

HOTEL/MOTEL TAX FUND

- Due to COVID-19, Hotel/Motel Tax revenue for 2020 is projected to be approximately 60% less than normal due to a reduction in travel and large events at hotel properties.
- Expenses are projected to be significantly reduced for two reasons.
 - 100% of Hotel/Motel tax is paid back to the LPFC and is expected to be approximately \$200,000 less than prior years.
 - The cancellation of large events such as Lilac Parade, Cruise Nights, and Fireworks, etc. reduced the need for OT and other related expenses in 2020 and potentially 2021.
- To prevent a negative fund balance at the end of 2021, the Village Board agreed to use all 2020 and 2021 Hotel/Motel revenues for the Hotel/Motel Tax Fund instead of allocating 25% in the Economic Development Fund.
- Based on this direction, the projected fund balance at the end of 2021 is \$447,996.
- The Community Promotions & Tourism Committee will be looking at options in the months ahead and will make recommendations to the Village Board to reduce future expenses.

Hotel Motel Tax Discussion: 12.5% Use of Economic Development Funds

FY 2020 -- 12.5%

Hotel/Motel
Fund Balance
12/31/2019

\$ 985,066

FY2020	Budget 1/1/2020	Year-End Estimate 9/1/2020	Explanation
Revenue	\$ 2,043,330	\$ 612,420	Revenue for FY 2020 projects to be approximately 30% of normal due to reduction in travel and large events at hotel properties.
Expense	\$ 2,010,540	\$ 1,159,520	Expenses significantly reduced for two reasons. First is impact on LPFC property where 100% of tax is provided by agreement for debt service on property. This expense projects to be approximately \$200,000 down from \$800,000. Second reason is cancellation of large events including Lilac Parade, Cruise Nights, Fireworks, etc. that reduced need for OT and other related expenses.
Difference	\$ 32,790	(\$547,100)	
Use of 12.5% Economic Development Fund		\$ 101,470	Current budget sets aside 25% of hotel tax revenues for use as economic development incentives per recent state legislation. However, we can choose to use it for traditional hotel/motel expense. Use of 12.5% would allow \$101,470 to be applied. Option exists to allocate the other 12.5% if the Village Board chooses to do so. The thought here is to at least keep some money set aside for possible incentive if the right project proposal was presented.
*Use 45.24% of Beginning Fund Balance		\$ 445,630	*Projected deficit for FY 2020 is significant due to impact of COVID. If supported by Village Board, hotel/motel reserves could be allocated to make up shortfall.
Projected Fund Balance 12/31/2020			
\$	539,436		

Hotel Motel Tax Discussion: 12.5% Use of Economic Development Funds

FY 2021 -- 12.5%

Hotel/Motel
Projected Fund Balance
12/31/2020
\$ 539,436

FY2021	Budget 1/1/2021	Explanation
Revenue	\$ 884,000	Revenue for FY 2021 projects to be 45% of normal due to lagging impacts of travel and large events at hotel properties.
Expense	\$ 1,366,910	The expense projection for FY 2021 is 67% of normal due to decreased amount of tax collected at LPFC property which subsequently reduces the amount that needs to be transferred via agreement. This amount still assumes all historical annual events take place at this time.
Difference	(\$482,910)	

Suggested Option to Address Deficit

		Explanation
Use of 12.5% Economic Development Fund	\$ 147,000	Use of 12.5% of revenue for hotel/motel budget instead of for economic incentives. Option exists to allocate the other 12.5% if the Village Board chooses to do so. If this was the case, the amount would be \$294,000.
Cancellation or Non-Funding of Events on Case by Case Basis	(\$254,030)	Reduction of \$254,000 assumes that some events will be cancelled on their own due to lack of interest or lingering COVID impacts. However, under this scenario it anticipates reduction in annual grants for other events, reduction in Village programs (Civil War re-enactment, Boosters, Cruise Nights, 4 th of July etc.). This would be done on a case by case basis and NOT deemed to be a permanent reduction.
Use 15.17% of Beginning Fund	\$ 81,881	Use of fund balance from beginning of year to cover projected deficit.
Projected Fund Balance 12/31/2021		
\$ 457,556		End of year fund balance under this scenario would be \$457,556. However, depending on direction of Village Board regarding use of 25% economic development "set aside" funds and approach to reduction in events, the amount of reserves required may fluctuate.

Hotel Motel Tax Discussion: 25% Use of Economic Development Funds

FY 2020 -- Alternate 25% Scenerio

Hotel/Motel Fund Balance 12/31/2019			
\$ 985,066			
FY2020	Budget 1/1/2020	Year-End Estimate 9/1/2020	Explanation
Revenue	\$ 2,043,330	\$ 612,020	Revenue for FY 2020 projects to be approximately 30% of normal due to reduction in travel and large events at hotel properties.
Expense	\$ 2,010,540	\$ 1,159,520	Expenses significantly reduced for two reasons. First is impact on LPFC property where 100% of tax is provided by agreement for debt service on property. This expense projects to be approximately \$200,000 down from \$800,000. Second reason is cancellation of large events including Lilac Parade, Cruise Nights, Fireworks, etc. that reduced need for OT and other related expenses.
Difference	\$ 32,790	(\$547,500)	
Use of 25% for H/M Fund instead of Economic Development Fund		\$ 203,340	Current budget sets aside 12.5% of hotel tax revenues for use as economic development incentives per recent state legislation allows up to 25%. However, we can choose to use it for traditional hotel/motel expense. Use of 25% would allow \$203,340 to be applied.
*Use of 34% Beginning Fund Balance		\$ 344,160	*Projected deficit for FY 2020 is significant due to impact of COVID. If supported by Village Board, hotel/motel reserves could be allocated to make up shortfall.
Projected Fund Balance 12/31/2020			
\$ 640,906			

Hotel Motel Tax Discussion: 25%Use of Economic Development Funds

FY 2021 -- Alternate 25% Scenerio		
Hotel/Motel Projected Fund Balance 12/31/2020 \$ 640,906		
FY2021	Budget 1/1/2021	Explanation
Revenue	\$ 884,000	Revenue for FY 2021 projects to be 45% of normal due to lagging impacts of travel and large events at hotel properties.
Expense	\$ 1,366,910	The expense projection for FY 2021 is 67% of normal due to decreased amount of tax collected at LPFC property which subsequently reduces the amount that needs to be transferred via agreement. This amount still assumes all historical annual events take place at this time.
Difference	(\$482,910)	
Suggested Option to Address Deficit		
Use of 25% for H/M Fund instead	\$ 294,000	Use of 25% of revenue for hotel/motel budget instead of for economic incentives.
Cancellation or Non-Funding of Events on Case by Case Basis	(\$254,030)	Reduction of \$254,000 assumes that some events will be cancelled on their own due to lack of interest or lingering COVID impacts. However, under this scenario it anticipates reduction in annual grants for other events, reduction in Village programs (Civil War re-enactment, Boosters, Cruise Nights, 4 th of July etc.). This would be done on a case by case basis and NOT deemed to be a permanent reduction.
Use of Beginning Fund Balance	\$ -	Use of fund balance from beginning of year to cover projected deficit.
Projected Fund Balance 12/31/2021 \$ 706,026		
		End of year fund balance under this scenario would be \$706,026 and could be used in lieu of reduction in events if so directed by the Village Board.