

**COUNTY OF SACRAMENTO
CALIFORNIA**

For the Agenda of:
March 3, 2009

To: Board of Supervisors
From: Department of Economic Development and Intergovernmental Affairs
Subject: Mid-Year Appropriations Adjustments In Transient Occupancy Tax Fund For Fiscal Year 2008/09

Supervisory
District(s): All

Contact: Robert B. Leonard, Director, 874-7876

Overview

Changes in economic conditions are negatively impacting Transient Occupancy Tax (TOT) receipts. The Department of Finance is projecting that TOT revenues in Fiscal Year 2008-09 will be approximately \$600,000 less than projected in the adopted Fiscal Year 2008-09 TOT Budget. Actions in this report will reduce the amount of Fiscal Year 2008-09 appropriations for TOT grants to various organizations for artistic, cultural, civic and other activities by \$300,000 and reduce the annual transfer to the General Fund by \$300,000. These reductions are shown in Exhibits 1 and 2. Each of the organizations has been contacted to make them aware of the recommended cuts.

Recommendations

Approve the mid-year adjustments in the TOT Budget that are reflected in Exhibit 1.

Measures/Evaluation

Making the recommended adjustments will help to ensure that expenditures on TOT funded activities in Fiscal Year 2008-09 do not exceed revenues while still providing funding to various organizations to enhance the image, quality of life and livability of Sacramento County.

Fiscal Impact

The actions in this report will reduce funding to TOT recipient organizations by \$300,000 and reduce the annual TOT transfer to the County General Fund by \$300,000. This will result in a \$300,000 reduction in revenues and expenditures for the General Fund.

BACKGROUND:

Sacramento County imposes a Transient Occupancy Tax (TOT) in the amount of 12.0 percent of the rent charged at hotels, motels and other facilities used for short term lodging. In Fiscal Year 2008-09 the Board, as in past years, allocated a portion of the County's TOT revenues to

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fund annual grants to various organizations for artistic, cultural, civic and other activities that enhance the image, quality of life and livability of Sacramento County. These grants are shown in Exhibit 1. Changes in economic conditions, specifically fewer motel overnight stays and reduced average daily room rates, are negatively impacting Transient Occupancy Tax (TOT) receipts. This report recommends reductions to these grants, as well as the TOT contribution to the General Fund to bring expenditures in line with the projected revenues.

DISCUSSION:

The Department of Finance is projecting that Transient Occupancy Tax (TOT) revenues in Fiscal Year 2008/09 will be approximately \$600,000 less than projected in the adopted TOT budget. To mitigate this reduction in projected revenues, the County Executive is recommending a mid-year adjustment to TOT appropriations resulting in a \$300,000 reduction in the allocation to community programs funded through the Board of Supervisors Neighborhood Programs, as well as individual community organizations identified in Exhibit 2. An additional reduction of \$300,000 is proposed in the total amount allocated from the TOT Fund to the County General Fund. The proposed reductions, summarized on the following page and described in Exhibit 2, will result in a seventeen percent (17%) reduction to the Board's Neighborhood Programs, a seventeen percent (17%) reduction to funding for programs in various organizations for artistic, cultural, civic and other activities, and an eight percent (8%) reduction to the General Fund transfer.

The civic organizations impacted by this reduction include the Sacramento Tree Foundation, California Youth Soccer Association (Cherry Island), Sacramento Convention and Visitor's Bureau, Sacramento Sports Commission, American River Parkway Foundation, and Sacramento Metropolitan Arts Commission. Each of these organizations has been contacted and advised of the proposed reductions.

No adjustment is recommended for the Sacramento Sports Commission Event Support, which funded the County's sponsorship of the recently completed AMGEN event in Sacramento. In addition, no adjustments are recommended for Archives & Museum Collection Center and the Sacramento Museum of History, Science & Technology.

In the past, Board of Supervisors Neighborhood Programs funding has been allocated equally amongst the five supervisorial districts. The Fiscal Year 2008-09 Final Adopted Budget allocated approximately \$300,000 to the Board's Neighborhood Programs, or roughly \$60,000 to each of the five districts. This report recommends a total reduction of \$48,086 from the Board's Neighborhood Programs. Recognizing that some of the allocated funding to individual supervisorial districts may have already been expended, staff recommends that each Supervisor direct their Chief of Staff to provide the TOT Fund with information as to the amount of funding available for reduction in each of the five districts. Circumstances may dictate that reductions to each District's Neighborhood Program to achieve the total reduction of \$48,086 may be disproportional.

	Adopted 2008-09	Reductions	Adjusted 2008-09

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Transfer to General Fund	\$3,968,817	(300,000)	\$3,668,817
Board of Supervisors Neighborhood Programs	283,726	(48,086)	\$235,640
Sacramento Tree Foundation	55,200	(9,355)	\$45,845
California Youth Soccer Association (Cherry Island)	35,000	(5,932)	\$29,068
Sacramento Convention and Visitor's Bureau	404,975	(68,635)	\$336,340
Sacramento Sports Commission	214,750	(36,396)	\$178,354
American River Parkway Foundation	43,000	(7,288)	\$35,712
Sacramento Metropolitan Arts Commission	\$733,474	(124,309)	\$609,165
Total	\$5,738,942	(600,000)	\$5,138,941

FISCAL IMPACT:

The actions in this report will reduce the TOT Fund's appropriation level by \$600,000 and reduce expenditures by a like amount. Reduced expenditures include \$300,000 to community/civic organizations and a \$300,000 reduction in the annual TOT transfer to the County General Fund. Staff will continue to monitor TOT revenues and projections and return to the Board should further modifications be necessary.

Respectfully submitted:

APPROVED:
TERRY SCHUTTEN
County Executive

ROBERT B. LEONARD, Director
Economic Development And
Intergovernmental Affairs

BY: _____
NAVDEEP S. GILL
Chief Operations Officer

Attachments: Exhibit 1 Transient Occupancy Tax 2008-09 Mid-Year Budget Adjustment
Exhibit 2 Transient Occupancy Tax Fiscal Year 2008-09 Mid-Year Adjustments