

## CITY OF WARRENVILLE

## MEMO

To: Mayor and City Council  
From: Cristina White, Assistant City Administrator *CW*  
Subject: Hotel Tax Funding FY 2022  
Date: July 22, 2020

Due to COVID-19, the hotels in Warrenville have been operating at a significantly reduced capacity. With the limited tax remittance data we have available, staff is currently projecting a loss of 46% or about \$201,000 in Hotel Tax revenue for the current fiscal year (FY 2021). Unfortunately, there is no way to know when or if hotel stays will return to pre-pandemic numbers.

Due to cancelation of summer events like the 4<sup>th</sup> of July celebrations and Summer Daze, staff is anticipating a reduction in expenses this year, the amount of which is yet to be determined. However, COVID-19 is likely to impact FY 2022 as well. With that in mind, staff is recommending a reduction in Hotel Tax funded programs for FY 2022 and has developed several options for consideration as listed below.

All three of the proposed options include suspending the aesthetic enhancements program, which would allow TAC some additional time to consider a future project. Based on previous Council direction, staff would not include \$60,000 in funding for this program for consideration until the FY 2024 budget.

Option 1: Reduce hotel grant funding & suspend aesthetic enhancements (recommended)

Under this option, only \$100k would be included in the FY 2022 budget for the Hotel Tax grant program. It is important to note, in both FY 2020 and FY 2021, the grant requests received exceeded \$100k. This option would likely result in some significant reductions in grant awards, which may impact the ability of the grant recipients to hold their event(s) or maintain their program as-is.

**Total Savings: \$110,000**

Option 2: Maintain \$150k for hotel grants & suspend the Aesthetic Enhancement Program

This option would likely provide sufficient funding to consider all grant applications for events and programs in FY 2022. This option presents an optimistic view that larger events and gatherings will be permitted by May 1, 2021, which is unknown at this time.

**Total Savings: \$60,000**

Option 3: Suspend both programs in FY 2022

This option would likely result in most, if not all events or programs being canceled in FY 2022, due to lack of funding.

**Total Savings: \$210,000**

**Conclusion**

The Tourism and Arts Commission (TAC) reviewed and discussed these options at their July 16, regular meeting and have recommended Option 1, with a projected savings of approximately \$110,000 in the Hotel Tax fund.

Option 1 provides funding for some events, which will likely be welcomed by the community after an extended period of isolation and social distancing. The commission also felt this option to be the most reasonable and fiscally responsible, given the projected revenue losses.

Additional options to further reduce expenses in the FY 2022 Hotel Tax Fund may be presented during the regular budget preparation, review and discussion process.

**Recommendation:** Recommend City Council direct staff to include \$100,000 for the Hotel Tax Grant Program and suspend funding for the Aesthetic Enhancement Program, in the FY 2022 proposed budget.