

Atlantic City Tourism Performance Indicators (AC-TPI)

3rd Quarter 2013 Snapshot

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THE RICHARD STOCKTON COLLEGE OF NEW JERSEY

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Executive Summary

After each quarter, the Lloyd D. Levenson Institute of Gaming, Hospitality and Tourism at The Richard Stockton College of New Jersey releases a report that analyzes the Atlantic City Tourism market as a tourist destination. The Atlantic City Tourism Performance Indicators (AC-TPI) was launched in the Spring of 2013 as an annual summary of the previous year.

The AC-TPI focuses on three key metrics, Atlantic City Luxury Tax, (serving as a proxy for resort entertainment activity), the Atlantic City, Casino Parking Fee (a proxy for transportation spend in and to Atlantic City), and Atlantic County Hotel Occupancy Fee (a proxy for overnight tourist spend).

The results for the third quarter of 2013 indicate:

- Modest gains were realized in both the Atlantic City Luxury Tax and Atlantic County Hotel Occupancy Fee during the quarter, though these were largely as a result of an extremely impressive August 2013.
- The Atlantic City Parking Fee continues its long-term trend of declines.
- The Atlantic County Hotel Occupancy Fee hit a new record monthly high in August of 2013, a figure that had not been surpassed since August of 2008.
- Taken on the whole, it appears Atlantic City is continuing a trend of the past couple years whereby short term day trippers, largely lost to convenience gambling destinations, are being replaced by longer term overnight visitors.

Atlantic City Tourism Performance Indicators (AC-TPI)

Atlantic City Tourism Performance Indicators (AC-TPI) 3rd Quarter 2013 Snapshot

The Atlantic City Tourism Performance Indicators (AC-TPI) report was first released in March of 2013. That report highlighted the broader context in which Atlantic City competes as a tourist destination (national and state) to show relative performance of the destination. The AC-TPI successfully began a longer term process of measuring broader aspects of the tourism economy in Atlantic City including traveler accommodations, transportation, food services and drinking places, recreation, entertainment and shopping. This, the third of the quarterly updates, provides recent tax revenue figures that can provide insight into the performance of Atlantic City's tourism economy: the Atlantic City Luxury Tax, Casino Parking Fee and the Atlantic County Hotel Occupancy Fee. These metrics, and their historical performance, are updated in the following sections. The inaugural annual report and quarterly updates can be found on the Levenson Institute of Gaming, Hospitality and Tourism's website¹.

Atlantic City Luxury Tax

The Atlantic City Luxury Tax provides a very good surrogate for many of the non-gaming metrics, namely alcohol, entertainment and traveler accommodation. According to the New Jersey 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

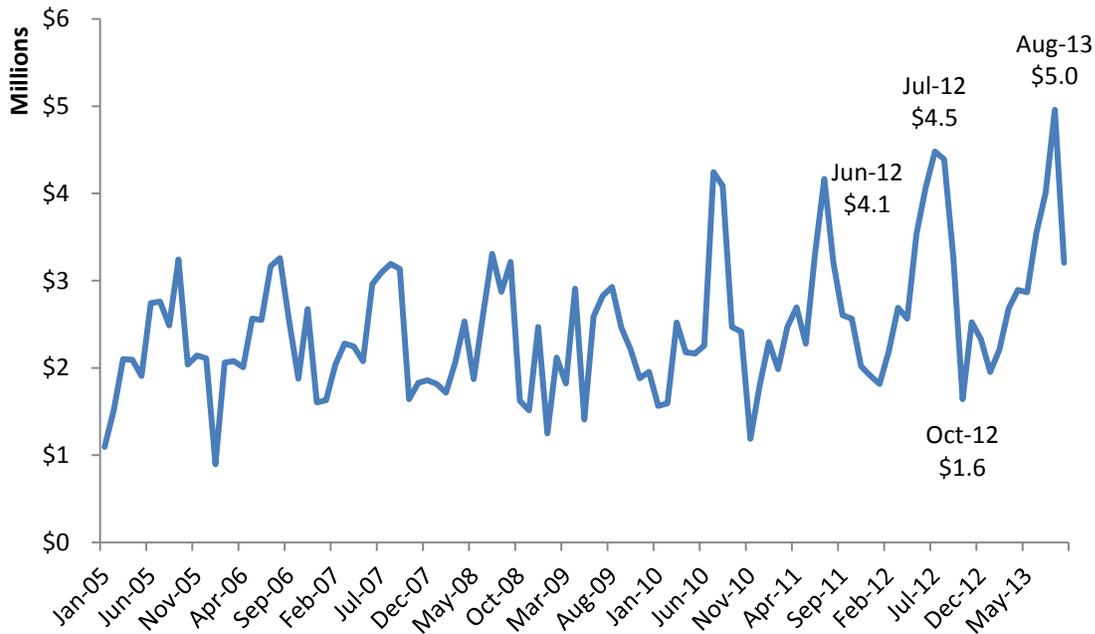
¹ Tyrrell, B.J. and Posner, I. (2013). Atlantic City Tourism Performance Indicators (AC-TPI): 2012 Annual Report. The Levenson Institute of Gaming, Hospitality and Tourism, March 2013, Pomona, NJ. Available online at: [http://intraweb.stockton.edu/eyos/business/content/docs/LIGHT/New%20AC%20TPI%20\(March%202013\)%20February%202012.pdf](http://intraweb.stockton.edu/eyos/business/content/docs/LIGHT/New%20AC%20TPI%20(March%202013)%20February%202012.pdf)

may not exceed 13%. Formerly, the maximum combined Atlantic City rate and the New Jersey sales tax rate could not exceed 12%.”²

The analysis begins with an examination of the local Atlantic City market using Atlantic City Luxury Tax records.

Figure 1 below shows the Atlantic City Luxury Tax³ collections from January 2005 through September 2013. The highest recorded monthly total was experienced during the third Quarter, at \$5.0 million in August of 2013. That compares very favorably (up 10%) to the previous monthly high experienced in July of 2012 (\$4.5 million). The graph shows the seasonal nature of the destination (and subsequently the tax), with more tax being 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 eight years under examination in the chart, that trend is difficult to discern given this seasonal nature. The August 2013 figure is also significantly higher (up 12.9%) compared to one year prior in August of 2012 (\$4.4 million).

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



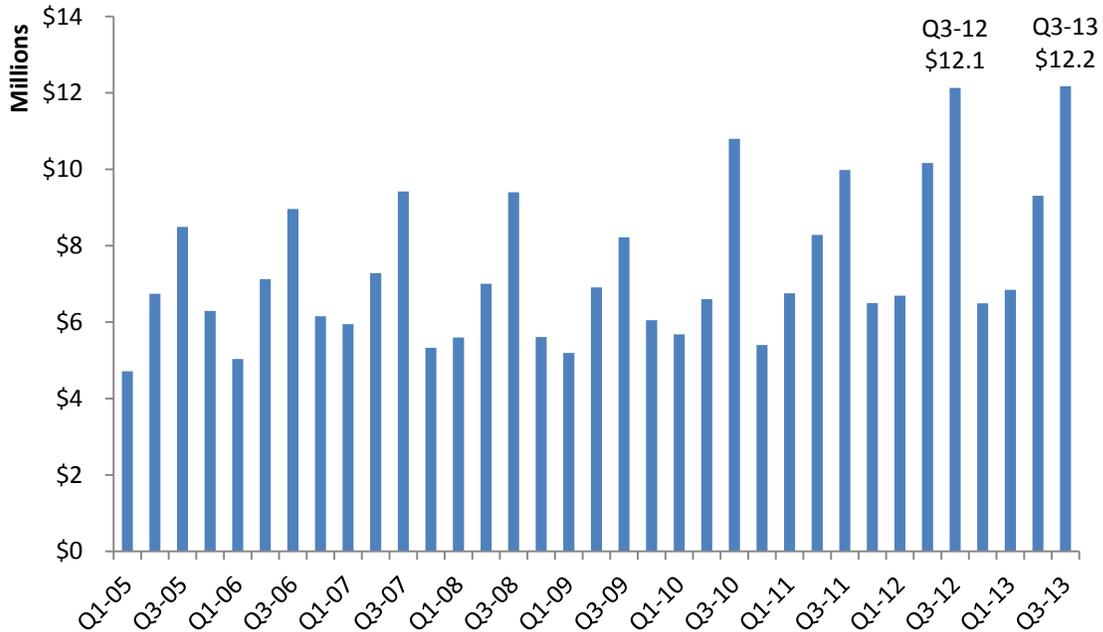
The seasonal trend is also discernible looking at the quarterly revenues (see Figure 2). The third quarter is always the strongest quarter of the year. In 2012, the Atlantic City Luxury Tax

² NJ Division of Taxation (2012). Atlantic City Luxury Tax Overview. Available online at: http://www.state.nj.us/treasury/taxation/acluxury_over.shtml

³ NJ Casino Control Commission (2013). Financial and Statistical Information; Historical Statistics. Available online at: <http://www.state.nj.us/casinos/financia/histori/>.

generated \$12.1 million, its highest quarter on record to that point. The 3rd quarter of 2013 (\$12.2 million), however, produced a new record, marginally edging out the 2012 figure by 0.3%. While that figure seems modest, it is important to realize that the trend in 2013, perhaps attributable to the post Sandy negative press, had been largely negative. Indeed, July 2013 saw double digit declines (-10.6%), with September being largely flat compared to 2012 (-1.6%).

Figure 2: Quarterly Atlantic City Luxury Tax Collections, 1st Quarter 2005 through 3rd Quarter 2013, \$millions



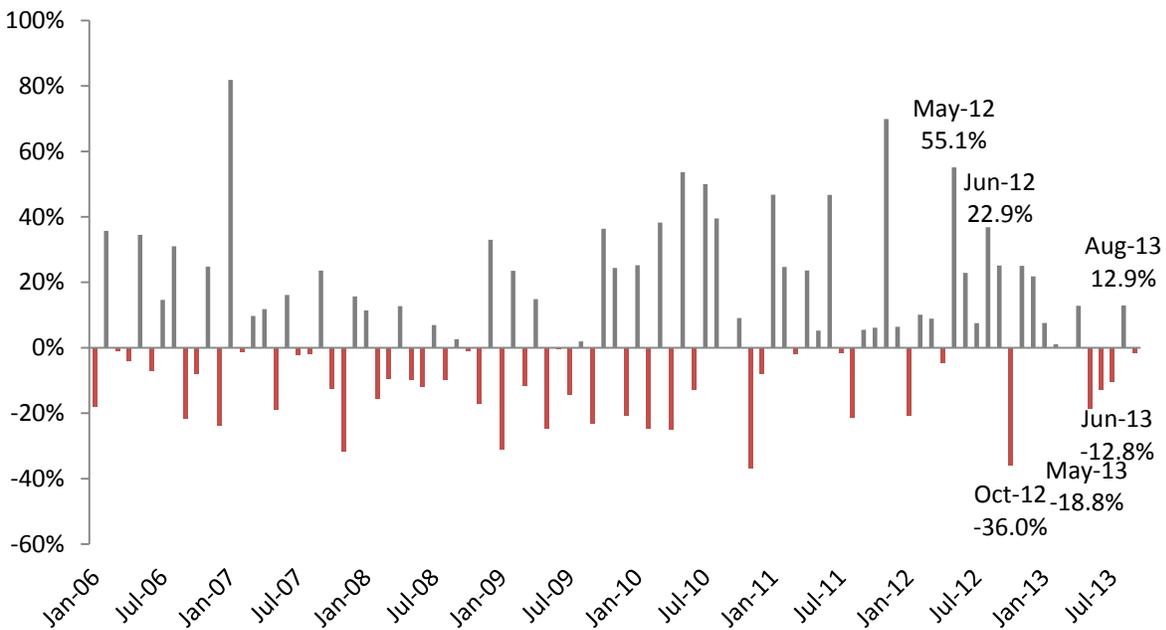
In order to see more clearly the longitudinal trends, a twelve month trailing total is provided. This figure is the summation of the current month and prior eleven months. This is accomplished below in Figure 3 which clearly indicates that the twelve month trailing total for the Atlantic City Luxury Tax had been steadily climbing throughout the study period until 2012. The twelve month trailing total for September of 2013 (\$34.8 million) was down from its previous high \$36.0 million (April 2013). An unseasonably cold June of 2013 likely contributed to the down performance as well as the aforementioned aftermath of Hurricane Sandy.

Figure 3: 12 Month Trailing Total for the Atlantic City Luxury Tax, December 2005 to September 2013, \$millions



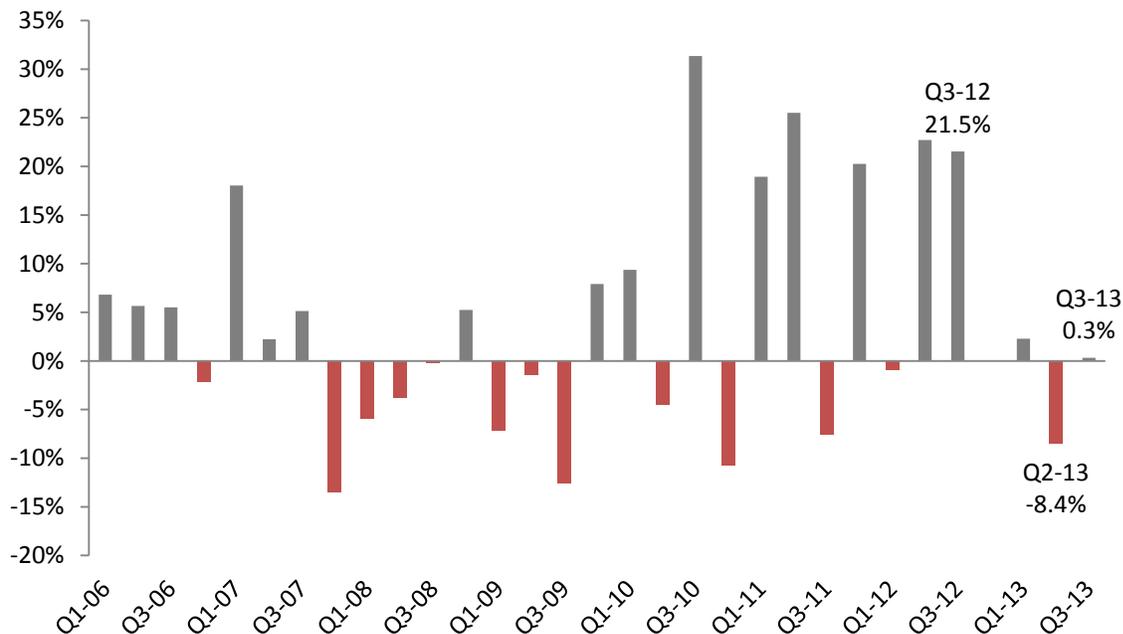
Year over Year (YoY) changes in the Atlantic City Luxury Tax collections can also be tracked to show how each month compared to the same month the prior year. Figure 4 below accomplishes this for the same study period. In the past twelve months, we have seen six months with strong positive gains, four months with strong negative losses and two months that were essentially flat. The closure of Atlantic City at the end of October resulted in a 36.0% YoY decline for the month, with a strong November and December helping to close out a very positive year. After a strong 2012 however, three of the past six months have been negative, with May of 2013 (-18.8%) and June of 2013 (-12.8%) experiencing the greatest losses. Of course this was compared to particularly strong months in 2012 when the Atlantic City Luxury Tax generated significantly more revenue than the prior year with 55.1% and 22.9% increases in May and June of 2012 respectively.

Figure 4: Year over Year (YoY) Change in the Atlantic City Luxury Tax Collections, January 2006 through September 2013



For the quarter, the Atlantic City Luxury Tax was marginally up 0.3% (see Figure 5). Again, this is compared to a particularly strong third quarter of 2012 which saw the tax generate 21.5% more revenue than in the third quarter of 2011. And despite the cold weather experienced in the second quarter of 2013 that brought with it lower revenues (and perhaps impacted July's figures as well), the third quarter was up slightly nonetheless. Again, particularly promising during the quarter was the strong performance in August of 2013.

Figure 5: Year over Year (YoY) Change in the Quarterly Atlantic City Luxury Tax Collections, 1st Quarter 2006 through 3rd Quarter 2013



Atlantic City Casino Parking Fee

The Casino Parking Fee figure is provided by the New Jersey 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 and in the surrounding region. The tax is described by the NJCCC as:

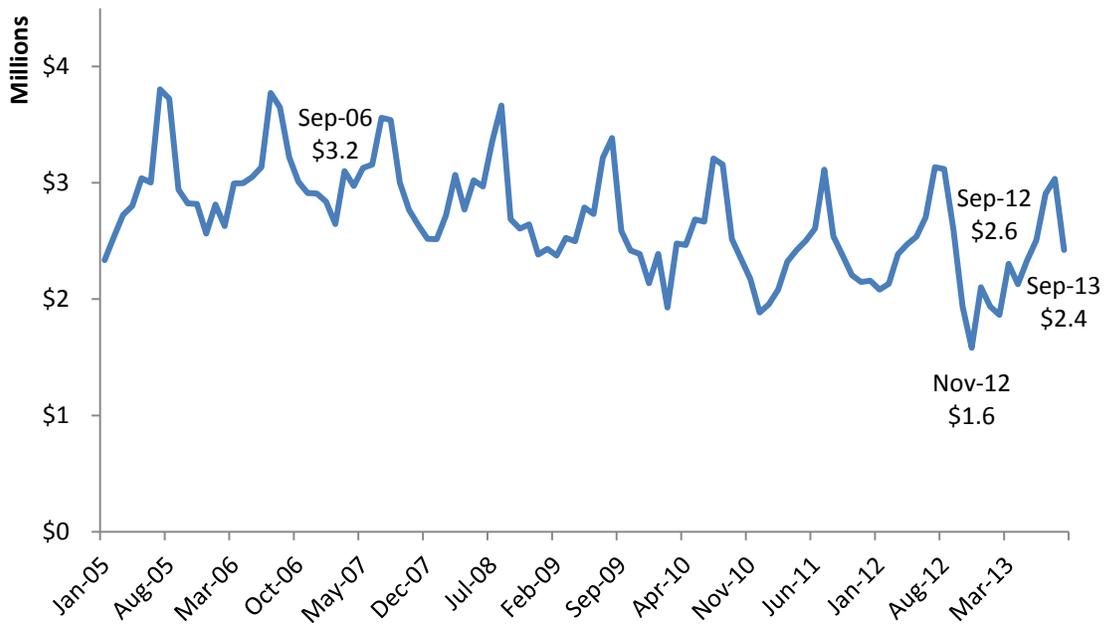
“By law, casinos remit a fee of \$3.00 per day for each parking space used by patrons in their facility. \$0.50 of the parking fee is deposited into the Casino Revenue Fund, with the remaining \$2.50 forwarded to the Casino Reinvestment Development Authority for public projects in Atlantic City. The commission audits and certifies the amounts payable by each casino under the law.”⁴

Figure 6 below shows that the Casino Parking Fee is also seasonal in nature, hitting its annual high every July in most years, similar to the Atlantic City Luxury Tax described in the earlier section. Interestingly, however, this year’s peak will be the month of August (\$3.0 million), not July (\$2.9 million). The most recent month, September of 2013, saw only \$2.4 million was

⁴ NJ Casino Control Commission (2012). Financial and Statistical Information: Parking Fees. Available online at: <http://www.nj.gov/casinos/financia/parking/>

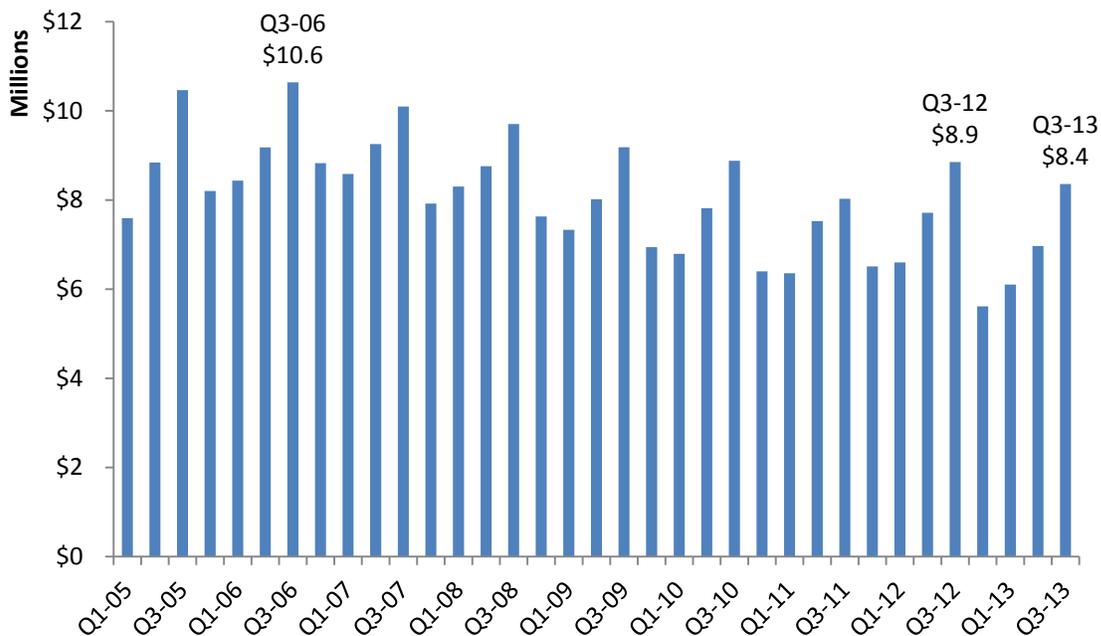
generated, down from \$2.6 million in September of 2012. The figure is also down from the peak September in 2006 when \$3.2 million in taxes were collected under the Casino Parking Fee.

Figure 6: Casino Parking Fee, January 2005 through September 2013, \$millions



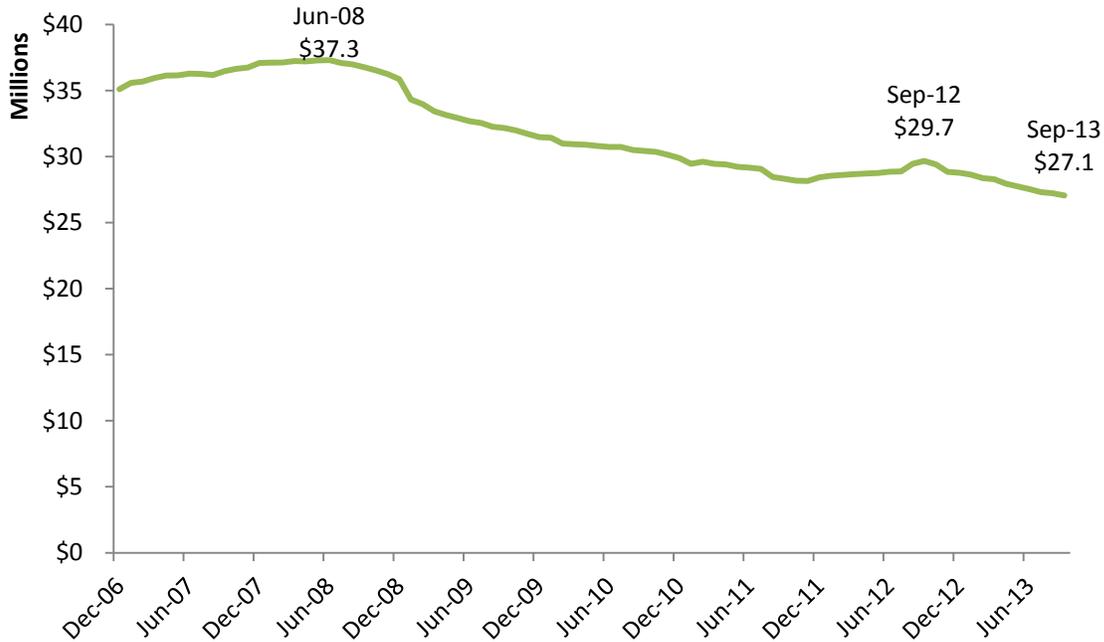
With July, August and September down compared to 2012, the third quarter of 2013 generated a half million less than in the third quarter of 2012 (\$8.4 million in 2013, \$8.9 million in 2012 (see Figure 7). Both of those figures are still significantly below the third quarter high experienced in 2006 when the Casino Parking Fee generated \$10.6 million.

Figure 7: Quarterly Casino Parking Fee, 1st Quarter 2005 through 3rd Quarter 2013, \$millions



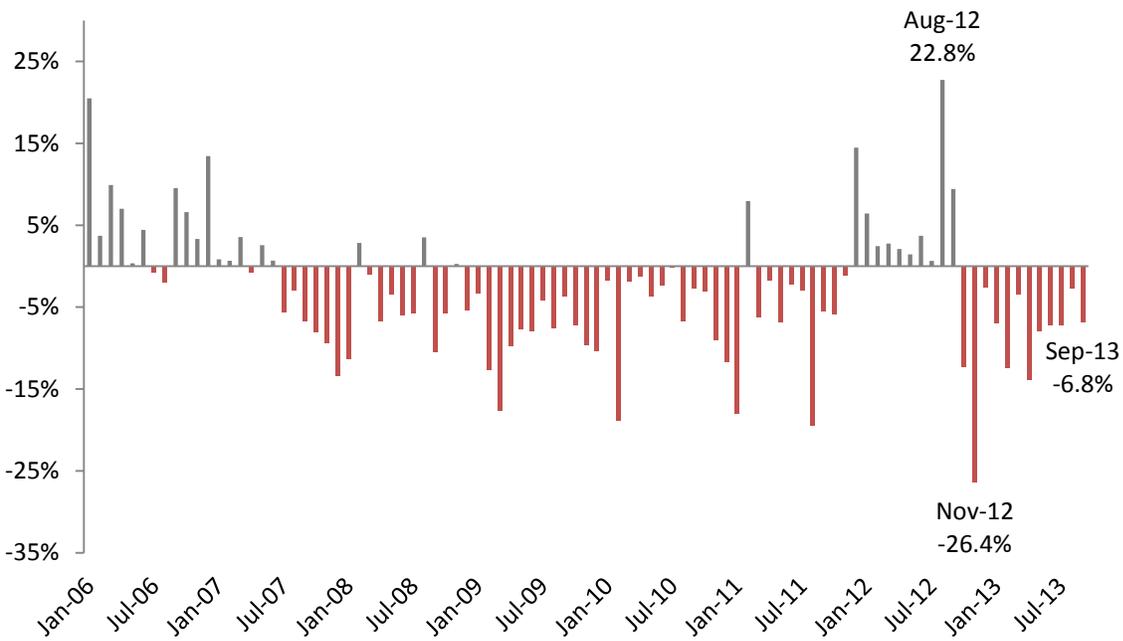
Once again, it is instructive to look at a twelve month trailing total to discern the longer term trend in the Casino Parking Fee. This is accomplished below in Figure 8. Here the picture is quite different than the analysis of the Atlantic City Luxury Tax in the prior section. The highest twelve month period in the study period was the twelve months ending June of 2008, at which time the 12 months through June of 2008 saw the Casino Parking Fee generating \$37.3 million. The twelve month trailing total had previously bottomed out during the period with the twelve months ending November 2011 (\$28.2 million), but now that low is the most recent 12 month period ending in September of 2013, during which time the Casino Parking Fee only generated \$27.1 million. After a largely positive 2012, the trailing twelve month total has continued its decline in the wake of Hurricane Sandy and continued pressure from regional casino destinations.

Figure 8: 12 Month Trailing Total for the Casino Parking Fee, December 2006 to September 2013, \$millions



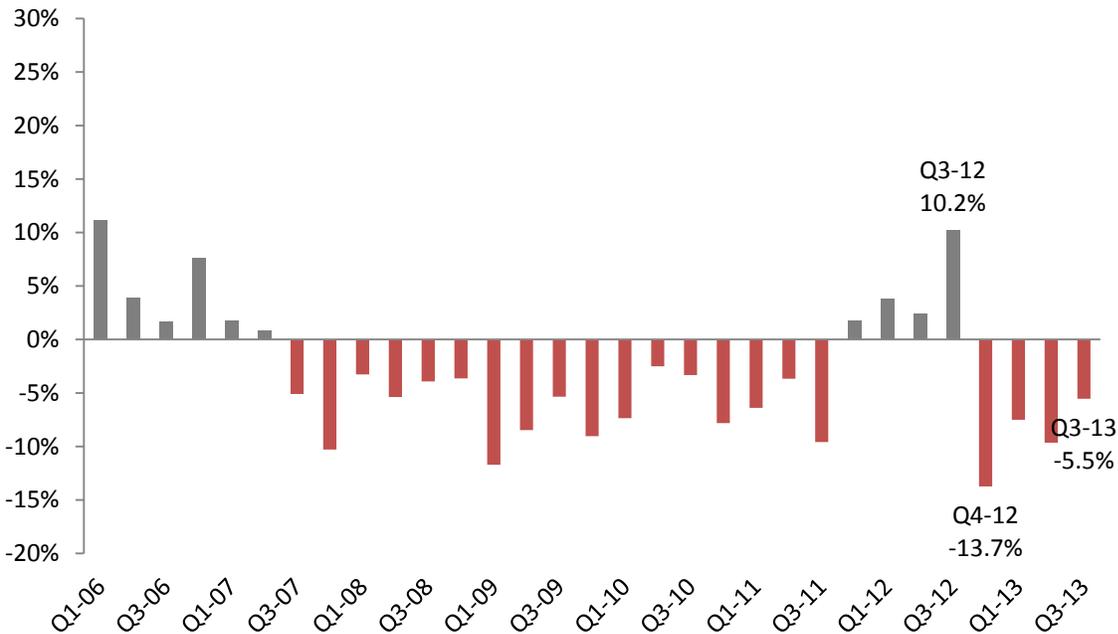
Finally, when we look at the Year over Year change in the Casino Parking Fee on a monthly basis (see Figure 9 below), we can see that July, August and September were all down compared with the prior year (-7.2%, -2.7% and -6.8% respectively). These mark twelve months in a row that year over year comparisons of the Casino Parking Fee have been negative, following a promising start to 2012 prior to Hurricane Sandy. Once again, this figure will comprise the monthly snapshot we provide in tracking the performance of the Atlantic City tourism economy.

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



After four consecutive quarters of growth in Casino Parking Fee collections, the fourth quarter impact of Hurricane Sandy ended that streak. Between the four day closure, the cancellations of some high profile conventions (the NJ Education Association and League of Municipality conventions in particular), the impact on potential visitors in the Northeast whose homes or disposable income (likely both) were impacted by the storm, and all the negative publicity surrounding Hurricane Sandy, the fourth quarter would end down 13.7% (see Figure 10). That effect seems to be lingering with the four quarters in the wake of the hurricane all negative. The cold weather in June and the impact of the road project on the Garden State Parkway are not likely contributing. That being said, the third quarter of 2013 showed the least decline of all quarters and was compared to a quarter (3rd quarter of 2012) where double digit gains were realized (up 10.2%).

Figure 10: Year over Year (YoY) Change in the Quarterly Casino Parking Fee, 1st Quarter 2006 through 3rd Quarter 2013



Atlantic County Hotel Occupancy Fee

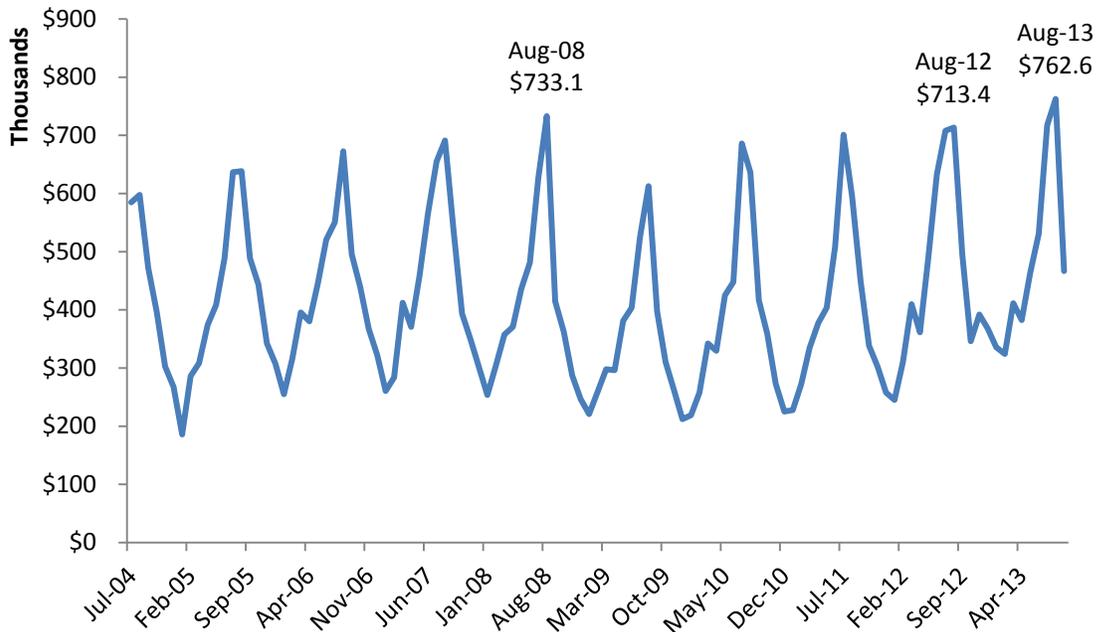
The Atlantic County Hotel Occupancy Fee is utilized to get a concise picture of traveler accommodation for the region. While this figure is not Atlantic City specific, there is general consensus that the Atlantic City tourism market parallels the hotel industry throughout the county and thus is an accurate measure of the Atlantic City tourism economy. The figure is released by the New Jersey 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%.”⁵

Figure 11 shows the Atlantic County Hotel Occupancy Fee collections from July 2004 through September 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 highest month on record for the tax is now August of 2013 at \$762.6 thousand, the first time a new record was recorded since August of 2008 when \$733.1 thousand was collected in Hotel Occupancy Fee for Atlantic County. In August of 2012 the hotel occupancy fee generated \$713.4 thousand.

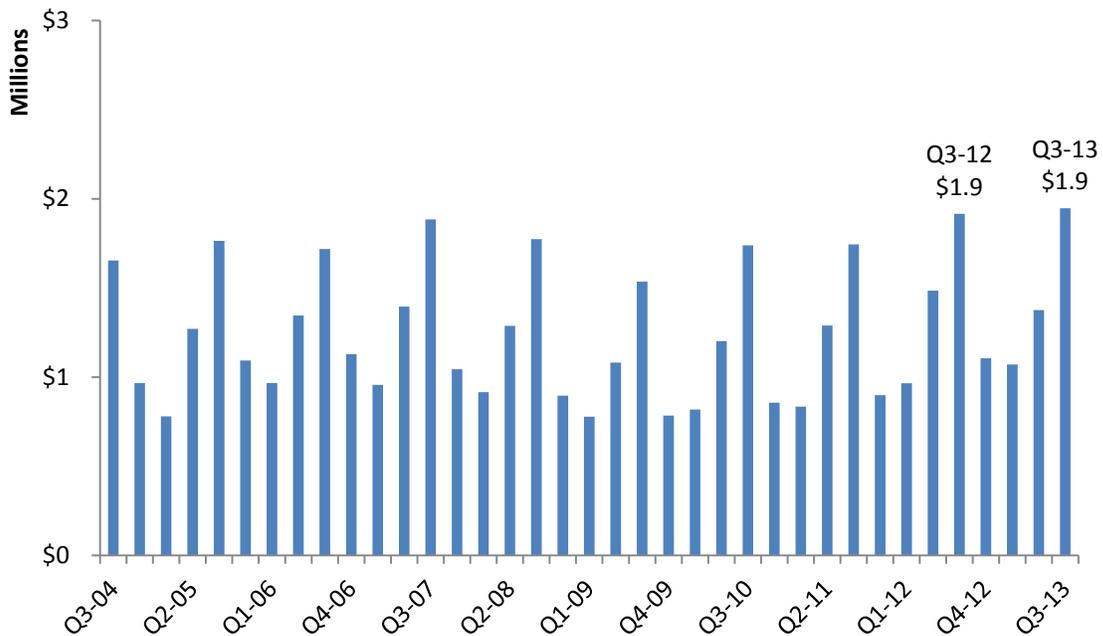
Figure 11: Atlantic County Hotel Occupancy Fee, July 2004 through September 2013, \$Thousands



Both July and August contributed to an increase in the third quarter of 2013. Compared with the third quarter of 2012 (see Figure 12), collections of the Atlantic County Hotel Occupancy Fee were up in 2013. The third quarter of 2013 would mark a new high in quarterly receipts of the Atlantic County Hotel Occupancy Fee.

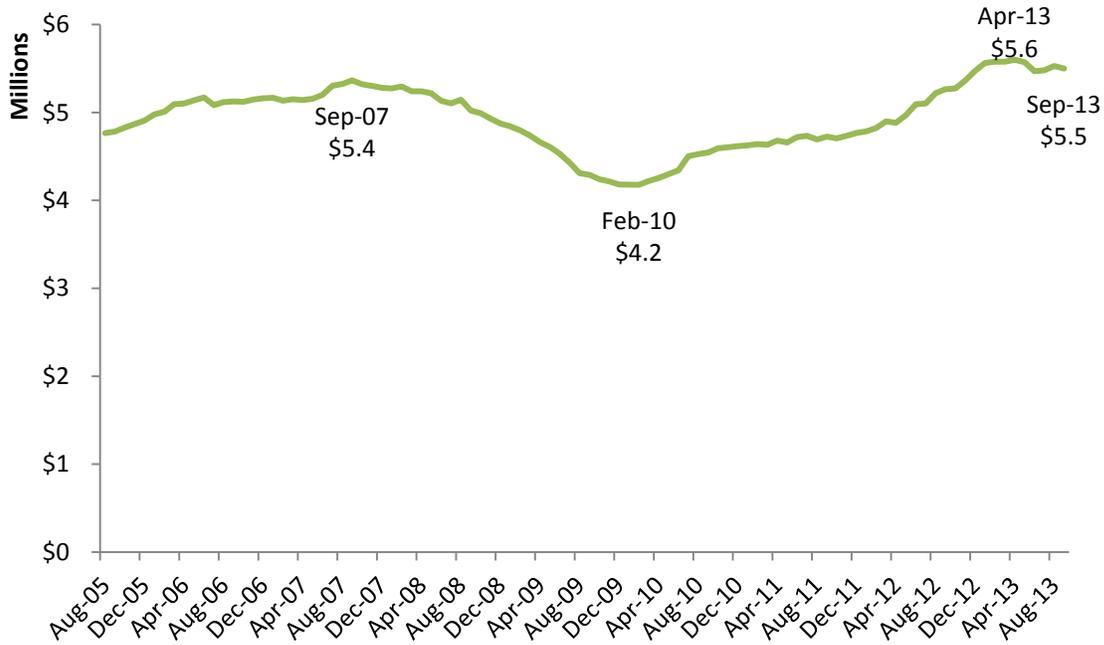
⁵ NJ Division of Taxation (2013). Hotel/Motel State Occupancy Fee. Available Online at: <http://www.state.nj.us/treasury/taxation/hotelfeeinfo.shtml>

Figure 12: Atlantic County Hotel Occupancy Fee, 3rd Quarter 2004 through 3rd Quarter 2013, \$millions



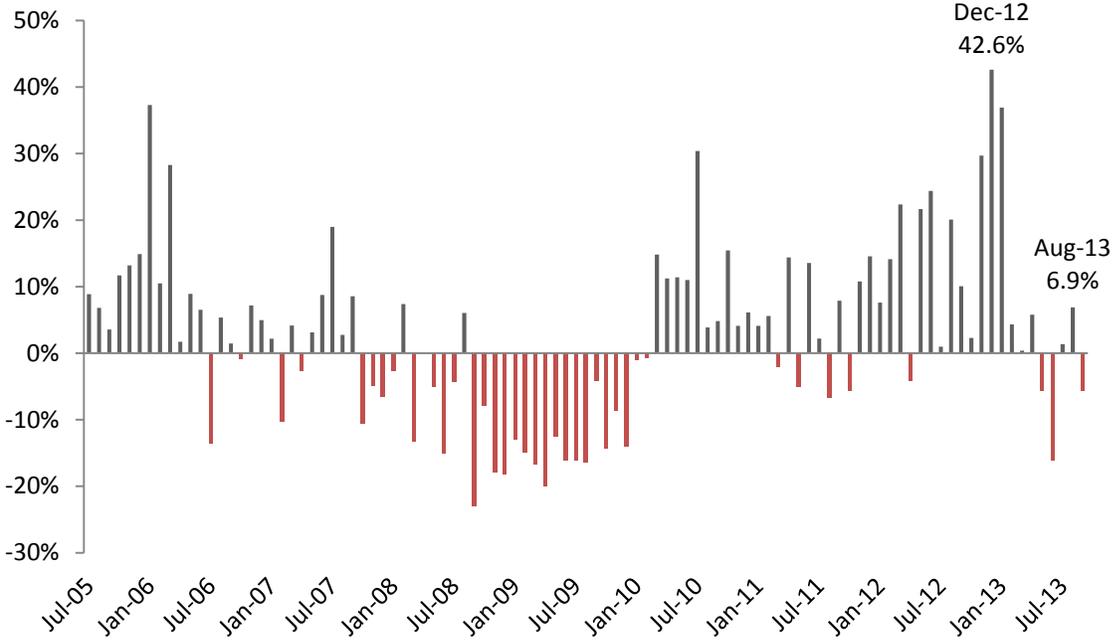
The twelve month trailing total for the Atlantic County Hotel Occupancy Fee is examined below in Figure 13. The twelve month trailing total shown below makes it clear that the recessionary impacts on the hotel industry in Atlantic County coincided much more closely with the national recessionary trends that saw the economy begin to slump in the fourth quarter of 2007. It should be noted, however, that for most leisure destinations, indeed for the nation as a whole, the recessionary impacts did not generally start impacting the lodging industry until the fourth quarter of 2008. Still, the twelve month trailing total had been on the rise since February of 2010, a trend that reversed itself this past spring with the cold spell in June. The twelve months ending September of 2013 saw Atlantic County collecting \$5.5 million in Hotel Occupancy Fee, down slightly from the recent twelve month high of \$5.6 million in April of 2013.

Figure 13: 12 Month Trailing Total for the Atlantic County Hotel Occupancy Fee, August 2005 through September 2013, \$millions



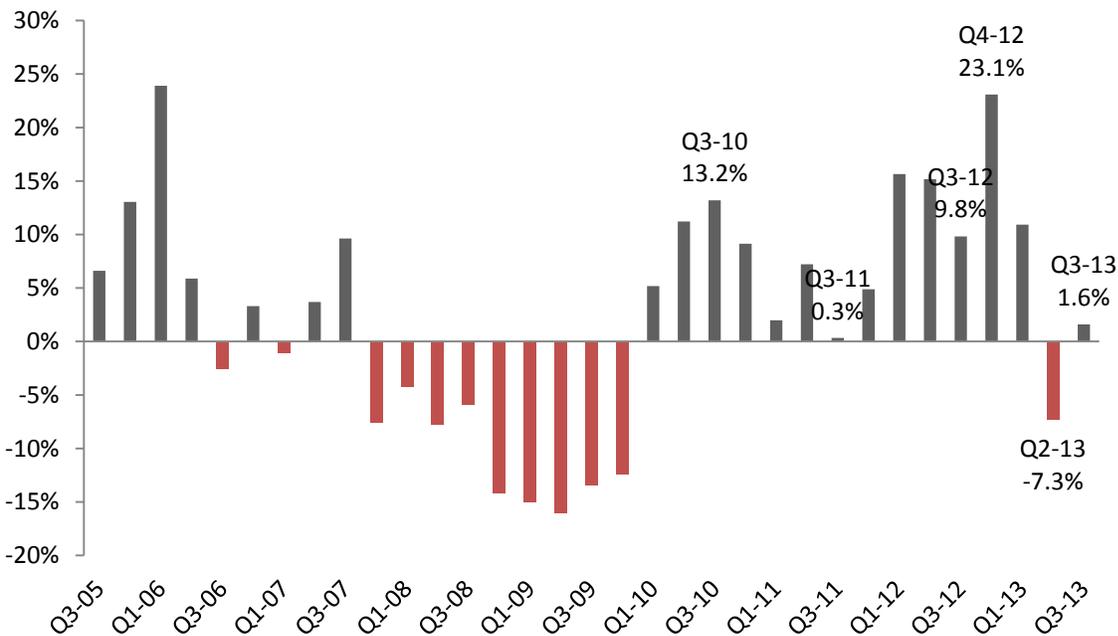
The Atlantic County Hotel Occupancy Fee (see Figure 14) was up in both July and August of 2013 (1.4% and 6.9% respectively) compared to July and August of 2012. The August gain (6.9%) was particularly impressive as it comes on the heels of August of 2012 which itself saw a gain of 20.1%. Nine of the past twelve months have shown increases in the Atlantic County Hotel Occupancy Fee collections.

Figure 14: Year over Year (YoY) Change in the Atlantic County Hotel Occupancy Fee, July 2005 to September 2013



The quarterly increase in the third quarter of 2013 (up 1.6%, see Figure 15), reverses the declines experienced with the cold weather in the second quarter of 2013. Compared with the declines in the Parking Fee noted earlier in this report, the gains suggest that Atlantic City is attracting overnight guests that are replacing some of the lost day trip market. While a modest gain, it is definitely noteworthy that this third quarter gain is the fourth such quarterly gain in the third quarter in a row.

Figure 15: Year over Year (YoY) Change in Quarterly the Atlantic County Hotel Occupancy Fee, 3rd Quarter 2005 through 3rd Quarter 2013



September 2013 Atlantic City Tourism Performance Indicators (AC-TPI) Snapshot

This report began by describing the need to enhance and broaden the manner in which the performance of the tourism economy in Atlantic City is measured and reported. It was noted that the news media are focusing almost exclusively on reporting gaming revenue, a figure that has been on the decline since multiple jurisdictions in the Northeast United States legalized and developed gaming. It noted how the efforts at revitalization in Atlantic City were geared toward making the resort a more full service destination that had more to offer the visitor in terms of shopping, entertainment and restaurants. The Lloyd D. Levenson Institute reviewed national and state wide efforts at measuring the tourism economy and revealed that the five major industries of traveler accommodation, food services and drinking places, entertainment, shopping and transportation were the agreed upon industries to measure the health of a tourism economy. The Levenson Institute also described how tax revenues can serve as surrogates for the TSA data that is not available at a discrete enough level for our purposes.

Indeed, 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, will be compiled into an Atlantic City Tourism Performance Index Snapshot. A more detailed annual

report will be provided to give the long term picture of what is happening to the Atlantic City tourism economy. In between these reports, however, we will provide a snapshot, on a monthly basis, as to the performance of the Atlantic City tourism economy as shown in Figure 16 below. The goal is to provide key metrics with analysis that can describe the results of the resorts current efforts at revitalizing the Atlantic City tourism economy.

Figure 16: September and 3rd Quarter 2013 Year over Year Atlantic City Tourism Performance (AC-TPI) Index Snapshot

