

Atlantic City Tourism Performance Indicators (AC-TPI) 2013 Annual Report

Prepared by
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for the

LLOYD D. LEVENSON INSTITUTE
OF GAMING, HOSPITALITY & TOURISM

THE RICHARD STOCKTON COLLEGE OF NEW JERSEY



Atlantic City Tourism Performance Indicators (AC-TPI) 2013 Annual Report

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Introduction

Gross Gaming Revenue (GGR) in Atlantic City has largely been declining since 2006 when GGR peaked at \$5.2 billion. As competition for the gaming dollars of Northeast United States residents increased, Atlantic City has reacted by increasingly diversifying its destination offerings. The diversification of products and services to guests of the resort has brought about a renewed focus on increasing the entertainment, restaurant and shopping options for the visitor. This effort has been bolstered by an expanded marketing campaign, aided by state mandated investment by the casinos in a public-private partnership consisting of the Casino Reinvestment Development Authority (CRDA) and the Atlantic City Alliance (ACA) respectively. The ACA has since produced what many have come to know as the “DO AC” campaign, a campaign with a marketing focus that highlights the resorts’ entertainment, restaurants and shopping attractions.

It is clear, however, that as the resort transforms into a more full service destination, a set of measures that can measure progress of this transformation is increasingly necessary. Atlantic City’s performance should include measures by which other destinations are measured. That necessarily includes a set of measures that highlight performance in the lodging, food and beverage, entertainment and other tourism related sectors. Strategic success of the resort’s current efforts requires a set of measures for investors and policy makers that measure the efforts at expanding the region’s tourism economy, not just gaming.

This report, the Atlantic City Tourism Performance Indicators or AC-TPI, provides some insight into the growth of this broader tourism economy by examining several taxes related to traveler accommodations, transportation, food services and drinking places, recreation and entertainment, and shopping. It is not the goal of this report to place a value on each of these measures, but rather to report the monthly changes in their values as compared to the prior year (YoY). In order to achieve this, tax revenue figures that closely track these key measures can serve as a reasonable proxy. The Atlantic City Luxury Tax and Parking Fee, and the Atlantic County Hotel Fee, are examined in the following sections. The tax revenue for all three measures are presented from 2005 to present. They are presented on monthly, quarterly and annually for this time period. The change from the same period the prior year is presented as well.

Atlantic City Luxury Tax

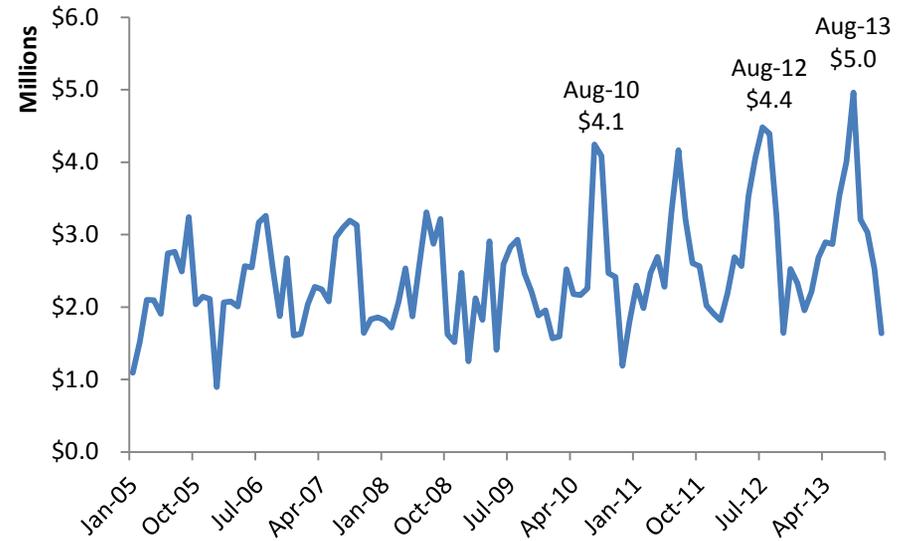
The Atlantic City Luxury Tax provides a very good surrogate for many of the non-gaming measures, namely alcohol, entertainment and traveler accommodation. According to the NJ Division of Taxation:

“The Atlantic City Luxury Sales Tax applies to the receipts from specified retail sales within Atlantic City, including sales of alcoholic beverages for on-premises consumption; cover, minimum, or entertainment charges; room rental in hotels, inns, rooming, or boarding houses; hiring of rolling chairs, beach chairs, and cabanas; and tickets of admission within Atlantic City... The rate of tax is 3% on sales of alcoholic beverages sold by the drink and 9% on other taxable sales. The maximum combined Atlantic City rate and New Jersey State sales tax rate (excluding the State occupancy fee) may not exceed 13% effective July 15, 2006. The State sales tax rate is reduced to the extent that the city rate exceeds 7%, and the maximum combined Atlantic City rate and New Jersey rate may not exceed 13%. Formerly, the maximum combined Atlantic City rate and the New Jersey sales tax rate could not exceed 12%.”

Figure 1 shows the Atlantic City Luxury Tax collections from January 2005 through December 2013. The highest recorded monthly total was experienced just this past calendar year in August of 2013 when \$5.0 million in Atlantic City Luxury Tax was collected. The graph shows the seasonal nature of the destination (and the tax), with more tax generated in the summer months, the historically busy months for the tourist destination of Atlantic City. While this tax has been trending upward over the three years under examination in the chart, that trend is difficult to discern given this seasonal nature. The growth in the peak period (summer) months has been particularly notable. Collections during August grew by over \$600 thousand between 2012 and 2013. Some of this additional revenue may be a result of a slower June and July in 2013, perhaps some pent up demand following an unseasonably cold and damp late spring and early summer.

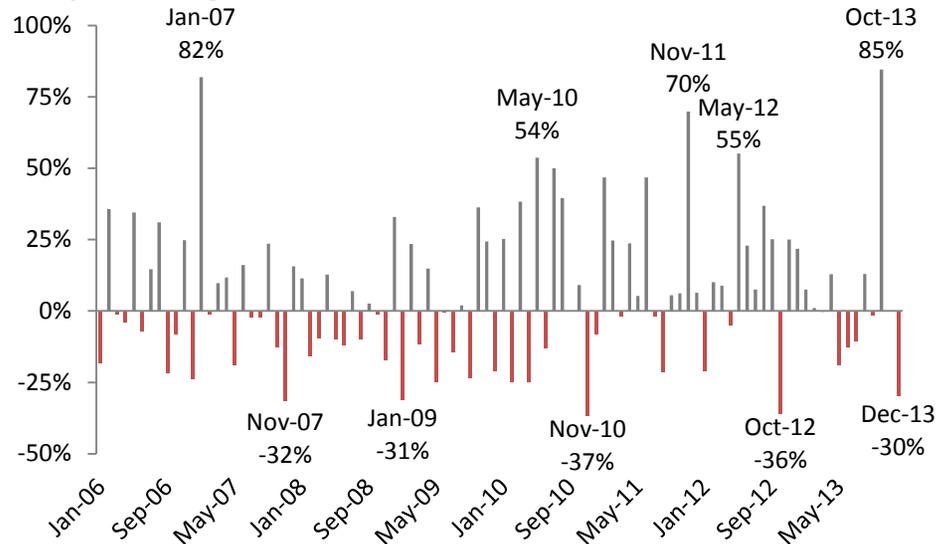
Year over Year (YoY) change in the monthly Atlantic City Luxury Tax collections can also be tracked to show how each month compared to the same month the prior year. Figure 2 accomplishes this for the same study period. The aforementioned August figure was 13% higher than the previous year, following declines of 19%, 13% and 11% in May, June

Figure 1: Atlantic City Luxury Tax Collections, January 2005 through December 2013, \$millions



and July respectively. The closure of Atlantic City at the end of October of

Figure 2: Year over Year (YoY) Change in the Atlantic City Luxury Tax Collections, January 2006 through December 2013



2012 as a result of Hurricane Sandy meant that the October 2013 figure would almost assuredly be positive, and indeed was up rather significantly (85%). The most recent month's data, December 2013, saw a 30% decline compared to December of 2012.

The seasonal trend is also discernible looking at the quarterly revenues (see Figure 3). The third quarter is always the strongest quarter of the year, and has increased in both of the past two years, reaching a record high in 2013 for any quarter at \$12.2 million. The strong October was enough to offset the December decline to ensure that the fourth quarter of 2013 was higher than the fourth quarter of 2012 (\$7.2 and \$6.5 million respectively).

Indeed, the fourth quarter of 2013 finished with a double digit gain of 11% (see Figure 4). The roughly flat 3rd quarter likely would have been higher had it not been for an unseasonably cold and wet July which impacted most shore destinations in Ocean, Atlantic and Cape May Counties. The weather in June was no better and contributed to the 8% decline experienced in the second quarter of 2013.

Spending on taxable items subject to the Atlantic City Luxury Tax have been on the rise since 2010 (see Figure 5). Four consecutive years of growth in spending on items taxed under the Atlantic City Luxury Tax peaked with a very strong 2013 at \$35.5 million. And while this figure is only marginally above the 2012 figure, it is notable that both years are significantly higher than the \$26.4 million collected in 2009.

The full year growth in spending on non-gaming amenities taxed under the Atlantic City Luxury Tax for 2013 (up 0.1%, see Figure 6) was indeed very modest. Of course, this comes on the heels of three years of double digit growth. The growth in spending displayed by the Atlantic City Luxury Tax receipts over the past three years definitely speaks to a shift in the spending by the Atlantic City visitor. While Gross Gaming Revenue has declined, the resort is seeing strong growth in spending on the non-gaming destination amenities covered by the Atlantic City Luxury Tax.

In order to more clearly see the longitudinal trends, a twelve month trailing total is provided. This figure is the summation of each of the current month and prior eleven months. Figure 7 shows that the twelve month trailing total for the Atlantic City Luxury Tax has been steadily climbing

Figure 3: Quarterly Atlantic City Luxury Tax Collections, 1st Quarter 2006 through 4th Quarter 2013, \$millions

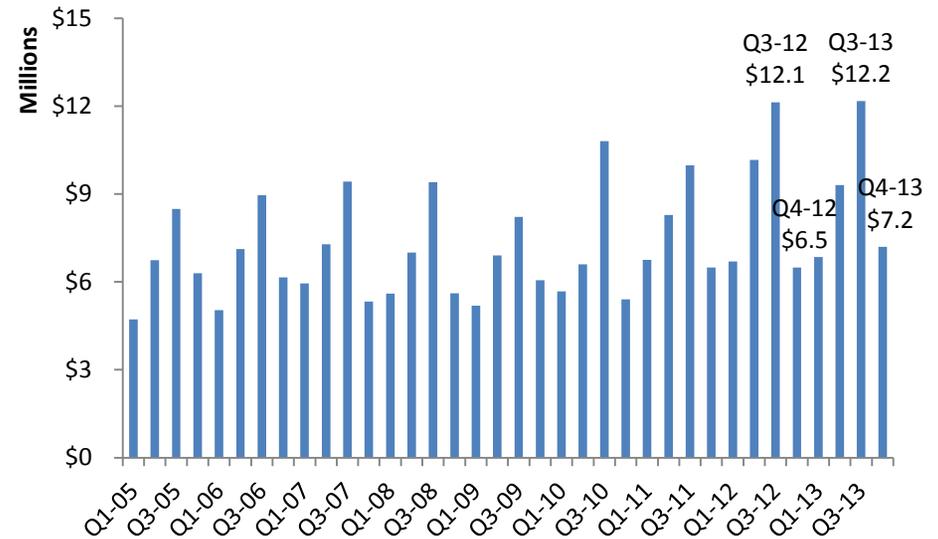


Figure 4: Year over Year (YoY) Change in the Quarterly Atlantic City Luxury Tax Collections, 1st Quarter 2006 through 4th Quarter 2013

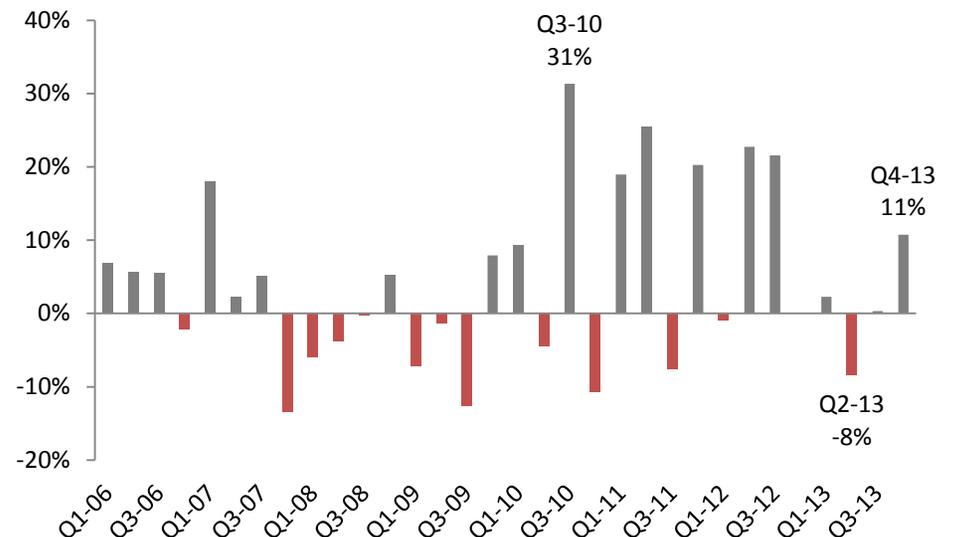
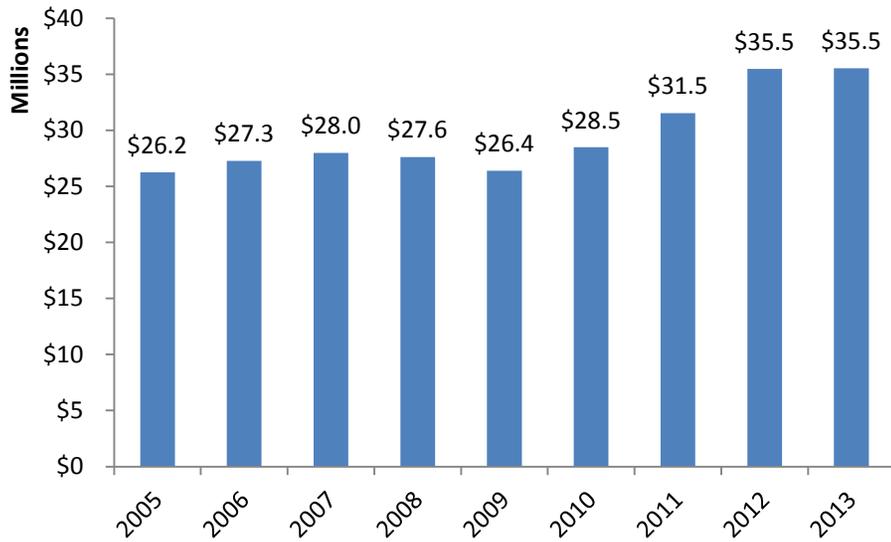


Figure 5: Annual Atlantic City Luxury Tax Collections, 2005 through 2013, \$millions



throughout the study period, with the notable interruption in growth that followed the arrival of Hurricane Sandy in October of 2012. Indeed, the twelve month trailing total for December of 2013 of \$35.5 million was only higher once before, the month before in November of 2013 at \$36.2 million.

Figure 6: Year over Year (YoY) Change in the Annual Atlantic City Luxury Tax Collections, 2006 through 2013

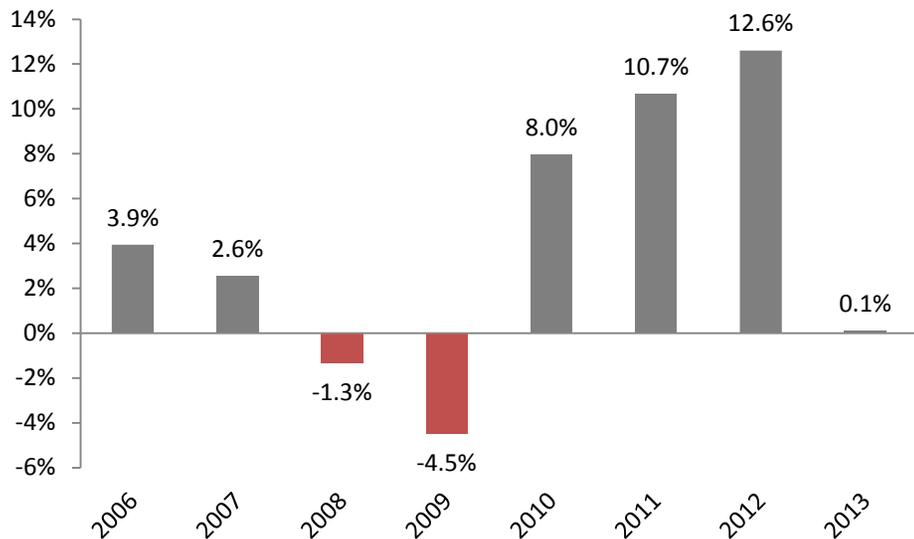
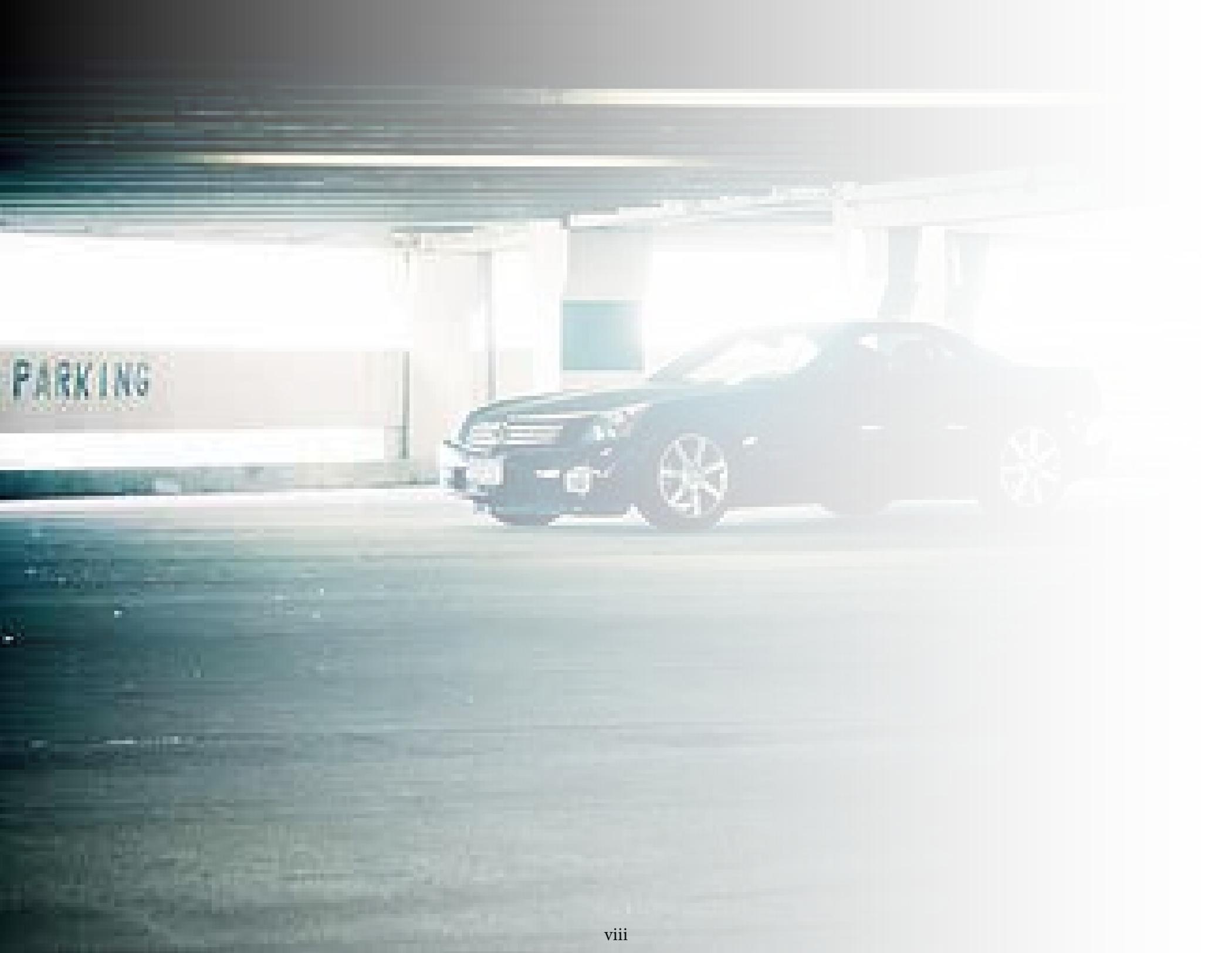


Figure 7: 12 Month Trailing Total for the Atlantic City Luxury Tax, December 2005 to December 2013, \$millions





Atlantic City Casino Parking Fee

The Casino Parking Fee figure is provided by the NJ Casino Control Commission (NJCCC). This figure serves as a surrogate for transportation, assuming that if the number of vehicles taxed has gone up or down, then so too will other expenditures on transportation to and from as well as within the resort. The tax is described by the NJCCC as:

“By law, casinos remit a fee of \$3.00 per day for each parking space used by patrons in their facility. \$0.50 of the parking fee is deposited into the Casino Revenue Fund, with the remaining \$2.50 forwarded to the Casino Reinvestment Development Authority for public projects in Atlantic City. The commission audits and certifies the amounts payable by each casino under the law.”

Figure 8 shows that the Casino Parking Fee is also seasonal in nature, peaking annually every July or August, similar to the Atlantic City Luxury Tax described in the earlier section. The highest month in this study period was August 2005 at \$3.7 million. Generally, the Casino Parking Fee has been trending downward since the introduction of gaming in Pennsylvania in 2006. Exceptions to this general decline however are present, beginning in late 2011. Indeed, the reversal of this trend may have occurred had it not been for the arrival of Hurricane Sandy.

An examination of the Year over Year change in the Casino Parking Fee on a monthly basis reveals a string of eleven consecutive months of declines following the arrival of Hurricane Sandy (see Figure 9). Indeed, the strong positive months that helped to end the year (October and November of 2013) were undoubtedly as a result of comparisons to the 2012 dates surrounding Hurricane Sandy being particularly low.

Whether the positive trends seen between December of 2011 and September of 2012 are back are difficult to project. How much of the negative comparisons between October 2012 and September 2013 are as a result of the Hurricane are equally difficult to say for certain. Clearly, however, Hurricane Sandy has had an impact on spending on goods and services taxable under the Atlantic City Luxury Tax. Despite what appeared to be a reversal in the number of individuals paying the parking fee between December 2011 and September 2012, Atlantic City saw twelve months of decline.

Figure 8: Casino Parking Fee, January 2005 through December 2013, \$millions

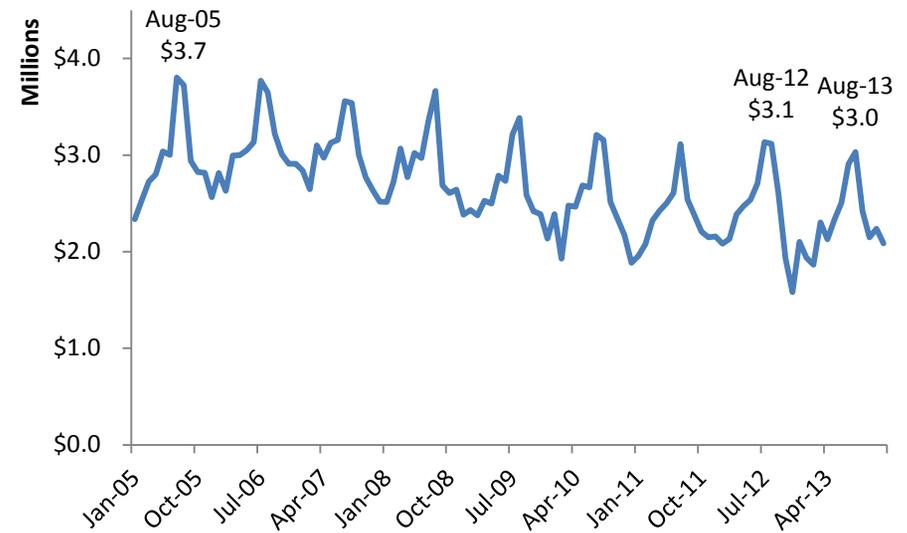
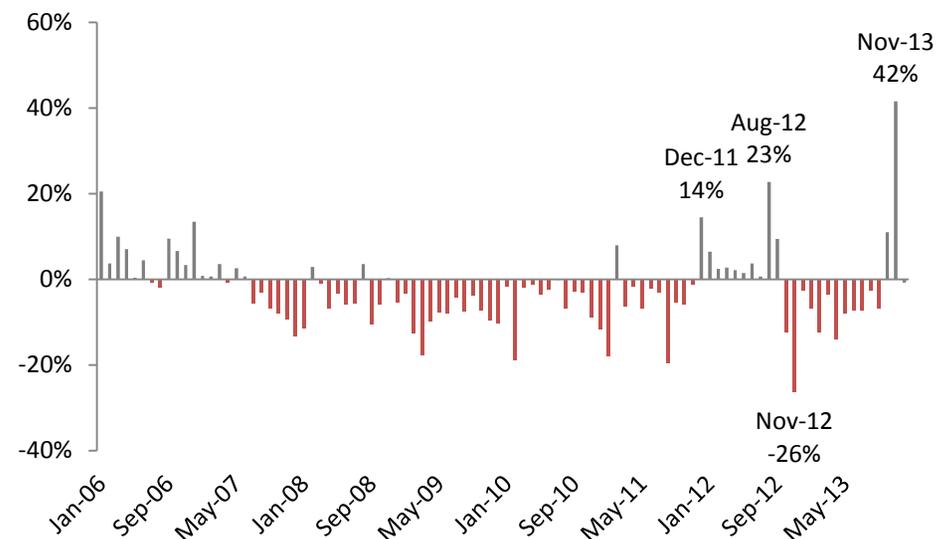


Figure 9: Year over Year (YoY) Change in the Casino Parking Fee, January 2006 through December 2013



The strong October and November months helped to increase fourth quarter revenue for the Casino Parking Fee to \$6.5 million in 2013 (see Figure 10). Still, the year was mixed, and the all important 3rd quarter saw the Atlantic City Luxury Tax collections fall from \$8.9 million in 2012 to only \$8.4 million in 2013.

Despite the four consecutive quarters of negative growth in the Casino Parking Fee from the fourth quarter of 2012 and the third quarter of 2013, the fourth quarter of 2013 ended in positive territory, up 15% (see Figure 11).

The resulting final year numbers were not too far off the 2012 figure (see Figure 12). Indeed, this is the third year in a row that the figure has been approximately \$28 million, having peaked annually in 2006, the year the first Pennsylvania casino opened.

Despite the fourth quarter performance, the Casino Parking Fee ended the year down 3% (see figure 13). While modest in size, the decline appears directly related to Hurricane Sandy based on the monthly and quarterly analysis discussed above. Certainly, the weather in the 2nd quarter also played a role.

Once again, it is instructive to look at a twelve month trailing total to discern the longer term trend in the Casino Parking Fee. This is accomplished in Figure 14. Here the picture is quite different than the analysis of the Atlantic City Luxury Tax in the prior section. The highest twelve month period in the study period was the twelve months ending June 2007, when the 12 months through June 2007 saw the Casino Parking Fee generate \$37.3 million. The twelve month trailing total bottomed out during the period with the twelve months ending November 2011 (\$28.2 million), but had been on the rise until the arrival of Hurricane Sandy. The most recent twelve month period ending in December of 2013 saw the Casino Parking Fee generate \$27.9 million, or 3% less than the December 2012 figure.

Figure 10: Quarterly Casino Parking Fee, 1st Quarter 2005 through 4th Quarter 2013, \$millions

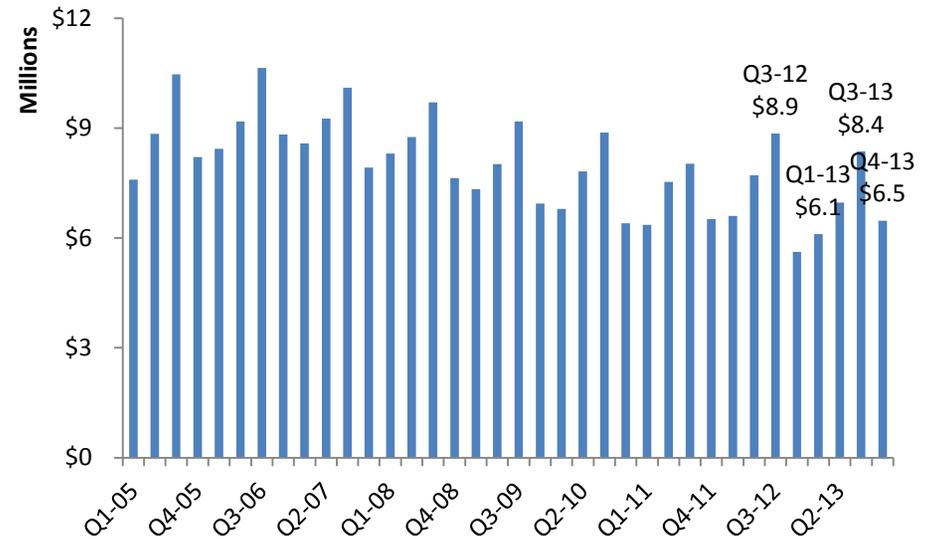


Figure 11: Year over Year (YoY) Change in the Quarterly Casino Parking Fee, 1st Quarter 2006 through 4th Quarter 2013

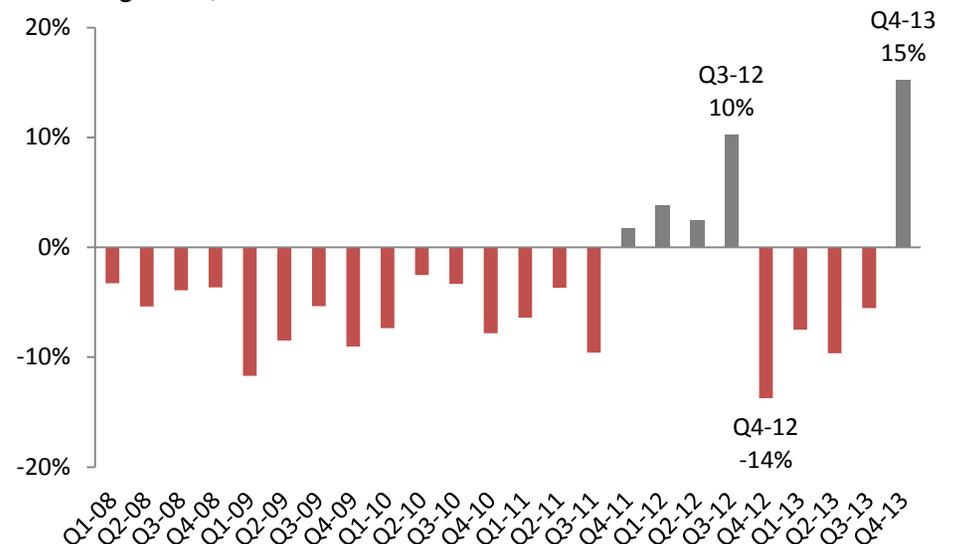


Figure 12: Annual Casino Parking Fee Collections, 2005 through 2012, \$millions



Figure 13: Year over Year (YoY) Change in the Annual Casino Parking Fee Collections, 2006 through 2012

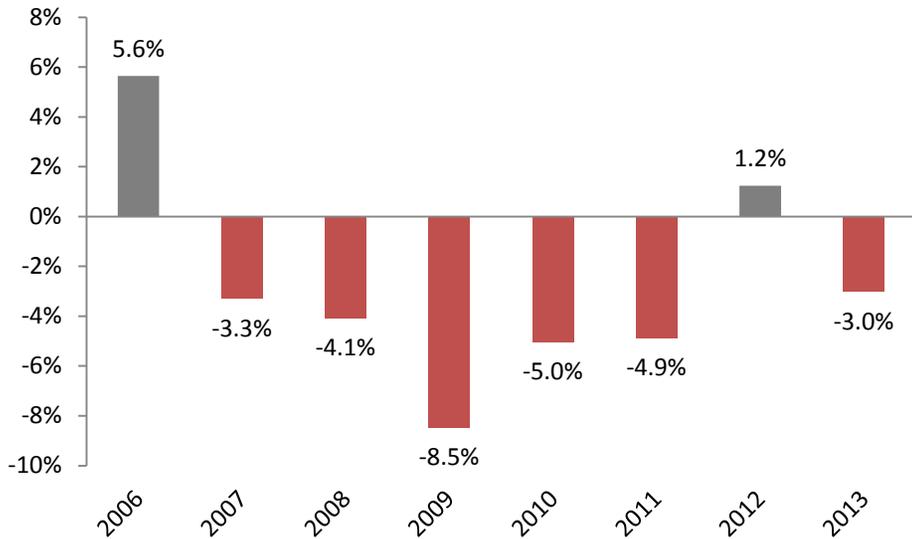
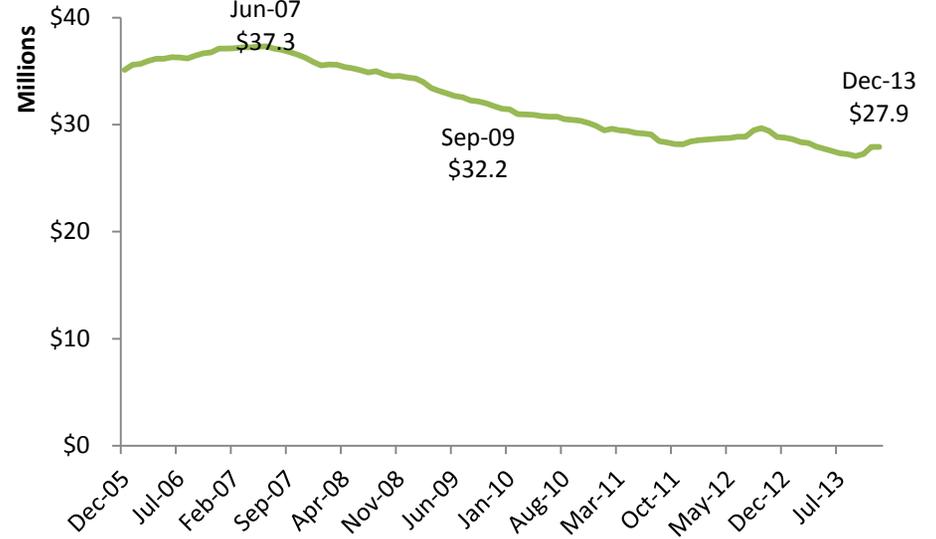


Figure 14: 12 Month Trailing Total for the Casino Parking Fee, December 2005 to December 2013, \$millions



Atlantic County Hotel Occupancy Fee

The Atlantic County Hotel Occupancy Fee is utilized to get a clearer picture of traveler accommodation for the region. While this figure is not Atlantic City specific, there is general consensus that the Atlantic City tourism market impacts the hotel industry throughout the county and thus is a reliable measure of the Atlantic City tourism economy. The figure is released by the NJ Division of Taxation and is described as:

“Legislation enacted in 2003 (P.L. 2003, c. 114) imposed a 7% State Occupancy Fee on the rent for every occupancy of a room in a hotel, motel or similar facility in most New Jersey municipalities, between August 1, 2003 and June 30, 2004. For occupancies on and after July 1, 2004, the Fee was reduced to 5%. A hotel/motel is a building regularly used and kept open for the lodging of guests, including bed and breakfasts, inns, etc. The State Occupancy Fee is imposed on the room rentals that are currently subject to the 7% New Jersey sales tax and is in addition to the sales tax. Special Rate Provisions: Since Newark, Jersey City, Atlantic City, Wildwood, Wildwood Crest, and North Wildwood already impose local taxes or fees on hotel/motel occupancies, the new State Occupancy Fee is imposed at a lower rate in those areas: Newark & Jersey City: State Occupancy Fee is 1%; Atlantic City: State Occupancy Fee is 1%; The Wildwoods: State Occupancy Fee is 3.15%.”

Figure 15 shows the Atlantic County Hotel Occupancy Fee collections from January 2005 through December of 2013. Once again, the figure is very seasonal in nature, with the summer months producing more tax revenue than the off season months. The best month on record for the tax is August of 2013 when \$763 thousand was collected in Hotel Occupancy Fee for Atlantic County. In August of 2012 the hotel occupancy fee generated \$713 thousand.

The strong August of 2013 figure contributed to a record third quarter (\$1.9 million, see Figure 17) for collections of the Atlantic County Hotel Occupancy Fee. However, declines in November and December meant a decrease in demand for hotel rooms in the fourth quarter. In the end, 2013 brought two quarters of positive growth for the Hotel Fee, and two quarters of decline.

Figure 15: Atlantic County Hotel Occupancy Fee, January 2005 through December 2013, \$thousands

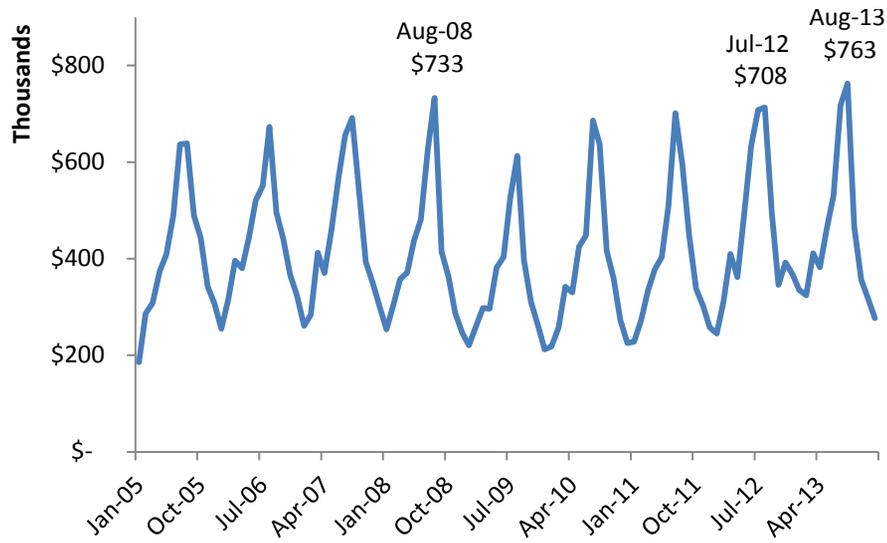


Figure 17: Atlantic County Hotel Occupancy Fee, 1st Quarter 2005 through 4th Quarter 2013, \$millions

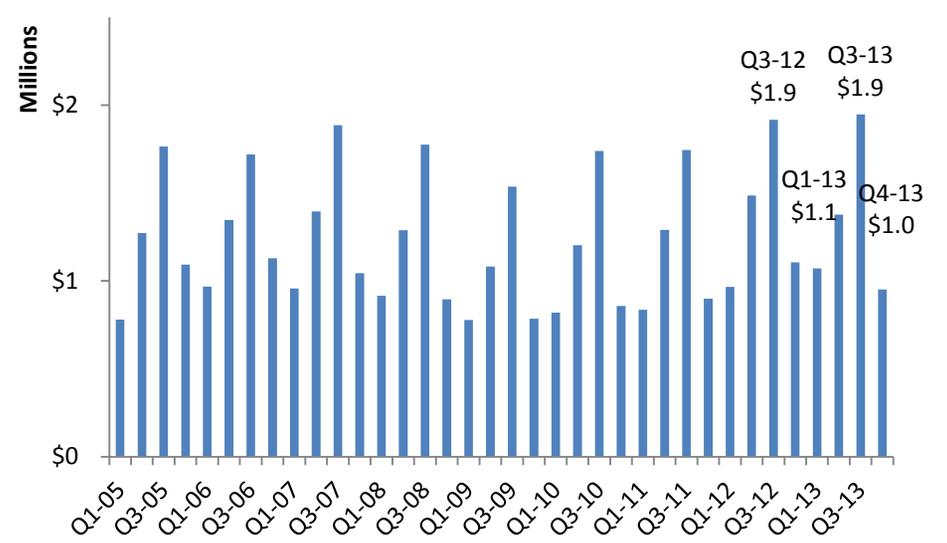


Figure 16: Year over Year (YoY) Change in the Atlantic County Hotel Occupancy Fee, January 2006 to December 2013

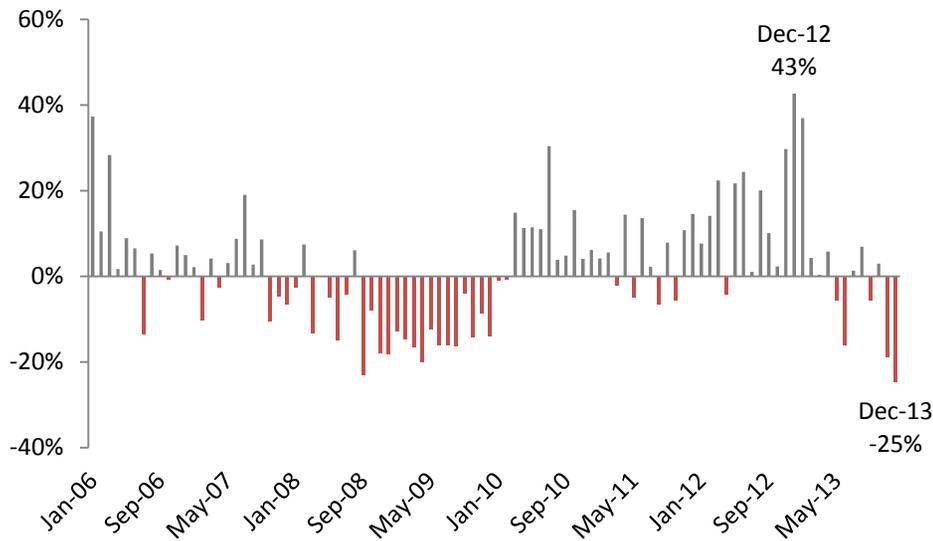


Figure 18: Year over Year (YoY) Change in Quarterly the Atlantic County Hotel Occupancy Fee, 1st Quarter 2006 through 4th Quarter 2013

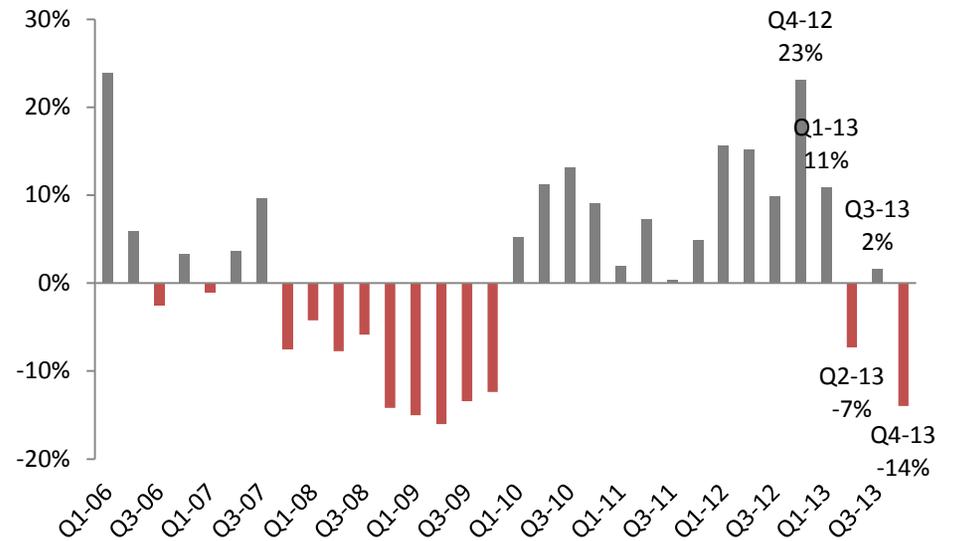
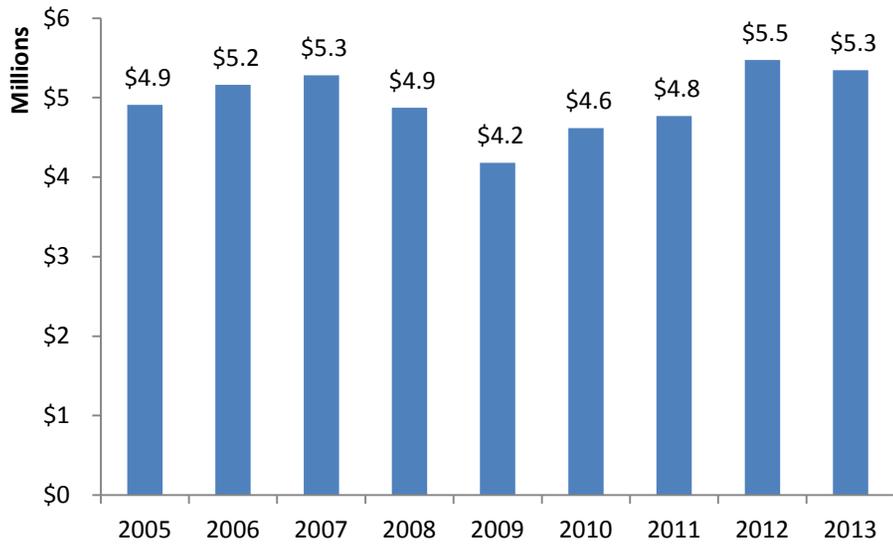


Figure 19: Annual Atlantic County Hotel Fee Collections, 2005 through 2013, \$millions



The declines in the second and fourth quarter brought about a lowering of the annual collections of the Hotel Fee from \$5.5 to \$5.3 million (see Figure 19). That would mark the third year in the past five where an annual decline was recorded. Figure 20 shows that the decline was a modest 2.3%.

The twelve month trailing total for the Atlantic County Hotel Occupancy Fee is examined below in Figure 21. The twelve months ending December of 2013 saw Atlantic County collecting \$5.3 million in Hotel Occupancy Fee, about \$300 thousand off the all time high experienced earlier in the year in April of 2013 (\$5.6 million)

Figure 20: Year over Year (YoY) Change in the Annual Atlantic County Hotel Occupancy Fee Collections, 2006 through 2013

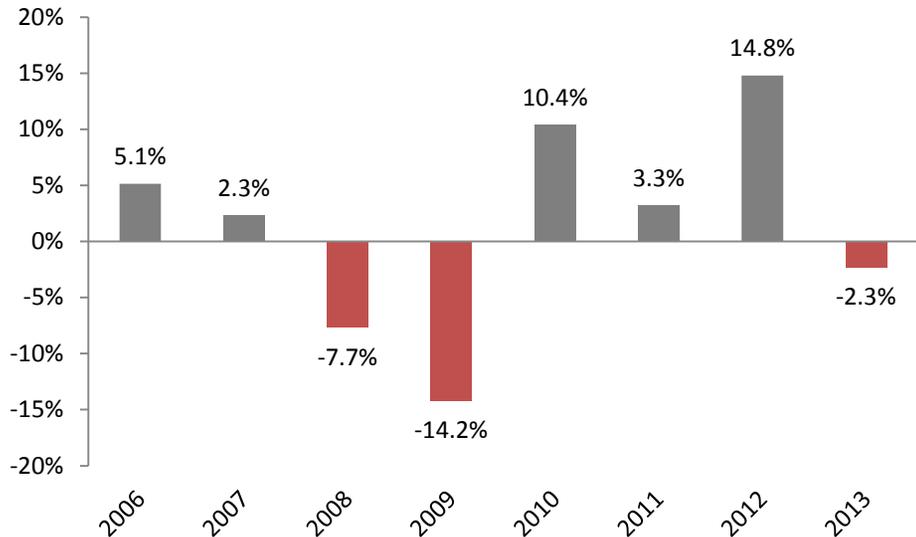
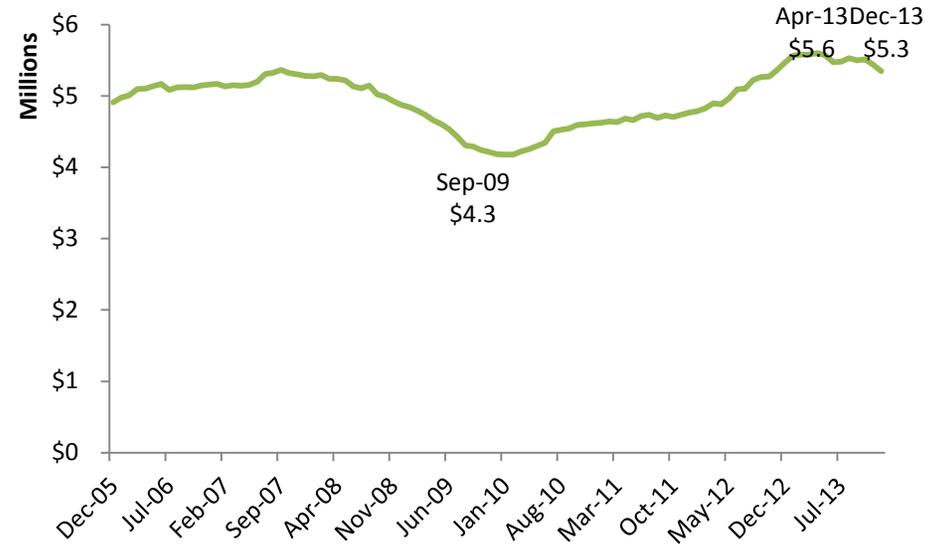


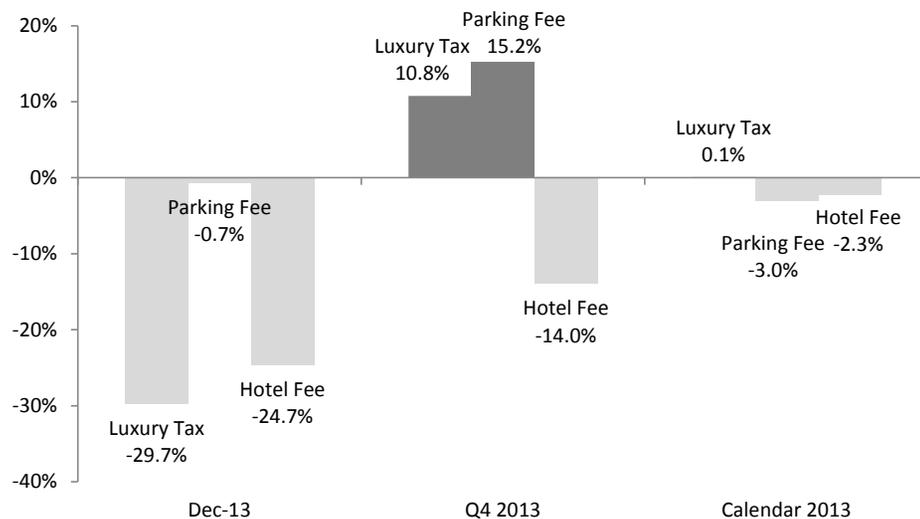
Figure 21: 12 Month Trailing Total for the Atlantic County Hotel Occupancy Fee, December 2005 through December 2012, \$millions



December 2012 Atlantic City Tourism Performance Indicators (AC-TPI) Snapshot

The Lloyd D. Levenson Institute has concluded that these three taxes can serve as an effective proxy for the performance of the tourism economy in Atlantic City. These taxes, or more precisely the Year over Year change in the monthly figures for these taxes, are compiled into an Atlantic City Tourism Performance Index Snapshot at the end of each quarter. A more detailed annual report will be provided to give the longer term picture of what is happening to the Atlantic City tourism economy. In between these reports, however, the Levenson Institute provides a snapshot, on a monthly basis, as to the performance of the Atlantic City tourism economy as shown in Figure 22 below. The goal is to provide key measures with analysis that can describe the results of the resorts current efforts at revitalizing the Atlantic City tourism economy.

Figure 22: December, 4th Quarter and Calendar Year 2013 Year over Year Change, Atlantic City Tourism Performance (AC-TPI) Index Snapshot



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