. Councilmember Pack stated he made a motion at the last meeting that was seconded and approved regarding this item.

Barbara Burns stated another option is to transfer the full \$75,000 with \$14,000 additional funding. The Finance Department is projecting a fund balance at the end of this fiscal year of approximately \$35,000.

Councilmember Smith asked for further clarification regarding the double budgeting of \$202,500. Is there \$202,500? Barbara Burns explained that the budget presented shows \$75,000 would be transferred and the remaining would fall back to fund balance.

Councilmember Smith stated that it is important for the EDC to have an income flow and that the City have adequate revenues to provide the commitment made. The full \$202,500 transferred to the Business and Industry would give us a cushion until several more hotels were built up on North Douglas and so forth and the revenue is up to the projections anticipated when the Committee committed to the \$202,500.

Councilmember Ford questioned whether the hotel/ motel tax revenues included an assumption that new hotels would bring more people. Barbara Burns stated that only historical data was used, with the exception of the months of April, May, and June when none was available, and no assumption was made with regards to projected growth. It was a totally historical projection with the exception of the three months with no data.

Councilmember Pack questioned the monthly loan amount to cover operations. Barry Jennings indicated that this was due to a cash flow problem of the EDC. There are 2 loans that have been in place for a number of years. One loan was for building remodeling. The other loan was for cash flow. The EDC has increased the payment amount to \$1,000 per month to help pay off the loan. This loan was to help with the cash flows since there was no money coming in from the City.

Councilmember Pack stated that \$202,500 was committed last year to EDC and he is not opposed to that; though, he does not want to see any monies over and above the \$202,500 going to them as is his understanding. Councilmember Smith stated that is not correct. The money would be held in the B&I fund.

Councilmember Smith stated no further questions.

Councilmember Pack requested a commitment for a marketing plan from EDC by August 15. Barry Jennings stated that would be done.

Mayor Messerli suggested that once Mr. Devine is on board and has a marketing plan, the EDC be scheduled for a City Council meeting. Councilmember Pack agreed.

Councilmember Ford questioned if EDC would consider going from a calendar fiscal year to the City's fiscal year. Barry Jennings stated that had been discussed. It would have some advantages but some of the private sector members prefer to be billed at the end of the calendar year to get additional write-offs. That is why the EDC has done their fiscal year by the calendar year.

Councilmember Ford questioned what will happen in the next City's fiscal year. There will always be a misadjustment in the two unless the bed tax starts bringing in the expected revenue. While this is not an issue to be addressed at this time, the EDC and

staff should be looking at what will happen starting July 1, 2000. There will not always be a cushion to come back on unless errors continue.

Councilmember Smith stated that if there is \$202,500 in the B&I account that that money would carry the EDC forward for a couple of years if necessary. It is hoped that the marketing plan would bring in business and industry.

Councilmember Ford stated that new hotels do not mean new people. She is concerned on the time the \$202,500 will last.

Councilmember Smith stated the revenues should significantly increase in the next few years.

Councilmember Ford is concerned and prefers that this be tracked carefully so the EDC does know what will happen next and the City does not rely on this cushion.

Mayor Messerli asked if a commitment has been made for regular monthly amount to the EDC. Barbara Burns stated that requires a contract amendment that is currently being worked.

Councilmember Smith stated a minor correction. The net transfer to B&I will be about \$127,000. This would be taking \$75,000 of \$202,500 for the current year. All agreed.

Councilmember Ford asked if the \$202,500 is taken out of all the other budget projections. Conrad Lamb stated no. It has only been assumed that the \$75,000 is coming out. If it is decided to do the \$202,500, then the fund balance will be reduced by ½%. This would put us below 20% at the current projection for the end of the '99 year and the '00 year.

Councilmember Ford stated that the decision needs to be made now so adjustments can be made for the continuing discussion.

Councilmember Smith questioned if the city's bond rating would be affected if the fund balance goes below 20%. Conrad Lamb stated that the 20% was set up for the bond rating.

Mayor Messerli questioned if there are two opportunities to draw money which include the \$75,000 budgeted as well as the \$202,500? Barbara Burns said total of \$202,500 budgeted.

Councilmember Smith asked if that is below 20% criteria for bond. Conrad Lamb stated that is not the criteria but may send a message. The City previously adopted a resolution stating that was the target safe level. Although this would not be much under 20%, it is under. Every year it comes close to the 20%. It is unsure if it will change the

City's bond rating. The last of \$3 million G.O. Bonds will be issued this summer as well as revenue bonds for water/sewer utility.

Councilmember Spallo responded that he is opposed to going below 20%. He believes there should be more cushion.

Conrad Lamb stated the intent to use \$75,000 and leaving the rest in the General Fund Balance would create a fund balance in the B&I fund. This would allow the City to pay the EDC a fixed monthly amount. The problem is the tax revenue available to EDC at the current conservative projections is in the \$160,000 range. The city would be \$30-\$40,000 short. \$30,000 will carry over this fiscal year and \$75,000 will be put in to make up difference. So there is a year or so of fund balance in our fiscal year that could make up the difference of the \$202,500. Then starting July 1, 2000 we may have the other hotels. There will be a time lag. We will have a year to determine if more money needs to come out of the General Fund to bring up the B&I reserve.

Councilmember Smith asked if a budget amendment could be done in August or when revenue and general obligation bonds come about. Conrad Lamb stated that debt will be issued every year from now on. An amendment is a possibility. He believes it would be more consistent if the \$75,000 is taken out this year and amend the EDC contract to pay them a fixed amount each month. As the city goes through the year, staff could let council know what dollar amount needs to be taken out of the General Fund to bring the EDC up to the \$202,500 for the 2000-2001 fiscal year.

Councilmember Pack requested clarification if \$202,500 was budgeted for this fiscal year. Conrad Lamb stated correct. He then asked Conrad Lamb where the city is in relation to the general fund this fiscal year. If the city is fine this fiscal year, were those funds in the current budget or is the city going to use part of \$202,500 to maintain the fund balance at the end of the coming fiscal year. Conrad Lamb stated yes. The City is projecting at the end of this fiscal year a 25% fund balance. Included in next year's proposed budget is a portion of the fund balance being spent for one time purchases and the fund balance will decrease to 20%.

Councilmember Smith restated the city has over-budgeted \$202,500 with a need of \$63,000 for EDC to maintain their work. If \$75,000 is given to EDC, there remains \$127,500. Is staff proposing the city leave that \$127,500 in the pot until next year and the fund balance will remain considerably over the 20%? Conrad Lamb stated no. With the \$127,000, we are projecting that on June 30, 2000 the city will be at 20%. Staff has factored turning that money back into the fund balance and then it's being expended on something else in the 99-00 budget year. It is being reappropriated for some other expenditure.

Mayor Messerli commented that there has been a strong commitment made to the bonding company and to the citizens. This has been a public issue that has been used as an example of improved fiscal management showing the city has gone from a 5% fund balance to over 20%. The city has committed to do that and she believes they have to do

that. She is a strong advocate of EDC but the city has always looked at funding groups on a per budget year. If the city can get this year covered for EDC, then the city has and EDC has some time to work on their budget. Maybe EDC won't need the full \$40,000 that has been allocated for marketing once Mr. Devine has his marketing plan in place. In addition, we have a year to work on increasing membership dues. There are no guarantees every year that the city can fund the EDC at the \$202,500. Her feeling is that the city should not drop below 20% for any purpose other than an emergency.

Councilmember Ford asked for clarification that \$75,000 is being transferred to the EDC that will assure them through their calendar year December 31, 1999 and also through the city's fiscal year June 30, 2000. Conrad Lamb stated correct.

Councilmember Ford questioned if all the assumptions dealing with the bed tax also include \$15,000 for Downtown Main Street. Conrad Lamb stated yes.

Councilmember Ford motioned that \$75,000 be transferred to the EDC fund in fiscal year 1998-1999 by amending the contract to allow them to be funded monthly. Councilmember Spallo seconded the motion. Councilmember Smith stated \$75,000 is transferred to the EDC for fiscal year 1998-99. All in favor. Motion passes.

b) Downtown Lee's Summit Main Street

Gary Fruits presented some successes of Downtown Lee's Summit Main in the last year. It is believed that the businesses in downtown generate over \$100,00 per year in real property taxes and sales taxes. Through the community development block program, Downtown Lee's Summit Main Street has received grants for the past five years totaling \$256,527. This all has been turned back to the citizens of Lee's Summit in the form of trash receptacles, park benches, streetscaping, wrought iron fence, parking lot improvements, upgrade to parking lots, tree base removal, landscape of a parking lot, and the building of a retaining wall. It has been a successful program.

The budget this year is a little over \$58,000. The revenues coming from this budget come from Downtown Main Street sponsorship of Old Tyme Days. That continues to be a successful event drawing nearly 100,000 last year. That makes Old Tyme Days one of the top 10 festival events in Missouri. No admission is charged. Of the \$58,000 budget, over \$20,000 comes from income from Old Tyme Days. Downtown Lee's Summit Main has asked for and received NAP (Neighborhood Assistance Program) from the state. This totals \$46,455 this year. This is a way for individuals and businesses to make cash contributions and in kind and receive a state income tax reduction of 50% as long as they qualify. Downtown Lee's Summit Main does not know at this time how much they will receive out of those contributions but they have been cleared for up to \$46,000. They will not know until word is received from interested participants and parties that want to make contributions. Over the past year, they have worked hard to recruit new businesses to town. They not only recruit for the downtown area but all areas of the city. Over the past year, they have recruited businesses to come to Lee's Summit and spend over \$5 million for fiscal plant to employ over 150 new employees and generate sales and other taxes in an amount over \$4 million worth of

projected sales. This adds to the funds balance. They are requesting a continuation of the \$15,000 contribution. It is hopeful that in 2000-2001 that they can reduce or eliminate that contribution. \$15,000 makes up just over 25% of their annual budgeted revenues. Expenses cover the staff, Mary Stacy, which accounts for over 40% of their annual usage of funds. From time to time a part-time clerk is employed to help Mary. Rent payment, utilities, and other operating expenses that are not utilized as far as the budget goes. They are requesting the \$15,000, appreciate the relationship they have had with the city, and plan to do a better job in the future. They are on a July 1 through June 30 fiscal year calendar. The city's contribution has been on a quarterly basis. Downtown Lee's Summit Main Street believes that they will be able to operate and reduce dependence on the city in the next fiscal year through NAP credits, better success with Old Tyme Days, and increasing membership dues slightly. They operate on a small funds balance utilized only for emergency purposes. It is revenue versus budget and they pretty much zero out. They have received national reaccreditation from the National Main Street Organization and from the Statewide Main Street Organization. They continue to be one of 10 accredited Main Street Organizations in the state of Missouri.

Councilmember Ford declared that the vision of the heart streetscape is an extremely ambitious plan. She questioned if Downtown Lee's Summit Main Street is setting up a fund that will have available money when the time comes or if the plan is to take it a little bit at a time. Doing these items will take a large expenditure of immediate funds. Gary Fruits stated part of the funding will be from grants and part from NAP credits. They plan to do this block by block to start with because it is very expensive.

Councilmember Ford questioned the expenditures to complete one block. Gary Fruits stated the lights would be about \$1,500 per light. In addition to this, there would also be improvements in the infrastructure, the underground electrical, and new sidewalks. It would likely be \$100,000 to \$200,000 per block.

Councilmember Ford inquired if grants would be able to provide the funding for one block. Gary Fruits stated yes. He also stated that if everything goes well with the NAP credits, it will help Downtown Lee's Summit Main Street's dependency on city funding. Mr. Ledford has some very aggressive plans for recruitment of credit participants when he takes over as the new president.

Councilmember Ford motioned that \$15,000 of the bed tax be appropriated to Downtown Main Street and paid on a quarterly basis. Councilmember Pack seconded the motion. Moved and seconded that \$15,000 be appropriated in the next fiscal year to Downtown Main Street and paid on a quarterly basis. All in favor. Motion carried.

c) Chamber of Commerce

Barbara Burns stated that Tim Stidham told her Thursday evening that the Chamber of Commerce would not be requesting funding, therefore, they would not be present.

Councilmember Smith requested the amount given to the Chamber of Commerce last year. Barbara Burns stated that none was given.

Councilmember Ford stated that at the last City Council meeting she believed Councilmember Weir indicated that \$300 should be appropriated to tourism for Chamber of Commerce. She questioned at what point this issue would be addressed. Barbara Burns stated that staff will do as directed if Council makes the recommendation.

Councilmember Spallo stated that Chamber of Commerce was to present a marketing plan to City Council. Councilmember Ford stated she believed Councilmember Weir just wanted to give the Chamber of Commerce \$300 for the tourism.

Mayor Messerli stated that she knew the Chamber of Commerce did not plan to have a formal budget request this year. Instead, they wanted to try and put together a working group as directed by Council last year. They have done this.

Councilmember Smith noted that promotion in other cities by the Chamber of Commerce was an issue that he believes does not benefit the City of Lee's Summit. He is not in agreement on the funding of tourism. He believes it is the City's responsibility to expediting projects included in the City's 10 year road plan, not the Chamber of Commerce's. He believes there should be a line drawn between Chamber of Commerce work and the City's responsibility.

Mayor Messerli commented that there are never any guarantees but there are things happening in the near future that could benefit the city with tourism. There are grants available to help with items such as brochures for tourism. There just needs to be a starting point. She believes that the City would be missing out if they did not have the opportunity to be involved in tourism. She is unsure where the responsibility should lie.

Councilmember Smith stated he would not want the Chamber of Commerce to misunderstand a fund of \$300 to mean that the Council will fund the Chamber of Commerce more in the future.

Councilmember Spallo remarked that it appears that businesses that will benefit from the spending on tourism, and thus the ultimate increase, are not willing to provide this small amount to the Chamber of Commerce.

Councilmember Ford stated that this item may be premature but she just wanted to address it with Councilmember Weir's statement.

No further discussion on this item.



Your Success is Our Business
Chamber of Commerce
Lee's Summit

MEMO TO: John Pinch, City Administrator

FROM: Dave Cross, Chair, Lee's Summit Chamber of Commerce
John Graham Jr, Chair, Lee's Summit Economic Development Council
Gary Leeper, Chair, Downtown Lee's Summit Main Street

DATE: April 18, 2001

RE: Annual Excess Bed Tax Funds, if any.

You had requested that our respective organizations visit about how we would propose to use one-time excess revenues for FY 2000-2001 and for future years.

We agree to and propose the following:

1. FY 2000-2001 excess funds would be divided equally between the Lee's Summit Chamber of Commerce and Downtown Lee's Summit Main Street for continuation of the tourism promotions and downtown promotions.
2. If there are any excess bed tax revenues in the following years, the city would allocate them equally among the three agencies. These funds would be distributed to the above organizations on or before July 31 of the following, new fiscal year to allow for programming for the remainder of the then current fiscal year.
3. The recipient organizations will strive to leverage these potential funds in their promotional and marketing efforts by including each other in their respective planning sessions.
4. We understand that it is the city's option to charge a 2% administrative fee to distribute these funds. We respectfully request that the 2% fee be assessed only on the annual overage, if any, and then divide up the remaining funds into thirds to the above organizations.

Our thanks to you, the Mayor, and City Council for your investment in and continued confidence in our public/private sector partnerships.

c: Nancy Bruns
Jim Devine
Mary Stacy



CITY OF LEE'S SUMMIT

CITY COUNCIL INFORMATION FORM

DATE: 12/23/02
 ASSIGNED STAFF: Conrad Lamb
 DEPARTMENT: Finance

CLL

Ordinance	<input type="checkbox"/>	Resolution	<input type="checkbox"/>	Consent Item	<input type="checkbox"/>	Change Order	<input type="checkbox"/>
Agreement	<input type="checkbox"/>	Discussion	<input checked="" type="checkbox"/>	FYI/Update	<input type="checkbox"/>	Other	<input type="checkbox"/>

ISSUE/REQUEST:

Discussion of the suggested principles for the allocation of the "Hotel-Motel Bed Tax" receipts.

PROPOSED COMMITTEE MOTION:

I move that staff be directed to adopt the suggested principles to guide the annual budget allocation of the "Hotel Bed tax" receipts.

PROPOSED CITY COUNCIL MOTION (if consent agenda item, leave this blank):

I move

BACKGROUND: *(including location, programs/departments affected, and process issues)*

The Business and Industry Tax fund was created 1998 to account for the license tax on certain gross receipts of hotels, motels and similar places of business, in an amount equal to 5% of gross daily rental receipts derived from transient guests for sleeping accommodations. The proceeds are used to promote the general economic welfare of the city including attraction and retention of business and industry to the community and the promotion and provision of facilities for tourism, conventions, and visitors.

During the November 13, 2002 F&PC meeting there was discussion and a suggestion to create a "capital reserve" from a portion of the annual receipts in excess of the base year contributions. The attached guidelines incorporate the funding of this by reserving 25% of annual receipts in excess of the base year contributions.

Committee members also discussed the minimum percentage of non-city funds that the organizations generated. The policy guidelines have been revised to require a minimum of 20% of the organizations funds come from sources other than the city. This is representative of the lowest of the three organizations.

IMPACT/ANALYSIS:

- During the first few years of this tax, the city saw the construction of several new hotel/motels resulting in substantial growth in receipts. No new hotels have been built in the past year and the tax appears to have leveled off. The fund that accounts for the revenues and expenditures of these funds has now established a reserve that should be able to absorb monthly fluctuations that would allow for regularly scheduled payments for activities or programs authorized during the budget process.

FINANCIAL IMPACT

Contractor:	
Amount of Request/Contract:	\$
Amount Budgeted:	\$
Funding Source:	
Additional Funds:	\$
Funding Source:	
Encumbered:	\$
Funds Remaining:	\$

TIMELINE	Start: Not Applicable	Finish: Not Applicable
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OTHER INFORMATION/UNIQUE CHARACTERISTICS:

- Requests for funding for the 2003-04 budget year will be due in the Finance Department by January 15th, all subsequent years funding requests would need to be received by the city by December 15th in order to allow time for the requests to be discussed preliminarily by the city's Finance and Personnel Committee for subsequent recommendation to the full City Council during the normal budget adoption process.

STAFF RECOMMENDATION:

Staff Recommends Approval of the "Suggested Guiding Principles for Use of Hotel-Motel Bed Tax Funds"

OTHER BOARDS & COMMISSIONS ASSIGNED: Not Applicable

Date:

Action:

COUNCIL COMMITTEE ASSIGNED: Finance Personnel Committee

Council Committee Date: 11/13/02

Proposed Motion: I recommend that staff adopt the "Suggested Guiding Principles for Use of Hotel-Motel Bed Tax Funds" as a method of allocating the receipt of the license tax derived from transient guests sleeping accommodations.

Council Committee Action:

List of Reference Documents Attached:

1. Suggested Guiding Principles
2. Schedule of Business & Industry Revenues and Expenditures and Fund Balance from inception.

Approvals

Engineer: _____ Dept. Dir: _____ Purchasing Agent: _____ Law: _____ City Admin.: _____

Guiding Principles for Use of Business & Industry (Bed Tax) Funds

1. Use of funds should produce or lead to activities or programs, which yield a documented return on City investment.
2. Funds should be used for activities, which increase, stabilize or retain the industrial, office or commercial assessed value or retail sales tax base.
3. Funds may be used for feasibility and consultant studies which lead to activities, programs or actions, which fulfill the principles contained herein. Examples include economic base studies, strategic plans, market analyses which lead to or evaluate strategic directions the City might take to increase the tax base and generate wealth for citizens and businesses.
4. Funds should bring in new money from the region etc., rather than from just "re-circulated" Lee's Summit resident expenditures.
5. Given the ordinance's rather broad definition of possible use of funds, use of funds should be focused further in activities generally accepted to be practices of economic development).
6. Ideally, funds should not be used for one-time events or activities (except as herein described) but rather for sustained program or staff activities, which will generate a sustained, prolonged and focused economic impact.
7. Allocation of funds should be consistent with published City Council goals.
8. Funds will not be used for infrastructure or capital expenses such as beautification, landscaping or street signage, except that which is tourism related and for " traditional economic development" activities.

Process for Disbursement of Funds

1. Requests for funds should be submitted no later than December 15th in order to allow time for requests to be discussed preliminarily by the city's Finance and Personnel Committee for subsequent recommendation to the full City Council during the normal budget adoption process.
2. Requesting agencies should be established not-for-profits with at least 20% non-city or private sector funding.

City Policy for Reserves and for Surplus Funds

1. At the beginning of each fiscal year, the projected minimum Business & Industry fund balance will be at least 50% of the amount to be contracted for with service providers in the upcoming fiscal year. This reserve acknowledges that existing agencies staff and operating cost are dependent on City funds, and that they should be insulated as much as possible from occasional shortfalls in City bed tax revenues, which may occur in the upcoming fiscal year.
2. In addition to the "Fund Balance" the City will establish a "capital reserve" by restricting 25% of the annual receipts that are in excess of the base year (FY 2002-03) allocation of funds in the aggregate amount of \$315,700



Finance and Personnel Committee
of the
Lee's Summit City Council
Minutes
Wednesday, November 13, 2002
3:00 p.m.
Modular Executive Conference Room

Councilmembers:

Councilman James Hallam - present
Councilman Ron Williams - present
Councilman Joe Spallo - present
Councilman Tess Hurley - present

Staff:

Conrad Lamb – Finance Director
Darlene Pickett – Assistant Finance Director
Ellen Buhr – Budget Officer
John Pinch – City Administrator
Shelley Kneuvean-Asst. City Administrator
Robert Handley – City Attorney
Rich Wood – Staff Attorney
Barbara Poole – Purchasing
Karla Prewitt – Senior Procurement Officer
Chuck Owsley – Dir. of Public Works
Dena Mezger – City Engineer
John Ohrazda – Airport Manager
Julie Pryor

Guests:

Debbie Leonard – Aquila
Steve Yates – Aquila
David Gale
Gary Fox – BOAC
Jim Devine- EDC
Paul Schwartz - CPA

Chairman James Hallam opened meeting at 3:05 pm. Attendance was taken.

Item 7 - Discussion of Criteria for Business and Industry Tax Allocation Procedures – Steve Arbo, Asst. City Admin.

Mr. John Pinch, City Administrator, stated the Finance and Personnel Committee met several months ago and requested staff to set guidelines for the Business and Industry Tax Allocation Procedures. Staff listened to input and recommended the guideline principles for the Hotel/Motel tax funds. Staff took into account having a contingency beginning fund balance. The Finance and Personnel Committee talked about using a portion of the funds for start up and one-time programs. The concern was to look for ongoing economic development opportunities consistent with the original intent of the tax that went to the voters. Staff recommended after discussions that some guidelines should be adopted.

Councilmember Spallo thought earlier discussions mentioned retaining some funds for other projects. This would put the emphasis on all applying parties when requesting additional funds over previous year's allocations. There currently is no limit on the disbursement. The fund balance has to be 50%, but if there is 150% from the previous years, then we can disburse 100% of the funds.

Mr. Pinch stated staff may have misinterpreted the intent, that 50% of the fund balance would always be maintained and never disbursed.

Councilmember Spallo replied the guidelines don't stipulate the City would distribute 50% of the funds. By not saying the City would distribute 50-75%, there is no emphasis on those applying for funds to justify why they would need additional funds, if the fund balance is greater than the previous years.

Chairman Hallam felt if there is an excess in the fund balance then groups can request the additional funds.

Councilmember Spallo stated in addition to the 50% language, there should be a specific dollar amount to try to retain in the fund. The goal would be have funds available to deal with economic development issues.

Chairman Hallam wanted to make sure the original benefactors were not sacrificed.

Mr. Conrad Lamb, Finance Director, stated this concept was discussed with the multi family housing bonds, but doesn't remember discussing it with this particular fund. Perhaps staff can take a percentage and reserve it at the budget process.

Councilmember Spallo stated staff needs to know how much was collected and know how much is expended in order to calculate the amount that can be held back each year. This information is also needed to know the impact on the amount previously given and to build the fund to where it can be used for a meaningful purpose.

Mr. Lamb explained the receipts have actually leveled off. There is a slight decline from previous years receipts. This is the fifth year for this tax. All preceding years the City was adding hotels, so staff never knew where the ceiling was going to be. Staff might be able to see what the ceiling really is with the up-coming budget. The requests the City received, not including the administrative fees, were \$315,000. The budgeted amount was \$335,000 in revenue. The fund currently has a balance that is 50% of total appropriated expenditures. In order to do what Councilmember Spallo suggests might require staff to revise the appropriations of the existing entities.

In answer to Councilmember Spallo's question asking what were the allotments of the existing year, Mr. Lamb replied the City is committed to allocate this year \$27,500 for Downtown Lee's Summit Main Street, \$262,500 for Lee's Summit Economic Development Council and \$25,700 for the Lee's Summit Chamber of Commerce. Councilmember Spallo asked what would happen if the balance does not support the requests. Mr. Lamb explained that is why last year staff suggested that a strong fund balance is needed so at least the current project year could continue.

Councilmember Spallo agreed a base year should be established to try to build the fund balance based on that information. Mr. Lamb stated the \$315,000 would put the City even with the revenues for the year. There may not be surplus for next year until another hotel is built or until there are higher occupancy rates.

Councilmember Hurley stated there needs to be a fund basis to assist others because competition is always good.

Mr. Pinch stated when staff met with the three groups there was actually some desire from them to have additional language that would have given them preference. Staff did not recommend this and told them so. Staff understood the committee would want to look at anyone who came forward to request funds and would be very careful to be objective when making determinations.

Chairman Hallam believed when discussing building up the fund balance, would there continue to be an increase in the in-coming amounts. If so, what should the City do with those amounts? He was concerned about setting a specific market at this point. If the revenues are flattening out, and there are justified, specific allocations, then the City needs to hit it at that point rather than saying we are going to set a specific dollar amount and go forward. He doesn't think the City should spend any excess. Entities receiving the funds need to show due diligence, without excesses, when presenting to the budget committee. He understands in principle, if there are extra funds, the City doesn't just deliver them.

Mr. Lamb stated the revised projection for the current fiscal year is the same amount for next year.

Councilmember Williams asked what the reserve balance is currently in the account. Mr. Lamb replied \$207,000. Councilmember Williams understood the three organizations to be conduits for programs the City agreed to, such as tourism. If revenues fall from the Hotel/Motel tax and the three groups want \$300,000 it wouldn't be there based on a 50% reserve. There is a history to advocate the passage of what was sold to the voters to provide returns to the City. He thinks the City can do both and asked how can the City not keep in motion the three groups because they promote programs.

Mr. Lamb did not think staff would recommend a proportionate reduction. Every year in January or February the different agencies make their proposals and the committee decides the merit of those proposals. The fund balance would stay at 50% of the total fund expenditure.

Councilmember Spallo stated this should not impact the three organizations. Some of the funds are used for operational costs. A goal should be established by using a percentage of the excess. At a minimum the organizations would receive the same amount from the previous year.

Mr. Pinch appreciated the dialogue to clarify the Committee's intention. Perhaps staff should differentiate it from the reserve, because the reserve is an operating reserve to make sure there are no shortfalls. A surplus fund could be set up to build towards future uses. The Committee may want a different set of guidelines set up for that use.

Chairman Hallam asked if anyone had any comments regarding items 1-8 on the Suggested Guiding Principles. Councilmember Spallo felt number 8 is unclear and asked for clarification.

Mr. Pinch explained these would be decided on a case by case basis in order to address unique situations. The committee could decide if a request would be a unique issue related to tourism, such as in historic downtown, which is part of the original intent for the funds.

Chairman Hallam asked if there were any questions on disbursement of funds. Councilmember Spallo questioned the 15% figure in the process for Disbursement of Funds Item 2.

Mr. Pinch explained there had been discussion over the years from the City Council and the Finance and Personnel Committee about how much membership brought in versus others. Staff figured 15 %. They did not want an organization to come to the Committee and say we are established, we don't have any other funding, now fund us. This figure may be higher or lower than what the committee wanted.

Councilmember Spallo thinks it should be as a minimum the lowest of the three core groups. Mr. Pinch replied staff would check the figures.

Chairman Hallam requested staff to review the guidelines and add verbiage based on this discussion. Mr. Pinch stated staff would have time to make changes before the December 15th deadline and still have time to adopt.

Chairman Hallam wanted to clarify there is no threat to the normal budgetary process for the funding of the original three organizations. He also requested input from them.

Mr. David Gale, Chair of EDC, stated the three groups were given the opportunity to work with staff on this issue and they understand Councilmember Spallo's position for a percentage number. This is a long-term fund and the more flexibility it gives, the better it is for everyone.

Chairman Hallam restated the direction for staff is to review and set a firm number for a goal for additional tourism.

Finance and Personnel Committee
of the
Lee's Summit City Council

Minutes

Wednesday, January 8, 2003

3:00 p.m.

Modular Executive Conference Room

Councilmembers:

Councilmember Jim Hallam – Present

Councilmember Ron Williams – Present

Councilmember Joe Spallo – Present

Councilmember Tess Hurley – Absent

Councilmember Christine Bushyhead - Present

Staff:

Conrad Lamb – Finance Director

Ellen Buhr – Budget Officer

John Pinch – City Administrator

Shelley Kneuvean – Assistant City Administrator

Robert Handley – City Attorney

Rich Wood – Staff Attorney

Steve Arbo – Assistant City Administrator

Julie Pryor

Attending: Jim Devine, Executive Director, Economic Development Council

Chairman James Hallam opened the meeting at 3:05 p.m. Attendance was taken. Chairman Hallam announced that Councilmember Hurley was still recovering from surgery but that Councilmember Bushyhead was attending.

Item 2 -- Follow-up Discussion of Criteria for Business and Industry Tax Allocation Procedures

Mr. Conrad Lamb, Finance Director, related that this matter was discussed at the November meeting. He wanted to clarify that the base year for the contributions to the reserve fund was 2002-2003 for the current contributions to the reserve fund. Mr. Lamb referred the Committee to the spreadsheet in their packets, pointing out a preliminary projection for the year. With no growth in hotel tax receipts shown, it was an estimated \$325,000; and interest revenues were slightly down. With this scenario, the 25 percent of surplus going into the capital reserve fund totaled \$62. This figure based on an assumption of flat revenues and no new hotels. Mr. Lamb concluded that the clarification of this part of the guiding principles was the only carryover from the last meeting. He added that this did not anticipate reducing contributions to the three current recipients; and the dollar amounts for 2003-2004 were the same as the current year. They would still have to present reasons and make a case for getting the funds. Although the guidelines gave

December 15th as the deadline for requests, the recipients had been given until January 15th. They would be at the February meeting.

Councilmember Spallo noted that the fund had been shrinking over the past two years as the City had been taking in less revenue. Mr. Lamb replied that it was not a matter of taking in less, but rather having more expenses. The City had reimbursed itself the \$75,000 initially transferred, and did not take the administrative fee until the present year. One decrease, however, was the budget amount of a previous \$370,000 that had decreased to \$325,000. Mr. Lamb added that some of the difference between the 2001 and 2002 actual figures was timing of some hotels' payments. He stated that the revenue was on a constant incline; but had now definitely leveled off.

Councilmember Spallo observed that the figures showed an estimate of 2002-2003 being down from 2001-2002. He asked about the impact would be if the amount did not get to \$315,700. Mr. Lamb answered that this was the reason for the strong fund balance. It would give the City a year or two of a decrease before they would have to tell the entities it could not fund at this level. He was confident that the fund balance took that into account.

Chairman Hallam remarked that a worst-case scenario would involve several hotels defaulting and confirmed with Mr. Lamb that he was confident that the 50 percent reserve covering the shortfall. Mr. Lamb said that the current fund balance was about eight hotels' annual receipts. Losing a hotel would mean about \$25,000 per year and losing two would give the fund balance about four years. Hopefully some of the others would pick up the business.

Chairman Hallam then asked about a 'best-case scenario' of new hotels opening. He liked the idea of the capital reserve and mentioned an earlier suggestion of a quarterly review. Mr. Lamb related that on the basis he had stated earlier of each hotel generating about \$25,000, the reserve would take 25 percent of that. Again, the reserve would not grow very fast under that situation. Chairman Hallam noted that the City would have enough time to table it, and that there was not a specific game plan for the reserve. Mr. Lamb acknowledged that there was not, adding that he felt Mr. Spallo's point at the last discussion was that the City at least make a start in putting money aside. Chairman Hallam remarked that as soon as the balance got to a significant number of four or even three figures, there would be requests for it. He felt that the City should have some process for evaluating what was done with the fund by that point. Mr. Lamb suggested that this might be something to be addressed at the annual review when recipients made their presentation, as this was when the budget was prepared.

Chairman Hallam then asked Mr. Lamb if any action by the Committee was needed at present, and Mr. Lamb answered that the discussion was to give direction. The matter would then be sent to the full Council as a consent item. Mr. Pinch mentioned that there was normally a motion to forward it.

Councilmember Bushyhead asked for some clarification as to what the Committee would be sending, asking if the action would be to approve the guidelines. Mr. Pinch confirmed that it was. Councilmember Bushyhead then asked if they had been reviewed for legal consistency with the ballot language and Mr. Pinch replied that Legal had been involved. Mr. Lamb referred to the "Background" portion of the ballot as reflecting the language of the guidelines:

"The proceeds are used to promote the general economic welfare of the city including attraction and retention of business and industry to the community and the promotion and provision of facilities for tourism, conventions and visitors."

Councilmember Bushyhead remarked that it might be helpful to have an actual document to which interested organizations could refer. It might keep them from wasting their time in making an application, if they had some definite categories. Chairman Hallam agreed, adding that the document was not in its final format. Mr. Pinch suggested this be added to the motion. Mr. Lamb confirmed with Councilmember Williams that the recommendation to the Council would refer to the document titled "Guiding Principles for Use of Business and Industry (Bed Tax) Funds."

Councilmember Williams then made a motion that the Committee recommend to the full Council that they adopt the suggested guiding principles for use of hotel/motel bed tax funds as outlined in the "Guiding Principles for Use of Business and Industry (Bed Tax) Funds" in staff's letter dated December 23, 2002.

Councilmember Spallo asked if this would include the reference to the City policy for reserves and surplus funds included in the guidelines. Councilmember Williams said it did, adding "including the process for disbursement and City policy for reserves" to the motion.

Councilmember Spallo then seconded the motion. Chairman Hallam read the motion, including the recommendation that the City develop language as noted on staff's letter dated December 23, 2002; and asked for a vote. The motion then passed by a unanimous voice vote of four ayes.

010803

Finance and Personnel Committee
of the
Lee's Summit City Council

Minutes

Tuesday, February 24, 2004 ♦ 7:30 a.m.
Modular Executive Conference Room

Councilmembers:

Councilmember Ed Cockrell, Chair – Present
Councilmember Christine Bushyhead – Present
Councilmember Randy Rhoads – Present
Councilmember Tess Hurley – Present

Staff:

Conrad Lamb – Finance Director
Darlene Pickett – Assistant Finance Director
Ellen Buhr – Budget Officer
Steve Lewis – City Administrator
Shelley Temple-Kneuvean – Assistant City Administrator
Steve Arbo – Acting City Administrator
Robert Handley – City Attorney
Barbara Poole – Purchasing Manager
Nanci White – Safety and Risk Manager, Human Resources
Kathy Wilkes – Secretary

Attending:

Jeanine Rann – Downtown Main Street
Nancy Bruns – Lee's Summit Chamber of Commerce
Jim Divine – Economic Development Council
John Jacobson – Economic Development Council

Chairman Ed Cockrell opened the meeting at 7:30 a.m. Attendance was taken. (Councilmember Hurley entered at 7:41 a.m.). Councilmember Rhoads indicated that he might have to leave a little early to catch a flight.

Item 1 – Approval of Minutes from January 27, 2004

Chairman Cockrell requested comments on the minutes for January 27, 2004. Hearing none, Councilmember Randy Rhoads made a motion for the minutes to stand. Chairman Ed Cockrell seconded the motion. Chairman Cockrell asked for a vote. The motion passed – three ayes – Chairman Cockrell, Councilmember Rhoads, Councilmember Bushyhead.

Item 2 – Budget Presentations

Mr. Lamb explained that the procedure was for the presentations to be made today; but the Committee would not make a decision until the wrap-up meeting.

a) **Downtown Main Street.** Ms. Rann first referred the Committee to "2003 Accomplishments." Main Street had focused on diversifying its committees and funding sources, increasing both its volunteer pool and revenue sources significantly. They had worked with the EDC and the Chamber incorporating the "Surprised?" theme into the fundraising projects. Downtown

business owners had reported numerous calls resulting from the ads; and the State Department of Tourism had sent paid a visit after seeing the ads in the *Star Sunday* magazine. The new website, www.downtownls.org, included information on Downtown improvements including the schedules, FAQs, and updates. It could be a valuable tool as construction progressed. The \$19,000.00 from another fundraising event would be used in a Spring promotion with a \$1,000.00 giveaway contest. Downtown retailers had recorded sluggish sales over the last Holiday season. Main Street would combine these fundraising proceeds with funds from the City to continue marketing Downtown.

Main Street had hired a part-time staff person and expanded her hours, with an additional day for the marketing and promotional communications plan. The group had frequent meetings of the Streetscape Task Force to outline the plan for promoting a positive image of the construction project. That would include monthly business and property owner meetings, and events to attract people to Downtown. She had visited other communities to look at their problems and solutions during such construction and had then met with HNTB and City staff. The Streetscape Task Force committee was working on the details of a marketing campaign. Main Street had applied for the Great American Main Street award, which would bring national recognition. They had not won; however, first-time applicants rarely did. Regarding the Master Plan, they were going through the 150 action items step-by-step to determine who would be taking the lead in each. Finally, Main Street had created a Downtown walking map.

Page 13 of the report contained sales tax numbers for the last decade. Revenues had increased from \$83,136.00 in 1993 to \$632,189 in 2003; with a \$93,000.00 increase just between 2002 and 2003. The anticipated construction was starting later than expected; and Main Street had funds in a money market account for use when it did. The pie chart on page 15, showing revenue sources, showed a percentage of revenue from the City that had gone down. There was a slight difference from the percentages in the pie chart and in the recent email, due to the former being to date and the latter being for the fiscal year.

Chairman Cockrell asked if they anticipated the 2003 sales tax figure to be the maximum, given the sluggish Christmas retailing. Ms. Rann remarked that much of this increase was the new SW Main development, with 6 or 8 new businesses; and there would likely not be such a significant increase until there was more infill development. However, Main Street hoped to at least maintain these levels during the construction.

(Councilmember Hurley entered, at 7:41 a.m.)

b) Chamber of Commerce. Ms. Bruns passed out copies of the half-page "Surprised?" ads from the *Goin' to Kansas City* magazine. She also provided spreadsheets summarizing the past year's accomplishments, and a survey of tourism funding in other regional cities. The Chamber had a media campaign for Spring events, for both Kansas City and surrounding areas; and had been doing co-op advertising in brochures and the Visitors Guide, as well as a possible billboard with a local hotel. As there were likely no additional funds available from the City this year, the Chamber's request was the same \$25,700.00 as last year. This would likely mean some lost advertising opportunities; and Lee's Summit needed some discussions started on ways to increase funding for tourism. The city was quite competitive in its attractions and amenities; however, as the spreadsheet indicated, it was at the bottom of the list, below Warrensburg. Legacy Park was a potential draw for people coming to the Metro area.

In most cities, Ms. Bruns noted, tourism was largely funded via bed tax funds. She asked the Committee to consider other options during the budget process; including an increase in the bed tax percentage somewhere down the road. She emphasized that the long-term request

for more funds was not to enlarge the Chamber's operating budget but for an emphasis on marketing. Ms. Bruns did not have a breakdown of the percentage of other cities; funds that came from bed taxes. However, Mr. Lewis reported that Lee's Summit's was five percent. Ms. Bruns noted that Sedalia had 600 hotel rooms vs. Lee's Summit's 675, but \$180,000.00 in public funds vs. Lee's Summit's \$24,900.00. Chairman Cockrell pointed out that with the State Fair in Sedalia likely resulted in a higher turnover. Ms. Bruns acknowledged that unlike places like Sedalia and Hannibal, Lee's Summit did not have one central attraction; however, it did have considerable traffic coming into the metro area.

Councilmember Rhoads remarked that the "Surprised" theme was effective, judging from the responses he had observed from Johnson County (KS) visitors. Ms. Bruns recalled that while looking for a concept, Chamber members recalled that visitors often came in remarking that they were surprised at Lee's Summit having so much to offer. They would, of course, have to change the theme eventually. Mr. Bill Musgrave of Springer McCullough had put it together.

Councilmember Bushyhead asked about impact on subsequent campaigns; and Ms. Bruns referred her to the difference between 2003-2003 and 2003-2004 on the comparison chart. It was an example of the impact of fewer resources. The fall Family Fun Days event at Paradise Park was an especially good fundraiser, with \$4,000.00 raised last year. However, the marketing study had indicated \$150,000.00 as what was needed to really do an effective job.

Chairman Cockrell asked about tracking responses to the ads and Ms. Bruns said the major outlets were the 800 number and the web page. However, once web addresses started to go on all the Chamber's material, people tended to increasingly rely on the website; and specific responses were harder to determine than when they called by phone. Regarding a possible conflict between aggressively advertising Downtown when construction was going on, Ms. Bruns said that the promotions would emphasize ways to get around and what would be happening where during the process.

Councilmember Bushyhead was in favor of at least considering finding additional funding, pointing out that before the bed tax the money had come out of general funds, prior to the tax. She also pointed out that it would be unwise to start such a campaign and then drop or scale it back after just one year. The first year was likely to create an awareness of Lee's Summit as a destination; and that might be second nature for people after two or three years. However, people were still, as the campaign slogan said, "surprised'." Chairman Cockrell agreed, recalling his earlier comment that other cities did underwrite other costs through General Funds. The Committee would have to give some direction to the Council. Councilmember Hurley remarked that wherever the funding came from, the city did benefit from the Chamber's campaign.

Chairman Cockrell remarked in conclusion that a larger tourism issue for Lee's Summit was the lack of a hotel convention center. Blue Springs had underwritten their complex with public funds; and some discussion needed to start regarding long-term plans for that. Ms. Bruns said she had made a point of bringing that up as often as possible, as it would open up a whole new market. Councilmember Bushyhead pointed out that careful planning would be needed, as convention centers did not always make money.

c) Economic Development Council. Mr. Devine introduced Mr. John Jacobson of EDC who was also attending. He related that a 1300-piece postcard mailing had revealed that the "Surprised" campaign had indicated the city's business climate had improved, in respondents' perception, by about 30 percent. He continued that the EDC was requesting the same amount as the last two years. They were able to do that due to reduced expenses and having proceeds

from a fundraising campaign two years before. The EDC planned to continue the "Surprised" campaign, and in addition were discussing hosting "Wake Up Lee's Summit" breakfasts in Overland Park and Kansas City for Lee's Summit commuters. They would feature programs about what was going on in Lee's Summit. He met with the Mayor regularly for discussions and the 38-person board included the Mayor and City Administrator. A recent retreat had focused on budget issues as well as discussions of how to assure that Lee's Summit's older areas didn't get overlooked. He had recently met with a consultant concerning a proforma for Downtown redevelopment. They would be contacting about 60 companies and use a computer program to analyze trends and concerns. Additionally, they would be re-doing the Lee's Summit fact book, which would include comparisons to other cities. At a recent informal gathering at the Whistle Stop, he had mentioned facts such as Lee's Summit had the second most Internet connectivity (after Boston) in the country and the high ranking in family income. In short, next year would continue past activities but with an increased focus on redevelopment.

Councilmember Bushyhead remarked that EDC's in other communities often focused on jobs and other traditional categories. She felt that the Lee's Summit EDC made far superior contributions to the community.

The Committee discussed the question of whether the economy was picking up. Mr. Devine remarked that the enthusiasm was there but the deals did not yet match that. This was evident in Johnson County (KS), where there tended to be a ripple effect for other metro area cities. Councilmember Bushyhead brought up AT&T's development of the rest of their acreage and Mr. Devine explained that they wanted to fill up the internal buildings first. The real test was when they got an anchor tenant and would need the ring road, while at the same time one deal with one tenant would not be enough to finance it. That would be the real test of the partnership. Councilmember Rhoads asked if this was a "chicken or egg" situation and Mr. Devine agreed that it was.

After these presentations, Chairman Cockrell asked for comments. Councilmember Rhoads asked if Downtown Main Street was requesting more money; and Chairman Cockrell answered that they were not; but were asking for the additional amount that had previously been authorized for two years. Mr. Lamb recalled that they had said it would take two years of additional funding.

Finance and Personnel Committee
of the
Lee's Summit City Council

Minutes

Tuesday, May 18, 2004 ♦ 7:00 a.m.
Modular Executive Conference Room

Councilmembers:

Councilmember Ed Cockrell, Chair – Present
Councilmember Christine Bushyhead – Present
Councilmember Randy Rhoads – Present
Councilmember Tess Hurley – Absent

Staff:

Conrad Lamb – Finance Director
Darlene Pickett – Assistant Finance Director
Ellen Buhr – Budget Officer
Steve Lewis – City Administrator
Shelley Temple-Kneuvean – Assistant City Administrator
Amiee Wenson – Assistant to City Administrator
Chuck Owsley -- Director of Public Works
Dena Mezger -- Senior Staff Engineer
Tom Lovell, Parks and Recreation
Robert Handley – City Attorney
Barbara Poole – Purchasing Manager
Kathy Wilkes - Secretary

Chairman Ed Cockrell opened the meeting at 7:12 a.m. Attendance was taken.

c) Business & Industry Fund Mr. Lamb noted that this was one of the first Funds the Committee had reviewed in February or March and there had been no significant change in the revenue and revenue projections since then. The motion and vote at this meeting would be to approve the contributions: \$40,000.00 for Downtown Main Street, \$262,500.00 for the Economic Development Council and \$25,700.00 for the Lee's Summit Chamber of Commerce.

Councilmember Bushyhead confirmed that these were the originally requested amounts. Chairman Cockrell remarked that he was still anticipating pickup in the next year and that he was pleased to see that the Hampton Inn was almost full every night. He then asked for a motion.

Councilmember Bushyhead made a motion to move to approve the contributions and Councilmember Rhoads seconded the motion. The motion passed – three ayes – Chairman Cockrell, Councilmember Rhoads, Councilmember Bushyhead.

PC051804



Finance and Personnel Committee
of the
Lee's Summit City Council

Minutes

Tuesday, July 27, 2004 ♦ 7:00 a.m.
Modular Executive Conference Room

Councilmembers:

Councilmember Ed Cockrell, Chair – Present
Councilmember Christine Bushyhead – Present
Councilmember Randy Rhoads – Present
Councilmember Tess Hurley – Absent

Staff:

Conrad Lamb – Finance Director
Darlene Pickett – Assistant Finance Director
Ellen Bühr – Budget Officer
Steve Lewis – City Administrator
John Mautino – Assistant City Attorney
Rich Wood – Staff Attorney
Bob Hartnett - Public Works Deputy Director
Bob Evans – Information Technology
Teresa Wright – Information Technology
Kathy VanGorkom – Purchasing Manager
Kathy Wilkes – Secretary

Attending:

Nancy Bruns, Eric Tschantz, – Lee's Summit Chamber of Commerce

Chairman Ed Cockrell opened the meeting at 7:10 a.m. Attendance was taken.

Item 1 – Approval of Minutes from July 6, 2004

Chairman Cockrell requested comments on the minutes for July 6, 2004. Hearing none, Councilmember Randy Rhoads made a motion for the minutes to stand. Councilmember Christine Bushyhead seconded the motion. Chairman Cockrell asked for a vote. The motion passed – three ayes – Chairman Cockrell, Councilmember Rhoads, Councilmember Bushyhead.

Item 2 -- Chamber of Commerce Request for additional funds

Ms. Bruns referred the Committee to the presentations the Chamber had made earlier, requesting that they consider the additional funding of \$25,000.00; and at the same time discuss how the Chamber might secure some consistent annual funding. She acknowledged the concerns over the bed tax and the Business and Industry Fund (B&I Fund). Mr. Lamb added that the fund had finished the last fiscal year at \$318,000.00, about \$3,000.00 less than projections at budget time. The Committee would have to decide whether the money would come out of the Business and Industry or General fund. The former would put the Business and Industry fund balance at 36 percent.

Chairman Cockrell asked if the City had contracts with the Chamber before the Business and Industry fund was established; and Mr. Lamb recalled one with the EDC and Downtown Main Street. These were funded from the B&I fund after the bed tax was approved; but he was not sure when the Chamber's funding started. The General Fund had previously been used to fund the contracts with the other two organizations. Chairman Cockrell remarked that in that case, using the General Fund for the contract would not be unprecedented, and asked if using the B&I fund would have only the consequence of the City choosing to go counter to its own policy and Mr. Lamb said that was correct. If the fund had no reserve next year; the City would have to prioritize these relative to other things coming up, and specifically whether to cancel the contracts or take the funds out of the General Fund. Chairman Cockrell remarked that he would not have a problem using the General Fund but next year the City might have to decide on a strategy depending on what direction the bed tax was headed, possibly including moving monies from the General to the B&I fund to maintain a balance.

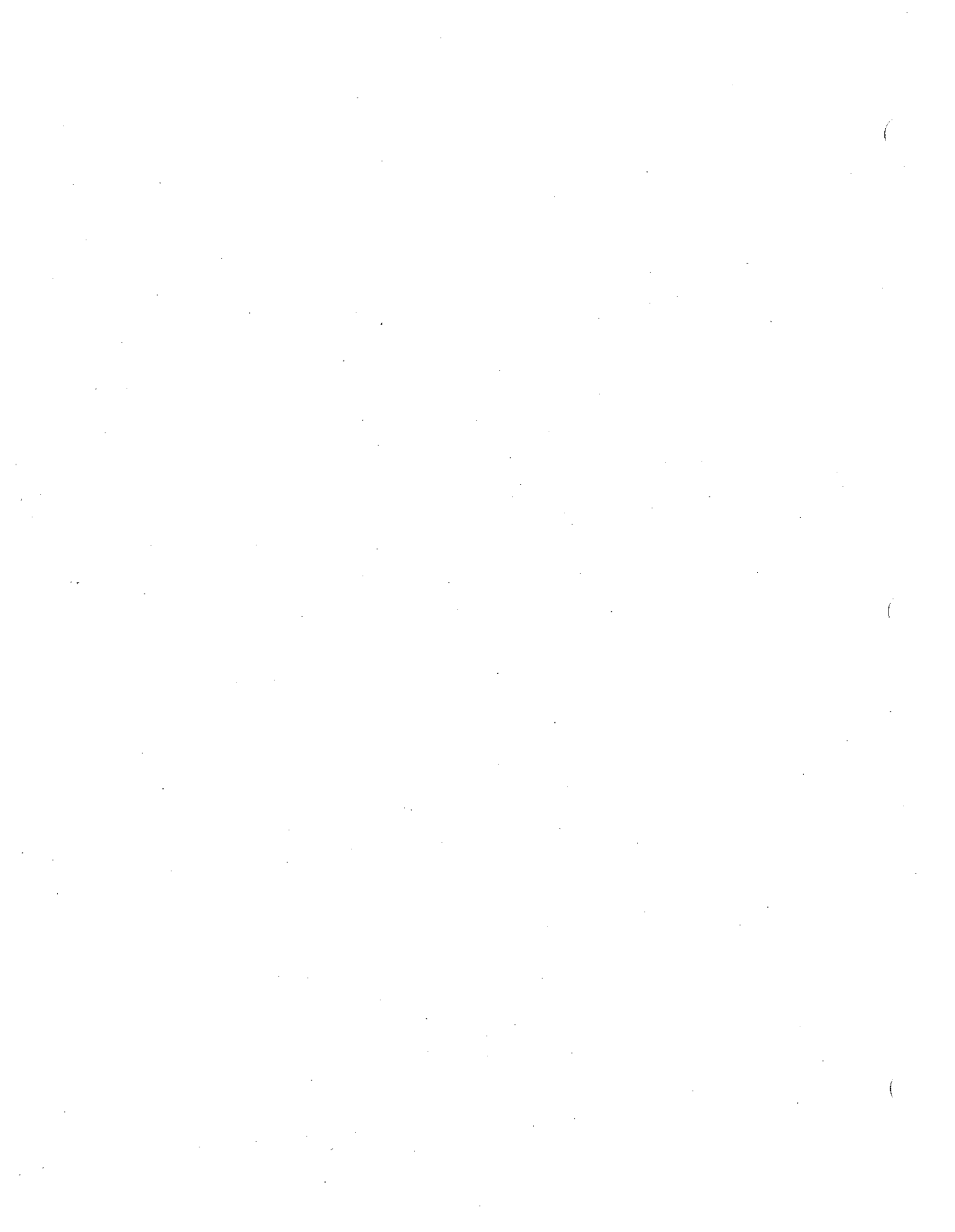
Councilmember Rhoads asked how the B&I fund balance had fluctuated in the past. Mr. Lamb related that it went up dramatically for the first three years, while Lee's Summit was building about two hotels a year. It leveled off after that, peaking in 2002 with the major ice storm and Summit Woods' opening. The hotels got business from people working on the shopping center project or staying there several days while electricity was off. Currently, occupancy and revenues were down slightly from the previous year. Under the circumstances, additional hotels being built in the near future was unlikely. One of the reasons for picking the 50 percent benchmark was to avoid not being able to fund commitments at the beginning of a fiscal year. The first year, the City had actually transferred money from the General Fund in order to create the initial fund balance; but a few years ago that was transferred back.

Councilmember Rhoads remarked that investing this kind of money, 'spending money to make money', might result in more revenue from hotels. Councilmember Bushyhead asked if 50 percent might be actually somewhat high, remarking that the Chamber should not have to be begging money every year for marketing tourism. Their marketing campaign to draw visitors into the community could benefit everyone, not just Chamber members. Mr. Lewis told Chairman Cockrell that some communities funded tourism out of economic development funds. Chairman Cockrell remarked that while no one was guaranteed money without going through the process, he agreed with the necessity for ongoing marketing being necessary for an economic impact. He did want to see some discussion of segregating the EDC regarding a funding stream, with tourism-impact groups being funded via the B&I fund. That might clarify the purpose of the fund itself. Councilmember Bushyhead pointed out that the EDC function in many other cities was part of their administration department and was not a separate entities, so this would not be that unusual an approach. She was in favor of a discussion on the Council level of what the source of marketing funding should be.

Councilmember Bushyhead made a motion to recommend approval to the City Council of an additional \$25,000.00 to the Chamber of Commerce to pursue a marketing campaign, to be taken from the Business and Industry fund and noting that this would result in the reduction of the fund balance to 36 percent.

At Mr. Lamb's request, Councilmember Bushyhead added to her motion a recommendation to staff to draft and ordinance to amend the budget to add the referenced \$25,000.00; as well as amending the service agreement. Councilmember Rhoads seconded the motion. Chairman Cockrell asked if Committee members understood the motion and asked for any

discussion. Hearing none, he called for a vote. The motion passed – three ayes – Chairman Cockrell, Councilmember Rhoads, Councilmember Bushyhead.





CITY OF LEE'S SUMMIT

CITY COUNCIL INFORMATION FORM

DATE: 09/01/2004
 ASSIGNED STAFF: Conrad E. Lamb
 DEPARTMENT: Finance

Approvals

Engineer: Dept. Dir: *CEG* Purchasing Agent: Law: City Admin.:

Ordinance	<input type="checkbox"/>	Resolution	<input type="checkbox"/>	Consent Item	<input type="checkbox"/>	Change Order	<input type="checkbox"/>
Agreement	<input type="checkbox"/>	Discussion	<input checked="" type="checkbox"/>	FYI/Update	<input type="checkbox"/>	Other	<input type="checkbox"/>

ISSUE/REQUEST:

Allocation of Business & Industry Tax receipts.

PROPOSED COMMITTEE MOTION:

I move

PROPOSED CITY COUNCIL MOTION (if consent agenda item, leave this blank):

I move

BACKGROUND: *(including location, programs/departments affected, and process issues)*

The Finance & Personnel Committee and the City Council have had several discussions regarding the appropriation of the Business & Industry Tax fund "bed tax" receipts. The city has provided funds to the Economic Development Council, Chamber of Commerce and Downtown Mainstreet in varying amounts over the years. Recently the tax receipts have leveled off while receiving requests for additional funds from some of the groups. Attached is the original ballot language together with a compilation of excerpts of F&PC and City Council meetings where this topic has been discussed to provide a background of what the tax was intended to fund and assist the council with their direction for future funding from this tax.

IMPACT/ANALYSIS:

•

FINANCIAL IMPACT

Contractor:	
Amount of Request/Contract:	\$
Amount Budgeted:	\$
Funding Source:	
Additional Funds:	\$

Reference: _____

Funding Source:	
Encumbered:	\$
Funds Remaining:	\$

TIMELINE	Start: Not Applicable	Finish: Not Applicable
OTHER INFORMATION/UNIQUE CHARACTERISTICS: •		

STAFF RECOMMENDATION:

OTHER BOARDS & COMMISSIONS ASSIGNED: Not Applicable Date: Action:

COUNCIL COMMITTEE ASSIGNED: Not Applicable Council Committee Date: Council Committee Action:
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List of Reference Documents Attached:

1. Memo to Mayor Request for Information on Bed/Guest Tax 7-3-1997
2. Memo to Mayor and Council regarding ballot information 1-9-1998
3. Ordinance certifying ballot language
4. Excerpts of F&PC and City Council Meeting Minutes January 1999 through May 1999
5. Memo from Chamber, EDC and Downtown Mainstreet regarding Excess Bed Tax Receipts (4-18-2001)
6. Suggested Guiding Principles for Use of Business & Industry (Bed Tax) Funds (Nov/Dec 2002)
7. F&PC Minute Excerpts 2004-05 budget Process
8. Budget and Actual Summary of Revenues and Expenditures from inception

BUSINESS AND INDUSTRY FUND

YEAR BEGINNING JULY 1,

	1998-99	1999-00	2000-01	2001-02	2002-03	2003-04	2004-05
	ACTUAL	ACTUAL	ACTUAL	ACTUAL	ACTUAL	BUDGET	ACTUAL REQUESTED
Revenues:							
Business & Industry Tax (Hc	202286.59	231122.34	284210	352307.59	305959.31	325000	316051
Penalty/Interest	402	1285	1411		5110.94	0	1259
Transfers	75000	0	0			0	0
Contributions	0	0	0			0	0
Interest	1,658	5,741	6,376	11,384	8,037	4,759	5,838
Total revenues	279,347	238,148	291,997	363,691	319,108	329,759	323,148
Expenditures:							
Administrative Fees	0	0	0	7046.16	20482.6	6,500	6,196
Payment Discount	3509	4294.8	5493.51	6947.54	5567	6,500	6,366
Transfer			0		75000	0	0
Contributions							
Downtown Mainstr	15000	15000	15000	22500	27500	40,000	40,000
LS Economic Deve	171397.49	202,500	202,500	202,500	262,500	262,500	262,500
LS Chamber of Cc	0	0	7,479	7,558	34,667	50,700	49,074
Arts Commission	0	0	0			0	0
Historic Preservati	0	0	0			0	0
Total expenditures	189,906	221,795	230,472	246,551	425,717	366,200	364,137
Excess of revenues over (under) expenditures	89,440	16,354	61,525	117,140	(106,609)	(36,441)	(40,989)
Fund balances, beginning of year	0	89,440	105,794	167,319	284,459	177,850	177,850
Unrestricted Fund balances, end of	89,440	105,794	167,319	284,459	177,850	141,409	136,862
% of Total Expenditures to Ending Fund Balance							
			72.6%	115.4%	41.8%	38.6%	37.6%
							26.6%