

The Honorable Wilson Robinson, Board of County Commissioners District 1
The Honorable Gene Valentino, Board of County Commissioners District 2
The Honorable Marie Young, Board of County Commissioners District 3
The Honorable Grover Robinson IV, Board of County Commissioners District 4
The Honorable Kevin White, Board of County Commissioners District 5

February 7, 2011

Dear Honorable Kevin White,

Representatives of our leading hotel owner and management companies have requested my assistance in addressing you with matters regarding the Tourism Development Council and Tourism Development Tax.

According to Dr. Rick Harper of the University of West Florida, tourism has grown to represent 22 percent of the Pensacola SMA economy. Over three million visitors generate more than \$550 million in direct spending, over \$130 million in lodging spending and support over 20,000 local jobs.

The private sector has made significant investments in new and improved facilities to accommodate our visitors. Escambia County Tourism Development Tax revenues have increased by nearly 25 percent over the past five years.

Recently tourism promotion and development has benefited from enhanced funding provided for Pensacola's 450th Anniversary Celebration and Oil Spill mitigation. This additional funding provided VisitPensacola the opportunity to be competitive in the market place in attracting new visitors to vacation in Pensacola, Pensacola Beach and Perdido Key. The results demonstrate the importance of having a well funded and managed tourism promotion program. Nationwide tourism was significantly down in 2009, yet the Escambia County tourism economy outperformed other Florida destinations and the Southeast region. To date the impact of the oil spill on the Escambia County tourism economy (as a percentage) has been less than any other county in the region.

Additional funding for tourism promotion and development has proven to produce a good return on investment.

Available funds for the promotion and development of our tourism product continue to be limited and in upcoming years could decline to an alarming level.

Our neighboring counties budget from three to five times the amount of Escambia County for tourism promotion, development and management programs. The well-funded effort of our coastal competition places the Pensacola area in a challenging and weak competitive position.

The original and primary intent of the Tourism Development Tax is to generate funds for the promotion, development and management of our tourism product.

We applaud the Escambia Board of County Commissioners for the recent initiative to establish a study commission to analyze Civic Center operations and recommend strategies for improving operational efficiencies.

In addition to concerns regarding the operational efficiencies of the Civic Center, representatives of Escambia County's leading hotel owner and management companies

have concerns regarding the allocation, distribution and utilization of available Tourism Development Tax funds and Tourism Development Council matters. It is respectfully requested the Escambia County Board of County Commissioners consider the following matters:

Tourism Development Tax Matters

Pensacola Civic Center operational cost supported by the Tourism Development Tax.

Representatives of the tourism industry have over the years had the understanding that the Tourism Development Tax funding of the operational subsidies for the Pensacola Civic Center would expire. This understanding has been based on Florida Statute section 125.0104 titled: "Tourist development tax; procedure for levying; authorized uses; referendum; enforcement."; Section (3), item I-2 states:

a county may impose tax in order to "pay debt service on bonds issued to finance the construction of a convention center." However, section 3, I-3 states; a county can "Pay the operation and maintenance costs of a convention center **for a period of up to 10 years.**" Only projects "completed after July 1, 2000 may use the proceeds of the Tax to pay operation and maintenance costs of a convention center for the life of the bonds."

The debt service paid by the Tourism Development Tax proceeds is not in question, however Escambia County has paid for operation and maintenance costs of the Civic Center with Tourism Development Tax revenues for a period in excess of 10 years. Two years ago representatives of the hospitality industry made a request to the Board of County Commissioners to address this matter. It is respectfully requested that the Board of County Commissioners clarify if Florida Statutes allow for the continued subsidy of Civic Center operations from funds generated by Tourism Development Tax revenues.

Irrelevant of exceptions, it is felt **the Tourism Development Tax has carried the burden of Civic Center operational subsidies for a period longer than intended. It is requested the county identify other funds to meet this need. It is time we invest our Tourism Development Tax for the future health of our tourism economy.**

B. Administration Fees

Florida Statute section 125.0104 titled: "Tourist development tax; procedure for levying; authorized uses; referendum; enforcement." Under Section 10 - Local Administration of Tax, item B-5 states: "A portion of the tax collected may be retained by the county for costs of administration, **but such portion shall not exceed 3 percent of collections.**"

It is respectfully requested that the Board of County Commissioners determine if Florida Statutes allow for the retaining of more than 3 percent of collected funds for reserves and/or administration costs. It is the understanding that currently more than 3 percent of total collections is being retained.

C. Tourism Development Tax allocation and distribution

Florida Statute 125.0104, section 3, I-4 states: “if tax revenues are expended for an activity, service, venue or event, the activity, service, venue or event shall have as one of its main purposes the attraction of tourist”... In review of prior allocations of Tourism Development Tax funds it is observed that policies currently directing the allocation, distribution and utilization of available Tourism Development Tax funds are in need of a detailed review. The process of allocation of the fourth cent of the Tourist Development Tax consistently calls into question even the most well intended selections. Currently the Board of County Commissioners manages the distribution of the fourth cent. Tourism industry representatives believe the Tourism Development Council is the appropriate body to manage the fourth cent.

It is requested the Board of County Commissioners consider a policy change that would give the TDC responsibility for managing all Tourism Development Tax distributions not committed to debt service or subsidies. As with all TDC decisions, approval would be required by the Board of County Commissioners.

In addition, policies for what constitutes an appropriate "tourist development" expenditure and a consistent application of such policy should be developed. It is recommended the Board of County Commissioners allow the TDC to establish appropriate guidelines governing Tourist Development Tax expenditures.

D. Accountability

Not all organizations receiving Tourist Development Taxes are equally accountable. Certain organizations are required to substantiate all expenses. The spending of Tourist Development Taxes by other organizations goes unreported and unchecked. Florida statutes require Tourist Development Tax recipients be held to a consistent standard of accountability and it is requested the Board of County Commissioners establish reporting requirements that apply to all organizations in receipt of tourism tax funds.

E. 50% clause

Florida Statute 125.0104, section 5, 4-c states: The revenues to be derived from the Tourist Development Tax may be pledged to secure and liquidate revenue bonds issued by the county for the purposes set forth in subparagraphs (a)1. and 4. or for the purpose of refunding bonds previously issued for such purposes, or both; however, no more than 50 percent of the revenues from the Tourist Development Tax may be pledged to secure and liquidate revenue bonds or revenue refunding bonds issued for the purposes set forth in subparagraph (a)4. The question has been raised if Escambia County is in compliance with this section of Florida Statutes?

Tourism Development Council Matter

F. Tourism Development Council Appointments

Florida Statute 125.0104, section 4-e states: The governing board of each county which levies and imposes a Tourist Development Tax under this section shall appoint an advisory council to be known as the “ (name of county) Tourist Development Council.” The council shall be established by ordinance and composed of nine members who shall be appointed by the governing board. The chair of the governing board of the county or any other member of the governing board as designated by the chair shall serve on the council. Two members of the council shall be elected municipal officials, at least one of whom shall be from the most populous municipality in the county or subcounty special taxing district in which the tax is levied. Six members of the council shall be persons who are involved in the tourist industry and who have demonstrated an interest in tourist development, of which members, **not less than three nor more than four shall be owners or operators of motels, hotels, recreational vehicle parks, or other tourist accommodations in the county and subject to the tax.** All members of the council shall be electors of the county.

It is the opinion of our hotel owner and management company representatives that current appointees of the Tourism Development Council do not meet the requirements outlined in Florida Statute 125.0104. Representatives of tourism tax collectors have requested the appropriate number of hotel owners and operators be appointed to the Tourism Development Council as soon as possible.

A number of concerns have been presented and tourism industry representatives are grateful for your willingness to consider each. Of utmost importance is the available funding for the primary agencies for the current and upcoming budget years. I would appreciate expedient consideration be given to these requests.

Representatives of the hotel and tourism community will be contacting you soon to schedule a meeting to discuss these matters in more detail.

On behalf of everyone who works in the Escambia County tourism economy,
Thank you.

Sincerely,

Denis McKinnon
Chairman
Tourism Development Council

Dave Cleveland, Bob Cleveland - HighPointe Hotel Corporation
Julian MacQueen, Harlan Butler - InnisFree Hotels
Nash Patel – IHS Hotel Companies
Marilyn Woodbury Hess, Joe McCay – Gulf Coast Hotel Group
Robert Rinkie, Andrew Rothfeder – Portofino Island Resort
Fred Simmons – Paradise Coast Vacation Rentals