




THE CITY OF SAN DIEGO

M E M O R A N D U M

DATE: November 10, 2008

TO: Council Member Toni Atkins, Chair, Budget and Finance Committee and Committee Members

FROM: Jay M. Goldstone, Chief Operating Officer 

SUBJECT: Addendum to Fiscal Year 2009 Budget Amendment Report, #08-0166, Transient Occupancy Tax (TOT) Fund Corrective Actions

The Fiscal Year 2009 Budget Amendment Report included an overview of the corrective actions recommended to mitigate the projected revenue shortfall in the TOT Fund. This memorandum and the attachments provide additional detail regarding the TOT Fund and the recommended adjustments.

The Fiscal Year 2009 total City TOT revenue budget is \$173.0 million. Of this amount, \$90.6 million is deposited directly into the General Fund and \$82.4 million into the TOT Fund or Special Promotion Programs. As discussed in the Budget Amendment Report, TOT revenue is now projected to come in under budget by \$16.1 million for the City. Of this amount, \$8.4 million directly impacts the General Fund, while \$7.7 million impacts the TOT Fund, thus reducing the TOT Fund Budget to \$74.7 million. The following actions are recommended to mitigate this shortfall and are also reflected in the attached table.

CCDC Payment of PETCO Park Bonds

The Centre City Development Corporation will pay the full \$11.3 million in annual debt service for the PETCO Park bonds. This represents a \$3.8 million increase from the original budget.

Commission for Arts and Culture (Arts, Culture and Community Festivals Program Administration)

The Commission for Arts and Culture budget will be reduced by \$47,500. This is the reduction of 1.00 Associate Management Analyst which functions as the Public Art Project Coordinator.

Public Art

The \$30,000 contribution to the Public Art Fund will be eliminated for Fiscal Year 2009.

New Convention Facility

The contribution to the Convention Center will be reduced by \$218,000 for the remainder of Fiscal Year 2009.

PETCO Park

The contribution to the PETCO Park Fund will be reduced by \$3.2 million due to available fund balance in the PETCO Park Fund.

Major Events

The \$21,000 contribution to the Major Events Revolving Fund will be eliminated for Fiscal Year 2009.

Balboa Park Centennial

The \$150,000 contribution to set aside funding for the Balboa Park Centennial Celebration will be eliminated for Fiscal Year 2009.

Discretionary TOT Support to General Fund

As a result of the projected decline in TOT revenue, the maximum amount of discretionary funding that is eligible for transfer to the General Fund is \$14.7 million. This represents a \$1.5 million reduction in the budgeted transfer and is also reflected in the General Fund revenue adjustments.

QUALCOMM Stadium

The contribution to the QUALCOMM Stadium Operating Fund will be reduced by \$1.0 million due to additional funds received in the QUALCOMM Stadium Operating Fund resulting from a settlement with the Chargers.

Special Events

The Special Events Department budget will be reduced by 10 percent. This reduction includes approximately \$45,000 in non-personnel expense.

The combined result of these adjustments is projected to leave a fund balance of approximately \$2.4 million at year-end. This fund balance will assist with balancing the Fiscal Year 2010 budget and provide a reserve in the event TOT revenue comes in below the revised projections.

Attachments: Transient Occupancy Tax (TOT) Fund Budget and Corrective Actions
Transient Occupancy Tax Fiscal Year 2009 Budget Allocation Chart

cc: Honorable Mayor Sanders
Members of the City Council
Mary J. Lewis, Chief Financial Officer
Nader Tirandazi, Financial Management Director
Andrea Tevlin, Independent Budget Analyst

**Transient Occupancy Tax (TOT) Fund
Special Promotional Programs**

Revenue/Expenditures	Revised Budget	Year-End Projection	Corrective Action	New Budget
Revenue				
Transient Occupancy Tax	\$ 82,389,843	\$ 74,717,635	\$ (7,672,208)	\$74,717,635
Redevelopment Agency Loan Repayment	7,500,000	7,500,000	3,800,000	11,300,000
Grants and Other Revenue	200,000	491,062		200,000
Total Transient Occupancy Tax Fund Revenue	\$ 90,089,843	\$ 82,708,697	\$ (3,872,208)	\$86,217,635
Expenditures				
Arts, Culture and Community Festivals				
Creative Communities San Diego	425,118	425,118		425,118
Organizational Support	6,449,183	6,449,183		6,449,183
AC&CF Program Administration (Commission)	945,855	944,149	(47,502)	898,353
Mayor/City Council Allocations	220,000	220,000		220,000
Public Art Fund	30,000	30,000	(30,000)	-
TOTAL	\$ 8,070,156	\$ 8,068,450	\$ (77,502)	\$ 7,992,654
Capital Improvements				
Balboa Park/Mission Bay Park Improvements	6,955,219	6,955,219		6,955,219
Convention Center Complex	15,628,553	15,628,553		15,628,553
New Convention Facility	4,339,198	4,339,198	(216,960)	4,122,238
PETCO Park	12,727,447	12,727,447	(3,200,000)	9,527,447
Trolley Extension Reserve	4,008,096	4,008,096		4,008,096
TOTAL	\$ 43,658,513	\$ 43,658,513	\$ (3,416,960)	\$40,241,553
Economic Development Programs				
Citywide Economic Development	688,940	688,940		688,940
Economic Development and Tourism Support	539,737	539,737		539,737
Business Expansion, Attraction and Retention	395,829	395,829		395,829
ED Program Administration	178,450	178,450		178,450
TOTAL	\$ 1,802,956	\$ 1,802,956	\$ -	\$ 1,802,956
Major Events				
Major Events Revolving Fund	21,014	21,014	(21,014)	-
TOTAL	\$ 21,014	\$ 21,014	\$ (21,014)	\$ -
Safety and Maintenance of Visitor-Related Facilities				
Balboa Park Centennial	150,000	150,000	(150,000)	-
Discretionary TOT Support to General Fund	16,257,968	14,723,527	(1,534,441)	14,723,527
Horton Plaza Theatre Foundation	385,000	385,000		385,000
Mission Trails Regional Park Foundation, Inc.	36,450	36,450		36,450
QUALCOMM Stadium	10,852,504	10,852,504	(1,027,596)	9,824,908
Regional Park Safety Program	92,642	92,642		92,642
TOT Payment Audit	391,356	391,356		391,356
TOT Administration and Promotional Activities	7,725,433	7,725,433		7,725,433
Special Events Department	645,851	614,611	(44,583)	601,266
TOTAL	\$ 36,537,204	\$ 34,971,523	\$ (2,756,622)	\$33,780,582
Total Transient Occupancy Tax Fund Expenditures	\$ 90,089,843	\$ 88,522,456	\$ (6,272,098)	\$83,817,745
Net Transient Occupancy Tax Fund	\$ -	\$ (5,813,759)	\$ 2,399,890	\$ 2,399,890

Transient Occupancy Tax

10.5 Cents

\$173m budget

\$156.9m projected

Special Promotional Programs / TOT Fund

5 Cents

\$82.4m budget

\$74.7m projected

General Fund

5.5 Cents

\$90.6m budget

\$82.1m projected

Use: general governmental purposes

Council Discretionary Budget

(\$16.5m)

- Transfer to GF (\$16.3m)
- Council/Mayor allocation (\$220k)

Operating Budget

(\$14.5m)

- Balboa Park/
Mission Bay Improvement (\$400k)
- Convention Center (\$1.9m)
- Convention Center Facility (\$4.3m)
- PETCO Park (\$1.4m)
- Qualcomm (\$5.1m)
- Commission for Arts and Culture (\$946k)
- Special Events Department (\$446k)

Other Budgeted Expenditures

(\$17.5m)

- Arts & Culture Programs (\$6.9m)
- Economic Development
Programs (\$2.2m)
- Balboa Park Centennial (\$150k)
- Transfer to Major Events
Revolving Fund (\$21k)
- Reimbursements to GF
for TOT related costs (\$8.1m)
- Regional Park Safety Program (\$93k)

Debt Service Budget

(\$33.9m)

- Balboa Park/
Mission Bay Improvement (\$6.6 m)
- Convention Center (\$13.7 m)
- PETCO Park (\$3.8 m)
- Qualcomm (\$5.8 m)
- Trolley Extension (\$4 m)