



March 30, 2017

Elaine Hart, Interim City Manager
Mark Washington, Assistant City Manager
James Russell, Chair, Visitor Impact Task Force
City of Austin, Austin, Texas

Via Email

RE: Complaint on management and direction of the Visitor Impact Task Force process

Dear Ms. Hart, Mr. Washington and Mr. Russell:

I respectfully submit that the Visitor Impact Task Force process has drifted off course from the charge given to it by City Council Resolution No. 20160818-075 of August 18, 2016. I ask that each of you take steps immediately to redirect the process to fully, fairly and openly address the charge from council and to make the process accessible to the interested public.

The August 18 resolution describes the Task Force's scope of work to include seven points. The seventh point – to make “recommendations to the City Council about how to best utilize all hotel occupancy revenue to impact tourism by April 1, 2017”—is based on carrying out the previous six points.

The resolution's “whereas” clauses also give direction to the Task Force process, especially the last one: “Whereas, providing public oversight and input regarding both the use of and the effect of the City use of hotel occupancy tax revenue would ensure public confidence in the City use of tax dollars.”

City staff has largely failed to provide essential and accurate information to the Task Force members on the points charged to them by the council resolution. The meetings have all been tucked away in obscure meeting rooms, difficult to access by the public, and with no video-recording or live streaming capabilities, making it difficult for the community to follow along or revisit the content of the meetings. To my knowledge there has been virtually no effort to connect the process to the community or interested stakeholder groups save and except the hotel industry. Thus, the goal of “public oversight” has thus far been almost completely lost.

Rather than providing clear and comprehensive information on the six points charged to the Task Force, the Task Force process has consisted almost entirely of an extended sales pitch for expanding the convention center. This sales pitch is woefully lopsided, obscuring critical information, providing misleading information, and completely leaving out other critical information. I will address this more completely below, but first I want to address the council resolution topics that have been ignored or otherwise given short shrift.

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The first council charge calls for studying the impacts “of tourism on City infrastructure, services, and facilities, and investigate opportunities to offset those impacts by using Hotel Occupancy Tax revenues.” This is clearly focusing on costs imposed by tourism, and how the hotel tax may be used to “offset those impacts.” Perhaps I missed it, but the only real information I heard or have seen presented by staff to the Task Force extolls all the financial benefits of tourism and conventions. It’s fair of course to provide those, but the charge here is to look at the costs to the city and how to deploy the hotel tax to pay for those costs, rather than be forced to pay them from the general fund or from Austin Energy or the Water Utility. To my knowledge none of this has been done by staff. There have been no listing or estimates of costs imposed on city infrastructure, services or facilities by tourism or on how these identified costs could, if the council so decided, be paid with hotel occupancy tax funds.

The second point of the resolution calls for review of the current uses of the hotel tax and the impact of those expenditures on tourism. While this has been done in general terms, there has been no effort to lay out any kind of meaningful comparison of the value received from each category of current hotel occupancy tax expenditures. For example, staff cannot dispute that convention visitors only make up about 2% of tourists, yet convention center operations, debt service, and promotions are taking up two-thirds or more of the collected tax. No information has been provided on how this can be a responsible allocation of funds, or on potential alternative uses of these funds that might benefit tourism in a more cost-effective way (other than some minor adjustments to provide funds to parks).

The third point calls for review of current tourist activity and “what events, venues, or facilities those tourists attend while visiting.” Again, staff has provided only very limited and vague information. Surely there is, somewhere in the City’s possession, information that tells us what brings tourists to Austin, in what percentages, what they are most excited about, what they would like to see more of, why they would come back again, what they will do when they come back, what they missed but will go see next time they visit, what is less interesting to them, etc. This is basic tourism information that should be provided in a written, thorough yet accessible format, based on sound data. The information, gathered through surveys or other means, should be from a representative sample of all tourists, not just from the small fraction (1 out of 50) of tourists that attend conventions.

In making this sales pitch, the staff has failed to provide even the most basic of information to the Task Force about convention center operations, including for example for past years and projected future years: annual operating costs (and what the major categories are); annual revenues and those sources; annual transfers to or from the convention center operations from other city funds; annual debt service and where and how much of the excess of debt service is dedicated to operations, creation of a sinking fund, etc; how much outstanding debt remains and how much could be paid off instantly with the excess funds accumulated. Similarly, the details of the Waller Creek project and ACVB operations have been obscured or left out entirely.

As was shown at this week's meeting, the Task Force had no idea that the convention center operated at a substantial loss last year (\$24.3 million single year loss), or that, despite these losses from convention center operations, the convention center was sitting on more than \$122 million in cash and cash equivalents as of last September because of the extreme over-allocation of hotel occupancy tax revenues to the convention center. All of these numbers come from page 112 of the City's September 2016 financial statement.

The overwhelming message delivered by City Staff, meeting after meeting, has been that the convention center is a roaring success and thus how could any reasonable person even question the idea that expanding it should be a priority for sinking another \$600 to \$800 million of city funds (not counting interest or O&M).

If staff has attempted a reasoned, honest analysis of the likely future tax revenue streams that would be lost if the three target blocks for the proposed expansion were removed from the tax rolls, that information has not been provided. It is my understanding those three blocks are not subject to capitol view corridors and thus could be developed with unlimited height. That is an enormous potential tax revenue stream that must be part of any honest financial analysis for expanding the convention center at its current location.

The sales pitch from staff is starkly reminiscent of the misleading, incomplete, and incorrect information provided by City Staff in selling the \$500 million (not counting interest or O&M) Water Treatment Plant No. 4 to the public and to the city council. The stakes here are higher, not just in dollar terms, but in what we as a city stand to lose if we pour another billion or more into an expanded convention center rather than direct those funds to the people, places and activities that make Austin exciting to visitors and residents alike and which we are losing day-by-day because of Austin's hyper-growth and our growth-driven affordability challenges.

Please take steps now to put the Task Force process back on track, to provide full, honest, and accurate information, and to locate the Task Force meetings in accessible places with video-streaming capacity. Stakeholder groups, not just staff, should be given significant time to present information and ideas and to ask questions, even when they don't agree with staff.

Thank you in advance for your consideration.

Sincerely,

/s/

Bill Bunch

Cc: Hon. Mayor Adler, Mayor Pro Tem Tovo and Members of the City Council