



Legislation Text

File #: 20-210, **Version:** 2

A Resolution authorizing the abandonment or partial abandonment of several 2020 Lodgers and Auto Rental Tax (LART) projects and contracts totaling \$3,488,711 and the transfer of LART funds in the amount of \$90,000 to three additional projects and events recommended by the LART Citizen Advisory Committee, with the remaining \$3,398,711 reserved for expenditure budget reductions necessitated by the projected LART revenue loss due to COVID-19 impacts on the lodging and auto rental industries

Presenter:

Charae McDaniel, Chief Financial Officer
Laurel Prud'homme, LART Citizens Advisory Committee Chair

Summary:

In March, 2020, the COVID-19 pandemic and stay at home orders instituted in the State of Colorado, and nationally, caused the closure of non-essential business, which resulted in a dramatic impact on the lodging and auto rental industries. This caused a sharp decline in the forecasted LART revenue in 2020. The LART fund revenue is expected to fall short of budgeted revenue by approximately \$4.7 million, a 57% reduction. To balance the budget, in combination with the use of available fund balance, the expenditures need to be reduced to stay within the anticipated revenue. Also, as a result of the impacts of COVID-19, several projects and events that had been recommended by the LART Citizen Advisory Committee (CAC) and approved by City Council as part of the 2020 Budget Appropriation (Ordinance No. 19-87 approved on December 5, 2019), have been canceled or postponed. The LART CAC has also proposed reducing funding for certain events and projects that are scheduled for later in 2020 or occur throughout the year, as well as proposed reductions of the four contracts funded by LART, as measures to reduce the expenditures.

This resolution abandons or partially abandons several projects and events, along with reducing the four contracts, totaling \$3,488,711, as shown in Exhibit A. The resolution also transfers LART funds to three additional projects as recommended by the LART CAC, totaling \$90,000, as follows:

- Colorado Springs Sports Authority (C4C Oversight) \$30,000
- Colorado Springs Fine Arts Center \$30,000
- Flying W Ranch (Marketing) \$30,000

The remaining amount of abandoned/partially abandoned projects, and reduced contracts, in the amount of \$3,398,711, will provide the expenditure reductions necessary to stay within the anticipated revenue.

Background:

A number of events in the community have been designated by Council resolutions over the years as "City-sponsored events" and are supported in whole or in part by LART funds. The remaining funds are allocated to projects and events in the community through an application process and extensive

review by the LART Citizen Advisory Committee, which results in their recommendation to City Council for projects to include in the City's annual budget.

In March, 2020, the COVID-19 pandemic and stay at home orders instituted in the State of Colorado, and nationally, caused the closure of non-essential business. This caused a sharp decline in the forecasted LART revenue in 2020. During April, information was collected on canceled and postponed events, along with reduction of contracts, in order to compile a list of abandoned and partially abandoned LART projects (Exhibit A). The LART Citizen Advisory Committee, at their April 2020 meeting, reviewed and recommended applications for additional 2020 projects and events totaling \$90,000.

Previous Council Action:

On October 7, 2019, City Council recommended LART expenditures to be included in the 2020 budget (Resolution No. 97-19). On December 5, 2019, City Council approved the 2020 Budget per Ordinance No. 19-87, which included the appropriation of funds for the LART Fund. On March 24, 2020, a request for a supplemental appropriation of \$121,000 for five additional 2020 projects and events was approved by City Council. The available fund balance, after the March supplemental appropriation, was \$1.33 million.

Financial Implications:

There will be no additional expenditure appropriation in the LART fund as a result of this Resolution. The abandonment and partial abandonment of 2020 projects and events, along with reductions in the four contracts, totals \$3,488,711. Of this amount, \$90,000 will be transferred to the 3 new projects listed in the Summary section. The remaining \$3,398,711 will result in the needed expenditure reductions to stay within the lower revenue estimate. There is no impact to the General Fund.

Summary of actions to cover 2020 estimated revenue shortfall of (\$4,719,358):

Available fund balance: \$1,330,647

Additional projects recommended in March: (\$90,000)

Abandonment/partial abandonment of events and contracts: \$3,488,711

City Council Appointed Board/Commission/Committee Recommendation:

The LART Citizens Advisory Committee reviewed the proposal at its regularly scheduled meeting on April 9, 2020, along with subsequent conversations, and recommends the funding changes as described.

Stakeholder Process:

This request was discussed with the City Council Budget Committee on May 12, 2020.

Alternatives:

N/A

Proposed Motion:

Move to approve this Resolution authorizing the abandonment or partial abandonment of several 2020 Lodgers and Auto Rental Tax (LART) projects and contracts totaling \$3,488,711 and the transfer of LART funds in the amount of \$90,000 to three additional projects and events recommended by the LART Citizen Advisory Committee, with the remaining \$3,398,711 reserved for expenditure budget reductions necessitated by the projected LART revenue loss due to COVID-19

impacts on the lodging and auto rental industries .
N/A