

# Mayor and Council Communication

**DATE:** 05/05/20

**M&C FILE NUMBER:** M&C 20-0267

**LOG NAME:** 13HOT\_TPID DEFERRAL 2020

## **SUBJECT**

Adopt Ordinance Temporarily Suspending Certain Provisions and Extending Deadlines for Remittance of Hotel Occupancy Taxes (HOT) and the Payment of Tourism Public Improvement District Assessments (PID) and Eliminating Penalties, Interest, and Fees for Certain Tourism PID Assessments and Freezing Such Amounts for Certain HOT Collections; Adopt a Resolution Amending the Tourism PID's Fiscal Year 2019-2020 Budget and Eight-Year Service Plan, and Adopt Appropriation Ordinance (ALL COUNCIL DISTRICTS)

## **RECOMMENDATION:**

It is recommended that the City Council:

1. Adopt the attached ordinance suspending the following until September 1, 2020:
  - a. The application of those portions of Section 2.6 of Resolution 4837-08-2017 and Section 4 of Ordinance No. 23838-09-2019 that provide for the collection of Tourism Public Improvement District Assessment, penalties, interest, and fees in the same manner as hotel occupancy taxes and certain portions of Article II, Chapter 32 of the City Code such that the following will apply:
    - (i) Tourism PID Assessments that would otherwise be due and payable in March, April, May, June, July, or August of 2020 pursuant to Article II, Chapter 32 of the City Code are all now due and payable on September 1, 2020; and
    - (ii) No penalty, interest, or fee will be imposed on Tourism PID Assessments that would ordinarily be due in March, April, May, June, July, or August 2020 so long as the same are paid in full on or before September 1, 2020.
  - b. The application of Article II, Chapter 32, Sections 32-18(c) (relating to penalty) and 32-18(d) (relating to interest) for hotel occupancy taxes that came due in March or April 2020 such that any interest or penalty that was incurred prior to the adoption of this ordinance will remain payable without any further penalty or interest applying so long as the hotel occupancy taxes that came due in March and April 2020 and all related amounts are paid in full on or before September 1, 2020; and
  - c. The application of Article II, Chapter 32, Section 32-18 relating to remittance, delinquency, penalty, and interest for hotel occupancy taxes that would otherwise be due and payable in May, June, July, or August of 2020, such that no penalty or interest will apply with respect to such amounts so long as the hotel occupancy taxes that would otherwise be due in May, June, July, and August are paid in full on or before September 1, 2020.
2. Adopt the attached Resolution amending the Tourism PID's Fiscal Year 2019-2020 Budget and Eight-Year Service Plan, reducing expenditures and total budget to reflect a reduction in projected revenues, a portion of which is proposed to be offset by use of fund balance; and
3. Adopt the attached appropriation ordinance increasing estimated receipts and appropriations in the Fort Worth Public Improvement District 18 – Tourism Fund in the amount of \$853,468.00, from available, unreserved fund balance, to partially offset projected lost revenues of \$2,295,395.00.

## **DISCUSSION:**

This Mayor and Council Communication (M&C) has two main purposes: (1) to provide a deferral period to hotels that delays the requirement for them to make payment of hotel occupancy taxes (HOT) and Tourism Public Improvement District (Tourism PID) Assessments without most interest, penalties, or other fees applying; and (2) to amend the corresponding Tourism PID's Fiscal Year (FY) 2019-2020 budget and eight-year service plan.

One of the industries hardest hit by the COVID-19 situation has been tourism and, specifically, the hotel industry. In Fort Worth, the hotel occupancy rate has dropped from approximately 80% to single digits. In some cases, hotels have closed because they were losing too much money to stay open without guests.

### **I. Deferral of HOT and Tourism PID Assessments**

At this time, the biggest issue for hotels is the need for cash so that they have an opportunity to stay in business. A few weeks ago, the Hotel Association of Tarrant County and the Texas Hotel and Lodging Association approached the City requesting this deferral as a means to help Fort Worth hotels stay afloat during this unprecedented time.

Upon adoption of the attached ordinance, the HOT and Tourism PID Assessment payment deferrals for Fiscal Year 2020 will operate as follows:

#### **A. HOT**

	Principal Amount (Original Due Date)	Principal Amount (Deferral Due Date)	Penalties, Interest, and Fees (Accrual Date)	Penalties, Interest, and Fees (Deferral Due Date)*
<b>February</b>	March 1	Deferred to Sept. 1	March 26	Deferred to Sept. 1 - Amounts that have accrued from delinquency date to May 4, 2020
<b>March</b>	April 1	Deferred to Sept. 1	April 26	Deferred to Sept. 1 - Amounts that have accrued from delinquency date to May 4, 2020
<b>April</b>	May 1	Deferred to Sept. 1	May 26	Deferred to Sept. 1
<b>May</b>	June 1	Deferred to Sept. 1	June 26	Deferred to Sept. 1
<b>June</b>	July 1	Deferred to Sept. 1	July 26	Deferred to Sept. 1
<b>July</b>	August 1	Deferred to Sept. 1	August 26	Deferred to Sept. 1
<b>August</b>	September 1	No deferral	September 26	No deferral
<b>September</b>	October 1	No deferral	October 26	No deferral

\*For any unpaid principal amounts attributable to and owed for the months of February – July of 2020, fees, penalties, and interest will resume September 1, 2020

As a condition to receiving the deferral, the hoteliers will be required to report their gross and net room revenue (gross room revenue subject to HOT less allowable exemptions) during the deferral period so the City can record a receivable to track the amounts due and payable. This information will also provide valuable insight into the pace of recovery of the travel and tourism industries.

The revenues from the local HOT were pledged to bonds the City issued for the construction of Dickies Arena. Staff analyzed the financial situation and determined that granting a deferral as proposed would not interfere with the City's ability to make the debt service payments that will become due during the brief period while the deferral is in effect. In addition, by allowing the hotels to defer payments in the short term, the City will be aiding in their liquidity and assisting them in their efforts to survive the current situation, thereby enhancing HOT as a revenue source in the longer term. Based on these factors and the fact that the full amount of HOT would be due and payable after the deferral ends, the City's Bond Counsel determined that a deferral would be allowable under the terms of the Arena bonds.

#### B. Tourism PID Assessments

	Principal Amount (Original Due Date)	Principal Amount (Deferral Due Date)	Penalties, Interest, and Fees (Accrual Date)	Penalties, Interest, and Fees (Deferral Due Date)*
<b>February</b>	March 1	Deferred to Sept. 1	March 26	Not imposed so long as paid by Sept. 1
<b>March</b>	April 1	Deferred to Sept. 1	April 26	Not imposed so long as paid by Sept. 1

<b>April</b>	May 1	Deferred to Sept. 1	May 26	Deferred to Sept. 1
<b>May</b>	June 1	Deferred to Sept. 1	June 26	Deferred to Sept. 1
<b>June</b>	July 1	Deferred to Sept. 1	July 26	Deferred to Sept. 1
<b>July</b>	August 1	Deferred to Sept. 1	August 26	Deferred to Sept. 1
<b>August</b>	September 1	No deferral	September 26	No deferral
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## **II. Tourism PID Mid-Year Adjustments**

The Tourism PID is funded through a 2% assessment on the consideration received from occupancy of any sleeping room furnished by a hotel in the Tourism PID. Due to the steep drop in hotel occupancy rates as a result of the COVID-19 situation, Tourism PID Assessment revenue is now projected to be 45% less than originally budgeted.

Consequently, staff has proactively worked with the Fort Worth Tourism Public Improvement District Corporation (FWTPIDC) and the Fort Worth Convention and Visitors Bureau (CVB), which are the contracted Tourism PID managers, to conduct a mid-year review of the Tourism PID's FY 2019-2020 budget. City staff, FWTPIDC, and CVB have identified the need to decrease the Tourism PID Assessment revenue by \$2,295,395.00 to account for the 45% reduction in assessment revenue. FWTPIDC and CVB request the use of fund balance in the amount of \$853,468.00 to cover operational expenses for the remainder of the fiscal year. The budgeted expenses show a reduction in each category line item for the current fiscal year service plan (see table below).

Revenue Adjustments:

<b>Line Item to be Adjusted</b>	<b>Previously Approved FY20 Budget Item</b>	<b>Recommended Mid-Year Adjustment</b>	<b>Amended FY20 Budget Item</b>
PID Assessments	\$5,155,878.00	\$(2,295,395.00)	\$2,860,483.00
Use of Fund Balance	-	\$853,468.00	\$853,468.00
<b>Total Budget Revenue</b>	<b>\$5,155,878.00</b>	<b>\$(1,441,927.00)</b>	<b>\$3,713,951.00</b>

Expenditure Adjustments:

<b>Line Items to be Adjusted</b>	<b>Previously Approved FY20 Budget Item</b>	<b>Recommended Mid-Year Adjustment</b>	<b>Amended FY20 Budget Item</b>
Incentive & Sales Efforts	\$2,167,873.00	\$(525,515.00)	\$1,642,358.00

Line Items to be Adjusted	Previously Approved FY20 Budget Item	Recommended Mid-Year Adjustment	Amended FY20 Budget Item
Marketing and Research (Promotion/Advertising)	\$1,785,307.00	\$(504,246.00)	\$1,281,061.00
Site Visit & Familiarization Tours	\$510,088.00	\$(303,650.00)	\$206,438.00
Cultural Enhancements through Marketing and Promotion of the Arts	\$382,566.00	\$(78,316.00)	\$304,250.00
Operations & Administration	\$255,044.00	\$(30,200.00)	\$224,844.00
<b>Totals</b>	<b>\$5,100,878.00</b>	<b>\$(1,441,927.00)</b>	<b>\$3,658,951.00</b>

Staff supports FWTPIDC's and CVB's recommended mid-year budget adjustments. Upon approval of the above recommendations, the total budgeted expenses for FY 2019-2020 will be \$3,658,951.00. This mid-year budget adjustment will decrease the unaudited, unassigned fund balance by a total of \$853,468.00. The revised Budget and 8-Year Service Plan will take effect upon approval by City Council. The proposed changes to the Tourism PID's FY 2019-2020 budget complies with the City's reserve requirements

The Tourism PID is located in ALL COUNCIL DISTRICTS.

A Form 1295 is not required because this M&C does not request approval of a contract with a business entity.

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#### **FISCAL INFORMATION / CERTIFICATION:**

The Director of Finance certifies that upon approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available in the current operating budget, as appropriated of the FWPID #18-Tourism Fund. Prior to any expenditure being incurred, the Financial Management Services Department has the responsibility to validate the availability of funds.

**Submitted for City Manager's Office by:** Jay Chapa 5804

**Originating Business Unit Head:** Reginald Zeno 8500

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