**Room Occupancy/Prepared Food And Beverage Taxes**

**Operating Practices Summary**

**Purpose of Operating Practices:** The following Operating Practices represent procedures and standards intended as a guide in administering uses of the Wake County Room Occupancy and Prepared Food and Beverage Taxes in accordance with the enabling legislation, Interlocal Agreements and Amendments and approved Guiding Principles. Executive oversight and direction over these Practices is provided by the Wake County and City of Raleigh managers. These operating practices reflect decisions by the Raleigh City Council and Wake County Commissioners through the 20th Amendment to the Interlocal Agreements.

**Guiding Principles: See separate document. Practices to be consistent with guiding principles.**

**General Operating Practices:**

Based on the 1991 bill of the North Carolina General Assembly entitled *An Act To Authorize Wake County to Levy A Room Occupancy Tax And A Prepared Food And Beverage Tax*, and the *Amended Interlocal Agreement Between Wake County and the City of Raleigh Regarding Implementation of Countywide Room Occupancy and Prepared Food and Beverage Tax*, authority for setting of projects to be funded by such taxes as well as other related administrative matters rests with the governing bodies of Wake County and the City of Raleigh.

1. Responsibility for the accountability and administration of Interlocal Tax funds is shared by staffs of Wake County and the City of Raleigh, utilizing the Countywide Major Facilities Cash Model and the Raleigh Convention Center Complex Financing Plan, as detailed below. All activity involving the Interlocal Tax funds is included in the annual audits of Wake County and the City of Raleigh.
2. Given a principle objective of having Interlocal Tax fund investments benefit the entire county, participation of a diverse group of stakeholders within the county is desired. This participation will be organized in the following ways:
	1. Stakeholder feedback is to be regularly sought and used in prioritizing uses of the Room Occupancy and Prepared Food and Beverage taxes in accordance with approved Operating Principles, with major stakeholders to include:
* Local Government Jurisdictions of Wake County, Apex, Cary, Fuquay-Varina, Garner, Holly Springs, Knightdale, Morrisville, Raleigh, Rolesville, Wake Forest, Wendell, Zebulon
* Centennial Authority
* Greater Raleigh Convention and Visitors Bureau
* Wake County Hospitality Alliance
* Other key entities associated with the promotion of sports and entertainment in the county.
	1. Formal stakeholder reviews will be conducted to gain broad stakeholder input on the performance of the financial models and feedback on key issues affecting these revenue sources and associated investments. The reviews will be led by the Wake County and City of Raleigh Managers. The timing of the reviews will be set as part of board actions on Interlocal Agreement amendments and will generally be held no less than every three years.
	2. As overseen and directed by the Wake County and City of Raleigh Managers, a staff review team will represent the general stakeholder community in providing advice and recommendations on uses of tax funds. The team will be comprised of representatives from Wake County, the City of Raleigh, the Centennial Authority, the Greater Raleigh Convention and Visitors Bureau, the Hospitality Alliance, the two local governments in Wake County who collect the next largest amounts of tax funds and one other rotating (every two years) local government jurisdiction. The team shall meet periodically (but no less than annually) to help plan, review model scenarios and advise on the distribution of tax revenues.
1. Based on recommendations of the staff review team and/or other circumstances, the Wake County and City of Raleigh Managers may pursue Board and Council approval of requests for funding or other administrative changes to the Interlocal Agreement.
2. Potential Projects to be considered for funding will be reviewed and evaluated for adherence to the guiding principles in four overall categories:
3. Convention Center Complex and PNC Arena projects originally designated in the enabling legislation (Section 1 and 2 of County Model)
4. Other Major Projects expected to promote a high level of tourism activity and overnight lodging needs within the county or are expected to provide a high return on investment (Section 3 of County Model)
5. Community Specific Projects that enhance more localized sports, cultural, arts and other quality of life benefits for county residents; typically associated with “daily” users and participants (Section 3 of County Model)
6. Small Projects eligible for funding by the annual small project allocation that competitively awards funds based on a proposal process by Wake County (Section 3 of County Model)
7. Capital maintenance needs generally are defined as expenditures that extend the life of a facility or significant assets within the facility. Funding requests intended to be used for such purposes should be supported by formal capital maintenance plans and would typically apply only to categories 4a and 4b above. Except in rare cases, capital maintenance for community and small competitively funded projects will be expected to be met by local jurisdictions and/or other owning entities.
8. Support for projects will generally be prioritized in the order described in Section 4 above with the additional condition that County Model Section 3 allocations will provide an ongoing investment mix that considers tax revenue sources and diversity of locations through the county.

**Financial Modeling and Planning Practices:**

Wake County maintains the Countywide Major Facilities Cash Flow Model that documents the history, commitments and projections associated with Room Occupancy and Food and Beverage Tax Collections. The City of Raleigh maintains the Raleigh Convention Center Complex Financing Plan that documents the history, commitments and projections associated with the distribution to the City. Currently, the models project funding through 2034, the term of the existing Convention Center debt.

***Countywide Major Facilities Cash Flow Model Practices:***

The Major Facilities Cash Flow Model operates as follows:

*Revenues*

The Revenues Section of the County Major Facilities Model captures actual revenue performance for past years and demonstrates growth projections based on more realistic, less conservative estimates in the short term, moderately conservative in mid-term and most conservative in long-term. Revenue growth estimates are approved through the interlocal agreements, and the short-term projections are updated annually.

*Section 1: Admin and Holdbacks: Uses of Funds*

Section 1 of the County Major Facilities Model is reserved for distributions set by the enabling legislation or directly linked to those distributions. Funding established by the enabling legislation include administration and collection, City of Raleigh Holdback, Greater Raleigh Convention and Visitors Bureau, Town of Cary Hold Harmless, and Centennial Authority Operations. Funding currently negotiated for distribution consistent with the enabling legislation include existing PNC debt service, PNC maintenance, and City of Raleigh and Wake County discretionary dollars.

*Section 2: Distribution to Raleigh Convention Complex*

Section 2 of the County Major Facilities Model is reserved for the distribution to the Raleigh Convention Complex. The distribution is based upon a percentage of interlocal tax net revenues after Section 1 distributions and is dedicated to support the Convention Center Complex Financing Plan. The distribution percentage, currently 85%, is established by joint action of the Wake County Board of Commissioners and the Raleigh City Council (See Convention Center Model).

*Section 3: Distribution for Other Projects*

Section 3 of the Model is for all other projects. The distribution percentage, currently 15%, is established by joint action of the Wake County Board of Commissioners and the Raleigh City Council.

1. Projects approved for Section 3 distributions may be related to either cash or debt funded projects of jurisdictions or organizations within Wake County. Funding amounts may cover all or a portion of such costs and be distributed over one or more years to match project cash flow requirements. The projects are awarded by joint action of the Wake County Board of Commissioners and the Raleigh City Council.
2. Wake County will receive an annual allocation, currently $2 million, as a Reserve for Competitive Projects. Wake County will conduct a biennial process (or other term, at its discretion) to receive requests for funding of eligible projects across the county. The Wake County Board of Commissioners will determine the projects to receive funding.
3. The amount of Section 3 disbursements are limited to capacity limits that meet overall fund balance requirements to maintain fiscal sustainability of the model.

***Raleigh Convention Center Complex Financing Plan Practices:***

The Raleigh Convention Center Complex Financing Plan operates as follows:

The Convention Center Complex Financing Plan includes financial requirements for debt service on the original Convention Center construction, an operating subsidy for the Center, capital maintenance for the convention and performing arts center, funding of a Business Development Fund and other approved items.

1. The Convention Center Complex includes the Duke Energy Center for the Performing Arts, the Raleigh Convention Center, and the land and associated assets supporting the operation and future expansion of the Convention Center.
2. Fund balance level is intended to be of adequate size to provide, at all times, an internal debt service reserve which meets at least a AA quality credit rating. Any remaining balance which may accrue shall be reserved for future capital requirements of the Convention Center (including expansion) and PNC Arena, per the 18th admendment and any use of fund balance requires approval by the Wake County Commissioners and Raleigh City Council.