



THE
LANCASTER
CAMPAIGN

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September 3, 1999

Paul Thibault, Chairman
Lancaster County Commissioners
50 North Duke Street
Lancaster PA 17608-3480

Dear Paul:

At a meeting earlier this week, the Convention Center Task Force of The Lancaster Campaign met to consider recommending an appropriate room tax rate for consideration by the Commissioners. We approached this task very seriously with a full understanding of the need to be prudent with public dollars.

After much discussion and analysis, the Task Force voted to recommend the amount of 5% for the Convention Center Room Tax. In accordance with state law, this rate would provide 4% to the Convention Center project for debt service and operations, while, at the same time, providing 1% to the Pennsylvania Dutch Convention and Visitor's Bureau for their overall marketing activities.

In support of our recommendation, I have attached some additional information on cost and projections that brought us to our conclusion. It is important to point out, however, that all the members of the Task Force acknowledge the many variables in the room tax equation (interest rate at the time of the bond, overall room revenue in the industry, inflation factors, etc.) thus making fully substantiated numbers impossible to provide. We do believe, however, that we, along with the Ernst & Young report, have been consistently conservative in our revenue estimates.

Further, you should know that we used the following assumptions in developing our recommendation:

- A 20-year, \$15 million bond issue (bond amount is inclusive of any financing fees and debt service reserve);
- A 6.25% fixed interest rate;
- Assumed overall project cost of \$30 million and a state matching grant of \$15 million;
- Stabilized year operating deficit for the convention center at \$775,000 (inflated at a rate of 3.5% annually);
- Total annual hotel room revenues in Lancaster County @ \$78 million (with no rate of inflation).

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We would appreciate the opportunity to discuss our findings and recommendation with you further and look forward to a continuing partnership in ensuring the project's success.

Sincerely,

Thomas T. Baldrige

ATTACHMENTS

cc: County Commissioner Terry Kauffman
County Commissioner Ron Ford