

MEMORANDUM

January 24, 2013

TO: Planning, Housing and Economic Development Committee
Government Operations and Fiscal Policy Committee

FROM: *MK* Michael Faden, Senior Legislative Attorney
Jacob Sesker, Senior Legislative Analyst *JS*

SUBJECT: **Worksession:** Bill 36-12, Taxation — Hotel/Motel Tax — Use of Revenues

Expected attendee: CVB Director Kelly Groff

BACKGROUND

The Conference and Visitors Bureau (CVB) is a §501(c)(6) non-profit organization. The CVB's mission is to promote Montgomery County as a destination for visitors, including meetings and conferences, conventions, group tour and leisure travel. Currently, at least 3.5% of the room rental and transient tax revenue (hereafter "hotel/motel tax") must be used for the Conference and Visitors Bureau. Bill 36-12 would amend County Code §52-16 to increase that amount to 7%. The Bill makes no other changes to §52-16 or any other provision of law.

Public hearing testimony

The Council held a public hearing on January 15, 2013. The following individuals testified in support of Bill 36-12: Kelly Groff; Trish Heffelfinger; Vira Safai; Paul Warnquist; Bob Daley.

In testimony, speakers cited several justifications for the requested funding increase, including the following:

- Staffing at the CVB has not kept pace with increases in (County-supported) cultural attractions.
- Montgomery County is outspent by neighboring jurisdictions.
- The County must aggressively pursue market share in order not to lose market share to Prince George's County or other jurisdictions with casinos.

Staffing at the CVB has not kept pace with increases in (County-supported) cultural attractions

In 1999, the CVB had a staff of 3 full-time and 2 part-time employees. In 2012, the CVB staff consisted of 5 full-time employees. However, during that time the County has opened or expanded several cultural attractions, including Strathmore, Fillmore, AFI Silver Theater, the SoccerPlex, and the North Bethesda Conference Center.

Montgomery County is outspent by neighboring jurisdictions

Montgomery County spends less overall on the CVB than all neighboring jurisdictions except Arlington County. Montgomery County also spends less per hotel room than all neighboring jurisdictions except Arlington County.

CVB Budget Size per Hotel Room Inventory, by total budget				
MARKET	Budget	Rooms	Per Room	Staff
Destination DC	\$17,150,000	28,711	\$597.33	63
Fairfax County	\$2,561,000	19,500	\$131.33	11
Loudoun County	\$2,483,000	5,566	\$446.10	19
Alexandria City	\$2,526,029	4,500	\$561.34	11
Annapolis (AA County)	\$1,695,664	10,900	\$155.57	9
Frederick County	\$1,305,727	2,411	\$541.57	6
Prince George's County	\$1,156,587	9,923	\$116.56	5
Manassas (Prince William Cty)	\$1,086,504	3,792	\$286.53	9
Howard County	\$1,017,900	3,000	\$339.30	5
Montgomery County	\$994,653	9,500	\$104.70	5
Arlington County	\$500,000	10,759	\$46.47	4.8
<i>Source: CVB</i>				

The County must aggressively pursue market share in order not to lose market share to Prince George's County or other jurisdictions with casinos

With the opening of the Gaylord Hotel at National Harbor, total visitors to Prince George's County increased by more than 36% from 2007 to 2008. Hotel/motel tax revenues in Prince George's County increased by more than 75% from 2007 to 2008, and have continued to increase at a more modest pace. Montgomery County could see a reduced share of the regional market with the opening of a casino at National Harbor and the introduction of table games in other nearby jurisdictions.

ISSUES

1. Should the Council act on this Bill before the operating budget is reviewed?

A threshold question is whether the Committees should consider the Bill before looking at the County Government and DED operating budget. One reason to do so is that time constraints may limit the ability of Council Committees to consider legislation during the operating budget. On the other hand, deciding now to dedicate additional revenue to the CVB, rather than competing non-CVB uses, will limit the Council's flexibility in addressing other needs, in DED or elsewhere. **Council staff recommendation:** Schedule the next worksession after transmittal of the operating budgets.

2. What is the budget impact of increasing the CVB's minimum share of hotel/motel tax revenue?

Under current law, at least 3.5% of the hotel/motel tax revenue must be used for the CVB. The Council may appropriate more than that amount (e.g., an amount equal to 7% or 70%) in any given year. Bill 36-12 would increase that minimum to 7%.

Actual hotel tax collections in FY12 were \$18.1 million, and in recent years ranged from \$17.3 million in FY09 to as high as \$18.8 million in FY11 (the year when the County hosted the U.S. Open). Assuming hotel/motel tax revenue of \$18 million, the Bill would increase CVB funding from the hotel/motel tax by \$630,000 each year. Put differently, this Bill would reduce hotel/motel tax revenue available for the general fund by \$630,000 if gross revenue from the tax does not change. See fiscal and economic impact statement at ©4-8.

3. How much would hotel/motel tax revenue need to increase in order to offset the increase in the CVB's share of the revenue?

If the hotel/motel tax needs to generate the same amount of revenue for non-CVB purposes as it does today, then total hotel/motel tax revenues would need to increase by 3.8% (from \$18,000,000 to \$18,677,419). At the current "average daily rate" this would require an increase of 5,507 room nights over the course of a year. For perspective, currently about 6,200 Montgomery County hotel rooms are occupied on an average night. For analysis, see the table below.

A	B	C	D
		<i>Status quo (CVB receives 3.5%)</i>	
1		Average annual hotel/motel tax revenue	\$18,000,000
2	Line 1 times 3.5%	CVB share	\$630,000
3	Line 1 minus Line 2	Available for non-CVB uses	\$17,370,000
4			
5		<i>Proposed alternative (CVB receives 7%)</i>	
6		Average annual hotel/motel tax revenue	\$18,000,000
7	Line 6 times 7.0%	CVB share	\$1,260,000
8	Line 6 minus Line 7	Available for non-CVB uses	\$16,740,000
9			
10		<i>Analysis</i>	
11	Line 3 minus Line 7	Difference or gap for non-CVB uses	\$630,000
12			
13	Equals Line 3	Target available for non-CVB uses	\$17,370,000
14	Line 3 divided by 93%	"Break even" hotel/motel tax revenue	\$18,677,419
15	Line 14 minus Line 1	Required increase in hotel/motel tax revenue	\$677,419
16	Line 15 divided by Line 20	Additional room nights necessary to break even	5,507
17			
18		<i>Assumptions</i>	
19		Rooms	9,532
20		Average daily rate (ADR)	\$123.00
21		Occupancy rate	65%
22	Line 20 times Line 21	Revenue per available room (RevPAR)	\$79.95

4. Is 7% of hotel/motel tax revenue the appropriate share for the CVB?

The Bill would increase the CVB's share of hotel/motel tax revenue from 3.5% to 7%. As stated above, to do so would increase the CVB's revenue by approximately \$630,000. For each 0.5% increment above 3.5% the CVB would receive approximately \$90,000 in additional hotel/motel tax revenue. **Council staff recommendation:** This number should be set during review of the CVB operating budget.

5. How would the CVB use the additional funding?

Additional funding would enable the CVB to increase its marketing capacity. In her testimony, attached at ©9-14, CVB Director Kelly Groff said:

If this new funding allocation is approved, the additional funds if allocated would be spent on furthering our business development of the meetings and group market through sales positions with special emphasis on weekend occupancy, special projects like a countywide calendar of events, re-branding, a grant pool to expand current event marketing in an effort to increase attendance beyond the region like the Silver Spring Jazz Festival or Gaithersburg Book Festival, and Heritage Days, bid fees for sporting events, collateral material development and increased electronic advertising.

If the Committees wish to act on this Bill before taking up the operating budget, the Committees could still discuss the proposed additional expenditures at this time. One reason the Committees might consider the proposed budget is that doing so could inform the Committees' consideration of whether 7% is the appropriate number (see Issue 4). A second reason that the Committees might consider the proposed budget is that the Committees may want to discuss, at a future worksession, whether the proposed expenditures are likely to achieve any targeted increase in hotel/motel tax revenues.

In response to Staff's inquiry, Ms. Groff provided a summary of proposed expenditures.

Staffing Resources - \$300,000

Business Development Representative – room night generator of group sales in sports/group tour and other weekend market business. The CVB currently has one full time position on staff in business development.

Director of Marketing and Communications – position responsible for generating more free editorial coverage and manages paid advertising placement to increase visibility of Montgomery County as a tourist destination thereby increasing out-of-town visitation from the leisure markets.

Social Media and Digital Marketing Manager – This is currently a part time initiative that is outsourced. The CVB recommends a new full time position be created in-house to manage digital strategies. The traveler relies heavily on research of destinations through the internet. In addition, according to etrack, eMarketer and Alexa.com, 57% of all travel reservations are made on the internet. Of this 65% are made directly with the brand and the balance with third party vendors (Expedia, Priceline, etc.)

Community Outreach and Partnerships Coordinator (part time) – This is a new position that would work on the Mobile Visitor Center project proposed, development of new revenue sources for the CVB, and coordination of partnerships and cooperative advertising and marketing initiatives with urban district offices, regional CVBs, county-funded projects (AFI, Strathmore, Fillmore, etc), Arts & Entertainment Districts, Heritage Tourism and the Arts and Humanities Council of Montgomery County.

Special Projects: (1st year countywide calendar of events launch) - \$75,000

The second year and ongoing, the funding would be allocated to: economic impact studies, surveying of visitor spending habits/research, customer service surveys, funding of specific new or existing special events, mobile applications, creating and marketing themed promotions like Restaurant Week, and re-branding strategies.

Advertising/Sales Missions/Collateral Material Development - \$130,000

The CVB currently manages a \$450,000 print and electronic advertising program annually. Of this \$450,000, approximately \$200,000 is provided from the Maryland Office of Tourism. This grant is not consistent and varies year to year. The allocation is based on the CVB's expenditures in advertising and marketing, tourism tax revenues, and percent changes in Maryland tourism-related sales tax revenues. This third category of the grant program can be impacted significantly with the development of new casinos in

Maryland and competing counties. The CVB is mandated to spend the \$200,000 in print advertising, research and trade show attendance. The CVB recommends additional funding be appropriated for the following initiatives: sales mission in target markets; sponsorship of meeting professional industry events; additional electronic advertising placement; and, familiarization tours (bringing customers here to Montgomery County to site tour the county, experience the culture/entertainment/dining, stay in our lodging facilities with the goal that they bring their next meeting or event to Montgomery County).

New collateral materials are needed for distribution within the community and for use as fulfillment collateral in response to leisure and group tour inquiries. New collateral includes: maps, printed calendar of events quarterly, community brochures by areas/town centers, special interest literature (i.e. Silver Spring Urban District, Arts and Entertainment Districts, Wheaton, specialized historical tours/cultural tours). The CVB currently produces a Meeting Planner Guide and a Visitors Guide annually.

Grant Program - \$100,000

Provide a grants program for organizations to apply for marketing funds to use for: promoting and attracting more attendees to existing and newly launched events; development of collateral materials and/or advertising of museums, historic sites, and special tours/itineraries/packages that promote individual and/or multiple venues; sports event bidding fees to bring more weekend overnight business; transportation fees or other services and sponsorships that can assist in bringing more meetings business to Montgomery County.

Mobile Visitor Center – \$25,000

In 2010, the CVB closed its Visitor Information Center in Germantown at the UpCounty Regional Services Center. The Center closed due to poor directional signage, no allocated parking for visitors, lack of CVB funding for staffing and, less visitor center visits. More internet research is completed by the new traveler thereby decreasing the value of Interstate Centers. A Mobile Visitor Center will benefit the entire county because it can be moved to different locations for major events. The costs associated include the vehicle purchase and/or lease, graphics, maintenance, part time staffing, insurance, etc.

This packet contains:

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Bill No. 36-12
 Concerning: Taxation – Hotel/Motel Tax
 – Use of Revenues
 Revised: 11-20-12 Draft No. 1
 Introduced: November 27, 2012
 Expires: May 27, 2014
 Enacted: _____
 Executive: _____
 Effective: July 1, 2013
 Sunset Date: None
 Ch. _____, Laws of Mont. Co. _____

COUNTY COUNCIL
FOR MONTGOMERY COUNTY, MARYLAND

By: Councilmember Floreen, Council Vice-President Rice, Councilmember Berliner and Council
 President Navarro

AN ACT to:

- (1) increase the funding from the hotel/motel tax that is designated annually for the Conference and Visitors Bureau; and
- (2) generally amend the provisions governing the use of revenue from the hotel/motel tax.

By amending

Montgomery County Code
 Chapter 52, Taxation
 Section 52-16

Boldface	<i>Heading or defined term.</i>
<u>Underlining</u>	<i>Added to existing law by original bill.</i>
[Single boldface brackets]	<i>Deleted from existing law by original bill.</i>
<u>Double underlining</u>	<i>Added by amendment.</i>
[[Double boldface brackets]]	<i>Deleted from existing law or the bill by amendment.</i>
* * *	<i>Existing law unaffected by bill.</i>

The County Council for Montgomery County, Maryland approves the following Act:

LEGISLATIVE REQUEST REPORT

Bill 36-12

Taxation – Hotel/Motel Tax – Use of Revenues

DESCRIPTION: Increases from 3.5% to 7% the share of the revenue from the hotel tax that is designated for the Conference and Visitors Bureau each year.

PROBLEM: Need for more funding to County programs to attract tourism.

GOALS AND OBJECTIVES: To increase the level of funding for County programs to attract tourism that are run by the Conference and Visitors Bureau.

COORDINATION: Department of Economic Development, Department of Finance

FISCAL IMPACT: To be requested.

ECONOMIC IMPACT: To be requested.

EVALUATION: To be requested.

EXPERIENCE ELSEWHERE: To be researched.

SOURCE OF INFORMATION: Michael Faden, Senior Legislative Attorney, 240-777-7905

APPLICATION WITHIN MUNICIPALITIES: Hotel tax applies County-wide.

PENALTIES: Not applicable



ROCKVILLE, MARYLAND

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MEMORANDUM

January 14, 2013

RECEIVED
MONTGOMERY COUNTY

2013 JAN 15 AM 8:27

TO: Nancy Navarro, President, County Council

FROM: Jennifer A. Hughes, Director, Office of Management and Budget
Joseph F. Beach, Director, Department of Finance

SUBJECT: Council Bill 36-12, Taxation – Hotel/Motel Tax – Use of Revenues

Please find attached the fiscal and economic impact statements for the above-referenced legislation.

JAH:a2a

- c: Kathleen Boucher, Assistant Chief Administrative Officer
- Lisa Austin, Offices of the County Executive
- Joy Nurmi, Special Assistant to the County Executive
- Patrick Lacefield, Director, Public Information Office
- Joseph F. Beach, Director, Department of Finance
- Michael Coveyou, Department of Finance
- David Platt, Department of Finance
- Steve Silverman, Director, Department of Economic Development
- Peter Bang, Department of Economic Development
- Helen Vallone, Office of Management and Budget
- Ayo Apollon, Office of Management and Budget

Fiscal Impact Statement
Council Bill 36-12 Taxation—Hotel/Motel Tax – Use of Revenues

1. Legislative Summary.

This Bill is to amend the County Code Chapter 52-16 (j) to increase the revenue from the tax levied under this section that must be used for the Conference and Visitors Bureau, Inc., (CVB) from 3.5% to 7%.

2. An estimate of changes in County revenues and expenditures regardless of whether the revenues or expenditures are assumed in the recommended or approved budget. Includes source of information, assumptions, and methodologies used.

The past several years' actual Hotel/Motel tax revenues that were distributed to the CVB at 3.5% ranged from \$530,000 - \$720,000. Based on doubling the distribution percentage to the CVB, the additional revenues per year will be in the range of \$530,000 - \$720,000.

3. Revenue and expenditure estimates covering at least the next 6 fiscal years.

It is expected that the increase in revenues and expenditure will enhance CVB's marketing programs and would lead to increases in the overall Hotel/Motel tax collected. However, at this time, it is premature to estimate the increased revenue impact due to the marketing effort by the CVB.

4. An actuarial analysis through the entire amortization period for each bill that would affect retiree pension or group insurance costs.

Not applicable

5. Later actions that may affect future revenue and expenditures if the bill authorizes future spending.

Refer to responses from questions 2 and 3.

6. An estimate of the staff time needed to implement the bill.

As CVB has its own staff, no additional County staff time will be required to implement the bill.

7. An explanation of how the addition of new staff responsibilities would affect other duties.

Not applicable

8. An estimate of costs when an additional appropriation is needed.

Beginning in FY14, \$530,000 to \$720,000 in additional appropriations will be necessary to comply with the bill.

9. A description of any variable that could affect revenue and cost estimates.

Regardless of CVB's marketing effort, the overall Hotel/Motel tax collected is a function of macro economics where the consumer's disposable income and confidence in the economy will dictate the non-local travels. To a smaller scale, there are business travelers and group (meeting/sports) travelers that are more immune to adverse economic conditions and consumer confidence. If CVB's marketing program can expand the volume of business travelers lodging in the County's hotels and motels, it will either stabilize or increase the revenue collected from the Hotel/Motel tax.

There is also ongoing litigation by the County to collect from the "on-line booking companies" that acquire rooms wholesale, sell to individual travelers at retail, and yet fail to pay the Hotel/Motel tax. If the County wins the lawsuit (which is likely, based on DC Government's recent win on an identical type of lawsuit), the overall Hotel/Motel tax collected, and the distribution to CVB would be larger than the historical range. However, whether the County can win the lawsuit, or what additional Hotel/Motel tax can be collected from the on-line booking companies is unknown at this time.

10. Ranges of revenue or expenditures that are uncertain or difficult to project.

Not applicable

11. If a bill is likely to have no fiscal impact, why that is the case.

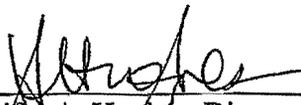
Not applicable

12. Other fiscal impacts or comments.

None

13. The following contributed to and concurred with this analysis:

Peter Bang, Department of Economic Development



Jennifer A. Hughes, Director
Office of Management and Budget

Date 1/14/13

Economic Impact Statement
Council Bill 36-12
Taxation – Hotel/Motel Tax – Use of Revenues

Background:

This proposed legislation would increase from 3.5 percent to 7.0 percent the share of the revenue from the hotel-motel tax that is designated for the Conference and Visitors Bureau (CVB) each year.

1. The sources of information, assumptions, and methodologies used.

- The Department of Economic Development
- Conference and Visitors Bureau
- Smith Travel Research
- Tourism Economics
- Hotel-Motel Industry representatives

2. A description of any variable that could affect the economic impact estimates.

The number of additional tourists (including individual and business related travel) visiting Montgomery County attributed to Bill 36-12

3. The Bill's positive or negative effect, if any on employment, spending, saving, investment, incomes, and property values in the County.

According to data provided by CVB, tourists spent \$1.5 billion in Montgomery County last year and that spending impacts various economic sectors such as restaurant, retail, recreation, and transportation sectors. The breakdown of spending by tourists to the County is: 25 percent on food and beverage, 22 percent on transportation, 18 percent on lodging, 18 percent on retail, and 15 percent on recreation. According to CVB, if the number of visitors increases by 2 percent the first year, the amount of direct spending in the local economy would increase by \$30.1 million from the current \$1.5 billion. Utilizing a multiplier of 0.9, the amount of indirect spending would be an additional \$27.1 million for a total of \$57.2 million to the local economy.

While it is clear that business travel and tourism are important to the local economy and that increases to hotel room night rentals would be advantageous to the local economy, it is not clear that increased funding for the CVB would result in a statistically significant increase or that the magnitude of such an increase could be quantified with any certainty. This is because the decision on individual and business travel to Montgomery County is influenced by a variety of factors that may not be impacted by the outreach and promotion efforts of the CVB. Additionally, recent

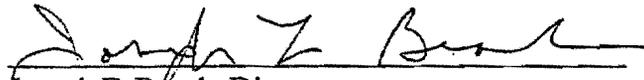
Economic Impact Statement
Council Bill 36-12
Taxation – Hotel/Motel Tax – Use of Revenues

federal government restrictions on employee travel and conference attendance may also dampen demand even if funding for local marketing efforts is increased.

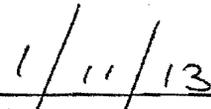
4. If a Bill is likely to have no economic impact, why is that the case?

Please see item #3.

5. The following contributed to and concurred with this analysis: David Platt and Mike Coveyou, Finance



Joseph F. Beach, Director
Department of Finance



Date

Bill 36-12 Public Hearing

Tuesday, January 15, 2013

Kelly Groff, Conference and Visitors Bureau of Montgomery County, MD
111 Rockville Pike, Suite 800, Rockville, MD, 20850, 240-777-2062

Testimony

Madame President and members of the County Council I am Kelly Groff the Director of the Conference and Visitors Bureau of Montgomery County, Maryland, known as the CVB. I am here today to testify on behalf of the CVB and the hospitality industry in support of Bill 36-12.

The CVB is recognized by the State's Department of Business and Economic Development Office as Montgomery County's only destination marketing organization. This recognition is needed to qualify for participation in cooperative marketing programs, research and to be a recipient of annual grants.

The CVB's mission is to promote, market and sell Montgomery County as a destination for meetings, conventions, group tour and other leisure travel fostering economic development and benefiting the supporting members of the overall business community. It is also the CVB's goal to show leadership and be regarded as a quality organization of experts and advocate of its industry partnering with local, county, state and regional organizations and governments officials in an effort to further the tourism industry.

The CVB is guided and supported by a volunteer board of directors representing leaders from different sectors of the hospitality industry. The CVB is a 501C6 non-profit organization serving as a subcontractor of the Montgomery County Department of Economic Development.

Visitors are vital to the local economy and through the work of the CVB we help provide the community with jobs and taxes. In 2011, Montgomery County's seven (7) million visitors left behind \$1.6 billion in spending on the local economy. Top spending by the visitor is on dining followed by retail, lodging, and recreation. The tourism industry employs nearly 30,000 people, with a direct labor income impact of \$695 million. Total tourism tax receipts for 2011 from Federal, State, Local levels were \$484 million. Montgomery County collects more than \$18 million in hotel taxes annually.

Each destination has its own unique personality and character traits. Montgomery County's proximity to the nation's capital alone is our strongest marketing tool. We are unique because we have multiple branded cities/urban districts that can be marketed independently. We are also home to 19 federal agencies which makes the County a bustling destination for meetings and conferences and business travel. The County has great history which can be found through tours of our Underground Railroad, African American historical sites, C&O Canal, Glen Echo Park, Clara Barton House, Civil War Driving Trails and our Heritage Areas. Not to mention our nearly 1,000 restaurants with cultural flair, performing and visual arts offerings, arts and entertainment districts and great shopping. We also have 10,000 hotel rooms and numerous meeting facilities. All these amenities, allows the CVB to weave a story, brand the county and develop and deliver effective messages about our destination to the buyers.

The CVB's current programming is in the area of sales, marketing and advertising. We have 5 full time staff, just one more position than on staff in 1999. In the sales division, the CVB has one business development representative sourcing leads, attending trade shows, handling site tours for clients in all market segments.

We have a full time position assigned to fundraising in the hotel reservations partnership with the Maryland SoccerPlex.

We also have a full time administrator who assists our four staff members.

Myself and Bethany Mattocks, Marketing and Communications Manager, round out the staff with development of partnerships with the Maryland Office of Tourism, Maryland Office of Sports Marketing, Destination DC, Heritage Montgomery, Arts and Entertainment Districts, Montgomery County Parks Foundation, Silver Spring Civic Building, Arts and Humanities Council and Capital Region USA to name a few. We also manage internally the placement of a \$450,000 electronic and print advertising campaign annually, handle web development and maintenance, hotel packaging and marketing, community outreach, membership development, overall strategic planning and special projects like the US Open Championships held in 2011, and Inauguration in 2013.

Montgomery County was the host location of the 2011 US Open National Championships at Congressional Country Club. This one event generated over \$300,000 directly in hotel taxes and a total economic impact of \$140 million. This 7 day event created a great visitor experience and exposure of our community to 250,000 visitors. The CVB was the link from the tournament director to the business community providing vital information in the days and months leading up to the event. And the intangible benefit for a job well done is great word of mouth advertising for attracting other events and return visits by those who attended.

Our success is measured in the following manner:

-In the business development area, we measure return on investment through the number of room nights directly resulting from the CVB sales efforts. For the first six months of FY 2013, the CVB is nearly at its room night goal for the year with six months remaining. This does not include the tracking of any room nights that are not directly reported by the hotels back to the CVB.

-In fundraising, we are measured through the revenues raised. In Fiscal Year 2012, we raised \$436,000 between the \$200,000 MD Tourism Grant program and, membership dues, private sector revenues and hotel reservation service rebates.

-In general advertising and marketing, success is measured in the number of advertising inquiries. We sourced nearly 15,000 inquiries in Fiscal Year 2012 from print advertising. Total inquiries from the hotel reservation site, advertising, and web was 16,700 in Fiscal Year 2012, up from 13,700 in Fiscal Year 2011. The social media campaign, website visits and electronic advertising generated 253,000 website visits.

-Overall, the most direct measurement is the annual hotel tax collections, which has brought in \$71.5 million in just four (4) years.

The CVB as an organization hasn't grown at the same pace as the community. Since 1999 numerous tourism-related projects have been added to the mix of marketable product. The Maryland SoccerPlex, Silver Spring Redevelopment, Bethesda North Marriott Hotel and Conference Center, American Film Institute Silver Theatre, Music Center at Strathmore, Rockville Town Square, Silver Spring Civic Building, the Fillmore and the Inter County Connector.

The CVB team works closely with the community. If this new funding allocation is approved, the additional funds if allocated would be spent on furthering our business development of the meetings and group market through sales positions with special emphasis on weekend occupancy, special projects like a countywide calendar of events, re-branding, a grant pool to expand current event marketing in an effort to increase attendance beyond the region like the Silver Spring Jazz Festival or Gaithersburg Book Festival, and Heritage Days, bid fees for sporting events, collateral material development and increased electronic advertising.

To illustrate the importance of the tourism industry, we saw the quick decline in revenues after the September 11, 2001 terrorist attacks, where hotel tax collections dropped \$2 million in one year, the cancellations we received during the Sniper Attack in the meetings industry, and, most recently the government cutbacks that have impacted spending in the meetings arena.

We can't play catch up. The time is now. The competition is coming into the marketplace, including the development of a new casino in our neighboring county and the passage of table gaming at existing facilities in Maryland. In Fiscal Year 2012, the combined jurisdictions of Howard, Baltimore, Annapolis and Anne Arundel County carry 49% of the total tourism market share. We are the seconded lowest funded CVB in the region. We need to be ahead of the game. Please support this investment into a revenue generating agency by approving Bill 36-12.

Regional CVB Budget/Funding Analysis

Based on Fiscal Year 2012 Data

Destination Marketing Organization	Annual Budget	Total Hotel Rooms	#Staff	% of Hotel Room Tax Allocated to CVB
Destination DC	\$17,150,000	28,711	63	2% of 14.5%
Fairfax County, VA	\$2,561,000	19,500	11	12% of total collections
Loudoun County, VA	\$2,483,000	5,566	19	Of the five cents per dollar charged, two cents goes to the county's General Fund and three cents is to be spent promoting tourism, travel or business that generates tourism or travel in Loudoun County.
Alexandria, VA	\$2,526,029	4,500	11	0%
Annapolis & Anne Arundel County, MD	\$1,695,664	10,900	9	7% of the hotel tax yield of the County's general fund. City of Annapolis dedicates approximately 7% of hotel tax revenues to the CVB.
Frederick County, MD	\$1,305,727	2,411	8*	97.5% of total collections
Prince George's County, MD	\$1,156,587	9,923	5	0%
Prince William/Manassas, VA	\$1,086,504	3,792	5 f.t./4 p.t.	60% of total tourism tax and 50% of that amount is split with Historic Preservation
Howard County, MD	\$1,017,900	3,000	5	2/3 dedicated from 2% of the 7% collected
Montgomery County, MD	\$994,653	9,500	5	3.5% of total collected from 7% county tax, 4% of total Gaithersburg Hotel Tax and 3.5% of Rockville Hotel Tax
Arlington, VA	\$500,000	10,759	4.8	.25% of the 5.25% was dedicated to the CVB but sunset December, 2011. Arlington businesses will seek reinstatement of the surcharge in 2013 VA General Assembly." The reinstatement effort is being conducted by Arlington's hospitality businesses, as they are the voices the General Assembly values most

*Frederick County Manages the Heritage Areas Program with two full time employees assigned. Chart Updated: November, 2012

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Trish Heffelfinger

Bill 36-12 CVB Funding, Montgomery County

January 15, 2013 Hearing, 1:30pm

► Madame President and members of the County Council, I am Trish Heffelfinger, Executive Director of the Maryland SoccerPlex in Boyds, Maryland.

► The SoccerPlex celebrated its first decade of operation in 2010. The SoccerPlex has been a significant economic engine for Montgomery County and Maryland. It is the largest and highest quality soccer complex on the east coast.

► The SoccerPlex is now welcoming 650,000 visitors annually. And, approximately 50,000 of these visitors are from out of state.

► Team players bring an entourage with them—mom, dad, brothers, sisters, grandparents and friends. The groups stay in area hotels, eat in our restaurants and shop in our stores. They are all visitors. They visit and go home. This defines tourism.

► We estimate that on any given weekend, a family here for a youth sporting event spends a minimum of \$500. We are currently working on an economic impact study in partnership with the CVB and George Washington University. The findings will be presented this spring.

► The SoccerPlex has a partnership with the CVB. The CVB handles the hotel reservations for the six largest youth soccer and lacrosse tournaments held throughout the year. Utilizing the CVB housing helps with managing a “countywide” event so that the visitor has a good experience before and during an event. The CVB processed in 2012 over 8,000 hotel reservations.

► In 2012, these top 6 youth soccer and lacrosse tournaments generated 15,000 room nights. Tournaments occupy 25% of all the hotel rooms in the county over any given weekend.

▶ The SoccerPlex is not the only facility generating hotel room nights and economic impact. There are many other sporting events, including swimming, diving, skating, and golf, that are held here in Montgomery County that significantly benefit the local economy. A list of some of those events can be found at the end of my testimony. Sports tourism is big business.

▶ The Maryland SoccerPlex, CVB and the Maryland State Youth Soccer Association will travel together this week to Indianapolis to bid on having Montgomery County and the Maryland SoccerPlex as the host location for the 2014 US Youth National Soccer Championships. This bid could not be pulled together and presented or implemented without the support of a CVB. This one event has an economic impact of \$4 million in one week and is much needed business during the slower months of the summer.

▶ The CVB plays an intricate role in bringing events to Montgomery County. In addition, they play a larger role in the months and days leading up to an event with answering inquiries from visitors and connecting the event organizers with the community.

▶ The CVB's role is invaluable in this community. The organization is funded at levels well below our competitors. The staff resources are limited. Increasing their funding is critical for our county to remain competitive as well as raising the profile of our destination as a choice location for leisure tourist, group tourist, sports tourists and meetings tourists.

▶ Please support Bill 36-12 and our efforts as a community to grow the economic impact of tourism on the local economy.

Events Hosted in Montgomery County – Sports Market:

- ► Montgomery County hosted from 2008-2010 the AT&T National Golf Tournament. Over 190,000 spectators attended over the six day event.
- 2010, Montgomery County hosted the US Canoe/Kayak Slalom National Championships, 200 athletes
- 2010, Montgomery County hosted the Constellation Energy Senior Players Championship
- 2010, The Speedo Championship Series Short Course Region II (The South)
- 2010, Long Course Age Group Championship (swimming)
- 2011, Montgomery County hosted the US Open Championship attracting over 200,000 spectators with an economic impact of over \$100 million.
- 2012, Adult Eastern Sectional Championships, Washington Figure Skating Club
- 2012, Montgomery County hosted the first Hero Rush even in Maryland at High Point Farm, 3,000 visitors.
- 2012, Montgomery County hosted the American Collegiate Hockey Association D2 Showcase, 600 athletes
- 2012, ACC Championship Men's Semi-Finals and Finals scheduled November 9 and November 11 at the Maryland SoccerPlex
- 2012, El Salvador Olympic team vs University of Maryland
- 2012 ACC/Big East Men's Soccer Challenge

Bill 36-12 CVB Funding, Montgomery County

January, 15, 2013 Hearing, 1:30pm

Testimony:

Vira Safai
Comfort Inn Shady Grove
16216 Frederick Road, Gaithersburg, Maryland 20877
301-330-0023

► Madame President and members of the County Council, my name is Vira Safai and I am one of the partners and operator of the Comfort Inn Shady Grove Hotel. My partners, the Eisinger and Kilbane Family built the property in 1986 and we currently have 39 associates on our team. We also have a hotel management company that is headquartered in Montgomery County and is responsible for operating hotels throughout the nation.

► I am here today to testify in support of Bill 36-12.

► Our property has won the Platinum Award and 15 Gold Awards from Choice Hotels International, ranking us within the top 1% of all Choice Hotels worldwide. We have also won the prestigious Top 1% Award from Expedia based on guest reviews rating the hundreds of thousands of hotels worldwide and furthermore have received the Business Leadership Award from the Gaithersburg-Germantown Chamber of Commerce.

► Our hotel market structure is 40% corporate, 5% government and the remainder are Leisure guests which are comprised of tour operators, sports groups and families.

► I have served as the Board President for the CVB and continue to remain an active member. Their efforts continue to be invaluable to our community. They incorporate marketing and sales initiatives that develop our economy through generating hotel taxes, state sales taxes, and payroll tax revenues. In addition, visitor spending in the economy exceeds \$1.5 billion annually.

► The CVB has a very small staff, 5 employees, to market all of Montgomery County. Yet, they efficiently utilize their resources and expertise to generate incremental new room nights, better services for visitors, and coordinate between event organizers and the community. All this provides for a great visitor experience.

► Our community has changed tremendously over the past 10-15 years. We have added one of the largest soccer complexes in the country, opened a 2,000 seat concert hall, created arts and entertainment districts and town centers, and opened a large meeting facility, the Bethesda North Conference Center. In addition, the hotel inventory has grown over 40%. Yet, the size of our destination marketing organization has not grown at the same rate.

► The approval of Bill 36-12 would provide new funding giving the CVB an opportunity to hire more staff and increase the exposure of Montgomery County outside of the marketplace to group tours, youth sports organizers, meeting planners and leisure tourists.

► I urge the Council to approve this modest request to fund the CVB with this slight increase in their budget. Please keep in mind the CVB is a revenue generating body of Government; the more we support them, the more revenues they will produce for our beautiful County and all the industries they affect.

Please vote in support for Bill 36-12.

Bill 36-12 CVB Funding, Montgomery County

January, 15, 2013 Hearing, 1:30pm

Testimony:

Paul Warnquist, Adventure Park at Sandy Spring

16701 Norwood Road, Sandy Spring, MD 20860

(240) 389-4386

paulwarnquist@sandyspringadventurepark.org

www.sandyspringadventurepark.org

► Members of the Montgomery County Council. Good afternoon, my name is Paul Warnquist and I am the director at The Adventure Park at Sandy Spring Friends School. The Adventure Park features over 30 zip lines and 13 separate courses and is currently the largest aerial forest adventure park in all of North America. We are located on Sandy Spring Friends School land just off Norwood Road.

► I am here today to testify in support of Bill 36-12.

The Adventure Park is located on 6 acres of Quaker property and also borders the The Maryland National Capital Park and Planning Commission's, Montgomery County Woodlawn Manor Underground Railroad Site.

The Adventure Park at Sandy Spring Friends School was founded in 2010 and welcomed our first guests in July of that year. The Park is a classified as a Small business and employs 8 full time employees and over 40 part time employees. We collect 7% Amusement Tax from all our guests and we send those funds to the Comptroller of Maryland.

► When the Adventure Park first opened in 2010, we had 10 courses that were constructed in the trees. Today, we have 13 courses that offer various degrees of difficulty and our reputation for providing a safe outdoor experience is growing. Early data shows that The Adventure Park will experience tremendous growth in 2013. Our current customer inquiries have increased 4 fold over the same period last year and we anticipate that in less than 2 weeks our Summer Camp allotment will be sold out. The Adventure Park's has recently partnered with the Montgomery County Department of Parks to create a new program for 2013. The new Full Day Experiential Program will combine an Underground Railroad Experience Trail Hike and an afternoon of climbing and zip-lining in the trees at The Adventure Park. The CVB was instrumental in helping come up with the idea for the new program and as of today, there are already 24 tour groups that have embraced the new program and reserved their 2013 slots.

The Adventure Park welcomed over 55,000 visitors in 2012 and we are projecting over 70,000 visitors in 2013.

► Our customers range from Girl Scout Troops to Swat Teams and they come from Montgomery County and as far away as Mexico City (we hosted 5 school visits from Mexico City this past Spring) and the same group from Mexico has already booked 4 visits for 2013. The Park hosts many weekly corporate team building events, family outing, reunions, birthday parties, and school visits. Our Night Climbing events have become a big hit and we have added two overnight campsites that will allow Boy Scouts and Girl Scouts the opportunity to sleep under the stars and climb in the trees. Our tented area (seats 120 guests) has also added to our offering and allowed us to host over 100 separate parties in 2012. Although we host many group outings, our General Admission Guests account for over 60% of our total guest count.

► Our marketing budget is limited and our focus is on creating a safe, fun experience for our customers. The incremental exposure provided in advertising and marketing efforts by the CVB brings new business to our attraction and to all County attractions. Montgomery County has many hidden jewels from heritage areas to Civil War trails, mule drawn barge rides on the C&O Canal, wine tasting at an award-winning vineyard and exciting arts and entertainment offerings.

► The CVB has been an integral partner in promoting our unique attraction to tourists that are both local and throughout the Mid-Atlantic. We are a member of the CVB and the assistance they provide to a small business like The Adventure Park is invaluable. We are fortunate to receive many bookings from bus and tour groups from all over the country and many of those leads that were converted to reservations were initiated by the CVB. The CVB attends several of bus and tour group trade shows per year representing Montgomery County and all of its tourism attractions. Many Montgomery County based tourist attractions including the Adventure Park do not have the means to be represented individually at these trade shows and having the CVB attend as many of these meetings as possible helps generate tourism dollars spent in Montgomery County.

► The visitors choice in the marketplace is intensely competitive. The CVB has helped us grow and think outside of the box by providing industry insights and recommendations. Since we are located on Quaker land and next to the Woodlawn Manor, they recommended that we incorporate Quaker history, the Underground Railroad Tour, and an Adventure Park experience into one complete program and market the program to the student tour market. We created a new program based on their recommendation and the new program was very well received in the market place. We now have an Adventurous – Educational Full Day Program which is a unique experience unlike anything offered in the market. In less

than one month, twenty four student groups have taken advantage of the new offering and already reserved their 2013 visit.

► The CVB is Montgomery County's only destination marketing organization. They tie together all entities in the hospitality industry and charge forward as a unified voice to market the destination. A permanent increase in their funding would allow the CVB to hire more staff and create more programs to further promote all of the wonderful things Montgomery County has to offer.

In closing, I am confident that the Montgomery County tourism industry and many Montgomery County businesses would benefit if additional funding were provided to the CVB with the passing of Bill 36-12. Personally, I feel it would be great for the Montgomery County Tourism industry if the CVB could attend more trade shows throughout the country and have access to more funds so they could advertise the Counties many attractions. I would like to express my gratitude to the CVB for all they have done for the Adventure Park and the Sandy Spring Friends School. The CVB is a great organization to partner with and I am very happy to be a CVB member.

Please vote in support for Bill 36-12.

Thank you,

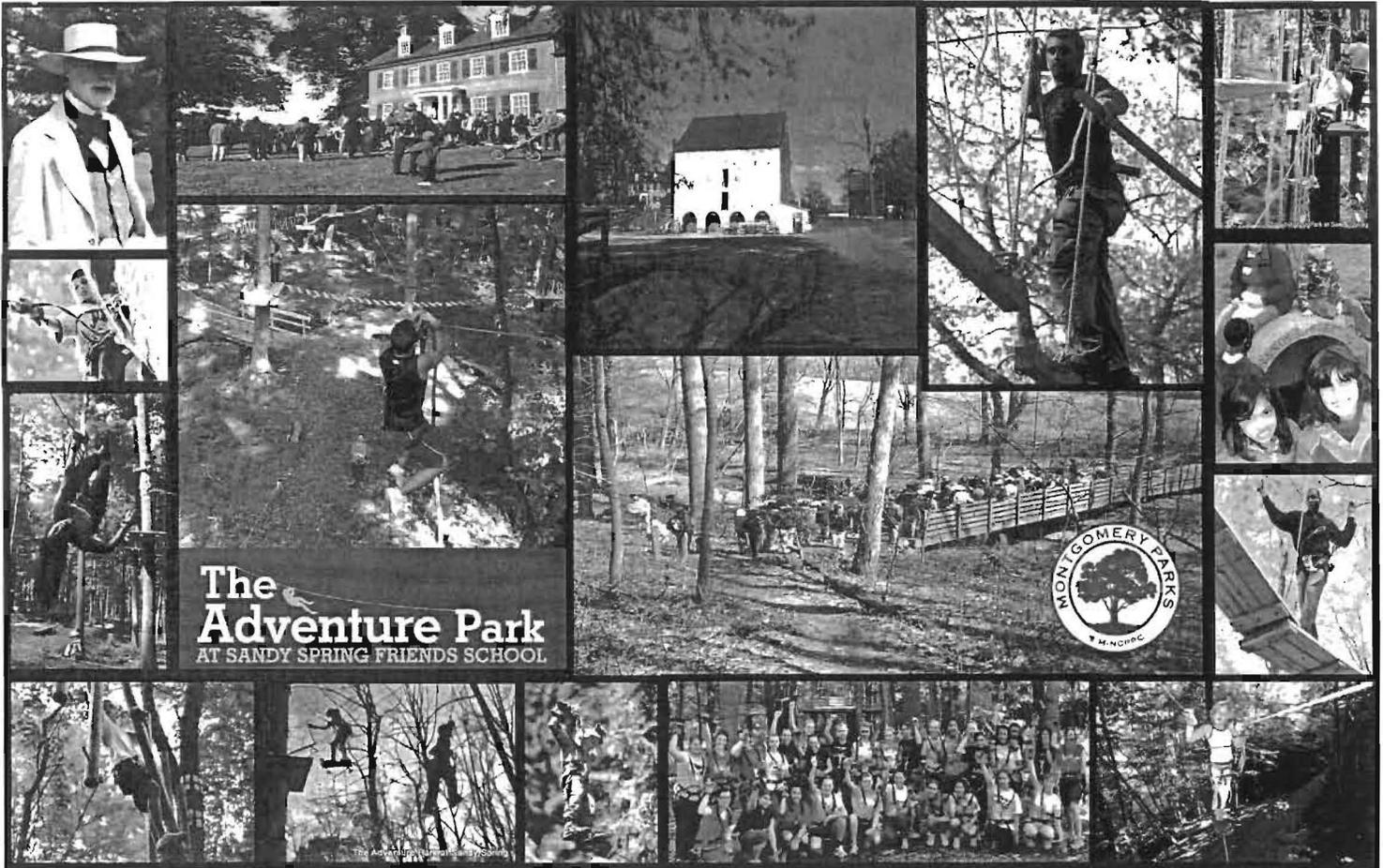
Paul Warnquist, Director of Sales

The Adventure Park at Sandy Spring Friends School

(240) 389-4386

paulwarnquist@sandyspringadventurepark.org

www.sandyspringadventurepark.org



The Adventure Park
AT SANDY SPRING FRIENDS SCHOOL

THE UNDERGROUND RAILROAD EXPERIENCE TRAIL HIKE:

- Guided hikes are provided by talented "conductors" who lead groups on a simulated Underground Railroad experience covering 2.0 miles from Woodlawn Manor Cultural Park along a wooded, natural surface trail to the historic Sandy Spring, then back to the park.
- Hikers learn about various techniques that freedom seekers used to elude trackers, find food, and navigate their way North to freedom.
- Montgomery Parks' Underground Railroad Experience Trail is part of the National Underground Railroad Network to Freedom program.



THE ADVENTURE PARK AT SANDY SPRING:

- Climb, swing, and zip from tree to tree across a wide variety of bridges, obstacles and zip lines, building confidence, self-esteem, and promoting teamwork!
- With 13 different trails for ALL SKILL LEVELS and ages ranging from beginner to advance, we are the largest aerial park in North America!
- ADVENTUROUS AND SAFE! We use the safest, most advanced climbing system in the world, ensuring all skill levels are able to ascend into the trees with confidence.



Planning your next School Field Trip?
The Adventure Park and M-NCPPC Montgomery Parks invite you to
Book A Full Day of Experiential Learning
in the Montgomery County / DC Area!

Spend your morning on an *Underground Railroad Experience Trail Hike*. Then swing next door for an afternoon of climbing and zip-lining in the trees at *The Adventure Park at Sandy Spring!*

Two unique experiences in one ticket—
Enjoy a full day of active learning, and leave the planning to us!

Trips available Monday-Friday. Call to book today!



General Group Pricing:
(Price includes lunch and drinks)

- 50+ - \$43.00 per person
- 25-49- \$45.00 per person
- 15-24- \$47.00 per person

MCPS please call for in-county rates

See You In The Trees!

16701 Norwood Road Sandy Spring, Maryland 20860

Tel : (240) 389-4386

WWW.SANDYSPRINGADVENTUREPARK.ORG

Montgomery County Council
100 Maryland Avenue
Rockville MD 20850

RE: Bill 36-12

Dear Council Members,

My name is Bob Daley and I am the Senior General Manager for Marriott Hotels in Montgomery County. I am also in favor of Bill 36-12 for many reasons. I'd like to share some of these reasons with you.

As recent economic times have been difficult we have had to lower rates to keep occupancy up. The result is a much smaller margin, which results in reduced jobs and hours for the employees.

The Occupancy Tax will generate over \$18 million for the County this year, and the hotels will experience a cost of approximately \$360,000 to process these tax revenues through the credit card companies.

Montgomery County hotels are 6% more expensive to the consumer in order to provide this revenue to the County. I believe we are the only industry that contributes to the General Fund at this level. This request is merely to provide more funding for the Conference and Visitors Bureau or CVB to benefit the industry that is producing these revenues.

As cost conscious travelers and groups are now looking at a much wider range of options due to lower occupancies, it is more important now than ever before to stay visible to the consumer.

All hotels have been struggling for more occupancy and many of the hotels in Montgomery County are smaller facilities with no site-specific sales or marketing presence. They rely heavily on the CVB to distinguish themselves and our County from the others that are vying for business that comes into the area.

To simplify things, when the demand is high the rates go up. When the rates go up, the tax revenues increase. When demand is soft rates go down. When rates go down the tax revenues decrease. There are lots of other issues but that's basically it, we need the CVB to assist in creating demand.

The request to increase the funding of our CVB, is an investment in our future Growth. To not stay competitive would be a shame. To not have the ability to be strategic is even a greater concern. The more people that get to see our great community the more demand there will be for new residents, new businesses and so on.

An expanded CVB effort for our community will put us in a position to compete with other communities in the area. The District of Columbia is the destination for over 15 million visitors a year, and the District funds their CVB at over \$14 million a year. If the visitors can't afford, or find accommodations in the District they look to the surrounding area.

Currently the surrounding communities' budgets for attracting visitors look like this.

Alexandria - \$2.5 Million

Arlington - \$1.4 Million

Fairfax - \$2.9 Million

Frederick - \$1.5 Million

Prince George's - \$1.3 Million

Prince William - \$ 1.3 Million

Montgomery County - \$ 882,500

In our industry we recognize that groups, both large and small, typically rely on a single person to make their visit or event a success. That one person will deal with, and rely on, someplace they have a relationship with. I would submit that although they are great at what they do and have our best interests at heart, with a staff of only 5 people, the CVB can't really seek out the best potential business for Montgomery County and establish a relationship with them.

Thank you for your time and consideration.