

**To the Mayor and Members of the City Council****April 24, 2020**

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SUBJECT: CHANGE IN MONTHLY FUNDING PAYMENTS DUE TO VISIT FORT WORTH

The purpose of this Informal Report is to provide the City Council information on a request from Visit Fort Worth to reduce their monthly funding payment from \$859,000 to \$700,000 due to the impact of the COVID-19 crisis on Hotel Occupancy Tax collections.

As you are aware and as was reported by the City Manager last week, one of the industries hardest hit by the COVID-19 situation has been the tourism business and specifically the hotel industry. In Fort Worth, hotel occupancy has dropped from approximately 80% to single digits.

The consequence of the collapse in hotel occupancy is a proportional drop in Hotel Occupancy Tax (HOT) collections. HOT collections for a given month represent the previous month's activity:

- February (January): \$2,697,527
- March (February): \$2,372,597
- April (March, est.): \$846,000
- May (April, est.): \$282,000

According to CBRE, the post-COVID-19 projections for Fort Worth HOT revenues indicate that hotel rates may take up to two years to recover after the recovery starts, while hotel occupancy may take several years beyond that. The recovery of HOT collections will follow the recovery of occupancy and rate.

The City's agreement to fund Visit Fort Worth is based on a graduated percentage share of HOT collections. The difference between the budgeted and actual funding is reconciled in the following fiscal year. Visit Fort Worth also receives funding for the Fort Worth Herd, Molly the Trolley, and occasionally, the Motion Film Committee.

Early in the COVID-19 crisis, City Staff and Visit Fort Worth Staff met to develop a revised HOT revenue projection for the remainder of FY20, to project the impact of the change on VFW funding, and to discuss how to address the funding change while maintaining VFW's capacity to sell and market Fort Worth as a visitor destination when the recovery begins.

As a result of that meeting, on April 9, VFW President and CEO Bob Jameson sent the City a letter, requesting that the monthly funding payment due VFW be reduced from \$859,000 to \$700,000. This funding reduction, when combined with a series of personnel and programmatic funding reductions at VFW, positions the organization to fulfill its' mission without being financially overwhelmed by the reconciliation of FY20 budgeted vs. actual funding to take place in early 2021. Additionally, the HERD monthly payment will be reduced from \$82,230 to \$64,938.

May will be the first month that VFW will receive the revised monthly payment. City Staff will continue to work with VFW to monitor HOT collections and will take additional action as is deemed appropriate.

If you have any questions or concerns related to this effort, please contact Jay Chapa, Assistant City Manager at 817-392-5804.

David Cooke
City Manager