

**OFFICE OF THE CITY MANAGER
LITTLE ROCK, ARKANSAS**

**BOARD OF DIRECTORS COMMUNICATION
MAY 19, 2020 AGENDA**

Subject:	Action Required:	Approved By:
<p>To authorize the use of up to \$700,000 to pay a portion of the principal of and interest on the City of Little Rock, Arkansas Hotel Gross Receipts Tax Bonds, Series 2018, due on December 1, 2020.</p> <p>Submitted By:</p> <p>Finance Department</p>	<p>Ordinance √ Resolution</p>	<p>Bruce T. Moore City Manager</p>
SYNOPSIS	<p>A resolution to authorize the use, if necessary, of up to \$700,000.00 from the proceeds of the City's share of the Taxes levied and collected prior to the issuance of the City of Little Rock, Arkansas Hotel Gross Receipts Tax Bonds, Series 2018, to make the principal and interest payment due on the Bonds on December 1, 2020.</p>	
FISCAL IMPACT	<p>\$700,000 is available in the Parks 1% Lodging Tax Special Project Account No. 108459-S45A711.</p>	
RECOMMENDATION	<p>Approval of the resolution.</p>	
BACKGROUND	<p>Due to the ongoing impact of the COVID-19 Pandemic on travel and consumer activity, and the restrictions implemented to slow the viral infection rate, the 2% Hotel Gross Receipts Tax proceeds pledged to debt service on the Bonds is currently forecasted to fall short of the amount required to fully fund the principal and interest payment due on December 1, 2020.</p>	

**BACKGROUND
CONTINUED**

Funds from the City's 1% share of the Hotel Gross Receipts Tax levied under ordinances adopted on December 1, 2015, and collected prior to the issuance of the Bonds has accumulated and is available to supplement the 2% Hotel Gross Receipts Tax pledged to the Bonds. The City would contribute the amount necessary, up to \$700,000, if needed to make the principal and interest payment due on December 1, 2020, in full in a timely manner.

On April 3, 2020, S&P Global Ratings revised the outlook to negative from stable on Bonds in the Hospitality Sector secured by Hotel Occupancy Taxes and Sales Taxes on Prepared Food and Beverage Sales. This includes the \$32.57 million City of Little Rock, Arkansas Hotel Gross Receipts Tax Bonds, Series 2018. The Bonds are currently rated A-, and it is important to demonstrate the access to additional funds to ensure timely payment in order to maintain the bond rating. S&P Global Ratings is in the process of conducting a formal review of the rating on these Bonds at the current time.