

**INDIAN RIVER COUNTY
INTER-OFFICE MEMORANDUM**

OFFICE OF MANAGEMENT & BUDGET

TO: Members of the Board of County Commissioners
DATE: January 21, 2021
THROUGH: Jason E. Brown, County Administrator
FROM: Kristin Daniels, Director, Management & Budget
SUBJECT: Allocation of One-Half Cent of Tourist Tax Revenue

DESCRIPTION AND CONDITIONS

On December 18, 2018, the Board of County Commissioners approved the Historic Dodgertown Facility Lease Agreement between Major League Baseball and Indian River County. The spending plan that accompanied this lease agreement assigned one cent of Tourist Tax revenue to be used towards funding the contractual facility improvements for the first three years of the lease. Beginning in year four, only half of one cent is scheduled to fund the facility improvements, thus freeing up the remaining half cent to be used towards other authorized expenses pursuant to County Code 210.03. Optional Sales Tax is scheduled to fund the remaining balance (approximately \$485,000) of the \$800,000 annual obligation, which decreases to \$400,000 in lease year six.

FUNDING AND ANALYSIS

Indian River County currently levies four cents of Tourist Tax revenue. One and a half cents are allocated to each Beach Restoration and Tourism Promotion expenses, with the remaining cent funding the Historic Dodgertown/Jackie Robinson Training Complex facility improvements. In the current fiscal year, \$630,000 is the budgeted revenue that one full cent is estimated to generate. Half of this cent would generate approximately \$315,000 each fiscal year. The following table illustrates the revenues allocated to each fund:

**Tourist Tax Revenue Breakdown
FY 2020/2021**

Fund	Cents Allocated	Revenue Budget
Beach Restoration	1.5	\$945,000
Tourism Promotion	1.5	\$945,000
Jackie Robinson Training Complex	1.0	\$630,000
Total	4.0	\$2,520,000

Indian River County Code 210.03(a) specifies the authorized uses of Tourist Tax revenue. These uses include:

- (1) To acquire, construct, extend, enlarge, remodel, repair, improve, maintain, operate or promote one or more publicly owned and operated convention center, sport stadium, sports arena, coliseum or auditorium within the boundaries of the county or subcounty special taxing district. However, these purposes may be implemented through services, contracts and leases with persons who maintain and operate adequate existing facilities;
- (2) To promote and advertise tourism in the State of Florida and nationally and internationally; however, if tax revenues are expended for an activity, service, venue, or event, the activity, service, venue, or event must have as one of its main purposes the attraction of tourists as evidenced by the promotion of the activity, service, venue, or event to tourists;
- (3) To fund convention bureaus, tourist bureau, tourist information centers and news bureaus as county agencies or by contract with the chambers of commerce or similar associations in the county;
- (4) To finance beach improvement, maintenance, renourishment restoration and erosion control, including shoreline protection, enhancement, cleanup, restoration of inland lakes and rivers to which there is public access;
- (5) Until such time as Indian River County reaches a population of five hundred thousand (500,000) based on the most recent population estimated prepared pursuant to the provisions of F.S. § 186.901, as in effect on July 1st of each year, tax revenues received pursuant to this article may also be used to acquire, construct, extend, enlarge, remodel, repair, improve, maintain, operate or promote one or more museums, zoological parks, fishing piers or nature centers which are publicly owned and operated or owned by not-for-profit organizations are open to the public.
- (6) Pay the debt service on bonds issued to finance the construction, reconstruction, or renovation of a professional sports franchise facility, or the acquisition, construction, reconstruction, or renovation of a retained spring training franchise facility, either publicly owned and operated, or publicly owned and operated by the owner of a professional sports franchise or other lessee with sufficient expertise or financial capability to operate such facility, and to pay the planning and design costs incurred prior to the issuance of such bonds.

Please note that pursuant to Indian River County Code 210.03(b), “[u]p to fifty (50) percent of the revenues to be derived from the tourist development tax levied pursuant to sections 210.01(b) and (c) of this chapter shall be pledged to secure and liquidate revenue bonds issued by the county for the purposes set forth in section (a)(4) of this section. Up to one-half (½) of the remaining revenue derived from the tourist development tax levied pursuant to sections

210.01(b) and (c) of this chapter may be pledged to secure and liquidate revenue bonds issued by the county for the purposes set forth in section (a)(1).

Per Indian River County Code 210.01, the first two cents do not have a specific use limitation, however the third cent can only be used as set forth in Indian River County Code 210.03(a)(4) and the fourth cent can only be used as set forth in Indian River Code 210.03(a)(2) and (a)(6).

Tourist Tax Cents – Indian River County Code

Code Subsection	1 st Penny	2 nd Penny	3 rd Penny	4 th Penny
(1)(Sports stadium)	x	x		
(2)(Promote tourism)	x	x		x
(3)(Tourist bureau)	x	x		
(4)(Beaches)	x	x	x	
(5)(Museum/Zoo)	x	x		
(6)(Debt service Spring training facility)	x	x		x

Per Florida Statute 125.0104, the first three cents of Tourist Tax collected can be used towards any of the allowable expenses within the statute which includes convention centers, sports stadiums, auditoriums, aquariums, zoos, tourism promotion, beach restoration, lagoon improvements, shoreline protection, enhancement and cleanup or infrastructure improvements. The fourth cent may only be used towards funding the debt service for professional sports franchise facilities, retained spring training franchise facilities, convention centers, the operation and maintenance of a convention center or tourism promotion.

Staff is recommending the half cent of Tourist Tax revenue be split with two-thirds (2/3) of the amount dedicated for Beach Restoration and one-third (1/3) dedicated for Tourism Promotion beginning in FY 21/22. As mentioned above, this one-half cent is estimated to generate approximately \$315,000 in revenue each fiscal year which would provide \$210,000 in additional revenue for the Beach Restoration Fund and \$105,000 in additional revenue for the Tourism Promotion Fund.

Due to the rising cost of beach restoration projects, as well as the need to nourish County beaches more frequently, additional funding is needed in the Beach Restoration fund. This expense is detailed as being eligible per County Code 210.03 as referenced above in the fourth bullet point. As an example of this, the estimated cost of Sector 3 beach restoration in the current fiscal year is \$15.5M. Due to the initial high bids for Sector 3 in late 2020, the County had to re-bid this project in two parts with the first portion (~60%) scheduled for this season (2020-21) and the remainder set for construction next year. The total estimated cost for the entire Sector 3 portion of the beach is now \$25.7M, compared to a cost of \$12.9M the last time Sector 3 was renourished in 2012. The County’s beaches were impacted by hurricanes in 2016 (Matthew), 2017 (Irma), and 2019 (Dorian) causing significant beach erosion estimated at a total cost of \$10.9M. While FEMA has provided funding for this erosion in the past, it is not necessarily guaranteed going forward. Furthermore, these funds must be matched (typically 25%) with local funding (typically 12.5% is provided by the State). Regardless of hurricane impacts, these renourishment projects have been needed with increased frequency over the last several years, which is a trend that will likely continue into the future.

Additional funding is also being requested in the Tourism Promotion fund. Each year, the County receives funding requests that exceed the available budgeted revenues. Funding tourism promotion is crucial in ensuring the County's tourism industry continues to thrive. This is an eligible expense per County Code 210.03. The additional funding could allow for the establishment of a contingency account to provide for mid-year opportunities in addition to an increase in the annual base funding if the Board desires.

RECOMMENDATION

Staff recommends that the Board of County Commissioners approve allocating one-third (1/3) of one cent towards the Beach Restoration Fund, with the remaining one-sixth (1/6) of one cent to be used to fund Tourism Promotion beginning October 1, 2021.

ATTACHMENTS

Florida Statute 125.0104

Indian River County Code Ch. 210

Historic Dodgertown Facility Lease Agreement Agenda Item