

SANTA ROSA ISLAND AUTHORITY
PENSACOLA BEACH, FLORIDA
SPECIAL BOARD MEETING
SEPTEMBER 28, 2011
5:00 P.M.

1. CALL TO ORDER
2. PLEDGE OF ALLEGIANCE
3. MOMENT OF MEDITATION
4. CHAIRMAN'S COMMENTS

Item # 1 - Discussion regarding the adoption of an SRIA Fee Simple Title Resolution. (Referred from the September 14, 2011 Regular Board Meeting)(Report by Chairman Ed Guernsey)

Item # 2 – Discussion regarding ad valorem taxes vs. lease fees. (Report by Chairman Ed Guernsey)

Item # 3 – Discussion regarding an independent study to assess the benefits and features of Pensacola Beach. (Report by Chairman Ed Guernsey)

ADJOURN.

ELWYN GUERNSEY, CHAIRMAN
DAVE PAVLOCK, VICE - CHAIRMAN
VERNON PRATHER, SECRETARY – TREASURER
THOMAS CAMPANELLA, ACTING SECRETARY/TREASURER
TAMMY BOHANNON, MEMBER
FRED GANT, MEMBER
W.A. "BUCK" LEE, EXECUTIVE DIRECTOR

September 28, 2011
Special Board Meeting
Item # 1

Discussion regarding the adoption of an SRIA Fee Simple Title Resolution. (Referred from the September 14, 2011 Regular Board Meeting)(Report by Chairman Ed Guernsey)

Background:

This item was held in Committee for additional discussion from the September 14, 2011 Regular Board meeting.

RESOLUTION

A RESOLUTION OF THE SANTA ROSA ISLAND AUTHORITY, ESCAMBIA COUNTY, FLORIDA

WHEREAS, on January 15, 1947, the United States of America conveyed to Escambia County, Florida, a portion of Santa Rosa Island , more particularly described and recorded in Deed Book 248 at page 161 of the public records of Escambia County, Florida; and

WHEREAS; the Santa Rosa Island Authority is a special dependent district of Escambia County, Florida created in 1947 by Special Act of the Legislature, Chapter 24500, Florida Statutes, as amended to oversee and ensure the care and development of the Escambia County portion of Santa Rosa Island known as Pensacola Beach and is funded solely by lease fees collected from beach businesses and residences; and

WHEREAS; on November 18, 2010, January 20, 2011, and May 15, 2011, the Escambia County Board of County Commissioners adopted joint Resolutions (R2010-214 and R2011-20) with Santa Rosa County and Resolution R2011-77, which requested Congressional sponsorship of a bill that would amend the federal deed regarding property on Santa Rosa Island and expressed intentions on how fee simple shall be conveyed; and,

WHEREAS; the Escambia County Board of County Commissioners agree that it is in the interests of both counties to release the restrictions on conveyance to facilitate transfer of Escambia County's interest to Santa Rosa County and other persons and entities having leasehold interests on Santa Rosa Island; and

WHEREAS; The Santa Rosa Island Authority Board has considered this Resolution at a public meeting.

NOW, THEREFORE, BE IT RESOLVED BY THE SANTA ROSA ISLAND AUTHORITY BOARD:

- 1) That the Santa Rosa Island Authority Board finds the above recitals to be true and correct and incorporated herein by reference.
- 2) That the Santa Rosa Island Authority Board hereby adopts Escambia County Joint Resolution R2010-214 and R2011-20 and Resolution 2011-77 regarding the release of certain restrictions on conveyance of property on Santa Rosa Island.
- 3) That this Resolution shall take effect immediately upon its adoption by the Santa Rosa Island Authority Board
- 4) That a copy of this Resolution will be forwarded to the Escambia County Board of County Commissioners, Escambia County, Florida.

This Resolution adopted on the 14th day of September, 2011, in an open meeting.

SANTA ROSA ISLAND AUTHORITY

BY: _____
Elwyn Guernsey, Chairman

ATTEST:

Vernon Prather, Secretary/ Treasurer

RESOLUTION R2011-77

A RESOLUTION OF THE ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS; PROVIDING POLICY INTENTIONS FOR SANTA ROSA ISLAND IN THE EVENT FEE SIMPLE OWNERSHIP BECOMES AVAILABLE; DIRECTING THE CLERK OF COURT TO DISTRIBUTE COPIES; PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, on November 18, 2010 and January 20, 2011 the Escambia County Board of County Commissioners enacted Joint Resolutions (R2010-214 and R2011-20) with Santa Rosa County which requested Congressional sponsorship of a bill that would amend the federal deed regarding property on Santa Rosa Island; and

WHEREAS, should the proposed bill become law, Escambia County would be able to convey fee simple ownership of properties on Santa Rosa Island; and

WHEREAS, for those leaseholders within the jurisdictional boundaries of Escambia County, the potential of fee simple ownership on Santa Rosa Island poses uncertainties regarding the procedures that may be used for such conveyances; and

WHEREAS, the Escambia County portion of Santa Rosa Island is overseen by the Santa Rosa Island Authority, a special district supported by lease fees; and

WHEREAS, the Escambia County Board of County Commissioners desires to set forth some intentions of how fee simple could be conveyed to leaseholders and regarding the potential future for oversight of the Escambia County portion of Santa Rosa Island; and

WHEREAS, the Escambia County Board of County Commissioners finds it is in the interest of Escambia County as well as its residents and visitors, to set forth some intent regarding this process without legally binding Escambia County at this early juncture.

NOW, THEREFORE, BE IT RESOLVED BY THE BOARD OF COUNTY COMMISSIONERS OF ESCAMBIA COUNTY, FLORIDA:

1. **Recitals.** The above recitals are true and correct and incorporated herein by reference in the body of this Resolution.
2. **Intentions.** The Escambia County Board of County Commissioners hereby resolves that it is their intent to proceed as set forth below:
 - A. Only proceed with the transfer to fee simple ownership if the U. S. Congress amends the federal deed, any applicable federal law and only if the Escambia County Property Appraiser legally assesses ad valorem taxes on both the improvements and land on Santa Rosa Island.

Verified By: *d. Macaustun*

Date: 0/9/11

B. If the option of fee simple title is available, it will be offered directly to sublessees wherever practical, legal and possible.

C. In the event fee simple title is available, and taxes are assessed on improvements and land, Escambia County will make efforts to eliminate lease fees for all leaseholders, including those who do not accept fee simple title.

D. Escambia County will maintain an entity on Santa Rosa Island to oversee certain services to help ensure the current levels of service regarding public safety, maintenance, recreation and promotions are upheld.

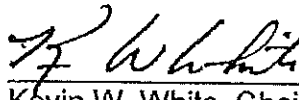
E. Escambia County does not intend to amend upwards the Pensacola Beach dwelling unit cap nor does it intend to amend the relevant portions of the Escambia County Master Plan or upzone properties unless proper quasi-judicial procedures warrant it.

3. **Distribution.** The Clerk of the Board of the Escambia County Board of County Commissioners shall furnish a certified copy of this Resolution to W. A. "Buck" Lee, Executive Director of the Santa Rosa Island Authority and Jim Cox, President of the Pensacola Beach Advocates.

4. **Effective Date.** This Resolution shall take effect immediately upon its adoption by the Board of County Commissioners.

ADOPTED by the Escambia County Board of County Commissioners on the 5th day of May, 2011.

BOARD OF COUNTY COMMISSIONERS
ESCAMBIA COUNTY, FLORIDA



Kevin W. White, Chairman

Date Executed

5/5/2011

This document approved as to form and legal sufficiency

By 

Title

County Attorney

Date

4/18/11

ATTEST: ERNIE LEE MAGAHA
Clerk of the Circuit Court



11/18/2010 CAT-2

RESOLUTION R2010-214 (Escambia County)

RESOLUTION 2010-39 (Santa Rosa County)

A JOINT RESOLUTION OF THE ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS AND THE SANTA ROSA COUNTY BOARD OF COUNTY COMMISSIONERS REQUESTING THE SUPPORT OF CONGRESSMAN JEFF MILLER AND SENATOR BILL NELSON TO RELEASE CERTAIN RESTRICTIONS ON CONVEYANCE FOR PROPERTY ON SANTA ROSA ISLAND; PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, on January 15, 1947, the United States of America conveyed to Escambia County, Florida, a portion of Santa Rosa Island, more particularly described in that deed recorded in Deed Book 248 at page 161 of the public records of Escambia County, Florida; and

WHEREAS, currently the deed recites that the property shall "always be subject to regulation by said County whether leased or not leased but never to be otherwise disposed of or conveyed"; and

WHEREAS, Santa Rosa County has an interest in the easternmost four miles of the property conveyed to Escambia County (Navarre Beach) pursuant to that certain Lease Agreement between the Santa Rosa Island Authority, an agency of Escambia County, Florida, and Santa Rosa County, Florida, dated February 11, 1956; and

WHEREAS, the Lease Agreement contemplates that Escambia County will convey Navarre Beach to Santa Rosa County and that the parties will cooperate "in obtaining such conveyance and congressional and legislative approval therefore" and a 1993 Resolution of the Escambia County Board of County Commissioners assures the same; and

WHEREAS, Escambia County and Santa Rosa County agree that it would be in the interests of both counties to release the restrictions on conveyance to facilitate transfer of Escambia County's interest to Santa Rosa County and other persons and entities having leasehold interests on Santa Rosa Island; and

Verified By: H. Macarthur
Date: 11/19/10

WHEREAS, the counties wish to express their intent to cooperate in drafting proposed legislation to release the restriction on conveyances and developing a process to convey Escambia County's interest to Santa Rosa County and persons and entities with a leasehold interest on Santa Rosa Island, and to request the support of Congressman Jeff Miller and Senator Bill Nelson to sponsor federal legislation to release the restrictions on conveyance; and

WHEREAS, the counties intend such legislation to require the counties to preserve those areas on Pensacola Beach dedicated to conservation, preservation, public, recreation or access uses and preserve conservation, preservation, public, recreation or access uses on Navarre Beach which are consistent with Santa Rosa County's Navarre Beach Master Plan 2001 Update and preserve the parking areas at New Jersey Street, Tennessee Street, Louisiana Street, Indiana Street, and Georgia Street, all on Navarre Beach; and

WHEREAS, the counties further intend such legislation to prohibit the counties from conveying the subject property for a windfall and that any profits collected above costs would be required to be turned over to the federal government; and

WHEREAS, the counties further intend that such legislation remove any language in the deed seen as a potential prohibition to the option of incorporation by communities on Santa Rosa Island; and

WHEREAS, the counties will direct their respective staffs and attorneys to cooperate in drafting proposed language for the legislation; and

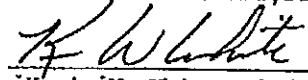
WHEREAS, each County, through its Board of County Commissioners, has considered this Resolution at public meetings of their respective Boards.

NOW, THEREFORE, BE IT JOINTLY RESOLVED BY THE BOARDS OF COUNTY COMMISSIONERS OF ESCAMBIA COUNTY, FLORIDA, AND SANTA ROSA COUNTY, FLORIDA:

1. The above recitals are true and correct and incorporated herein by reference in the body of this Resolution.
2. Escambia County and Santa Rosa County hereby request the support of Congressman Jeff Miller and Senator Bill Nelson to sponsor legislation to release the restriction on conveyances for property on Santa Rosa Island, which shall be mutually agreed upon and drafted by the counties.
3. Each County's staff and attorneys shall cooperate in drafting the legislation, which will be approved by each of the Boards at future public meetings and subsequently forwarded to Congressman Jeff Miller and Senator Bill Nelson for consideration with sponsorship requested for the upcoming Congressional session.
4. The Clerk of the Board of the Escambia County Board of County Commissioners shall furnish a certified copy of this Resolution to Congressman Jeff Miller and Senator Bill Nelson immediately upon its adoption and execution by both counties.
5. This Resolution shall become effective upon the date last adopted by each of the Boards of County Commissioners.

ADOPTED by the Escambia County Board of County Commissioners on the 18th day of November, 2010.

BOARD OF COUNTY COMMISSIONERS
ESCAMBIA COUNTY, FLORIDA



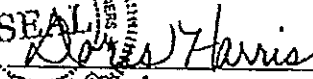
Kevin W. White, Chairman

Date Executed

11/18/2010




ERNIE LEE MAGAHA
Clerk of the Circuit Court



Ernie L. Magaha, Clerk


Approved as to form:



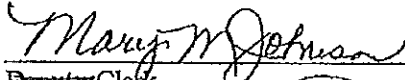
Escambia County Attorney

ADOPTED by the Santa Rosa Board of County Commissioners on the 10th day of November, 2010.

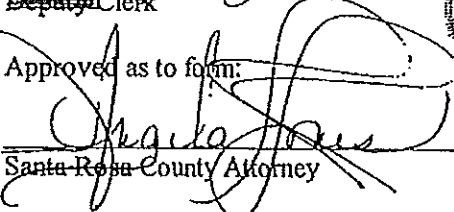
BOARD OF COUNTY COMMISSIONERS
SANTA ROSA COUNTY, FLORIDA.

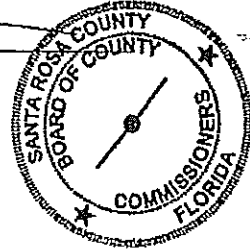
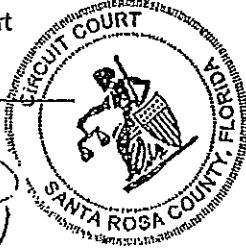

Gordon Goodin, Chairman

ATTEST: MARY M. JOHNSON
Clerk of the Circuit Court


Deputy Clerk

Approved as to form:


Santa Rosa County Attorney



1/20/2011 CAT-1

ESCAMBIA COUNTY RESOLUTION R2011 - 20
SANTA ROSA COUNTY RESOLUTION 2011 - 02

A JOINT RESOLUTION OF THE ESCAMBIA COUNTY BOARD OF COUNTY COMMISSIONERS AND THE SANTA ROSA COUNTY BOARD OF COUNTY COMMISSIONERS TO ADOPT A BILL TO RELEASE CERTAIN RESTRICTIONS ON CONVEYANCE FOR PROPERTY ON SANTA ROSA ISLAND; PROVIDING FOR AN EFFECTIVE DATE.

WHEREAS, on January 15, 1947, the United States of America conveyed to Escambia County, Florida, a portion of Santa Rosa Island, more particularly described in that deed recorded in Deed Book 248 at page 161 of the public records of Escambia County, Florida; and

WHEREAS, Santa Rosa County has an interest in the easternmost four miles of the property conveyed to Escambia County (Navarre Beach) pursuant to that certain Lease Agreement between the Santa Rosa Island Authority, an agency of Escambia County, Florida, and Santa Rosa County, Florida, dated February 11, 1956; and

WHEREAS, the Lease Agreement contemplates that Escambia County will convey Navarre Beach to Santa Rosa County and that the parties will cooperate "in obtaining such conveyance and congressional and legislative approval therefore" and a 1993 Resolution of the Escambia County Board of County Commissioners assures the same; and

WHEREAS, Escambia County and Santa Rosa County agree that it would be in the interests of both counties to release the restrictions on conveyance to facilitate transfer of Escambia County's interest to Santa Rosa County and other persons and entities having leasehold interests on Santa Rosa Island; and

WHEREAS, Escambia County's Joint Resolution R2010-214 and Santa Rosa County's Joint Resolution R2010-39 together agree that it would be in the interests of both counties to release the

Verified By: *d. Macarthur*

Date: 1/21/11

restrictions on conveyance to facilitate transfer of Escambia County's interest to Santa Rosa County and other persons and entities having leasehold interests on Santa Rosa Island.

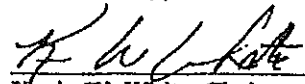
WHEREAS, each County, through its Board of County Commissioners, has considered this Bill at public meetings of their respective Boards.

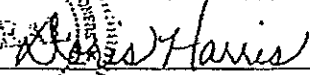
NOW, THEREFORE, BE IT JOINTLY RESOLVED BY THE BOARDS OF COUNTY COMMISSIONERS OF ESCAMBIA COUNTY, FLORIDA, AND SANTA ROSA COUNTY, FLORIDA:

1. The above recitals are true and correct and incorporated herein by reference in the body of this Resolution.
2. Escambia County and Santa Rosa County hereby request the support of Congressman Jeff Miller and Senator Bill Nelson to sponsor the attached proposed bill to allow for release of the restriction on conveyances for property on Santa Rosa Island, with such sponsorship requested for the upcoming Congressional Session or as soon thereafter as possible.
3. Escambia County and Santa Rosa County understand and agree that during the legislative process, it may be necessary to make changes, corrections or other amendments to the bill language and support such changes so long as the bill substantively accomplishes release of the restriction on conveyance of the subject property.
4. This Resolution shall become effective upon the date last adopted by each of the Boards of County Commissioners.

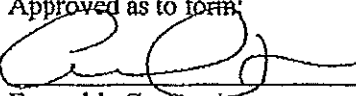
ADOPTED by the Escambia County Board of County Commissioners on the 20th day of January, 2010.

BOARD OF COUNTY COMMISSIONERS
ESCAMBIA COUNTY, FLORIDA


Kevin W. White, Chairman
Date Executed
1/20/2011

ATTEST: ERNIE LEE MAGAHA
Clerk of the Circuit Court

Deputy Clerk

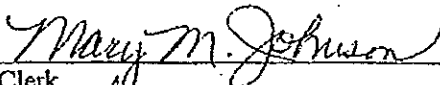


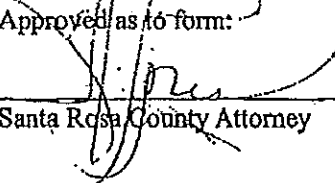
Approved as to form:

Escambia County Attorney

ADOPTED by the Santa Rosa Board of County Commissioners on the 13TH day of
January, 2011.

BOARD OF COUNTY COMMISSIONERS
SANTA ROSA COUNTY, FLORIDA


Lane Lychard, Chairman

ATTEST: MARY M. JOHNSON
Clerk of the Circuit Court

Clerk

Approved as to form:

Santa Rosa County Attorney



September 28, 2011
Special Board Meeting
Item # 2

Discussion regarding ad valorem taxes vs. lease fees. (Report by Chairman Ed Guernsey)

See attached.

Fact Sheet

Leases paid by residents
lease fees collected from business

Employment
Peak season
off season

SRIA employment

Beach toll receipts per year

% transponder users

cost of public safety paid by SRIA
Life guards
Sheriffs dept
ambulance service
fire
other

Total revenues generated by businesses on beach (gross sales)

Sales tax collected by county (LOST)

County funds received (if any)

Tourism impact on Escambia County (Use UWF figures)

Estimated bed tax collections from our ZIP
motel rooms on beach

\$ now collected from beach lease holders in tax on improvements
Amount to school board
amount to county general fund

Estimated net revenue from new tax on property

Bonds
Remaining debt on 22 million dollar road bond

Remaining debt on county bond on Bob Sikes bridge

Amount collected in Sheriffs MSBU

Beach School budget

amount from county

Amount raised by beach school

number of permanent residents

Double Taxation on Pensacola Beach

The Pensacola Beach Advocates (PBA) board of directors has prepared this information to bring attention to this issue. We will remain involved until it is resolved.

Assumptions:

- We need to prepare a backup plan for Beach leaseholders assuming that the Florida Courts uphold the taxation of both land and improvements on Pensacola Beach and the leaseholders are faced with paying lease fees in addition to ad-valorem taxes.
- This “double taxation” of Pensacola Beach leaseholders is unfair, and the only remedy is to eliminate the lease fees.
- The County has introduced legislation to Congress to allow transfer of fee simple ownership of land to Pensacola Beach leaseholders. But this legislation could take four years, or may never be enacted at all. The citizens and businesses on Pensacola Beach cannot wait for the U.S. Congress to act to resolve the double taxation issue.

Issues that need to be addressed:

- Lease fees are pledged as collateral on certain bond issues. How can these guarantees be released?
- The development agreement for Portofino provides for an Island Beautification Fund that currently reserves \$490,000 per year of Portofino lease fees for island improvements. What happens to these funds, now and in the future? The agreement also provides for up to \$4.7 million in infrastructure improvements for the future development of the 12 acres of land east of Portofino. How will the County assume this commitment?
- If the County decides to disband the SRIA, what state legislation will be needed to dissolve the SRIA, or can the Board of County Commissioners do that without state legislation? What will the successor entity to the SRIA look like? What will its functions be? How will it be funded?
- There are 13 master leases that are in the names of corporations or LLC's. There are 849 subleases to these master leases. In some cases (which ones yet to be determined) the rent paid by the sub-lessees is greater than the amount paid by the master lessee, yielding the master lessee a net profit. How are such situations to be handled when the master lease fees go away? How will the sub-lessees derive any relief from double taxation?
- It will take time to resolve these issues. In the meantime, residential lessees are paying \$2.7 million per year in lease fees in addition to ad-valorem taxes. How can the County protect them in the meantime? Drop lease fees for leaseholders paying taxes, as they did in Santa Rosa County? Escrow tax dollars to later refund the lease fees if the courts rule in the Property Appraiser's favor?
- Currently the commercial leaseholders pay about \$3.5 million per year in lease fees to the SRIA which are collected in the form of a 2 to 5% “SRIA fee” on commercial sales and rental income. Should some form of tax or fee on sales and rental income remain after the lease agreements are gone?

Santa Rosa Island Authority
 FY 2012 Budget Analysis

Department	Description	Employees		FY 2012 Budget		
		Full Time	Part Time	Wages & Benefits	Other	Total
Admin & Leasing	General administration Lease administration	4.5		447,000	243,000	690,000
Finance	Budgets, payroll, financial statements, Grant administration	6		364,000	120,000	484,000
Environmental & Developmental Services	Manage SRIA construction projects Engineering & permitting Trolley Operations	3.5		205,000	309,000	514,000
	Subtotals			205,000	534,000	739,000
Human Resources & Marketing	Human resource management Coordinate advertising programs Event promotion and management Visitors Information Center	1	Deputies	66,000	220,000	286,000
	Subtotals			62,000	261,000	323,000
	Subtotals			128,000	581,000	709,000
Public & Recreational Facilities	Maintain buildings, landscaping, parking lots & signage Keep beaches, parking lots clean Manage utilities usage & cost	24		1,540,000	1,147,000	2,687,000
Public safety	Lifeguards - management and training Coordinate with Sheriff and Fire depts. for events & busy weekends	3	40 Fire Dept Deputies	1,016,000	175,000	1,191,000
	Subtotals			203,000	200,000	403,000
	Subtotals			1,219,000	375,000	1,594,000
Totals	Totals	42	40	3,903,000	3,000,000	6,903,000
						100%

PENSACOLA BEACH

ANNUAL CONTRIBUTION TO ESCAMBIA COUNTY OPERATIONS

	Annual Amount	Percent of Total County	Amount Re-invested in the Beach
Population	3,000	1%	
Ad-valorem taxes:			
Residential	16,100,000		
Commercial	1,900,000		
Total	18,000,000	7%	
County portion - 47%	8,500,000		Minmal
Schools portion - 53%	9,500,000		None directly
MSBU taxes;			
Sheriff	900,000	1%	Most
Fire Protection	800,000	9%	Most
Total	1,700,000		
LOST - Local Option Sales Tax	1,200,000	3%	Minimal
TDC - Tourism Development Council Bed Tax	2,200,000	41%	None directly Some based on area advert.
Lease Fees:			
Residential	2,700,000		
Commercial	3,500,000		
Total	6,200,000	100%	All
Bob Sikes toll Bridge	3,500,000	100%	2,200,000 Bond paymts & Operations

Pensacola Beach Taxation Summary
2011

	Residential	Commercial	Total
2011 Assessed Values			
Improvements	667,733,000	65,617,000	733,350,000
Condo Land (using 2010 values)	138,900,000		138,900,000
Land - other than condos	279,741,000	61,345,000	341,086,000
Total	1,086,374,000	126,962,000	1,213,336,000
Total Escambia County Beach Present			16,673,000,000
			7.3%

Pensacola Beach Percent of County Population

	County Portion	Schools Portion
2011 County Revenue		
Tax on Improvements	9,909,158	5,767,944
Tax on Condo land	2,061,276	1,092,476
Tax on Other Land	4,151,356	2,682,710
MSBU \$414	1,573,000	
Total	17,694,790	9,543,130
SRIA Lease Fees	2,700,000	6,200,000
Total	20,394,790	25,817,906

	County Portion	Schools Portion
2011 County Revenue		
Tax on Improvements	10,882,914	5,767,944
Tax on Condo land	2,061,276	1,092,476
Tax on Other Land	5,061,716	2,682,710
MSBU \$414	1,612,000	
Total	19,617,906	9,543,130
SRIA Lease Fees	3,500,000	6,200,000
Total	23,117,906	25,817,906

September 28, 2011
Special Board Meeting
Item # 3

Discussion regarding an independent study to assess the benefits and features of Pensacola Beach. (Report by Chairman Ed Guernsey)

See attached.

July 30, 2011

Mr. Denis McKinnon, Jr.
Chairman
Escambia County Tourist Development Council

Dear Denis,

You have asked me to prepare a brief memo describing the role of tourism in our local economy. The following paragraphs first describe overall employment and sales tax collections associated with our visitors. I then look at the distribution of bed tax revenue within the County. Finally, I examine the ripple effect of tourism through the local economy and briefly discuss the economic recovery from the Great Recession.

Employment and Taxes

The following Table is constructed by Economic Modeling Specialists, Inc (EMSI). EMSI is a national data provider that combines information from the federal statistical agencies and state labor market information. As can be seen below, visitors are estimated to be responsible for about 9 percent of all jobs in Escambia County. While smaller than government-related employment and also health care service, the 16,159 jobs generated are more than in most other sectors. In terms of percent of earnings, visitors drive about 6 percent of all earnings, paying some \$480 million per year.

Table 1. Escambia County Economy by Major Driver

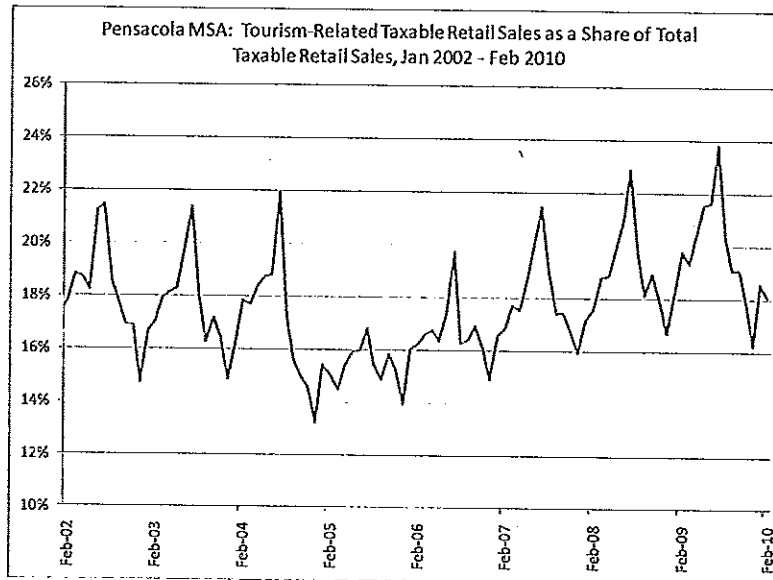
Sector	Jobs	Earnings(k)	Jobs%	Earnings%	EPW/(k)
Government	58,526	\$3,378,693	34%	43%	\$58
Services	34,244	\$1,414,837	20%	18%	\$41
Residents' Outside Income	21,605	\$719,384	13%	9%	\$33
Visitors	16,159	\$480,811	9%	6%	\$30
Finance	13,860	\$570,164	8%	7%	\$41
Manufacturing	7,869	\$421,605	5%	5%	\$54
All Other	6,355	\$313,333	4%	4%	\$49
Exogenous Investment	5,046	\$199,962	3%	3%	\$40
Mining	2,429	\$92,982	1%	1%	\$38
Construction	2,148	\$91,825	1%	1%	\$43
Communications	2,001	\$82,616	1%	1%	\$41
Agriculture	948	\$24,057	1%	0%	\$25

Source: EMSI Complete Employment - 2011.3

In addition to a large number of jobs, visitors tend to contribute a disproportionately large share of total taxes that are collected. This is particularly true for sales and use tax, as most things that our visitors purchased are subject to sales tax. It is also true for property taxes, as evidenced by the relatively low share of owner-occupied dwellings in beachfront areas.

Expanding our view to Escambia and Santa Rosa, one can see in the chart below that in July 2009 in the Pensacola MSA, tourism-related taxable retail sales, as defined by the Florida Department of Revenue, constituted 24% of all taxable retail sales. This share has grown over

time as vacation lodging inventory has grown and, more recently, as other sectors of the local economy have stagnated with the Great Recession. These figures are also indicative of a strong underlying economic growth potential once other parts of the economy have recovered. The tourism sector was hit hard by the loss of inventory due Hurricane Ivan in September 2004.



Among those business types most connected to the beach visitor are lodging, attractions, restaurants, retail sales, recreational and sport fishing, and real estate sales.

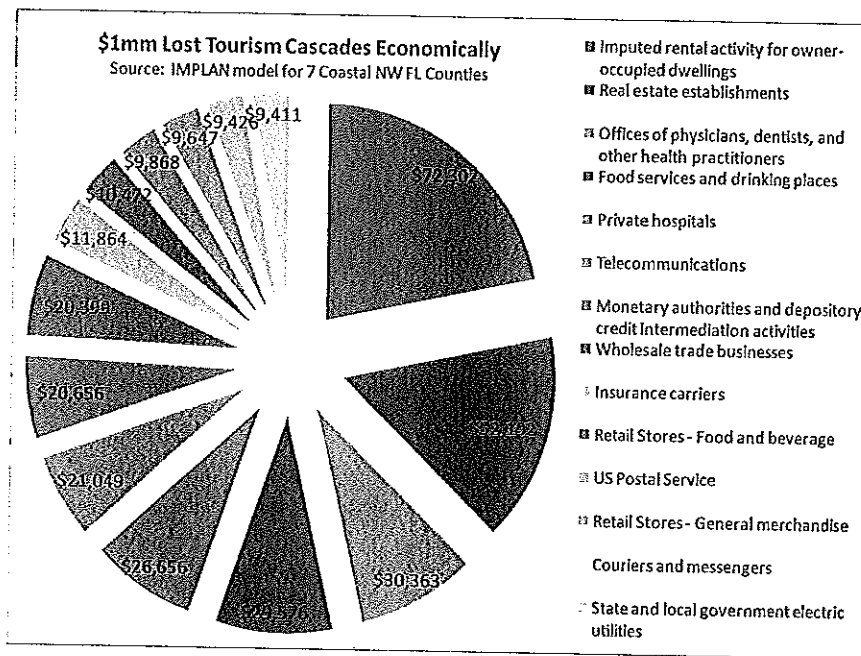
In the chart above, it should be noted that taxable retail sales in tourism are calculated as sales by those types of retail stores that are classified by the Office of Economic and Demographic Research as being tourism-related. However, in looking at the contribution of visitors to local economic activity, it is important to note that many businesses where visitors spend will fall outside the tourism and recreation categories as defined by the Florida Department of Revenue. The tourism and recreation classification of types of establishments is provided below.

- Tourism & Recreation Category:
- 8 - Restaurants, Caterers
 - 9 - Taverns & Clubs, Liquor Stores
 - 16 - Jewelry, Leather, Sporting Goods, Bait & Tackle, Pro Shops
 - 39 - Hotels & Transient Rentals
 - 43 - Tobacco Shops
 - 52 - Photographers & Photo Supplies, Art Shops
 - 55 - Gift, Card & Novelty Shops, Toy Stores, Hobby Shops
 - 56 - News Stands, Magazine Subscriptions
 - 59 - Admissions
 - 60 - Holiday Season Vendors
 - 61 - Rental Shops
 - 83 - Parking Lots, Boat Docks, Storage
 - 85 - Hotels & Transient Rentals, Local Option
 - 89 - Exempt Facilities

Other types of retail establishments may well sell most of their output to visitors, either directly (to the visitors themselves) or indirectly (to those who then sell goods and services to visitors), but not be counted as part of the tourism and recreation category. Examples of this include boat dealers and marinas (classified under consumer durables), furniture stores (consumer durables), grocery stores, seafood markets, variety shops, repair shops, fuel dealers, commercial fishermen (all are classified by FL DOR as consumer non-durables), building contractors, roofing, electrical and plumbing, signage (classified under construction), transportation, insurance, packaging (classified as business investment). The implication of this is that a simple measure of tourism-related sales will not fully account for retail sales resulting from the presence of visitors in our economy.

Supply Chain and Induced Impacts

A convenient way to examine the economic contribution of visitors to the local economy is to examine what would be the effect of removing \$1 million dollars in local spending from the visitor sector. A loss of sales from visitors would ripple through into other areas of the local economy. The following chart shows lost output for the top 14 sectors in terms of supply chain and household income impacts (the so-called “indirect” and “induced” impacts in the parlance of input-output models) that are spread throughout the local economy from a hypothesized reduction of \$1 million in output in tourism businesses.



As can be seen in the pie chart above, visitor spending drives economic activity via “spin-off” or “multiplier” impacts that are above and beyond a direct change in visitor spending. For a \$1 million drop in the local component of visitor sales, there is some \$124,494 in losses of imputed rental income to owners and profits to real estate establishments. The input-output model calculates that the indirect and induced impacts will be some \$57,019 in lost sales by the offices

of physicians, dentists, other health practitioners and private hospitals for every million dollars in lost tourism sales. Thus, even for businesses that might not sell directly to visitors, the economic reality is that spending flowing from this sector drives many other sectors of the local economy in a non-trivial way.

Within-state differences

Visit Florida, Florida’s tourism promotion agency, notes in a 2007 research report that Northwest Florida visitors report the highest prevalence of beachfront/water activities as their primary activity than in any of the other eight Florida vacation regions. While a Miami visitor might explore the Everglades, or buy a cigar from the shops on Calle 8, and an Orlando visitor can choose among several theme parks, the Northwest Florida visitor goes to the beach. In the state that vacationers think of for sun, sand, and sea, Northwest Florida (or NW FL) is the most “beach-intensive” region.

Percent of Vacationers Listing "Beach/Waterfront" as a Top Activity
by Florida Vacation Regions as defined by Visit Florida

<u>Region</u>	<u>Percent</u>
Central	10
Central East	36
Central West	26
North Central	<4
Northeast	16
Northwest	52
Southeast	31
Southwest	35

Source: Visit Florida. 2007 Domestic Visitor Profile by Florida
Vacation Region

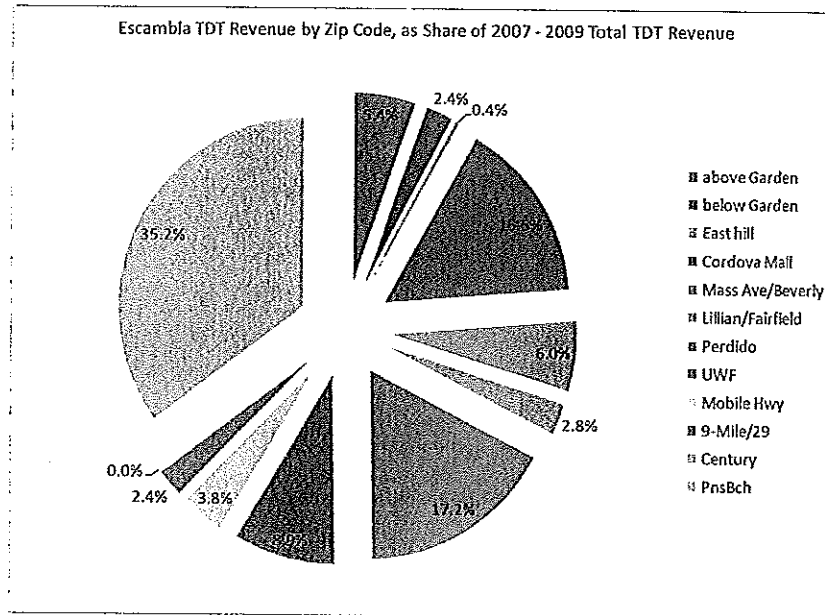
Within-region differences

Looking within Northwest Florida, differences are also apparent between the three coastal metro areas (and non-metro counties), and within those metro areas, between the coastal and the non-coastal areas.

Pensacola is the most diversified of the three coastal metro areas in the disproportionately affected area and as such has the smallest share of its economy reliant on tourism. Data from national data provider EMSI suggest that after adjusting for the different populations of the counties, Bay County has 2.1 tourism-dependent jobs for every one tourism-dependent job in Escambia, while Fort Walton Beach has 1.7. Walton County is the most tourism-intensive of the NW FL counties, with 3.2 tourism-dependent jobs for every one in Escambia, while Santa Rosa has only .8. Because of the larger population size and overall labor force in Escambia, however, the absolute number of tourism-dependent jobs, at 16,159, is only slightly smaller than the number for Bay, at 17,027 and is larger than the number for Okaloosa, at 14,444, Santa Rosa, at 4,351, and Walton, at 7,970.

Within-county differences

As can be seen in the chart below, for more normal years, the two coastal zip codes in Escambia County (Pensacola Beach and Perdido Key) are responsible for just over 52 percent of revenues during the year. However, this impact is not uniformly distributed across the months of the year. Due to the seasonal nature of NW FL visitor activity, in 2009 this market share for beach zip codes varied from a low of 34 percent in January to a high of 72 percent during July. In contrast, the zip code adjacent to the airport accounted for only 8 percent of county bed tax revenue in 2009.

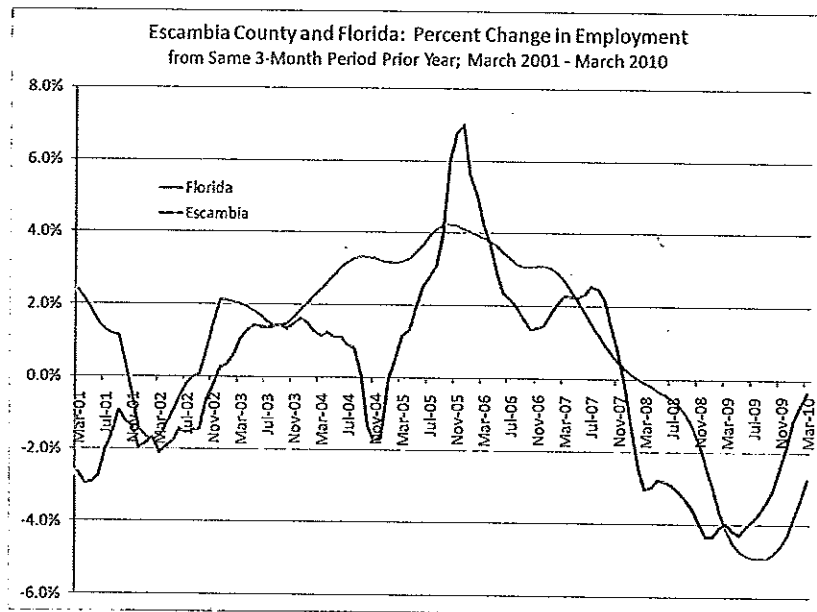


During 2010, the situation changed dramatically due to the oil spill. During July 2010, bed tax revenue collected fell by 42 percent in Pensacola Beach and by 46 percent for Perdido Key relative to the same month in the previous year. Hoteliers and condo managers described a situation in which advance bookings during spring 2010 for the summer months had been substantial. However, as the seriousness of the oil spill became clear, and the risk of oiling for Florida beach increased, cancellations mounted, particularly with properties requiring advance booking deposits. Occupancy rates fell, and in order to rebook these properties and rooms, managers had to offer substantial discounts to attract bargain seekers. The combination of low occupancy rates and low prices added up to low revenue and low bed tax collections in beach tourist zones.

However, these 2010 beachfront bed tax losses were partially offset by an increase of revenue of 33 percent for the airport zip code. This made sense given the influx of people including press, government, and remediation workers seeking affordable, comfortable and convenient lodging while doing their work in the Central Gulf Coast region. Overall, the increase in revenue near the airport meant that the countywide decrease of 25 percent, in combining excellent performance near the airport with devastating decreases at the beach, masked important differences within the County.

The spill-related changes meant that the share of total revenues attributable to the beachfront areas during July declined markedly, from 72 percent to 54 percent, while the share for the airport zip code rose from 8 percent to 14 percent of total county revenues.

General Growth Trends in the Local Economy



The national economic picture has improved, with the national recession that began in December of 2007 having ended in June of 2009, according to a September 2010 assessment by the National Bureau of Economic Research (NBER). While the recession hit Florida harder than many other states, the sales and employment data cited above clearly show Escambia County and Florida exiting the recession. The Florida Revenue Estimating Conference of August 2010s projects that revenue into state coffers from taxable retail sales will have risen in FY2010/2011 by 5.1% from the prior fiscal year.

Conclusion

Visitor spending has become more important over the last several years in the Pensacola economy. This is in part due to the post-Ivan rebuilding, but also because the rest of the country was in better shape than Florida, so that our visitor sector improved more than sectors that relied more heavily on local spending, e.g., construction. Strong improvement in the overall visitor sales environment due to an improved economy would likely have occurred in Escambia County in 2010 but for the oil spill, and strong growth in visitor activity in 2011 and beyond will help pull us out of the hole left by the Great Recession.

Please contact me with any questions about this memo.

Sincerely,

A handwritten signature in black ink, appearing to read "Rick Harper", with a long horizontal flourish extending to the right.

Rick Harper, Ph.D.
Executive Director, UWF Office of Economic Development and Engagement