



CENTERVILLE CITY

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Incorporated in 1915

July 31, 2006

Mayor

Ronald G. Russell

City Council

Justin Y. Allen

Paul Cutler

Jack Dellastatus

David R. Gutke

Sherr L. Lindstrom

City Manager

Steve H. Thacker

Davis County Commission
Dannie McConkie
Carol Page
Alan Hansen
P. O. Box 618
Farmington, Utah 84025

Dear Commissioners:

We understand that the Commission has initiated the process for the issuance of bonds to finance the expansion of the Davis Conference Center, and has asked for input on the proposed expansion. We appreciate the invitation to provide our comments before the final decision is made to obligate the County to this project. As public officials we understand the difficulties involved in making such a long term financially binding decision, and we appreciate the public process that the Commission has initiated.

The Centerville City Council is opposed to the use of additional taxpayer funds to expand the Davis Conference Center. We believe that the expansion of Conference Center would be a long term financial burden on taxpayers, and that there are better alternatives for the use of the Hotel/Tourism Tax funds. Reasons we oppose the expansion include:

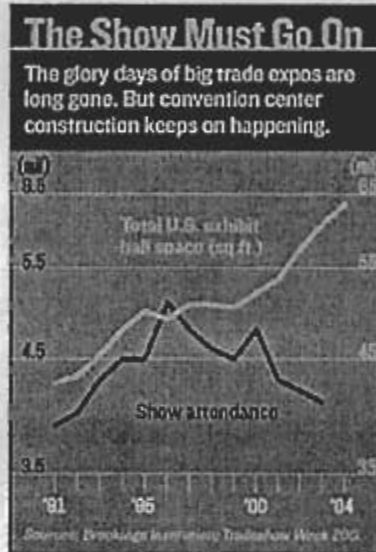
- The cost to fund ongoing expanded operations is greater than the benefit in new tax dollars
- The long term ~\$13M debt and annual operations subsidy required to finance the conference center expansion would be a burden on the County and taxpayers
- The economics of the Davis Conference Center would go from bad to worse
- There is overcapacity in the conference center market, and an expanded Conference center would have to compete with larger conference centers
- The benefits of other potential uses for the Hotel/Tourism Tax, such as a Regional Performing Arts Center, should be considered and compared with the conference center expansion

The Davis Conference Center is heavily subsidized by taxpayers. The *Feasibility Analysis of an Expanded Davis Conference Center Executive Summary Exhibits ES-1 and ES-2* suggest that even with the optimistic assumptions made by CS&L (study authors), the annual operating losses would nearly double from around a quarter of a million dollars to nearly half a million dollars per year, not to mention any debt service on the initial estimated ~\$13M. Exhibit ES-4 suggests that the County would be paying an estimated \$192,800 in additional costs in Year Five to earn just \$187,000 in additional tax revenue. Paying \$13M upfront, plus \$192K per year, just to earn an additional \$187K in taxes does not make financial sense.

The economics of the public conference center industry are going from bad to worse. As Forbes reported in a 2005 article titled *The Answer is always Yes* (http://www.forbes.com/forbes/2005/0228/082_print.html), Conference attendance peaked in the mid 90s, however the total exhibit space continues to increase, while overall conference attendance is down (see graph from Forbes). Changes in the way business is done, including the rise the Internet and other advances in communication, mean that conferences are less relevant than they used to be. In addition, the proliferation of new conference centers combined with lower attendance means lower prices, more discounting and larger annual deficits. If the Davis Conference Center were to expand, it would have to compete more and more with larger conference centers that already have excess capacity.

Critics can argue about the economic benefits to a small number of hotel and restaurant owners in the direct vicinity of the conference center. The jobs created by this expansion will primarily be lower paying conference center, hotel and restaurant jobs. In our opinion, there is more effective economic and community development that could occur by taking that \$13M upfront plus half a million a year and applying it to other projects that benefit a wider economic base than a few hotel and restaurant owners.

As Centerville City officials, we would like you to consider alternatives to expanding the conference center that would benefit, not burden, county residents for many years. The County's participation in a regional performing arts center is one of the projects that deserves close and careful study.



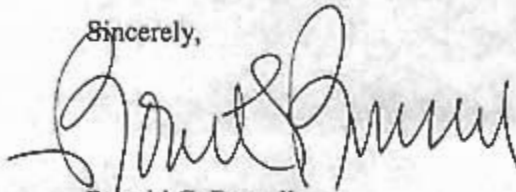
Davis County Commission

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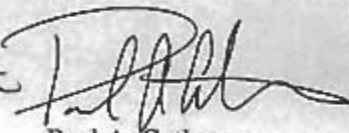
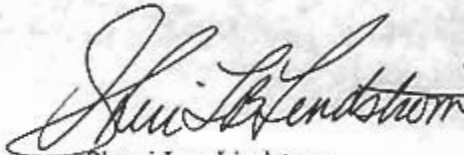
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Again, we thank you for the opportunity to provide our input. We appreciate your service to the citizens of Davis County.

Sincerely,

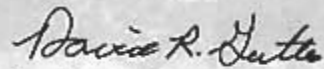


Ronald G. Russell
Mayor


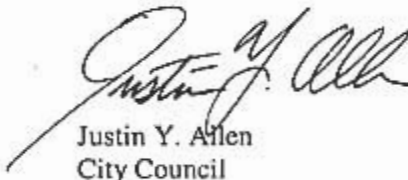


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