**Draft**

**Operating Practices**

**Wake County Occupancy and Prepared Food and Beverage Taxes**

**Purpose of Operating Practices:** The following Operating Practices represent procedures and standards intended as a guide in administering uses of the Wake County Occupancy and Prepared Food and Beverage Taxes in accordance with the enabling legislation, Interlocal Agreement and Amendments and approved Guiding Principles. Executive oversight and direction over these Practices is provided by the Wake County and City of Raleigh managers.

Countywide Major Facilities Model Practices:

1. Section 1 of the County Major Facilities Model shall be reserved for distributions set by the enabling legislation or directly linked to those distributions. Amounts included are administrative expenses, statutory amounts due the Greater Raleigh Convention and Visitors Bureau, Town of Cary, Centennial Authority for operations, original debt and approved capital maintenance/renovation amounts, and the holdback and other approved special distributions to Wake County and the City of Raleigh.
2. Section 2 of the County Major Facilities Model shall be 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 as approved or modified by joint action of the Wake County Board of Commissioners and Raleigh City Council. The 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 venues, funding of a Business Development Fund and other approved items. The fund balance level in the Model is intended to be of an adequate size to provide, at all times, to an internal debt service reserve which meets at least a AA quality credit rating. It is anticipated that the Convention Center Complex Financing Plan would accommodate funding for future capital investments of the convention center complex. The distribution percentage may be periodically adjusted by joint action based on existing reserve levels and projections within the Financing Plan.
3. Section 3 of the Model is for all other projects and, with the exception of the small project fund, is currently approved by joint action of the Wake County and City of Raleigh governing boards.
   1. An annual competitive $2 million fund within Section 3 is included for award for countywide eligible projects based on a proposal process that requires approval action by only the Wake County Board of Commissioners. The proposal process may be done annually or at other timeframes at the discretion of Wake County.
   2. Other 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 portions of such costs and be spread over one or more years to match up with project cash flows.
   3. The amount of Section 3 disbursements are limited to capacity limits that meet the overall fund balance requirements previously approved in order to maintain fiscal sustainability of the model

General Operating Practices:

1. 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.
2. Stakeholder feedback is to be regularly sought and used in prioritizing uses of the Occupancy and Prepared Food and Beverage taxes in accordance with approved Operating Principles, with major stakeholders to include:
   1. All local government jurisdictions
   2. Centennial Authority
   3. Greater Raleigh Convention and Visitors Bureau
   4. Wake County Hospitality Alliance
   5. Other key entities associated with the promotion of sports and entertainment in the county
3. Potential Projects to be considered for funding will be reviewed and evaluated for adherence to the guiding principles in four overall categories:
   1. **Convention Center Complex** and **PNC Arena** projects originally designated in the enabling legislation *(Section 1 and 2 of County Model)*
   2. **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)*
   3. **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)*
   4. **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)*
4. Tax fund support for projects will generally be prioritized for projects in the order described in Practice #6 above with the additional condition that Section 3 allocations provide an ongoing investment mix that considers tax revenue sources and overall county diversity of location.
5. 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 a. and b. 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.

Planning and Processing Practices

9. 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 amount 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 and advise on the use of tax revenues.

10 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.

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 will be set as part of board actions on Interlocal Agreement amendments and will generally be held no less than every three years.