

# CITY AUDITOR'S IMPARTIAL FINANCIAL ANALYSIS OF MEASURE C

## SUMMARY

Measure C authorizes the City of Oakland to add Section 4.24.031 to the Municipal Code, which would require a supplemental surcharge of 3% to the City's Transient Occupancy Tax (Hotel Tax), in addition to the current 11% hotel tax. The measure specifies that the revenues generated from the 3% surcharge will be appropriated according to the percentages listed below:

50%	Oakland Convention and Visitors Bureau
12.5%	Oakland Zoo
12.5%	Oakland Museum of California
12.5%	Chabot Space and Science Center
12.5%	Cultural Arts Programs and Festivals

The measure stipulates that these hotel tax revenues will be used to distribute appropriations through set percentages described above, and thus are regarded as special taxes.

This surcharge cannot be appropriated for any other use and would constitute a steady stream of revenue for these institutions.

Existing transient occupancy taxes are considered general taxes, where proceeds are deposited into the general fund. The revenues to be collected through the proposed 3% hotel tax surcharge are mandated to be deposited into a separate, special fund.

The hotel operator may state the 11% tax and the 3% surcharge as a single tax of 14% on receipts provided to transients. The revenue generated through the supplemental 3% hotel tax is not intended to replace or supplant any other established sources of funding.

The proposed surcharge will be in effect starting on January 1, 2010 if it receives two-thirds approval by Oakland voters.

The measure requires an annual independent audit or review shall be performed to assure accountability and the proper disbursement of the proceeds of this tax and tax proceeds may be used to pay for the audit or review.

**FINANCIAL IMPACT**

As of the FY 2008-09 October Midcycle Budget the 11% hotel tax budgeted \$12.7 million in revenues for Oakland. In FY 2009-10, due to a difficult economy, the City projects hotel tax revenues to decrease by \$2.6 million from lower hotel occupancy. The table below shows the estimated FY 2009-10 hotel tax and proposed surcharge revenue that is projected:

<b>Fiscal Year</b>	<b>Estimated Hotel Tax Revenue (11%)</b>	<b>Proposed Surcharge (3%)</b>	<b>Total Projected Hotel Tax Revenue</b>
2009-10	\$10,097,740	\$2,753,929	\$12,851,669

Based on our analysis of the data provided by City staff, the supplemental revenues projected from the 3% surcharge appear reasonable to strengthen the specific programs targeted for pre-determined appropriations under Measure C. We relied on the best data available at this time, however actual results may vary from our estimates.

s/COURTNEY A. RUBY, CPA  
City Auditor