TOURIST DEVELOPMENT COUNCIL FUND

Description

The Tourist Development Council (TDC) Fund is a special revenue fund that accounts for the 5% Tourist Development Tax on rents collected for temporary lodgings. Section 125.0104, Florida Statutes, was enacted by the State in 1977. The Board of County Commissioners enacted an ordinance in 1978 to levy a 2% tax to promote tourism in Pinellas County, and was approved at a referendum held on October 5, 1978. In 1988, the ordinance was amended to increase the tax by an additional 1% with one-half of this amount earmarked to fund beach re-nourishment projects. In January 1996, an additional 1% was levied to provide additional funds for promotional activities, beach re-nourishment, and to service debt on the County's obligation to the City of St. Petersburg's bonds for Tropicana Field. In December 2005, an additional 1% was levied to provide funding for promoting and advertising tourism. The forecast does not extend the 4th and 5th percent of the tax past FY2021.

The fund supports the Tourist Development Council, serving as Visit St. Pete/Clearwater through the collection of the Tourist Development Tax, known as the 'bed tax'. The 'bed tax' is used to enhance the County's economy by increasing tourism and direct visitor expenditures through marketing and promoting the destination.

Summary

The Tourist Development Council Fund is primarily funded by tourist development taxes that are extremely sensitive to general economic conditions. Tourist Development tax revenues have been steadily improving since Spring 2010 and reached record levels in FY2012. FY2014 revenues are estimated to grow 0.8% compared to FY2013 estimate, and are anticipated to continue to increase conservatively at 3.0% from FY2015 through FY2021, matching anticipated growth as part of the recovery in the broader U.S. economy, then falling as 40% of the taxing authority expires.

The forecast for the Tourist Development Council Fund shows that the fund is balanced through the forecast period. Beginning in FY2016, the fund is forecast to have additional capacity once the debt service on Tropicana Field and the Dunedin Spring Training Facility is paid off in September 2015 and February 2016, respectively. The additional capacity could be dedicated to new capital outlay, as with the Board approved Salvador Dali Museum funding, new debt service, or to supplement the promotional activities budget. In FY2010, the BCC revised the Tourist Development Plan to allow funding of capital projects for non-profit museums that are open to the public. The BCC also approved a review of the Tourist Development Plan every five years.

Revenues

The TDC Fund consists almost exclusively of revenue collected through the Tourist Development Tax.

Tourist Development Taxes

Tourism is a key economic driver of the economy in Pinellas County and contributed direct and indirect visitor expenditures of approximately $7.3 billion during calendar year 2012 (*source: Research Data Services, Inc.*). The Tourist Development Tax is projected to generate $29.5M in FY2014.

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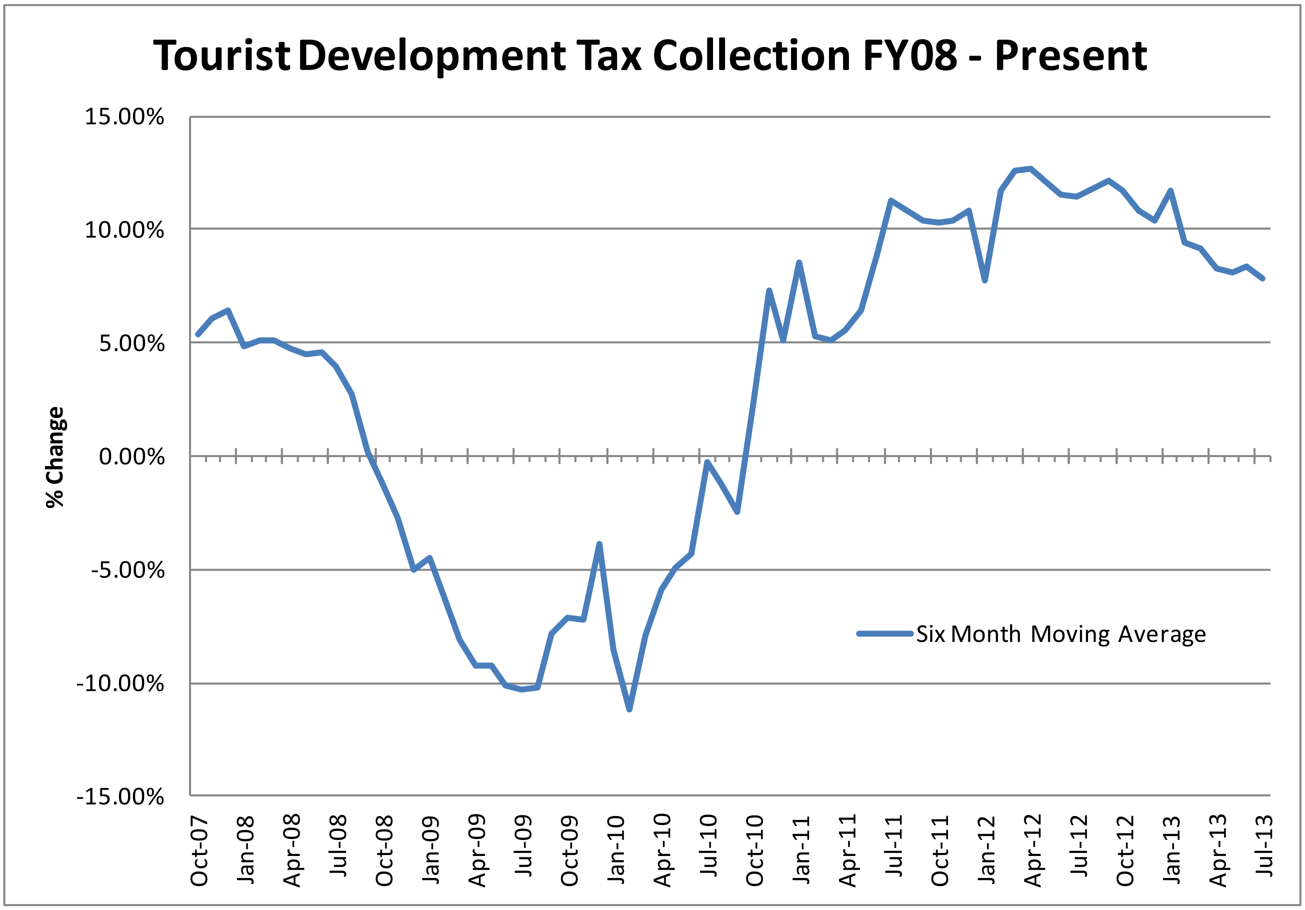
Tourist Development tax collections are very sensitive to both environmental and economic conditions due to the close relationship between disposable income and leisure travel. The chart below shows the 6-month moving average change in revenue collections from October 2007 to July 2013. The data shows that collections bottomed out at the beginning of 2010, but have been rapidly increasing as the economy has begun to rebound. Over the past year, the increase in tax revenue has outpaced the overall economy.



FY2012 actual revenue totaled $28.8M, an increase of 12.4% increase over FY2011. FY2013 revenues are projected to increase by another 6.3% and FY2014 by 0.8%, compared to FY2013 estimate. From FY2015 through FY2023, collections are expected to increase 3% annually as the overall economic recovery continues. While recent trends may suggest a stronger rate of recovery, the long-range forecast is conservative due to the sensitivity of this revenue source.

The chart below compares visitor origins with year-over-year figures for 2011 and 2012. Visitors from the Southeast region of the United States increased by 6.0%, while visits from Canada (4.7%), Europe (6.9%) and Latin America (53.0%) also showed strong growth in 2012.

Year-over-Year 2011 vs. 2012

Visitor Origins	2011	2012	% Change
Florida	672,891	682,208	+1.4%
Southeast	333,836	353,704	+6.0%
Northeast	1,215,923	1,251,520	+2.9%
Midwest	1,559,622	1,587,787	+1.8%
Canada	320,663	335,741	+4.7%
Europe	934,335	998,771	+6.9%
Other U.S. Markets	149,830	151,669	+1.2%
Latin America	48,100	73,600	+53.0%
Total	**5,235,200**	**5,435,000**	**+3.8%**

Source: St. Petersburg/Clearwater Area Convention and Visitors Bureau Annual 2012 Visitor Profile, Research Data Services, Inc

The European visitor segment represents about 18% of total visitors tracked by RDS. Although a slight recession is anticipated for the Eurozone, the number of European visitors is not anticipated to decrease due to the characteristics of the market segment and increased access to the destination. European visitors to Pinellas are a younger, wealthier market segment generally insulated from economic cycles. In addition, the European market will gain increased access from additional air service providing easy access to the destination from cities throughout Europe and Germany. For example, in May 2012, Edelweiss Air started twice weekly, non-stop flights from Tampa to Zurich, Switzerland.

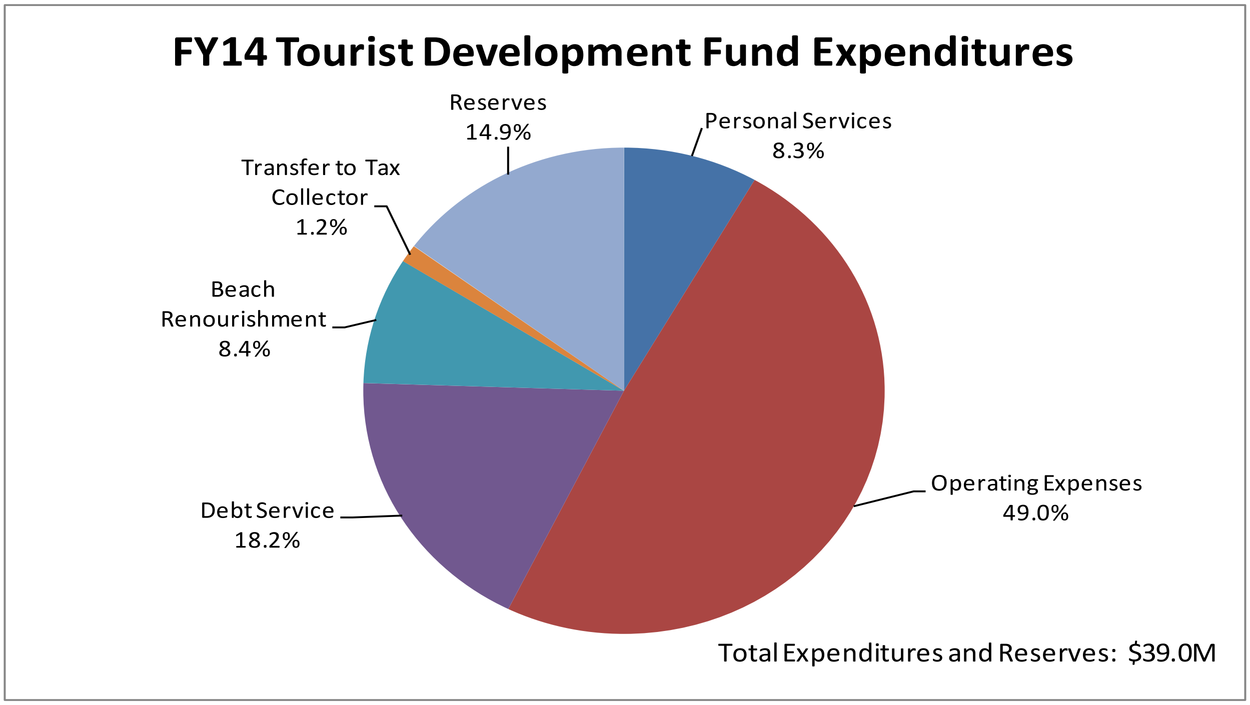
The next chart lists the Annual Average Daily Rate (ADR) that hotels are able to collect and the number of Annual Overnight Visitors since 2000. As a result of hurricanes, red tide, and the economic downturn, ADR stayed flat from 2007 to 2010 and visitor counts declined from a peak of 5.3M in 2007. Since 2010, ADR and visitor counts have rebounded.

Year	Annual ADR	Annual Overnight Visitors
2000	$71.62	4,700,140
2001	$74.16	4,726,161
2002	$73.16	4,714,432
2003	$74.91	4,837,998
2004	$78.11	5,077,280
2005	$84.32	5,212,435
2006	$93.18	5,254,255
2007	$100.00	5,300,220
2008	$104.38	5,193,980
2009	$101.71	4,991,410
2010	$100.15	5,041,200
2011	$104.83	5,235,200
2012	$113.17	5,435,000

Source: Research Data Services, Inc

Expenditures

The TDC Fund supports budgeted expenditures and reserves in FY2014 totaling $39.0M. The primary expenditures in the fund are $19.2M for operations and promotional activities, $7.1M for debt service for three sports facilities, $3.3M for beach renourishment, and $5.3M in reserves.



Operations and Promotional Activities
The discretionary expenditure budget of $22.4M includes the staff, operations and promotional activities that promote the St. Petersburg/Clearwater destination. Promotional activities are primarily comprised of the advertising contract, with the balance of the funding supporting such programs as sponsorships, publicity, and promotion via technology.

Convention & Visitors Bureau Operations & Promotional Expense

Expenses	FY 2014	% of Operations
Operating & Capital Outlay	$ 769,600	4.0%
Personnel	$3,693,020	19.2%
Advertising/Direct Sales	$13,517, 520	70.3%
Research	$ 235,000	1.2%
Shipping/Communications/Inquiry	$ 456,500	2.4%
Travel	$ 549,030	2.9%
Total	**$19,220,670**	**100.0%**

Source: Pinellas County Convention & Visitors Bureau

TOURIST DEVELOPMENT COUNCIL FUND

Undesignated

Due to the end of the debt service payments for both Tropicana Field and the Spring Training facility in Dunedin, unobligated funds above the 15% reserve target are projected to be available beginning in FY2016. The "Undesignated" expenditure line in the forecast identifies the amount projected through FY2021, when the 4^{th} and 5^{th} percent expires.

Capital Outlay

In FY2010, the BCC revised the Tourist Development Plan to allow funding of capital projects for non-profit museums that are open to the public, and they approved an agreement that provides payments of $500K annually to the Salvador Dali Museum from FY2015 to FY2019. The BCC also approved a review of the Tourist Development Plan every five years.

Debt Service

This fund dedicates the proceeds of the 4^{th} cent of tourist development revenue, less Tax Collection expense, to the City of St. Petersburg to fund debt service on bonds for Tropicana Field (expires 2015). At the City of St. Petersburg's request, ownership of Tropicana Field was turned over to the County by the City in October 2002, as the County is exempt from paying property taxes on the facility. The County leases the property back to the City under terms that provide the City the same rights and responsibilities for the property that it had prior to the transfer of ownership. This fund also pays fixed debt service in the amount of $588K for the City of Clearwater's spring training facility (expires 2021) and $298K for the City of Dunedin's spring training facility (expires 2015).

Transfers

The TDC fund transfers half of the proceeds of the 3^{rd} cent to the Capital Projects Fund for beach nourishment projects to support tourism and maintain property values. The transfer is budgeted at $3.3M for FY2014, which is about $500K more than the anticipated collections for this half-cent. The additional amount accounts for dedicated revenue received in excess of the previous year's budget for the transfer.

To pay the cost associated with the administration and collection of the Tourist Development Tax revenue, a transfer of $464K is projected to be made to the Tax Collector in FY2014.

Reserves

Reserves are budgeted at 13.6% in FY2014, which is within the desired reserve level requested by the Tourist Development Council. The fund reserve will serve as a fiscal shock absorber in the event tourist development tax revenues deteriorate in response to changes in economic conditions. For example, tourist development revenues declined dramatically in FY2002 after the September 11^{th} terrorist attack, in FY2005 as a result of multiple hurricane landfalls in Florida, in FY2009 as a result of the financial crisis, and most recently in FY2010 as a result of the British Petroleum (BP) oil spill.

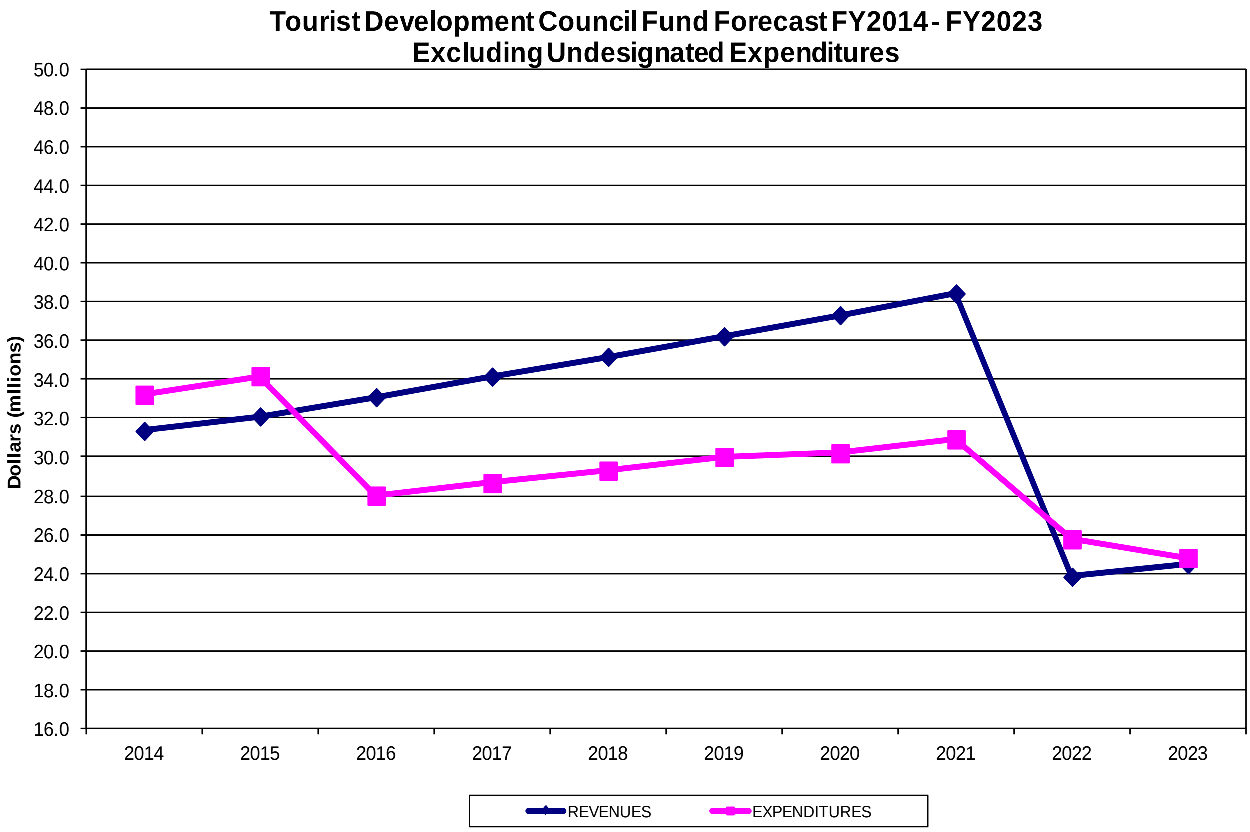
In order to maintain liquidity while allowing for a vigorous promotion of Pinellas County, reserves need to be maintained between 10% and 15%. This fund has several large expenditures, such as debt service, that come early in the fiscal year, while some occur later in the fiscal year. Monthly revenues usually peak during the Spring Break and Easter timeframe. Since such seasonality occurs for both revenues and expenditures, and the fluctuations do not occur together, working capital needs are met by using reserves until the revenues are collected.

TOURIST DEVELOPMENT COUNCIL FUND

Ten-Year Forecast

Key Assumptions

The revenue forecast for tourist development taxes reflects increasing growth in the economy, with an increase of 0.8% above FY2013 estimate in FY2014 and an annual increase of 3.0% through FY2021. Beginning in FY2022, both revenues and expenditures fall drastically as the 4th and 5th percent of the Tourist Development Tax expires. On the expenditure side, personal services are projected to increase 4.0% per year. Promotional activities (advertising) estimates have been increased to match the increase in revenue through FY2015. Beginning in FY2016, a substantial amount of debt service will be paid off. The forecast does not assume that the additional capacity will be re-authorized to service new debt or allocated to supplement the promotional activities budget. It does include the additional capital outlay of $500K approved for the Dali Museum beginning in FY2015 and ending in FY2019.



Key Results

Revenues and expenditures are in-line in both FY2014 and FY2015 and the fund will maintain a fund balance of at least 10%. Beginning in FY2016, revenues exceed expenditures by a wide margin as the debt service for Tropicana Field is paid off. Even with the BCC approved capital outlay to support the Dali Museum of $2.5M from FY2015 through FY2019, revenues will continue to exceed expenditures. The decision point in FY2016 will be whether to continue to use this portion of the proceeds from the 4th cent of tourist development for debt service on sports facilities or use it for other approved tourism development purposes, such as promoting and advertising the St. Petersburg/Clearwater destination.

Potential Risks

There are many impacts that can alter the ten-year forecast of tourist development tax collections. The primary concern is the strength of the national economy due to the sensitivity of collections to economic conditions. If the economy improves, collections could be higher than anticipated as disposable income increases. The reverse would be true if the economy deteriorates.

Increases in fuel costs are also a factor for visitors driving to Pinellas County. In the past an increase in hurricane activity has had a negative effect on tourism as have red tide outbreaks in Tampa Bay.

The appreciation or depreciation of the U.S. dollar also has an impact on the number of international visitors to Pinellas County.

The possibility of offshore drilling in Florida's Gulf Coast could discourage tourism due to the potential negative ecological effects of that industry.

Balancing Strategies

The forecast does not show any structural gaps in revenues and expenditures as the fund is balanced through the forecast period. The assumption is that the promotional activities budget will be increased or decreased to match the tourist development tax revenue stream. The additional capacity forecast beginning in FY2016 may be applied to newly approved debt service or to other authorized tourism promotion and development activities.

TOURIST DEVELOPMENT COUNCIL FUND

TOURIST DEVELOPMENT COUNCIL FUND FORECAST
Fund 1040

Forecast Assumptions	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
REVENUES										
Tourist Development Taxes	0.8%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%	3.0%
EXPENDITURES										
Personal Services	4.1%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%	4.0%
Operating Expenses	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
Advertising Expense	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
Capital Outlay	1.5%	1.8%	1.7%	2.0%	1.9%	2.1%	2.0%	2.0%	2.0%	2.0%
Projected Economic Conditions / Indicators:										
Consumer Price Index, % change	*1.5%*	*1.8%*	*1.7%*	*2.0%*	*1.9%*	*2.1%*	*2.0%*	*2.0%*	*2.0%*	*2.0%*
FL Per Capita Personal Income Growth	*2.0%*	*2.2%*	*2.2%*	*1.8%*	*1.4%*	*1.5%*	*1.7%*	*1.6%*	*1.6%*	*1.6%*

TOURIST DEVELOPMENT COUNCIL FUND FORECAST
Fund 1040

(in $ thousands)	Actual 2012	Budget 2013	FORECAST (@100% Revenue) Estimated 2013	Estimated 2014	Estimated 2015	Estimated 2016	Estimated 2017	Estimated 2018	Estimated 2019	Estimated 2020	Estimated 2021	Estimated 2022	Estimated 2023
BEGINNING FUND BALANCE	**6,429.0**	**7,281.8**	**8,001.2**	**9,237.1**	**7,373.3**	**5,299.9**	**5,872.8**	**5,860.0**	**6,223.9**	**6,448.8**	**6,564.4**	**6,581.4**	**4,650.7**
REVENUES													
Tourist Development Taxes @ 95%	28,746.1	27,097.2	30,567.9	29,518.1	30,403.6	31,315.8	32,255.2	33,222.9	34,219.6	35,246.2	36,303.5	22,435.6	23,108.7
Interest	29.0	27.7	34.3	33.2	73.7	106.0	176.2	175.8	186.7	193.5	196.9	197.4	139.5
Cty Off Fees (TC)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other revenues (Int - TC)	4.4	6.6	495.0	232.8	5.0	5.1	5.2	5.3	5.4	5.5	5.6	5.7	5.9
Adjust Tax Revenues to 100%	-	-		1,553.6	1,600.2	1,648.2	1,697.6	1,748.6	1,801.0	1,855.1	1,910.7	1,180.8	1,216.2
Adjust other Revenues to 100%	-	-		14.0	14.3	14.6	14.9	15.2	15.5	15.8	16.1	16.4	16.7
REVENUES	**28,779.5**	**27,131.5**	**31,097.2**	**31,351.7**	**32,096.8**	**33,089.6**	**34,149.1**	**35,167.7**	**36,228.2**	**37,316.0**	**38,432.9**	**23,836.0**	**24,487.0**
% vs prior year	11.6%	-5.7%	8.1%	0.8%	2.4%	3.1%	3.2%	3.0%	3.0%	3.0%	3.0%	-38.0%	2.7%
TOTAL RESOURCES	**35,208.5**	**34,413.3**	**39,098.4**	**40,588.8**	**39,470.1**	**38,389.5**	**40,021.9**	**41,027.7**	**42,452.1**	**43,764.8**	**44,997.3**	**30,417.4**	**29,137.7**
EXPENDITURES													
Personal Services	2,727.6	3,211.6	3,019.1	3,255.8	3,386.0	3,521.5	3,662.3	3,808.8	3,961.2	4,119.6	4,284.4	4,455.8	4,634.0
Operating Expenses	6,222.9	6,664.6	6,820.3	7,565.3	7,701.5	7,832.4	7,989.0	8,140.8	8,311.8	8,478.0	8,647.6	8,820.5	8,997.0
Advertising Expense	7,562.3	8,651.4	9,255.7	11,539.6	11,747.3	11,947.0	12,186.0	12,417.5	12,678.3	12,931.8	13,190.5	9,654.3	8,247.4
Addtl Advert Exp - one-time * RNC	600.0	-	-	-	-	-	-	-	-	-	-	-	-
Undesignated	-	-				4,500.0	5,500.0	5,500.0	6,000.0	7,000.0	7,500.0	-	-
Capital Outlay	-	4.3	68.6	4.3	4.4	4.5	4.5	4.6	4.7	4.8	4.9	5.0	5.1
Capital Outlay - Dali Museum	-	-	-	-	500.0	500.0	500.0	500.0	500.0	-	-	-	-
Transfer - Tax Collector	448.5	494.2	456.0	463.8	477.7	492.0	506.8	522.0	537.7	553.8	570.4	587.5	605.2
Transfer - Beach Renourishment	2,651.3	3,242.4	3,242.4	3,286.7	3,040.4	3,131.6	3,225.5	3,322.3	3,422.0	3,524.6	3,630.4	2,243.6	2,310.9
Debt Service	6,994.7	6,590.3	6,999.2	7,100.0	7,313.0	587.7	587.7	587.7	587.7	587.7	587.7	-	-
EXPENDITURES	**27,207.3**	**28,858.8**	**29,861.3**	**33,215.5**	**34,170.3**	**32,516.7**	**34,161.9**	**34,803.8**	**36,003.3**	**37,200.4**	**38,415.8**	**25,766.7**	**24,799.5**
% vs prior year	17%	6%	10%	11%	3%	-5%	5%	2%	3%	3%	3%	-33%	-4%
ENDING FUND BALANCE	**8,001.2**	**5,554.5**	**9,237.1**	**7,373.3**	**5,299.9**	**5,872.8**	**5,860.0**	**6,223.9**	**6,448.8**	**6,564.4**	**6,581.4**	**4,650.7**	**4,338.3**
Ending balance as % of Resources	23%	16%	24%	18%	13%	15%	15%	15%	15%	15%	15%	15%	15%
TOTAL REQUIREMENTS	**35,208.5**	**34,413.3**	**39,098.4**	**40,588.8**	**39,470.1**	**38,389.5**	**40,021.9**	**41,027.7**	**42,452.1**	**43,764.8**	**44,997.3**	**30,417.4**	**29,137.7**
REVENUE minus EXPENDITURES *(NOT cumulative)*	1,572.2	(1,727.3)	1,235.9	(1,863.8)	(2,073.4)	572.9	(12.8)	363.9	224.9	115.5	17.0	(1,930.7)	(312.5)
note: non-recurring expenditures	-	-	-	-	-	-	-	-	-	-	-	-	-
net recurring rev- exp	**1,572.2**	**(1,727.3)**	**1,235.9**	**(1,863.8)**	**(2,073.4)**	**572.9**	**(12.8)**	**363.9**	**224.9**	**115.5**	**17.0**	**(1,930.7)**	**(312.5)**

*One-time Operating Expenditures were available due to actual FY12 Beginning Fund Balance being higher than budgeted.

1) The Transfer for Beach Renourishment in FY2013 reflects an additional amount due based on reconciled actual tax collections versus budget in prior years. The FY2014 amount returns to the base annual transfer of 1/2 of one cent from the estimated collections.
2) The significant reduction in Debt Service in FY2016 reflects the end of Tropicana Field and Dunedin Spring Training Facility payments in FY2015.
3) The reduction in Debt Service in FY2022 reflects the end of Clearwater Spring Training Facility payments in FY2021.
4) Annual payments of $500k to the Dali Musuem are scheduled to end in FY2020.
5) The Transfer for Tax Collector services in FY13 reflects a recovery formula based on actual annual cost. It increases 3% per year in the forecast for anticipated increases in future personal services and operating expenses.
6) The "Undesignated" line under Expenditures shows a potential amount of funds that could be allocated above the target 15% reserve, based on all aother assumptions in the forecast.