



**Board of County Commissioners
Leon County, Florida**

www.leoncountyfl.gov

**Budget Discussion Item
Executive Summary**

March 17, 2011

Title:

Tourist Development Tax Allocations

Staff:

Parvez Alam, County Administrator

Vincent S. Long, Deputy County Administrator

Alan Rosenzweig, Assistant County Administrator

Scott Ross, Director, Office of Management and Budget

Lee Daniel, Director, Tourism Development

PA
↓
AR
NR

Issue Briefing:

This Budget Discussion Item provides the Board a review of the current structure for the allocation of the Tourist Development Tax and seeks consideration of the recommendation from the Tourist Development Council for FY 2012.

Fiscal Impact:

This item has a fiscal impact. Under the current structure for the allocation of the Tourist Development Tax, the Tourism Development Department receives the revenue from four of the five pennies, which generates approximately \$3.2 million per year for marketing and operational purposes. If the allocation that will become effective on October 1, 2011 is not modified, the Tourism Development Department's FY 2012 allocation will be reduced from the current 4-cents to 2-cents. Based on approximately \$800,000 generated per penny, the TDC's available budget would be reduced from \$3.2 million annually (including the \$504,500 to COCA for re-granting to other cultural institutions) to \$1.6 million.

Staff Recommendation:

Option #1: Accept the March 3, 2011 recommendation from the Tourist Development Council.

Option #2: Authorize staff to prepare a draft ordinance and schedule a public hearing to amend Section 11-47 of the Code of Laws of Leon County, Florida, providing for amendments to the Leon County Tourist Development Plan, Exhibit A for April 12, 2011, at 6:00 p.m.

Report and Discussion

Background:

In June 2004, the Board approved an Interlocal Agreement with the City and the Community Redevelopment Agency (CRA) to address the Downtown Community Development District (Attachment #1). The Agreement addresses a number of issues relating to the overall structure of the district, the financing and the approval of projects. Specifically, Section 6(a) of the Interlocal Agreement provides that the County will impose an additional one-cent Tourist Development Tax on a countywide basis, pursuant to Section 125.0104 (3)(1), Florida Statutes, which may be used to promote and advance tourism in Leon County.

Further, the Interlocal Agreement provides that the proceeds of one cent of the tax previously imposed by the County be segregated from other Tourist Development Tax revenue, and dedicated exclusively for the costs associated with the construction and operation of a performing arts center to be located in the Downtown District Community Redevelopment Area.

Subsequently, at its January 29, 2009 meeting, the Board voted unanimously to (1) authorize staff to prepare a draft ordinance and to schedule a public hearing to consider levying the fifth-cent tourist tax and (2) direct staff to include funding for the Council on Culture and Arts (COCA) in a revised tourist development plan, whether the plan is funded by three or four-cent. At this time, the Board also directed staff to review how the fourth cent tax is being utilized, as requested by the Tourist Development Council (TDC) (Attachment #2).

At its February 26, 2009 meeting, the Board voted unanimously to schedule the first and only public hearing to consider the adoption of an ordinance authorizing the levying and imposition of an additional one percent (fifth cent) Tourist Development Tax for March 19, 2009 at 6:00 p.m., and direct the County Attorney to (1) draft an ordinance to levy the fifth cent to support Tourist Development Council activities until 2012; at which time the fifth cent would be split between the Performing Arts Center and the Art Space Project and (2) designate one of the existing pennies to fund COCA related activities (Attachment #3). At the Public Hearing on March 19, 2009, the Board approved Ordinance 09-06 (Attachment #4). Table 1 reflects the current allocation of the Tourist Development Tax and the allocation that will become effective on October 1, 2011.

Table. 1 Allocation of Tourist Development Tax (Five Cents)

	Current Allocation (Cent)	Allocation (Effective October 1, 2011)
Performing Arts Center (<i>per Interlocal Agreement</i>)	1	1
Performing Arts Center	0	½
Total Performing Arts Center	1	1 ½
Arts Exchange Project	0	½
COCA	0	1
Tourism Development Department	4	2
Total	5	5

On August 25, 2009, the Board adopted Ordinance 2009-28 which provides for the Leon County Tourist Development Plan (Attachment #5). This plan serves as a blueprint to guide the activities of

the Leon County TDC and the expenditure of tourist development tax revenue. According to the Plan, tourist revenue may be spent on the following elements:

- Advertising
- Public Relations/Promotions
- Research and Analysis
- Direct Sales
- Convention and Visitor Services
- Special Events
- Administration.

In addition, the Plan breaks down the allocation of the tourist development tax, as specified above.

Analysis:

If the Board does not make changes to the current structure, beginning on October 1, 2011, the following commitments will commence or continue with the existing five cents of Tourist Development Tax:

- One-cent currently set aside by the Interlocal Agreement for the Performing Arts Center will continue.
- An additional ½ cent will be set aside for the Performing Arts Center, which is not tied to the Interlocal Agreement.
- An additional ½ cent will be set aside for the Arts Exchange Project.
- One-cent will be dedicated to fund COCA related activities.
- The remaining two cents will be dedicated to the Tourism Development Department for marketing and operational purposes.

This structure will reduce the amount of tourist revenue available for marketing and operational purposes from the current 4-cents (minus \$504,500 provided to COCA for re-granting to local cultural institutions for marketing and programming) to 2-cents. Based on approximately \$800,000 generated per penny, the TDC's available budget would be reduced from approximately \$3.2 million annually (including the \$504,500 to COCA) to \$1.6 million. Table 2 reflects the allocation effective October 1, 2011 and the estimated revenue each agency/project would generate per year.

Table 2. Allocation of Tourist Development Tax Revenue (effective October 1, 2011)

Allocation	Amount (Cent)	Revenue Estimate (per fiscal year)	%
Performing Arts Center (per Interlocal Agreement)	1	\$800,000	20%
Performing Arts Center	½	\$400,000	10%
Total Performing Arts Center	1 ½	\$1,200,000	30%
Arts Exchange Project	½	\$400,000	10%
COCA	1	\$800,000	20%
Tourism Development Department	2	\$1,600,000	40%
Total	5	\$4,000,000	100%

Table 3 details the impact of keeping the October 1, 2011, Tourist Development Tax allocation in place would have on the current marketing program, which essentially reduces the budget by half from \$3.2 million to \$1.6 million.

Table 3: Impacts of Funding Reductions

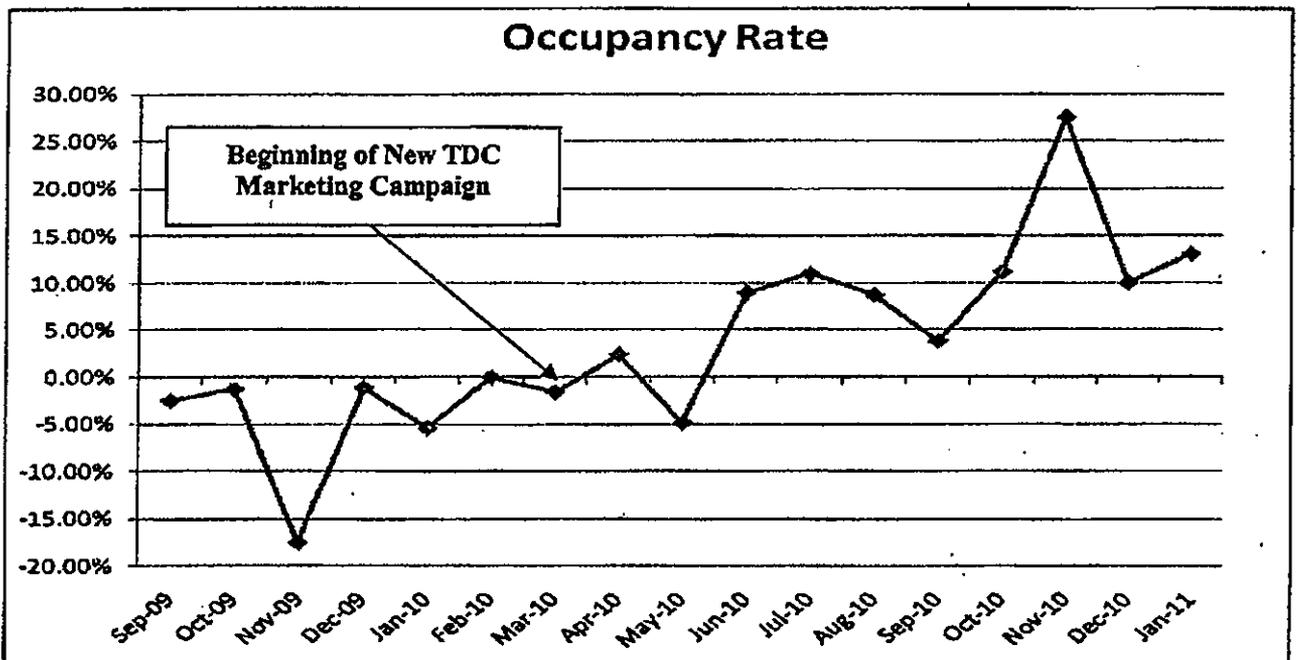
Program Area	\$3.2 million	\$1.6 million	Impact
Advertising & Public Relations	\$725,000	\$362,500	Elimination of all traditional media advertising ¹
Marketing Research	\$80,000	\$40,000	Insufficient funds to conduct beneficial strategic research ²
Sports Council	\$222,158	\$111,080	Potential loss of 13,000 room nights and \$11.25 million in annual community revenue ³
Meetings & Conventions	\$68,777	\$34,389	Potential loss of 3,250 room nights and \$1.25 million in annual community revenue ⁴
Leisure Travel	\$31,790	\$15,895	Goal of impacting 150,000 consumers and 10,000 travel agents cut by 50% ⁵
Marketing Communications	\$42,245	\$21,123	Goal of 150 print and online stories cut by 50% resulting in \$1 million loss in media exposure ⁶
Visitor Services	\$62,445	\$31,223	Ability to service conference, weddings and reunion groups cut by 50%

1. Available media dollars would be reduced to \$195,500 of the total \$362,500 advertising & public relations budget. At this reduced level the marketing consultant recommends eliminating all traditional media such as Southern Living, Atlanta Magazine, Garden & Gun, and more due to ad costs which results in a lack of reach and frequency necessary to impact the market.
2. \$40,000 for marketing research would not fund a program with enough sampling capability to be statistically useful, so the TDC would be eliminating this important aspect of the marketing mix.
3. The sports council would be attending only 5 shows versus 12 and would have the Bid Pool portion of its budget reduced from \$174,000 to \$87,000 resulting in a 50% reduction of the room night goal of 26,000. Only 13,000 room nights would result in a loss of \$11.25 million of community economic impact in the first year alone.
4. Meetings & Conventions would only be attending 4 shows versus 12 and conducting 1 sales mission versus 8 causing a goal reduction from 6,500 room nights to 3,250. This reduction would result in a loss of \$1.25 million of community economic impact in the first year alone.

5. Leisure Travel would be attending only 7 shows versus 13 and conducting 2 sales missions versus 4 resulting in a 50% reduction in the goal of impacting 150,000 consumers and 10,000 retail travel agents.
6. Marketing Communications goal of generating 150 favorable print and online stories about Leon County and Tallahassee would generate an advertising equivalent value of almost \$2 million. A 50% reduction would cost the county \$1 million in public relations exposure in key markets.

Chart 1 shows the impact on hotel occupancy rates since starting the new TDC marketing ad campaign in March 2010, funded largely by the implementation of the additional penny bed tax.

Chart 1: Hotel Occupancy Rate Since Beginning of New Marketing Campaign



Research conducted by staff in February 2011 showed that Leon County is the highest of the major counties in Florida in terms of dedicating a percentage of its Tourist Development Tax (TDT) to arts and culture. Under the current FY 2011 scenario, Leon County dedicates 33% (includes the \$504,500 provided to COCA) of its TDT collections to the arts, and if the current FY2011 scenario remains in place, this amount will grow to 60% beginning on October 1, 2011. Some other counties and their dedicated percentage to the arts include:

- **Leon County (33%); However, effective October 1, 2011, the amount will be (60%).**
- Alachua County (17%)
- St John's County (15%)
- Palm Beach County (13%)
- Sarasota County (10%)
- Brevard County (1.5%)
- Broward County (1.5%)
- Pinellas County (1.5%)

If the Board decides to keep the current structure in place, in addition to dramatically reducing the amount of funds available for marketing, the ability to utilize any portion of the Tourist Development Tax for projects such as a Sports Complex, the development of a convention and events center, or other projects that may have the potential to offer a substantial return on investment, is severely limited.

Performing Arts Center

As discussed earlier, through an Interlocal Agreement with the City of Tallahassee and the CRA, one penny of the Tourist Development Tax is dedicated exclusively for the costs associated with the construction and operation of a performing arts center. In addition, another ½ cent scheduled to commence on October 1, 2011, which is not tied to the Interlocal Agreement, is also dedicated to the performing arts center.

In an agreement with the City for the Sale and Purchase of the proposed Performing Arts Center site, the Florida Center for Performing Arts and Education (FCPAE) is obligated to meet certain fundraising milestones to demonstrate their capacity to fund the construction of the proposed Performing Arts Center, including raising \$20 million in five years, with 25% (\$5 million) of the amount raised by July 1, 2010 and 50% (\$10 million) raised by July 1, 2012. However, as discussed at the January 18, 2011 Board meeting (Attachment #6), FCPAE has not met its fundraising goals, and was provided a two year extension to the agreement at the City's August 25, 2010 meeting. In addition, the FCPAE President informed the Board that the Committee will provide a revised plan this summer on the scope of the project.

Given the current status of the Performing Arts Center project scope and delayed fundraising efforts, the Board may consider utilizing the additional ½ cent allocation for more immediate TDC needs. Again, the ½ cent is not a part of the Interlocal Agreement, and is, therefore, available for other appropriations to meet the needs of the TDC, such as marketing, which includes advertising, public relations, sales, services, social media and research. The Board may wish to further consider contacting the City in an effort to amend the current Interlocal Agreement to possibly fund other projects that may boost tourism in Leon County, as presented in the February 8, 2011 meeting regarding funding for the Baroque Paintings Exhibit at the Mary Brogan Museum (Attachment #7).

Council on Culture and Arts (COCA)/Arts Exchange Project

Beginning on October 1, 2011, one of the existing tourist development tax pennies is scheduled to be designated to fund COCA related activities, and a ½ cent will be set aside for the Arts Exchange Project. Currently, COCA receives \$504,500 from the Tourist Development Council budget for the purpose of re-granting funds to cultural organizations and institutions throughout Leon County for marketing and programming purposes. COCA also received \$150,000 from general revenue in FY 2011 to support its operational expenses.

Recommendation from the Tourist Development Council

The Tourist Development Council met on March 3, 2011 to discuss the current structure for expenditures of the five-cent TDT as well as the implications of the changes scheduled to take place on October 1, 2011. The TDC emphasized the need to adequately market Tallahassee as a destination for leisure, sports, conference, group and film business and that the possibility of reducing the marketing budget under the current four-cent level could have a negative impact on hotels and motels, restaurants, retail establishments and the many other businesses that are impacted

by tourism. It was also discussed that the County, even at the 33% level, has made a significant investment in arts and culture, and to maximize the benefit of this investment takes significant marketing resources. The TDC further discussed that even with great cultural assets, it does no good unless you can properly market them. Otherwise, the return on this significant investment will not reach its potential.

As described in Chapter 125.0104 (4) (e) the Tourist Development Council "shall make recommendations to the county governing board for the effective operation of the special projects or for uses of the tourist development tax revenue." Based on this directive, on March 3, 2011, the Tourist Development Council unanimously passed the following recommendation (Attachment #8):

"Due to the current economic climate and the need to create and preserve jobs, the Tourist Development Council recommends a 2-year hiatus in implementing the additional tourist development tax revenue to the Performing Arts Center, Arts Exchange and COCA."

Amending the Tourist Development Plan

In order to accept the Tourist Development Council's recommendation or make any other modifications to the allocation of the tourist development tax, the Board will have to hold a public hearing to adopt an ordinance to amend Section 11-47 of the Code of Laws of Leon County, Florida, providing for amendments to the Leon County Tourist Development Plan, Exhibit A. The current Plan specifically references the additional ½ cent to fund the Arts Exchange project and the additional ½ cent to support the Performing Arts Center, which are both scheduled to commence on October 1, 2011.

Table 3 reflects the current allocation of the Tourist Development Tax that will remain in effect on October 1, 2011 if the Board accepts the Tourist Development Council's recommendation.

Table 3. Allocation of Tourist Development Tax

	Current Allocation (Cent)
Performing Arts Center (<i>per Interlocal Agreement</i>)	1
Arts Exchange Project	0
COCA*	0
Tourism Development Department	4
Total	5
*COCA will continue to receive \$504,500 from the TDC's budget in FY 2012 for the purposes of re-granting funds to other cultural institutions. In addition, COCA will receive \$150,000 from general revenue to support its operational expenses.	

Options:

1. Accept the March 3, 2011 recommendation from the Tourist Development Council.
2. Authorize staff to prepare a draft ordinance and schedule a public hearing to amend Section 11-47 of the Code of Laws of Leon County, Florida, providing for amendments to the Leon County Tourist Development Plan, Exhibit A for April 12, 2011, at 6:00 p.m.
3. Do not accept the March 3, 2011 recommendation from the Tourist Development Council.
4. Do not authorize staff to prepare a draft ordinance and schedule a public hearing to amend Section 11-47 of the Code of Laws of Leon County, Florida, providing for amendments to the Leon County Tourist Development Plan, Exhibit A for April 12, 2011, at 6:00 p.m.
5. Board Direction.

Recommendation:

Option #1 and #2.

Attachments

1. Interlocal Agreement between Leon County, the City of Tallahassee, and the Community Redevelopment District
2. January 29, 2009 Agenda Item and Excerpt of Follow-up
3. February 26, 2009 Agenda Item and Excerpt of Follow-up
4. Ordinance 09-06 Authorizing the Levying and Imposition of an Additional 1% Tourist Development Tax
5. Ordinance 2009-28 Leon County Tourist Development Plan
6. January 18, 2011 Agenda Item
7. February 8, 2011 Agenda Item and Excerpt of Follow-up
8. Recommendation from the Tourist Development Council