

**AGENDA – October 17, 2012
3:00 pm – 4:15 pm, CVB**

**Strategic Tourism Planning Board
Tompkins County**

Agenda

- 1) Meeting Minutes - 3 minutes
 - **ACTION** – Adopt September minutes
- 2) Chair's REPORT – David Sparrow - 5 min
- 3) TCAD funding REPORT and DISCUSSION - 45 minutes
- 4) Board Assessment Results and DISCUSSION – Sue Perlgut - 15 minutes
- 5) Announcements (time-permitting)

Attached (agenda packet):

1. September STPB meeting minutes
2. 8/25/12 TCAD Funding Memo from Joe Mareane to PDEQ



MISSION:

The Strategic Tourism Planning Board is charged by the Tompkins County Legislature with providing oversight and strategic direction for tourism initiatives that *promote economic development* and *enhance the quality of life* in Tompkins County.

Tompkins County Strategic Tourism Planning Board (STPB) Meeting Minutes – September 2012

Date: September 19, 2012
Time: 3:00-5:00pm
Location: Convention and Visitor's Bureau

Attendees:

Name	✓	Representation	Name	✓	Representation
Anne Kellerman	✓	At-Large	Sue Perlgut	✓	Arts-Culture
Anthony Hopson	exc	Ithaca College, Vice-Chair	Sue Stafford	✓	TC3
Beverly Baker	✓	At-Large	Susie Monagan	✓	Arts-Culture
David Sparrow	✓	At-Large, Chair	Tim Joseph	✓	At-Large
Ethan Ash	✓	Arts-Culture	VACANT	X	At-Large
Gary Stewart	✓	Cornell	Brett Bossard	✓	CAP, Non-Voting
Jon Reis	✓	Arts-Culture	Fred Bonn	✓	CVB, Non-Voting
Ken Jupiter	✓	At-Large	Gary Ferguson	✓	DIA, Non-Voting
Paul Tatar	✓	Recreation	Jean McPheeters		Chamber, Non-Voting
Rick Adie	✓	Lodging	Martha Armstrong	✓	TCAD, Non-Voting
Rita Rosenberg	✓	Agriculture	Will Burbank	✓	TC Legislature, Non-Voting
Scott Wiggins	✓	Lodging	VACANT	X	Transportation, Non-Voting
Stuart Stein	✓	At-Large	Tom Knipe	✓	Staff

Also in attendance: Kathy Wilsea (Tompkins County Planning Dept.), **Ronda Roaring** (ilovethefingerlakes.com)

Agenda

Approval of minutes for August, 2012 STPB meeting
 Chair's report
 Festival Program Report
 Nominating Committee
 Membership and Bylaws Committee Report
 Strategic Tourism Implementation Funding Opportunity
 Finger Lakes Wine Center Report
 CVB Report
 Community Celebrations Grants
 Proposed Administrative Changes to the ACOD Program
 Room Tax Revenue Report
 Announcements

Discussion

The meeting was called to order at 3:02 PM.

August minutes were approved unanimously without change.

Chair's Report – Chair David Sparrow pointed out the November and December meetings fall very close to holidays and proposed holding one joint meeting on November 28 (3PM at CVB), which was acceptable to members.

Tompkins County Area Development (TCAD) is financially stressed and the County Administrator has proposed funding the shortfall with County general reserve funds for 2013. Mr. Mareane sent a memo to PDEQ outlining the possibility of using some room tax money in 2014 and beyond. This would probably require changes to legislation. This will be discussed at the PDEQ October meeting. Will Burbank, PDEQ Chairman, said he has set up a task force to examine the suggestions.

The County Legislature accepted the Strategic Tourism Plan at their September 18th meeting. The Plan will be published and distributed. The legislature also approved the three Tourism Partner Awards

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recommended by STPB at last month's meeting. The TPA paving stones will be unveiled November 2, 9:30 AM at CVB, followed by a reception, and STPB members are invited to attend.

Festivals Program Report – Vicki Taylor-Brous reported this program has been in place at the Downtown Ithaca Alliance since 2010, and most of their work is with outdoor events. They consulted on more than 80 events in the past year. Their website for event planners is at TompkinsFestivals.com, login: [tcfestivals](http://tcfestivals.com), password: [festivals](http://tcfestivals.com). It includes a calendar of events so event planners can check for conflicts. The program has equipment available for events: pop-up tents, extension cords, bounce house, tables and chairs; and they are getting a small generator. They maintain vendor lists for food and performers. They worked on a strategic plan for festivals last year, and have interns to help with programs and projects.

Vicki has been meeting with Tom Knipe to explore ways to improve the program. Equipment loans will be by contract; branding is being developed for logo, email, and web identity (some info will be available to the public without password); an e-newsletter, quarterly reporting, follow-up survey form, and providing the Festivals manual (includes reporting forms) on flash drive. They have been providing reduced-cost printing to help event planners. They are working with the City of Ithaca concerning proposed regulations and fees, advocating for events. Monthly workshops will start soon: first Tuesday of the month, 1 – 2 PM at different locations. Topics will vary from management and marketing to good grant writing and volunteer management. They are not receiving inquiries from all of Tompkins County yet, and outreach is planned. They can also provide support to organizations from outside the County that are planning events here. Community Celebrations grant recipients get information on the Festivals Program.

Establish Nominating Committee – David said this committee needs to be established, with the task of producing a slate of officers for 2013. He proposes appointing the members who are leaving voting seats, because they cannot be candidates. Stu Stein moved to support appointment of David Sparrow, Ken Jupiter and Beverly Baker to the committee, seconded by Anne Kellerman and passed by unanimous voice vote.

Membership/Bylaws Committee – Tom Knipe reported the committee met and recommends filling the current at-large vacancy by appointing Christy Agnese, who has applied for other seats in the past. Tom will reach out to other recent applicants to see if they are interested in being considered for at-large appointments later this year. Members will soon receive a copy of the recruiting press release, and he encouraged them to share that with persons they think may be interested in STPB. Following the interview period, the committee will bring recommendations to the November 28 STPB meeting for vote. This allows adequate time for the County Legislature to make appointments in December. With the committee recommendation constituting a motion, the recommendation for Christy Agnese for appointment was passed by unanimous voice vote.

To aid this committee in board development work this fall, Self Assessment (yellow) and Board Assessment (pink) forms have been developed. These were distributed and should be returned to Sue Perlgut ASAP.

Strategic Tourism Implementation Funding Opportunity -- \$147,000 was set aside for implementation in the 2013 draft budget that has received recommendation by PDEQ. Final vote on the County Budget will occur later in the year. Following discussion at a Planning & Evaluation committee meeting, Tom Knipe drew up the draft guidelines that came with the agenda. This will be a competitive process to fund critical actions (some recurring, some new), and not subject to the 60/40 split. The funding announcements will be made before the deadline for 2013 Spring Capital Grant applications. Large projects with big impact are preferred, and two to five recipients are anticipated. Although this is one-time funding, recipients could apply for other types of grants for subsequent years. Goal is to implement critical actions as defined in the Plan. Outreach would occur subsequent to formal passage of the 2013 budget later this year, around mid-November. There has been no prioritization of critical actions and there is no intent to fund a particular one first. It is open to all organizations, not just those mentioned as lead organizations in the Plan. There was discussion on retaining the lower limit (\$25,000) and whether or not the 60/40 split should be included. Tom felt it is practical to allow the review committee flexibility to examine applications without 60/40 restrictions. Stu Stein suggested including in the guidelines a statement that these grants cannot be made to private companies per NYS law, and Tom has been discussing that with the County Attorney. Stu also suggested specifying no religious organizations.

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Guidelines moved for approval by Rick Adie, seconded by Ken Jupiter and passed by unanimous voice vote. A review committee will be appointed at a future date.

David took a moment to welcome visitors Ronda Roaring (ilovethefingerlakes.com) and Kristy Mitchell (Convention & Visitors Bureau).

Finger Lakes Wine Center Report – Fred Bonn reported as a board member of FLWC. The Center closed its doors on 9/4 as they are unable to meet obligations, and are reorganizing. They have commitments for about six events and are working with the organizers to make sure the events occur. Their licensure is intact, the rent and taxes are paid, and they are working with vendors on debt. David Sparrow has resigned the Wine Center board, and the board expects to appoint a new Chair at tomorrow's meeting. They are working with the County Attorney on resolving the \$24,000 New Tourism Initiative (NTI) grant they received.

The community has stepped up to see how they can help. TC3 is evaluating a new curriculum, which may partner with the Wine Center. They are also negotiating with the Holiday Inn for management of events. STPB Executive Committee has suggested that Jack Little do a review of the Wine Center finances, which will be part of the Wine Center board discussion 9/20. The board is intact.

So how did this happen? Fred said they opened undercapitalized yet operated two years. The board and organization were successful in obtaining a unique licensure, which is a unique and valuable asset to the community. They are a charitable organization with 501(c)3 tax status, so donors get tax benefits. They had commitments of member item funds from State legislators, but it was incredibly difficult to access the funds. The board hopes to come out of these problems by the end of the year.

Tom Knipe made a statement that he expects the County Attorney to ask for NTI grant funds to be returned. The grant was for a project, but the funds were used for general operations.

Following some general comments, Fred said the parking and proximity to the Holiday Inn were considered assets. It was the best location at the time and even now has the makings of being a very vibrant block.

CVB Report – Fred introduced Kristy Mitchell, CVB's new Integrated Marketing Manager. Kristy provided some personal background, saying she is an IC graduate with social media experience to bring to CVB. Fred said we need to look to the future, and Kristy can meet the goals of interacting with GenX and GenY. For example, he provided this tidbit: activation of mobile devices is now three times the birth rate. Fred reviewed the report he provided with the agenda.

Community Celebrations Grants – Beverly Baker reported for the committee and reviewed the chart of committee recommendations provided with the agenda. With zero funding recommended for the Veterans Parade, she noted they have obtained private funding. She read a note from Carol Kammen, the committee chair who could not attend today, that the committee appreciates the support of STPB, is seeing better applications, and provided praise for the program. Recommendations were moved by Beverly, seconded by Paul Tatar and passed by unanimous voice vote.

Proposed Administration Changes to the ACOD Program – Brett Bossard said this discussion has been going on for a long time during application review process and annual reviews. This proposal would move some administration to TCPD, reduce the overall oversight and reporting burdens on recipients and administrators alike, and result in reduced time spent by CAP on site visits. Although it would continue as a joint program, this opens some funds to grants that had previously been spent by CAP for admin. Tom Knipe said CAP has been doing an excellent job in administering the program, and any changes proposed today should not be perceived as any criticism of CAP. Action of the Legislature is likely not required to implement these changes; Tom will provide a report to PDEQ. Scott Wiggins moved to recommend the changes, seconded by Stu Stein and passed by unanimous voice vote.

Room Tax Revenue Report – Tom Knipe reported one hotelier who had not been paying room tax has reached an agreement with the County Attorney. The hotel started paying in June and has made some subsequent payments. The impact on the 2012 budget will be unclear until the end of the year. The Budget

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Committee should plan to meet early in 2013. It is expected it will be a couple of years before this debt is paid in full. Rick Adie asked if any discount was negotiated as part of the settlement, and Tom will check with the County Attorney on that. Rick also said he hopes the County will pursue such lapses more vigorously in the future. Fred noted in some areas there are vibrant on-line groups arranging rooms in homes and dorms, and they are not paying taxes.

Announcements –

- Scott Wiggins: Ithaca Motion Picture Project and Friends of Stewart Park are hosting a joint event on 10/13 from 1 to 4 PM that will include tours of Wharton Studio and Cascadilla Boathouse and discuss planned enhancements.
- Stu Stein: Congratulated David on concluding a challenging agenda on time.
- Ethan Ash: Cinemapolis is conducting a fundraising campaign to convert to digital projection, which is required nationally by mid-2013. This conversion will cost \$300,000 and involve all five screens. Ideas are welcome.
- Fred Bonn: The Chamber of Commerce/CVB Howard Cogan Tourism Award will be awarded to the Wiggins Family in an event 11/8 at Lakewatch. It will include a luncheon and have Michael Turback speaking about local foods.
- Jon Reis: The Apple Harvest Festival will be downtown at the end of September. The Greater Ithaca Art Trail event will occur two weekends in October. STPB is creating a calendar of events we help fund.
- Paul Tatar: As mentioned last month, the Canal Conference will be taking place soon in Oswego.
- Gary Ferguson: Dates for the Apple Harvest Festival are September 28-29-30.
- Brett Bossard: The Ithaca Rotary Club is sponsoring the Little Apple Fall Follies at the State Theatre on 9/28, during the Apple Harvest Festival.

With no further business, the meeting adjourned at 5pm.

Respectfully Submitted,
Kathy Wilsea, Secretary
Tompkins County Planning Department

Approved by STPB on _____, 2012

Next Meetings Scheduled

Wednesday, October 17

Wednesday, November 28



Tompkins County Department of Administration

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COUNTY ADMINISTRATOR
Joe Mareane
DEPUTY COUNTY ADMINISTRATOR
Paula E. F. Younger

"Promoting excellence in County operations while respecting the needs of the people we serve."

TO: PLANNING, DEVELOPMENT, AND ENVIRONMENTAL QUALITY COMMITTEE
FROM: JOE MAREANE
DATE: AUGUST 25, 2010
RE: TCAD FUNDING

Summary: The County relies on Tompkins County Area Development (TCAD), a not-for-profit agency, to promote economic development and to staff the County's Industrial Development Agency (IDA) and Local Development Corporation (LDC).

The County has chosen to fund the public contribution to TCAD principally through fees generated by the IDA and LDC, allowing the County's direct out-of-pocket contribution to remain quite low. However, the slowed post-recession pace of IDA/LDC-eligible projects along with a more debt-averse financing philosophy at local not-for-profit institutions has caused IDA/LDC fee income to fall sharply, leaving TCAD with a budget gap that will affect 2013 and, it is expected, well beyond. To maintain current operations, TCAD will need to replace lost fee income with other revenue, including a substantial investment of County funds.

As background for the Legislature's consideration of additional funding, this memo provides information regarding the nature and extent of TCAD's financial challenge, as well as several policy options available to the Legislature. Because TCAD's challenge is revenue-based, the options presented in this memo are focused on alternative sources of revenue including the property, sales, and room tax. Some of these options, particularly the use of the room tax, would require approval by the State legislature.

The memo does not recommend a specific course of action by the County Legislature, but does suggest the creation of a task force to consider these options as well as any operational changes or conditions that may accompany a change in the way the County funds TCAD, and to report its recommendations to the Legislature by the end of this year.

Background: The County relies on Tompkins County Area Development (TCAD), a not-for-profit agency, to foster economic development and manage various economic development programs. By all accounts, the relationship has been highly productive and efficient. TCAD has assisted a broad range of private and not-for-profit projects that have created over 5,000 jobs and that represent over \$800 million in capital investment. According to TCAD, these projects paid \$800,000 in County property taxes last year.

In addition to assisting specific projects through financing and tax management programs, TCAD also has the in-house capacity to perform studies such as the recent water and sewer infrastructure and unemployment rate analyses, write strategies, and provide the organizational infrastructure to support job creation.

The County has chosen to fund the public contribution to TCAD principally through IDA and LDC fees—a strategy that worked well to lower the County’s out-of-pocket costs when the economy was strong and both private and institutional development was robust. (Cornell’s use of the IDA as a more responsive, local alternative to State’s Dormitory Authority to secure tax exempt financing significantly augmented fee revenue from private economic development projects.)

Even today, the IDA/LDC supports \$429,000 of TCAD’s \$615,000 budget. However, fully three-quarters of the IDA/LDC contribution is drawn from prior years’ reserves that are rapidly declining. The County’s direct budgetary contribution to TCAD is only \$7,750, or slightly more than 1%, of TCAD’s budget. The rest of TCAD’s budget is supported by contributions from local businesses and institutions (“employer investors”).

Over the past several years, TCAD has advised its employer investors and governmental partners that a revenue structure so highly dependent on IDA/LDC project fees is not sustainable. The urgency of the message has increased with the steep decline of fee revenue caused by a slow economy and Cornell University’s new, debt-averse capital project financing philosophy. IDA/LDC reserves being used to support TCAD are not being replenished by new fee income. Accordingly, over the past several months, TCAD has stated that it will need additional funding as early as 2013 if it is to maintain current levels of operation.

This memo is intended to provide the Legislature information regarding TCAD’s finances, and a range of policy alternatives available.

Findings and Observations: In preparing to advise the Committee and Legislature on this matter, David Squires and I have reviewed TCAD’s finances and agree that:

- TCAD is over-reliant on fee income generated by projects assisted by the County’s IDA and LDC. 70% of its funding comes from this volatile and declining source of revenue.
- Annual financing fees generated by the IDA and LDC have fallen by one-third since the 2008 recession, and are on a downward trajectory. TCAD does not foresee IDA/LDC-eligible projects over the next several years that will return fee revenue to pre-recession levels. In fact, TCAD projects fees to fall by nearly 50% between 2011 and 2012 and remain at that diminished level for the foreseeable future.
- Projections of future IDA/LDC fee revenue recognize that Cornell, which had been a major source of IDA/LDC financing fee revenue, has slowed the pace of construction and is pursuing only self-funded projects that can be built without long-term debt.
- In two of the past three years, the IDA and LDC gave TCAD more than they earned in financing fee income, resulting in a significant spend-down of their reserves. In 2012, TCAD is relying \$429,000 from the IDA and LDC, but projecting that the IDA and LDC will generate only \$150,000 in fees. The rest will come from IDA/LDC reserves.
- IDA/LDC reserves have fallen from \$941,556 in 2008 to a projected \$258,000 at the end of 2012.

- Without structural changes in TCAD's budget, remaining IDA/LDC reserves will be depleted by next fall.
- TCAD's financial challenges are caused solely by the volatility and decline of fee income, and not by spending growth or diminishing support from the business community. In fact, employer investor revenue is up slightly from pre-recession levels.
- Addressing the looming budget gap by reducing expenditures to match projected revenues would ultimately require a 50% cut in TCAD's operation and staff. TCAD has a full roster of five positions, although in light of current fiscal conditions, it is currently operating with a staff of four.
- Maintaining current levels of operation will require a substantial infusion of new, stable revenue. Our forecast indicates a \$169,000 deficit in 2013 growing to over \$360,000 by 2015 as remaining IDA/LDC reserves are depleted.
- TCAD's goal of a balanced revenue base consisting of 1/3rd in contributions from employer investors, 1/3rd fee based income, and 1/3rd local government support is a reasonable approach to a difficult budget challenge.

In sum, TCAD is facing a real and immediate budgetary challenge that, if not addressed, will vastly diminish the community's capacity to identify and assist job-creating entities. There are substantial adverse consequences to County government, and the community, associated with stepping away from a pro-active role in economic development.

Policy Options:

To address the revenue-based problem, TCAD's Board of Directors has established a goal of restoring balance to its revenue structure by generating a third of its budget from each of its revenue sources: financing fees from the IDA/LDC, employer investors (by 2015), and County government. Achieving that goal would require the County contribution to rise to \$200,000 from its current level of \$7,750.

If the Legislature concurs, there are several alternatives available to provide that level of support—although none can be done without consequence to either taxpayers or other programs competing for the same limited resources. Some would require legislative action by the State and/or County.

If the County chooses to increase its contribution to TCAD, certain enforceable reciprocal agreements should be put in place with the agency. At a minimum, these should include the agency's obligation to generate 1/3rd of its budget through employer contributions, and the County's ability to reduce or re-direct its funds if project fee revenue exceeds 1/3rd of the budget.

Among the policy options available to the Legislature are:

1. **Increase the County's allocation to TCAD from \$7,000 to \$200,000 and fund with target (property tax) dollars.**

This allocation is the equivalent of roughly ½% on the property tax levy, or about \$5 for the owner of a \$160,000 home. In a tax cap or tight legislative target situation, the addition of this expense

would create a zero sum situation requiring other county programs or agencies to absorb an equivalent reduction in spending.

Advantages: Once in the County's baseline budget, funding would be relatively stable. If TCAD is going to be supported with property taxes, a single County levy of those taxes is more equitable and balanced than if individual municipalities raised their levies (i.e., residents of municipalities supporting TCAD would pay both a town/city and county tax, while residents in municipalities that didn't participate would only pay a county tax).

Disadvantages: Adds to the difficulty in maintaining property taxes at a level affordable to County residents and close to the tax cap. Unless the tax levy was increased to support the allocation, this would put TCAD in competition with human service agencies and county departments for limited "target" funds.

2. Earmark ½% of the County's share of sales tax revenue to support TCAD (currently about \$150,000).

Because sales tax revenues are linked more closely to the economy than the property tax, earmarking a portion of the sales tax for TCAD may resonate. However, that approach would ultimately have the same impact as a direct property-tax supported allocation, as sales taxes that now provide property tax relief are diverted to support TCAD. Allocating \$150,000 of sales tax revenue to support a new allocation for TCAD would cause a dollar-for-dollar impact on the property tax levy.

Advantages: There is a logic and potential appeal to using revenues tied directly to the economy to support economic development. Also, the sales tax grows at a modest, but predictable rate, allowing the contribution to TCAD to grow naturally, rather than as the result of raising property taxes.

Disadvantages: As noted above, the bottom line impact to the County is no different than a direct property tax allocation (in fact, may be a bit worse, because we would be trading a growth revenue for one that doesn't grow naturally).

3. Earmark a portion of the room occupancy tax to support TCAD.

All potential changes to the room tax would require changing both the Local Law that established the tax (Chapter 150 of the County Code) and the state law (Section 1202-f of the Tax Law) that allowed the County to impose the tax. Both require room tax proceeds to be used to "enhance the general economy of Tompkins county, its cities, towns, and villages, through promotion of tourist activities, conventions, trade shows, special events, and other directly related and supporting activities." This language would have to be broadened to allow proceeds to be used for general economic development.

Consideration of the use of the Room Tax will also require a dialogue with the Strategic Tourism Planning Board that has long had a central involvement in the allocation of room tax revenue.

However, there is a logical connection between the room tax and the business-development goals of TCAD. The 2010 Chmura Economics and Analytics study found that 27% of hotel guests are business travelers and another 13% are traveling for a purpose that includes both leisure and business. TCAD's work in sustaining existing new businesses and cultivating new ones contributes to this significant element of our tourism and hospitality economy.

There are a few variations of a room tax allocation that could be considered:

- 1) Allocate 10% of room tax collections to TCAD. The allocation would grow or shrink each year, depending on tax collections.

Advantages: The approach is simple and direct. The revenue stream is relatively predictable, and funded largely by non-residents. It does not impact the property tax cap. TCAD would have a stake in the success of tourism efforts.

If room tax revenues growth at a normal pace, this allocation could be offset by the natural growth of revenue within 1-2 years of enactment.

Disadvantages: If room tax revenues weren't growing by at least 10% in the initial year, TCAD's gain would come at the expense of others funded by room tax revenue. STPB members and hotel owners may react strongly to a diversion of revenue it has traditionally controlled, particularly after the County allocated \$100,000 of additional revenue to itself to support the new Tourism Coordinator last year. The new, 10-year Strategic Tourism Plan anticipates growth in tax revenues, and outlines how it should be spent to support tourism.

Variation: Could phase-in the allocation over two years (5% in year 1 and 10% in year 2) to minimize the chance of a zero sum situation.

- 2) Allocate all or a portion of room tax *growth* above the current base, to support TCAD. Although revenues are current growing at a brisk pace, if a normalized 6% growth rate is assumed, approximately \$115,000 in new revenue will be generated each year. That means \$115,000 will be in the allocation pool in year 1, \$230,000 in year 2, \$345,000 in year 3, etc.

There are several variations on this theme:

- Earmark all room tax growth to TCAD until the \$200,000 goal is met. At that point, amounts in excess of \$200,000 (perhaps with some factor to adjust for inflation) could be made available for other STPB-related activities or place in a growth pool that would be more flexible than the current 60:40 arrangement.
- Earmark half of the growth in each year until the \$200,000 goal is met. The other half of the annual growth would be made available for other STPB-related activities.

Advantages: Has less likelihood of a zero-sum situation. Allows other STPB-related programs to realize gains that their activities helped create.

Disadvantages: Somewhat obtuse. Could create volatility in TCAD's revenue stream, as it would bear all or much of the risk of declining revenues. Some complexity in budgeting, planning, and administering.

4. Eliminate the restriction on use of the Room Tax

In eight counties within New York State, room tax revenues are not dedicated for tourism or any other specific use, and can be used for any general county purpose at the discretion of the County legislature. Eliminating restrictions on the use of room tax funds would result in the County realizing a new source of "unallocated" revenue, similar to the sales tax. Through the budget process, the Legislature would annually determine the specific uses of the funds, which may include both tourism and economic development.

This would require a change in the State enabling legislation and the local law.

Advantages: Allows the County to focus scarce resources on areas of greatest community need. Decisions regarding optimal allocation for tourism, economic development, and other competing uses would occur annually, within the context of the overall County budget.

Disadvantages: Likely strong opposition from the hospitality industry. Potential erosion of funding for tourism and economic development if these functions must compete with core human service and infrastructure programs. Funding uncertainty diminishes ability to do multi-year planning and projects.

5. Raise the Room Occupancy Tax by 1/2%, to 5.5%

Based on current projections, a one-half percent increase in the room tax rate would generate slightly less than \$200,000 annually. The County would need State authorization to increase the rate, and could dedicate the revenue associated to purposes that serve the traditional tourism goals and economic development.

Advantages: At a fairly low impact to room tax payers (an added \$0.65 on a \$130/night room, bringing the total room tax to \$7.15 per night), would fully fund a \$200,000 allocation to TCAD without diverting funds, or potential future growth, from programs now supported by the tax. If there is some elasticity in lodging prices, the tax burden is largely exported to non-residents; if prices are inelastic, the burden is borne by the lodging facility.

Disadvantages: The County's room tax rate would be among the highest in New York State and create a modest competitive disadvantage for local hotel and motel operators. Currently, only two counties (Albany and Monroe) and the City of New York have rates in excess of 5%.

Because this is a tax increase, the New York State Senate is likely to refuse a home rule request to raise the rate. Although the dedication of revenues to support economic development may result in the Senate waiving what has become its policy, this would be the first home rule request to raise a local tax accepted by the Senate in four years.

Recommendation: It is recommended that TCAD's 2013 budget gap be funded with onetime revenue (applied fund balance) from the County, providing time for consideration of options available to the Legislature.

It is further recommended that a task force be assembled to review the options outlined above, along with any others that may be identified, and also to discuss any operational changes or conditions that may accompany a change in the way the County funds TCAD. The task force should be comprised of legislators and representatives of TCAD, the Chamber, the Strategic Tourism Planning Board, and the community.

The task force should conclude its work by the end of 2012, giving time to implement recommendations that may include changes in state and local law in time for incorporation in the County's 2014 budget.

Cc: Martha Robertson, Chair, County Legislature
Jim Dennis, Chair, Budget, Capital, and Personnel Committee
Michael Stamm, President, TCAD

Financial Overview

Attachment: TCAD funding discussion (3626 : TCAD Funding)

Financial Overview

I. The 2012 TCAD Budget—Sources and Uses of Funds

2012 TCAD Budget		
<u>Revenue</u>	<u>Amount</u>	<u>Percent</u>
IDA/LDC Fees		
From Reserves	319,000	52%
From Current Projects	110,000	18%
Subtotal	429,000	70%
Employers	\$152,882	25%
Other	\$25,768	4%
County	\$7,750	1%
Total	615,400	30%
<u>Expense</u>		
Salaries	\$349,200	57%
Benefits	\$121,200	20%
Rent	\$41,200	7%
Other	\$103,800	17%
Total	\$615,400	100%

70% of TCAD’s budget is supported by fee revenue generated by the County’s IDA and LDC. *Most of the IDA/LDC contribution (\$319,000 out of \$429,000) is now coming from reserves rather than financing fees generated by current projects.*

Contributions by employer investors represent 25% of TCAD’s revenues, with the County’s contribution comprising 1% of the budget.

Labor costs represent over three-quarters of agency’s expenses.

II. IDA/LDC Financing Fees

IDA/LDC Financing Fee Income and Total Payment to TCAD			
	<u>IDA/LDC Fee Income</u>	<u>IDA/LDC Payment To TCAD (1)</u>	<u>Added To/ (Drawn From) Reserves</u>
2000	100,530	90,000	10,530
2001	208,007	97,000	111,007
2002	246,372	118,250	128,122
2003	179,197	157,000	22,197
2004	239,422	213,740	25,682
2005	375,628	347,000	28,628
2006	417,200	375,000	42,200
2007	542,801	393,750	149,051
2008	478,834	413,438	65,396
2009	85,113	383,296	(298,183)
2010	451,458	376,481	74,977
2011	363,500	429,700	(66,200)
2012	110,000	448,168	(338,168)

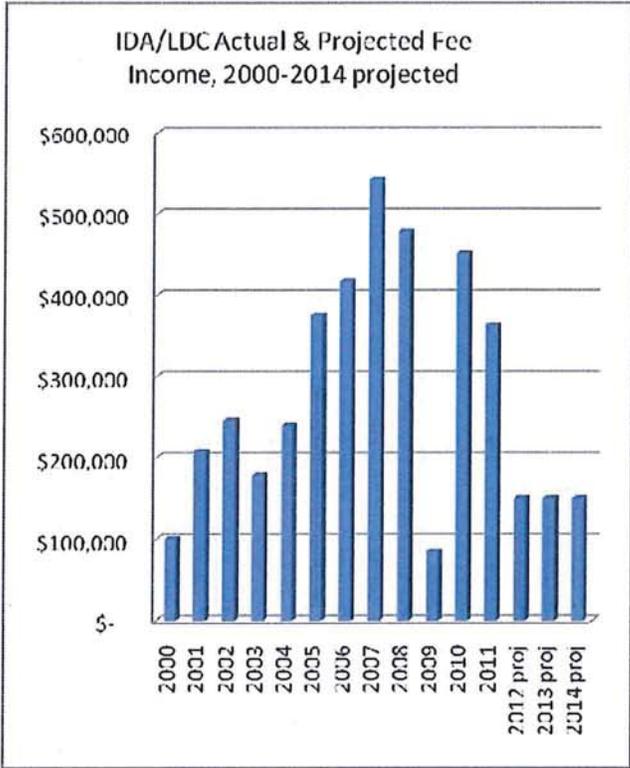
(1) This amount also includes annual audit costs, legal fees, and occasional special project

Financing fee income peaked at \$543,000 in 2007 and plummeted to \$85,000 in 2009 as the result of the economic collapse and a new State ban on IDA financing for “civic facilities” including higher education and hospitals.

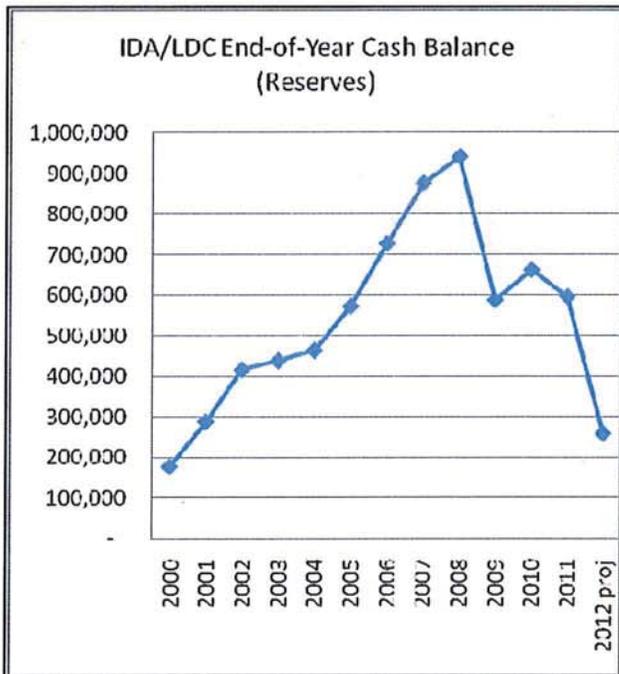
While fees rebounded in 2010 due in part to the creation of a new County Local Development Corporation that could finance civic facilities, the trend has been steadily downward.

Based on known projects on the horizon, TCAD projects the IDA/LDC will generate \$150,000 a year in financing fees, reflecting approximately \$15-\$25 million a year in projects.

Attachment: TCAD funding discussion (3626 : TCAD Funding)



Historically, IDA/LDC financing fee income has been sufficient to support the share of TCAD's budget not funded by contributions from employers or local governments. However, since the 2008 recession, the trend has been reversed as the volume of projects financed by the IDA/LDC has slowed. Among other negative consequences of the recession was Cornell's "pause" on construction and policy that requires all projects to be self-funded, removing a significant source of past fee income.



With reserves now supporting a large share of TCAD's operating costs, the available balance of IDA/LDC funds has rapidly diminished.

Reserves that stood at \$941,556 in 2008 are expected to fall to \$258,029 by the end of 2012.

III. Budget Details

TCAD's budget has been stable over the past several years.

While revenues have been stable, that stability masks the fact that in two of the last three years, the IDA and LDC gave TCAD more than they earned in financing fee income. The rest

	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012</u>	<u>Midyear 2012</u>
Revenue						
Employers	144,325	134,391	147,691	134,841	152,882	152,882
IDA/LDC	327,300	369,876	364,481	412,700	429,000	429,000
County	10,000	10,000	9,375	8,728	7,750	7,750
Other	<u>51,438</u>	<u>54,101</u>	<u>19,567</u>	<u>36,584</u>	<u>25,768</u>	<u>25,768</u>
Total	533,063	568,368	541,114	592,853	615,400	615,400
Expenses						
Salaries	281,930	324,590	334,374	343,898	349,200	324,039
Benefits	71,779	88,665	93,192	107,309	121,200	116,000
Rent	21,273	23,441	22,722	34,612	41,200	41,200
Other	<u>142,909</u>	<u>101,413</u>	<u>92,447</u>	<u>120,585</u>	<u>103,800</u>	<u>102,600</u>
Total	517,891	538,109	542,735	606,404	615,400	583,839
Gap	15,172	30,259	(1,621)	(13,551)	-	31,561

came from IDA/LDC reserves.

Contributions from the business community have been relatively stable, too, and are now slightly higher than before the 2008 economic collapse. Over the past five years, the

County's modest contribution declined as a result of across-the-board budget cuts imposed on all departments and agencies.

Expenses have been affected largely by higher fringe benefit costs (although fringe growth has been at a slower pace than that experienced by the County.) Rent rose in 2011 in conjunction with the move of TCAD and the County's Workforce Investment Board to the Gateway project.

TCAD staff members are not county employees nor do they participate in the NYS Employee Retirement System. In my judgment, wages are not excessive relative to the employees' responsibilities and do not contribute to the agency's financial challenges.

TCAD president's salary of \$115,000 is appreciably less than his peers in Broome (\$123,000), Chemung (\$130,000), Genesee (\$161,000), and Ontario (\$130,000) Counties. Other TCAD

staff are paid similar to, or less than, comparable positions in the County, and receive a lesser benefit plan.

<u>Title</u>	<u>Salary</u>
President	\$115,000
VP and Director of ED Planning	\$75,500
Director of ED Services	\$60,000
Director of Communications	\$50,300
Office Manager	\$47,300

IV. Budget Forecast

The table below examines the impact on TCAD’s budget if spending grows modestly (wages by 2.5%, benefits by 5%, all else by 3%), reserves are applied equally and fully depleted over the next two years, and all other revenues stay constant. As shown, this scenario results in a \$169,126 deficit in 2013 that grows to nearly \$360,000 by 2016.

TCAD Budget Forecast--No Change in Revenues							
	TCAD Budget			Forecast, 2013-16			
	Actual	Budget	Midyear				
<u>Revenue</u>	<u>2011</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Employers	134,841	152,882	152,882	152,882	152,882	152,882	152,882
DA/LDC	412,700	429,000	429,000	279,015	279,015	150,000	150,000
County	8,728	7,750	7,750	7,750	7,750	7,750	7,750
Other	36,584	25,768	25,768	25,768	25,768	25,768	25,768
Total	592,853	615,400	615,400	465,415	465,415	336,400	336,400
Expenses							
Salaries	343,898	349,200	324,039	357,930	366,878	376,050	385,451
Benefits	107,309	121,200	116,000	127,260	133,623	140,304	147,319
Rent	34,612	41,200	41,200	42,436	43,709	45,020	46,371
Other	120,585	103,800	102,600	106,914	110,121	113,425	116,828
Total	606,404	615,400	583,839	634,540	654,332	674,800	695,970
Gap	(13,551)	-	31,561	(169,126)	(188,917)	(338,400)	(359,570)

The following scenario is based on the County providing funding to close TCAD’s budget gap in 2013 and 2014, and then making a constant \$200,000 annual contribution thereafter. This scenario gives TCAD time to launch a membership drive to increase member revenue to its goal of 1/3rd of the budget and for the economy to perk up enough for fee income to also contribute 1/3rd of the budget.

Attachment: TCAD funding discussion (3626 : TCAD Funding)

TCAD Budget Forecast--Building Toward an Equality Between Sources							
TCAD Budget				Forecast, 2013-16			
	Actual	Budget	Midyear				
<u>Revenue</u>	<u>2011</u>	<u>2012</u>	<u>2012</u>	<u>2013</u>	<u>2014</u>	<u>2015</u>	<u>2016</u>
Employers	134,841	152,882	152,882	152,882	152,882	224,933	231,990
IDA/LDC	412,700	429,000	429,000	279,015	279,015	224,933	231,990
County	8,728	7,750	7,750	176,876	196,667	200,000	200,000
Other	36,584	25,768	25,768	25,768	25,768	25,768	25,768
Total	592,853	615,400	615,400	634,541	654,332	675,635	689,748
<u>Expenses</u>							
Salaries	343,898	349,200	324,039	357,930	366,878	376,050	385,451
Benefits	107,309	121,200	116,000	127,260	133,623	140,304	147,319
Rent	34,612	41,200	41,200	42,436	43,709	45,020	46,371
Other	120,585	103,800	102,600	106,914	110,121	113,425	116,828
Total	606,404	615,400	583,839	634,540	654,332	674,800	695,970
Gap	(13,551)	-	31,561	1	(0)	835	(6,222)

V. Room Occupancy Tax: Financial Trends and Governing Law

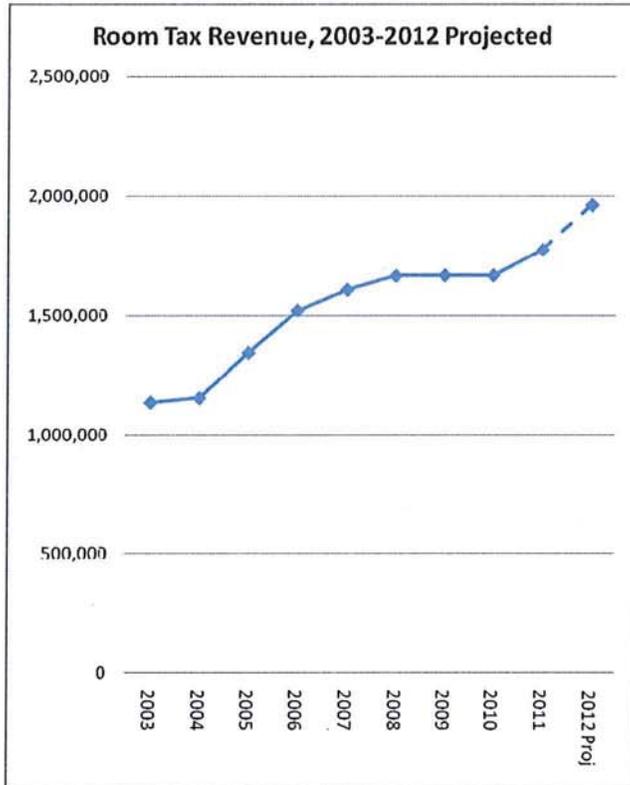
Financial Trend: In spite of a real dollar decline in 2009, Room Tax revenue has grown at an

average annual rate of 5.75%. Based on collections through the second quarter of 2012, the Department of Administration is projecting growth of slightly over 10% this year.

If current projections hold, room tax revenue in 2012 will have grown by \$353,000, or 22%, over the past five years.

If future growth patterns settle at the normal 5.75% annual rate, room tax revenue would grow by approximately \$110,000 each year.

These projections do not account for an increase in the inventory of rooms as new hotels come on line. Using conservative assumptions (Average rate of \$130/night, average occupancy of 50%, average "net new" business factor (i.e., business not simply shifted from



existing hotels) of 50%, each 100 new rooms in the marketplace would generate \$59,313 in additional room tax revenue (and \$47,450 in new local sales tax revenue.)

Governing Law: The use of room tax revenues collected within Tompkins County is governed by State Tax Law Section 1202-f and County Code Chapter 150.

NYS Tax Law: “The revenue derived from the tax, after deducting the amount provided for administering such tax, as so authorized by local law, shall be allocated to enhance the general economy of Tompkins county, its cities, towns, and villages, through promotion of tourist activities, conventions, trade shows, special events, and other directly related and supporting activities.”

County Code: “The intent of this article shall be to enhance the general economy of Tompkins county, its cities, towns, and villages, through promotion of tourist activities, conventions, trade shows, special events, and other directly related and supporting activities.” County Code, Chapter 150-7

Attachment: TCAD funding discussion (3626 : TCAD Funding)