

## Legislation Text

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Presentation on the Business & Industry Fund

Issue/Request:

Presentation on the Business & Industry Fund

Key Issues:

The Business & Industry (B&I) Fund contains the expenditures for the Public Service Agreements (PSA). The revenue source for the B&I Fund is the Hotel/ Motel Tax. The purpose of this presentation is to provide information on the actual revenue data for the hotel/ motel tax and present an updated revenue forecast based on current trends. In addition, the presentation will discuss a model for distributing additional funds to the PSA organizations in the second half of the current fiscal year (January 1, 2021 to June 30, 2021).

Proposed City Council Motion:

The presentation is for informational purposes.

Background:

When the FY21 Budget was approved by the City Council, the decision was made to budget the hotel/ motel tax revenues for the full year and provide six months (half of the normal expenditure amount) of funding to the PSA organizations.

A presentation on the B&I Fund was given to the Finance and Budget Committee on Monday, November 9, 2020. Direction was given by the Finance and Budget Committee for City staff to maintain an end of the year fund balance for the B&I Fund somewhere in the amount between \$42,740 and \$50,000. Also, staff were directed to come up with a recommendation for the City Council to consider for distributing the excess funds over the recommended year-end fund balance to the PSA organizations.

Steve Arbo, City Manager, met with representatives from each of the PSA organizations on Tuesday, November 17, 2020 to discuss a potential model for distributing the excess funds over the fund balance to the PSA organizations. As a result of feedback received from the PSA organizations, it is recommended that the funds be distributed based upon the FY20 PSA funding proportions (reference slide 10 of the attached presentation for specifics).

Impact/Analysis:

After a review and analysis of the Hotel/ Motel Tax revenues, an updated revenue forecast was calculated by using actual revenues amounts for July through October and taking a 50% decrease from the pre-COVID two year average amounts for November through June. This gave an updated forecast amount of \$308,059 for FY21 (reference slide 6).

Using the updated revenue forecast and the budgeted expenditures, an estimated year-end fund balance of

\$192,720 was calculated (reference slide 7). Using an end of the year reserve balance of \$42,720, there would be excess funds over the reserve balance amount of \$150,000. The \$150,000 could be distributed to the PSA organizations for the second half of the current fiscal year (reference slide 9).

City staff is recommending that the available funds of \$150,000 be distributed to the PSA organizations based off of their proportion of PSA funding as it was distributed in FY20 (reference slide 10). Using this approach, each PSA would receive the following additional funds:

- Downtown Lee's Summit Mainstreet, Inc.: \$14,668.90
- Lee's Summit Economic Development Council: \$67,232.45
- Lee's Summit Chamber of Commerce, Inc. (Tourism): \$12,479.08
- Lee's Summit Chamber of Commerce, Inc. (Marketing): \$38,505.86
- Velocity Lee's Summit, Inc.: \$17,113.71

Other Information/Unique Characteristics:

City staff is requesting direction from the City Council regarding distribution of PSA funds. Based upon direction, staff will prepare amended PSA agreements for the remaining six months of the current fiscal year.

Steve Arbo, City Manager  
Chris Clubine, Management Analyst