



Board of County Commissioners

Leon County, Florida

www.leoncountyfl.gov

Agenda Item Executive Summary

Thursday, January 29, 2009

Title:

Consideration of Levying the Tourist Development Fifth-Cent Tax

Staff:

Parwez Alam, County Administrator
Alan Rosenzweig, Assistant County Administrator
Scott Ross, Budget Manager

Issue Briefing:

At the December 8, 2008 Retreat, the Board established revenue diversification as one of its priorities, including the consideration of levying the fifth-cent tourist development tax. The County currently levies four of the statutorily authorized five cents in local tourist development taxes. One cent is dedicated to the construction of a performing arts center, and three-cents for general tourist development, as allowed by statute.

In order to reduce competition for general revenue, the County has provided \$1.2 million in funding to the Council on Cultural Arts (COCA) from the tourist development three-cent fund balance for the cultural re-granting program for the past two fiscal years. During the FY09 budget process, the Board did not contemplate out-year funding for COCA. The current available fund balance in the tourist development three-cent fund balance is not capable of sustaining the current annual COCA funding of \$654,500.

According to Florida Statutes, besides other specific activities (i.e. constructing sports facilities), an additional fifth-cent can be imposed for the "promotion and advertising of tourism." If the Board chose to impose the fifth-cent, it could be used to: augment the existing three-cents currently funding the tourist development plan; utilized for the performing arts center or Arts on Gaines Street project; or it could be used for the general promotion and advertising of tourism. This general usage could include funding cultural arts associated with tourism such as COCA. Additionally, consideration is provided regarding funding COCA from the existing recurring three-cent revenue, and using a portion of the fifth-cent to fund a guarantee to Delta Airlines for adding three intra-state routes to Tallahassee (Attachment #1). The County Attorney's opinion of utilizing a portion of the fifth-cent for an airline guarantee is shown as Attachment #2.

Fiscal Impact:

This item has a fiscal impact. Levying the fifth-cent tourist development tax would generate approximately \$817,000 annually. Annual revenue from this tax should increase modestly once the economy rebounds from the current recession.

Staff Recommendation:

Option #1: Authorize staff to prepare a draft ordinance and to schedule a public hearing to consider levying the fifth-cent tourist tax.

Option #2: Direct staff to include funding for the Council on Culture and Arts in a revised tourist development plan, whether the plan is funded by three or four-cent.

Report and Discussion

Background:

In response to the impacts on County revenues, caused by recent property tax reforms and a decline in sales tax and gas tax revenues associated with a recession economy, the Board discussed revenue diversification at the Board Retreat on December 8, 2008. Subsequently, the Board directed staff to review areas of revenue diversification, including the possible implementation of the fifth-cent tourist development tax.

The County currently levies four of the allowable five pennies for a tourist development tax. The first three cents were originally levied for tourist development expenses related to the tourist development plan; however, Florida Statute, in addition to authorizing tourist development plan funding, specifically allows any of the first three cents to be utilized, in part, for the construction of tourism-related venues, such as a performing arts center. The fourth-cent and the fifth-cent are not specifically allowed for such use, but rather need to be dedicated for the construction of sports complexes or used for general tourism promotion. When the fourth-cent was adopted in 2004, one of the first three cents was dedicated to the construction of a performing arts center, and the fourth-cent replaced the funding for the tourist development plan.

In addition, for the past two fiscal years (FY08 and FY09), in order to make general revenues available for essential County services, the Board has appropriated \$1.2 million for the Council on Culture and Arts (COCA) from the three-cent tourist development fund balance. The current unreserved fund balance for this three-cent tax is \$396,500. This is below the minimum reserve level for this fund by Board policy (15% of operating expenditures) is \$701,890. However, due to contract hold backs during the current fiscal year, it is anticipated that the minimum fund balance level will be achieved by year end. Currently, no out-year funding source has been identified for COCA, and adequate resources are no longer available in the existing three-cent fund balance to sustain the current \$654,500 in annual funding.

Analysis:

For FY09, each penny of tourist development tax is anticipated to generate approximately \$817,000 annually (\$3.4 million in aggregate). Revenue has declined slightly for the past three years, with this trend anticipated to continue through the recession economy. The addition of the fifth-cent would generate an estimated additional \$817,000 per year.

According to Florida Statutes, besides other specific activities (i.e. the construction of a sports facility), an additional fifth-cent can be imposed for the "promotion and advertising of tourism". If the Board chose to impose the fifth-cent, it could be used to augment the existing three-cents currently funding the tourist development plan; utilized for the performing arts center or Arts on Gaines Street project; or, used for the general promotion and advertising of tourism. This general usage could include funding cultural arts associated with tourism such as COCA.

Continued funding of COCA through a tourist development tax would prevent the Board from having to consider funding COCA through general revenue. This would maintain general revenue tax dollars for other County services. Another option could be to fund COCA through the existing tourist development plan three-cent revenue as part a revised tourist development plan.

Additionally, at the January 15, 2009 meeting, the Board directed staff to determine the feasibility of utilizing a portion of the fifth-cent tax (\$500,000) to fund a portion of a \$2 million guarantee fund with the City of Tallahassee and the State of Florida for Delta Airlines. These funds would be utilized if Delta Airlines did not make the specified guarantee for adding three additional intra-state airline routes to the Tallahassee Regional Airport.

In order to formally consider levying this tax, a public hearing would need to be held. If the Board decides to pursue the fifth-cent tourist tax, staff would bring back an item to the Board, requesting to schedule a public hearing with a draft ordinance, specifying how the tax would be utilized. Regardless of whether the Board chooses to pursue the additional one-cent tourist tax, staff recommends that the current tourist development plan be revised to include funding for COCA.

Options:

1. Authorize staff to prepare a draft ordinance and request to schedule a public hearing to consider levying the fifth-cent tourist tax.
2. Direct staff to include funding for the Council on Culture and Arts in a revised tourist development plan, whether the plan is funded by three or four-cents.
3. Do not authorize staff to prepare a draft ordinance and request to schedule a public hearing to consider levying the fifth-cent tourist tax.
4. Do not direct staff to include funding for the Council on Culture and Arts in a revised tourist development plan.
5. Board Direction.

Recommendations:
Options # 1 and #2