

# M E M O R A N D U M

710 WALL STREET  
PO BOX 431  
BEND, OR 97709  
[541] 388-5505 TEL  
[541] 388-5519 FAX  
[www.ci.bend.or.us](http://www.ci.bend.or.us)

TO: **ERIC KING**  
FROM: **SONIA ANDREWS**  
SUBJECT: **PROPOSED FY08-09 FUNDING FOR BEND VCB**  
DATE: **APRIL 2, 2008**  
CC:

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The City's original FY08-09 adopted budget included funding of \$899,000 to the Bend VCB, an increase of 5.5% from the current year funding of \$852,000. With the cash shortfall in the Tourism Fund and also with transient room tax (TRT) receipts coming in less than budget, I am proposing that we reduce the amount of funding to the VCB from \$899,000 to \$830,000 for FY08-09.

### **Cash Shortfall**

The Tourism Fund started experiencing a cash shortfall in FY05-06 and in FY06-07, this fund ended the year with a cash shortage of about \$120,000. A General Fund loan of \$125,000 was made at the end of FY06-07 to the Tourism Fund to cover that shortage. This loan was repaid in FY07-08. According to budget law, operating loans must be repaid in the next fiscal year.

For FY07-08, with the TRT receipts coming in less than budget, the Tourism Fund is expected to end the year with a cash shortage again. An operating loan from the General Fund of about \$145,000 will be needed at the end of the current year. And this loan must be repaid in FY08-09.

On the next page is a projection of cashflows for the Tourism Fund for FY07-08 and FY08-09.

In order for the Tourism Fund to repay the General Fund loan as required by budget law and have a positive cash balance at the end of FY08-09, a reduction in the amount of funding to the VCB from \$899,000 to \$830,000 is necessary.

### **TRT Receipts and Funding for VCB**

The VCB has requested funding of \$978,823. In order to meet this request, TRT receipts must increase by about 18%.

The FY08-09 cash flow is based on projected TRT receipts of \$1,061,000 (a 3% increase from FY07-08). Given the current economic conditions, we

do not have any rationale for an increase beyond 3%. With a 3% increase in receipts, we can support funding of \$830,000 to the VCB. During the 2001-2002 recession, TRT receipts increased by only 1%. If TRT receipts increase by only 1% in FY08-09, we would have to reduce funding for the VCB to about \$809,000.

**Cash Flow Projection for Tourism Fund**

<u>Tourism Fund</u>	<u>FY07/08</u>	<u>FY08/09</u>
<b>Projected TRT receipts</b>	<b>\$ 1,030,000</b>	<b>\$ 1,061,000</b>
(30% of total TRT receipts)		
Growth in TRT receipts from prior year	5%	3%
<b>Payments:</b>		
<b>VCB funding</b>	<b>(852,000)</b>	<b>(830,000)</b>
Visitor Information Center debt	(85,500)	(57,400)
Repay General Fund loan	(125,000)	(145,000)
Motel audits	(5,100)	(6,000)
City overhead	(22,500)	(22,500)
Artmatch and other tourism projects	(80,000)	-
<b>Total payments</b>	<b>(1,170,100)</b>	<b>(1,060,900)</b>
<b>Payments under (in excess of) receipts</b>	<b>(140,100)</b>	<b>100</b>
<b>General Fund loan needed</b>	<b>145,000</b>	<b>-</b>
Beginning cash balance	5,900	10,800
Ending cash balance	<u>\$ 10,800</u>	<u>\$ 10,900</u>

**Recommendation**

I recommend a funding level of \$830,000 to the VCB for FY08-09. This represents a 7.7% reduction in the original proposed funding of \$899,000.

If the City maintains funding to the VCB at \$899,000 consistent with the original adopted budget, a cash shortfall of \$60,000 to \$70,000 will result.