



Staff Report

File #: 19-572

Version: 1

Date: 12/9/2019

Item #: 4.b.

TO: Mayor and City Council

THROUGH: Steve Powers, City Manager

FROM: Robert Barron, Chief Financial Officer

SUBJECT:

Fiscal Year 2020 Supplemental Budget 2 for creation of Special Revenue Fund 177 to receive and expend funds collected for the Tourism Promotion Area

Ward(s): All Wards

Councilor(s): All Councilors

Neighborhood(s): All Neighborhoods

Result Area(s): Strong and Diverse Economy; Welcoming and Livable Community.

ISSUE:

Shall the City Council adopt Resolution No. 2019-86, adopting Fiscal Year (FY) 2020 Supplemental Budget 2 amending the adopted budget for the creation of an unanticipated Special Revenue Fund 177 to receive and expend funds collected for the Tourism Promotion Area?

RECOMMENDATION:

The City Council adopt Resolution No. 2019-86, adopting FY 2020 Supplemental Budget 2 amending the adopted budget for the creation of an unanticipated Special Revenue Fund 177 to receive and expend funds collected for the Tourism Promotion Area.

SUMMARY:

On November 25, 2019, the City Council adopted Ordinance no. 16-19 to create a Tourism Promotion Area (TPA). The creation of the TPA allows the City to collect fees from hotel/motel and intermediary transient lodging operators as defined in Salem Revised Code (SRC) Chapter 38. The fee, 2% of taxable rents for stays in Salem, will be paid to the City's Destination Marketing Organization (DMO), currently Travel Salem. The fee is effective for stays beginning January 1, 2020. These fees will be used to promote overnight tourism and improve the lodging business environment through advertising, branding efforts, promotions, sponsorship of special events, and other programs.

In its first full year, the TPA is anticipated to generate approximately \$907,000 in revenue for the DMO. The City will retain up to 5% to cover administration of the fee. Exhibit A of the resolution demonstrates the request of \$700,000 of expenditure authority for the remainder of the FY 2020 and the first six months of the TPA. This amount is proposed in order to allow for enough expenditure authority if TPA revenues exceed current estimates.

FACTS AND FINDINGS:

ORS 294.471(1)(a) provides for the adoption of a supplemental budget when a condition which had not been ascertained at the time of budget preparation requires a change in financial planning.

Supplemental Budget 2 for FY 2020 includes recommended expenditure appropriation and revenue adjustments to allow for the unanticipated creation of Special Revenue Fund 177.

BACKGROUND:

At its November 28 meeting, City Council approved the creation of the Tourism Promotion Area. The Salem TPA is like those implemented in the City of Portland and other cities on the west coast.

Kelli Blechschmidt
Administrative Analyst I

Attachments:

1. Resolution No. 2019-86
2. Resolution No. 2019-86, Exhibit A
3. Resolution No. 2019-86, Exhibit B