

TRCC Advisory Board
February 22, 2012
Salt Lake County Government Center, N2003
2:30 PM

Board Members

Present: Kelvyn Cullimore – Chair
Vasilios Priskos
Zeke Dumke
Andrew Stephenson
Darrel Smith
Russ Wall
Mary Draper

Absent: JoAnn Seghini
Vacant: Position formerly held by Mayor Money of South Jordan

Also Present: David Delquadro, Jason Rose, Brad Kendrick, Council Office; Darrin Casper, Kelly Colopy Mayor's Office; Erin Litvack, Phil Jordan, Community Services Department

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Board Member Kelvyn Cullimore, Chair, presided.

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Welcome/Introductions

Board Chair Kelvyn Cullimore introduced Mary Draper as the newest member of the Tourism, Recreation, Cultural and Convention (TRCC) Advisory Board.

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Approval of Minutes

Board Member Russ Wall, seconded by Board Member Zeke Dumke, moved to approve the minutes from the October 24th, 2011, TRCC Advisory Board meeting. The motion passed unanimously.

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Annual Election of Chair and Vice Chair

Board Member Wall, seconded by Board Member Vasilios Priskos, moved to elect Board Member Cullimore as chair of the TRCC Advisory Board. The motion passed unanimously.

Board Member Wall, seconded by Board Member Dumke, moved to elect Board Member Priskos as vice-chair of the TRCC Advisory Board. The motion passed unanimously.



Overview of the TRCC Fund

Mr. Darrin Casper, Chief Financial Officer for Salt Lake County, provided an overview of the TRCC Fund. State statute, which created the fund, limits the TRCC Fund's expenditures to tourism promotion; development; operation and maintenance of recreation, cultural and convention facilities; and security for bonds, notes etc. to finance the same. The Visitor Promotion Fund, similar to the TRCC Fund, has expenditures limited to tourism and convention purposes.

The TRCC Fund's revenue derives from several sources: 7% Car Rental Tax, imposed on the short term leasing of motor vehicles; 1% Restaurant Tax, imposed on all prepared foods and alcohol sales; and 4.75% Transient Room Tax (TRT), imposed on room stays. The TRT revenue is divided between the TRCC Fund and the Visitor Promotion Fund; 0.5% goes toward the TRCC Fund, and the remaining 4.25% goes to the Visitor Promotion Fund. (The cities also have a local option tax on the TRT of 1% that goes directly to the individual city's general funds.)

The county's General Fund and the budget pressures it faces also have an effect on the TRCC Fund. One of the major organizations within the General Fund is Parks and Recreation, which utilizes approximately \$20 million of county funding every year. Because recreation is an allowable use of TRCC funds, money is transferred from the TRCC Fund to the county's General Fund to help offset recreation costs. Part of the 2012 budget includes a commitment to reduce the TRCC Fund operational subsidy given to Parks and Recreation.

Board Member Darrel Smith asked if there was a limit on the amount of funds that can be used for operations.

Mr. Casper replied the TRCC Fund does not have a limit on the amount of funds that can be used for operations. However, for the Visitor Promotion Fund Salt Lake County does require that at least two of every three dollars received be used for marketing. The two-thirds minimum is calculated after the state mandated 15% for the soccer stadium financing is taken out. This amounts to about \$7 to \$8 million a year, of which Visit Salt Lake uses approximately two-thirds to market major conventions and trade shows and one-third to market tourism. The primary foci of Visit Salt Lake are the major conventions and trade shows. Each of these conventions and trade shows bring in 4,000 to 5,000 people, and book around 20,000 room nights throughout the county.

Board Chair Cullimore stated the formation of the TRCC Advisory Board came about approximately five years ago. Some municipalities felt that TRCC funds were not being distributed for the benefit of the entire county, and an attempt was made to reallocate funds to outlying suburban cities. As a compromise to proposed legislation, this board was formed. This board's membership is made up of five mayors and 4 citizens and its purpose is to advise the County Council on the best uses of the available TRCC funds. At the time of this board's formation, the TRCC Fund was expected to have a significant surplus. When the economy entered the recession, all hope of a surplus disappeared. The county, based on audit recommendations, subsequently restructured some of the TRCC Fund's accounting structure. In addition, there has been an operational subsidy appropriated to Parks and Recreation from the TRCC Fund. The TRCC Advisory Board expressed concerns over the amount of this subsidy in a letter to the Council last year. In the letter, the board requested that the subsidy be capped at 40% of the annual revenue for the TRCC fund. At the board's last meeting the Mayor presented a proposal that would satisfy the board's request. The proposal will facilitate bringing the TRCC Fund in line with earlier projections of a surplus. However, the proposal does require a tax increase.



Report on Final 2012 Adopted Budget

Board Chair Cullimore stated the TRCC Fund is projected to be at the same revenue level in 2012 as it was when taxes peaked in 2007. However, if taxes had continued on the same growth rate projected in 2007, TRCC Fund revenues would have been about 25% higher.

Mr. Casper noted that the TRCC Fund is recovering a little faster than the general economy. The county's General Fund is not projected to get back to 2007 levels until approximately 2015; three years later than the TRCC fund.

The 2012 TRCC Fund project expenditures are consistent with the advisory board recommendations with one exception: the South Salt Lake's study for the Granite High School was replaced with a contribution to ABC-4's County Seat Program. During the budget process, the Council provided legislative intent that the funding for South Salt Lake's study was contingent upon the passage of a bond initiative to purchase Granite High School. When the bond initiative did not pass, the \$20,000 for the Granite High School Study was replaced with a line item for ABC-4's County Seat Program in the amount of \$10,841.

Convention and tourism expenses from the TRCC Fund are down from what they were previously. In large part this is due to a sales tax bond that was refunded into a general obligation bond. The debt service for this refunded bond was moved out of the TRCC Fund.

Approximately 62% of TRCC funds go towards Parks and Recreation, and equates to about 50% of Parks and Recreation's budget. Revenues from their programs and facilities' entrance fees make up the remainder.

Ms. Erin Litvack, Community Services Director for Salt Lake County, stated Parks and Recreation is working to identify strategies that will reduce the reliance on the

subsidy from the TRCC Fund. One example of this is the Equestrian Park. An evaluation, recently completed for this facility identified a number of opportunities that will help the park become more self-sufficient. One opportunity, which has funding in place, is to cover one of the outdoor arenas. Covering the arena will help retain current customers, and bring in new ones. Another opportunity is to sell off several parcels of land that do not fit into the long-term plan for the park and use the proceeds for site improvements.

Mr. Casper stated funding for cultural facilities is another significant portion of the TRCC Fund's budget; \$12.1 million in 2012. This is an \$8 million increase over the 2011 budget. The increase is due to a one-time expenditure for renovations to the Capital Theatre. A portion of the TRCC Fund's annual cultural funding is for Salt Lake County's Center for the Arts, which is budgeted to receive \$3.15 million in 2012. Center for the Arts is responsible for operating the Capital Theatre, Abravanel Hall, Rose Wagner, the Arts Center and ArtTix.

ArtTix is starting to become self-sufficient. All events that take place at Center for the Arts facilities must sell their tickets through ArtTix.

The TRCC Fund also funds several interlocal agreements as well as \$1.6 million in debt service for various Zoo, Arts and Parks (ZAP) projects. The TRCC Fund also contributes \$450,000 per year for Ski Salt Lake. By law, this money must be spent on a ticketing system that works in conjunction with the hotels.

The Visitor Promotion Fund has the following 2012 expenditures: \$7 million to Visit Salt Lake; \$1.4 million in bond debt service; and \$2.4 million in net operating costs for the Salt Palace and Southtowne Convention centers. (The expenditures for the convention centers are typically paid from the TRCC Fund, rather than the Visitor Promotion Fund.)

Board Member Mary Draper observed that the 2012 budget provides about \$21 million for Parks and Recreation, and about \$12 million for arts and culture. Is the recommendation to reduce the subsidy to Parks and Recreation an attempt to produce more equilibrium between the two?

Mr. Casper replied that when the TRCC Advisory Board was first formed, there was projected to be an annual surplus. When the recession hit, the county tapped all of the available revenue in the TRCC Fund to help balance the budgets. Because of this, the surplus did not materialize. Structural changes to the TRCC Fund, including the county mayor's commitment to reduce the Parks and Recreation subsidy, are estimated to produce an annual surplus of \$5 million, which would provide bonding capacity of about \$65 million.

Board Chair Cullimore stated that when TRCC Fund revenues become available, it is this board's responsibility to advise the Council on its best and highest use. Recently, there has been an emphasis on reducing the amount of deferred capital maintenance. When this board was first formed, the idea was to build new cultural facilities outside of downtown Salt Lake City.

Board Member Dumke stated if a new facility is being built then there should also be money available for operations and maintenance.

Board Member Wall asked if the board would be looking at the possibility of recommending a bond in the next few years, and possibly completing some other smaller projects as well.

Mr. Casper replied that Salt Lake County Mayor Corroon has committed to reduce the Parks and Recreation subsidy, and thus provide an annual TRCC Fund surplus. This board may want to start thinking about its recommendations; however, keep in mind that the final decision on what happens with the fund is up to the Salt Lake County Council. The general property tax in the county has not been raised in ten years. In order to make the changes to this fund there will need to be a multifaceted approach that may include a property tax increase.

Ms. Litvack stated there are a number of TRCC Fund related needs within Salt Lake County. One such need is to build cultural facilities outside of downtown Salt Lake City. Another need is \$32 million to finance deferred capital maintenance for Parks and Recreation. This board may want to consider either bonding for the full bonding capacity or only bonding for half and contributing the rest of the annual surplus towards capital maintenance.

Board Chair Cullimore stated this board has placed a priority on deferred capital maintenance but would also like part of the projected surplus to be used as seed money for cultural facilities. Rather than sole source funding, the board recommended using the money to leverage dedicated funds from competing venues.

In the 2013 budget projection, there is an increase of \$3.5 million to the convention centers.

Mr. Casper stated the increase to the convention centers is an expense that has been traditionally included in the TRCC Fund but because of the recession, that expense was moved out and is projected to be added back into the 2013 TRCC Fund budget.



Update on Capital Theatre Project

Ms. Litvack stated the renovation to the Capital Theatre includes an addition directly west of the theatre. The first floor of the addition will include an expanded lobby, restrooms and public space. The upper floors will be primarily for the dance academy of Ballet West. The project is a public/private partnership. Salt Lake County will provide approximately 50% of the funding; Ballet West will provide the other 50%.

In accordance with the direction of this board, the county has already budgeted \$8 million for the project. The county has also asked for a \$3 million contribution from Salt Lake City. Ms. Litvack was scheduled to meet with Mayor Becker the following week to confirm that contribution. The \$11 million funds almost the entire public portion of the project.

Board Chair Cullimore stated the \$8 million from the County was contingent upon new market tax credit credits and funding goals that needed to be met.

Ms. Litvack stated the County Council has directed that the project move forward with or without 100% of the funding from Ballet West. The project's scope will be modified to reflect the money on hand.

Salt Lake County will help Ballet West raise their remaining portion of the funding by allowing them to sell the naming rights to the internal spaces of the theatre. Ballet West, at first, had a difficult time raising the funding they needed; part of the problem was that the public side of the project had not been funded. Since the \$8 million from the county and the \$3 million from the city have been realized, Ballet West has had much greater success. It has raised an additional \$4 million. However, Ballet West still faces the challenge of raising money for their financing costs. Because some of the funding they will receive is in the form of pledges that will be paid out over the course of several years, they need some sort of bridge financing.

Board Chair Cullimore asked if the Council agreed with the TRCC Board's 2012 funding contingency.

Ms. Litvack replied in the affirmative. She believed that the recommendation from the TRCC Advisory Board was that the money would be leveraged with new market tax credits, and spent in 2012. The intent is move forward with the project and do just that. The county is moving forward with its renovation of the theatre and Ballet West is close to achieving its funding goal. Regardless of whether Ballet West has its funding in place, the county will use all of the public funding now in place to leverage the new market tax credits.

Board Chair Cullimore asked what would happen to the new market tax credits if Ballet West did not meet its funding goal. It was his understanding that both the private and public funding was needed to achieve the \$7 in tax credits.

Ms. Litvack replied she was confident in Ballet West's ability to raise the money. However, if they are not successful then the new market tax credit allocation would be less and at that point, the project may need to be redesigned.



Cultural Facilities Support Program

Mr. Phil Jordan, Center for the Arts Director for Salt Lake County, stated 2011 was the first year for the Cultural Facilities Support Program. Thirteen applicants applied for the program. An advisory board was appointed to review the projects. The projects recommended for TRCC funding were:

1. Seating for Midvale Performing Arts Center. Requested SLCo funding equal to \$12,500

2. Capitol Theatre / Ballet West Project. Requested SLCo funding equal to \$8,000,000
3. Draper City Cultural Arts Center. Requested SLCo funding \$40,000
4. Midvale Outdoor Amphitheatre Study. Requested SLCo funding equal to \$30,000
5. Granite High School Performing Arts Center. Requested SLCo funding equal to \$20,000 (did not receive funding)
6. Utah Film & Media Arts Architectural & Archive Studies. Requested SLCo funding equal to \$125,000

The county's contribution to any particular project is limited to 50%. However, the county may contribute up to 100% if the county will own or operate the project. The funding for recommended projects comes through the Mayor's proposed budget, and then is voted on by the Council. The TRCC Fund is not the only source of funds for these projects.

Thirteen applicants went through the process and only five projects received funding. If a project is recommended but does not receive funding, it will go into a project pool and wait for available funds. A recommended project will not need to reapply to receive future funding. When the process started there was never a promise of any money being available; first in does not mean first funded. On the other hand, if a project is not recommended, they will be allowed to rework their application and reapply.

A new streamlined application will be distributed on March 5th, 2012, with a workshop held on March 13th. The workshop will walk potential applicants through the application process. The applications will be due on April 30th. The project review team plans to review the applications in May, followed by the advisory board's review in June.

Board Member Smith asked if there was money set aside for projects that are recommended through this process.

Mr. Jordan replied that there is not a specific revenue source for this program. When a project is recommended, it is up to the Mayor to try and find a funding source.



Future Meetings

The next meeting to be held June 11th 2012 at 2:00 PM.



Meeting adjourned at 4:30 P.M.