



# MEMO

**To:** The Honorable Mayor and City Council  
**Cc:** Bert Lumbreras, City Manager  
Stephanie Reyes, Assistant City Manager  
**From:** Drew Wells, Director of Parks and Recreation  
**Date:** March 31, 2021  
**Re:** Council Questions Regarding Lease of Park Premises with Lions Club

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## **SUMMARY:**

The purpose of this memorandum is to provide additional information to City Council from questions arising from the City Council Work Session held on March 16<sup>th</sup> concerning the lease agreement between the City and the Lions Club.

## **Questions from Mayor Hughson:**

**Provide clarity on if the City is getting 75% or 100% of Lions Club concession sales and whether or not they have exclusive rights.**

Answer: The City receives 75% of the net proceeds from the Rio Vista concession stand. It has been our practice to use the proceeds for equipment purchases and not for operations or personnel matters. In the last four years, the funds were used to acquire three (3) ATV's and one (1) Polaris six-seat utility vehicle. In 2007, the lease agreement was amended to allow exclusive concession rights to the Lions Club at Rio Vista Park and City Park. Exclusive rights were not included in the 2011 Lease Agreement.

**What account is this money going into?**

Answer: From 2015-2019 the funds went into the COSM Park Rangers account. The account code is 10000000-22239.

**Are the Park Rangers donations amounts listed in the spreadsheet to Council on top of the concessions monies they give us or is that where that money is coming from?**

Answer: All Park Ranger donations listed are from concession sales. The proceeds from the concession operations are in addition to the rent paid for the lease at the Rec Hall. An updated spreadsheet of all payments received from the Lions Club to the Parks and Recreation Department is attached.

**What is the amount the City received from insurance for the 2009 fire?**

Answer:

Item	Amount
Insurance proceeds	\$180,815
Budget for prior repairs	\$359,643
Total funds available (post fire)	\$540,458

\$880,000 reconstruction cost; \$339,542 funds needed for reconstruction

**Questions from Council Member Gleason:**

**What kind of a financial revenue have we seen from renting out the Rec Hall since the rebuild?**

Answer:

**Rec Hall Revenue Breakdown by Fiscal Year and Summer Season**

October 1 - April 30	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total Revenue	\$17,848	\$15,688	\$21,020	\$17,433	\$13,471	\$5,425
Total Reservations	101	60	82	85	52	18
May 1 - September 30	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total Revenue	\$18,840	\$16,312	\$19,924	\$22,025	\$0	\$6,735
Total Reservations	79	73	87	99	0	24
Fiscal Year (Oct 1 - Sept 30)	2015-16	2016-17	2017-18	2018-19	2019-20	2020-21
Total Revenue	\$36,688	\$31,999	\$40,944	\$39,458	\$13,471	\$12,160
Total Reservations	180	133	169	184	52	42

**Has the City conducted a study of the community impacts of the Lions Club on the whole community? (Ex: employees being paid, downtown business windfall from people coming into town)**

Answer: In the Fall of 2017, TXP, Inc. released a study: The Impacts of River Tourism in the San Marcos Area. Key findings are summarized below:

## **Findings & Conclusions**

**Finding #1:** Overall growth has been explosive in the San Marcos area in recent years, with most aggregate indicators (population, jobs, consumer spending, housing development) suggesting a pace of expansion that is among the fastest in Texas.

**Finding #2:** Local travel & tourism activity has kept pace with overall growth.

**Finding #3:** The impact of \$6.7 million in direct River tourism spending translates into a total economic impact of \$10.8 million in economic activity (output), \$6.3 million in value-added, \$3.3 million in earnings, and approximately 120 jobs.

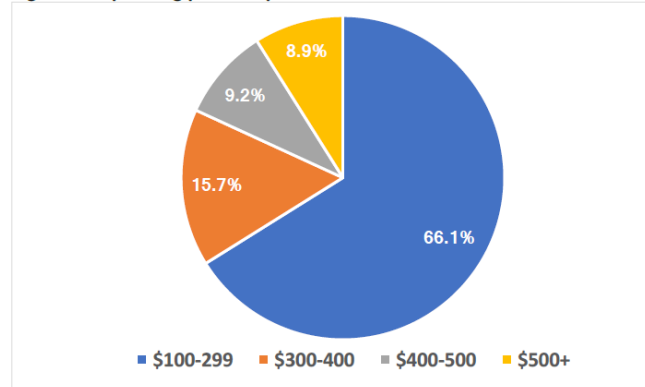
**Finding #4:** River tourism contributes almost \$181,000 annually to the City of San Marcos, largely in the form of sales tax.

## Economic Impact of River Tourism

### Direct Impacts

Separating out the impacts of river tourism (defined here as tourist activity based on tubing as a purpose for visiting the San Marcos area) from all tourism activity required primary research. Survey data was collected on-site at the Lions Club over the course of Summer 2017. A total of 1,293 responses were collected, of which just over 92 percent indicated they were non-locals, defined as those who do not live in zip code 78666 or zip codes contiguous to it. The vast majority of those who visited the river came in groups, with two-thirds coming in a group of two to five, and just over 32 percent in a group of six or more. Two-thirds of respondents indicated that their group collectively spent between \$100 and \$299 while in the area, with slightly less than 10 percent indicated they spent more than \$500, for an overall average per group spending of \$295.40. While only 14 percent indicated they stayed in a local hotel, those that did spent an average of 45 percent of their total spending on lodging.

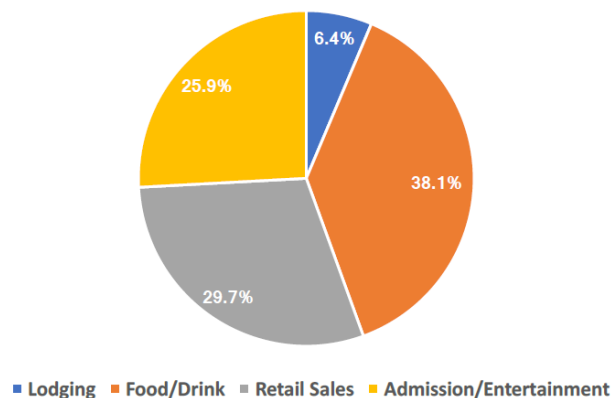
Figure 8 – Spending per Group of River Visitors



Source: TXP, Lions Club Survey

Based on the Lions Club survey and interviews with other tube providers in the San Marcos area, TXP estimates that there were approximately 132,000 tube rentals during the past twelve months (Labor Day 2016 to Labor Day 2017), of which about four-fifths (107,023) were non-locals. Together, these visitors directly spent an estimate of \$6,655,236 locally, an average of \$62.18 per tube rental. The figure below indicates the breakdown of this spending by major category.

Figure 11 – Direct River Visitor Spending by Category



Source: TXP, Lions Club Survey

**Questions from Council Member Derrick:**

**Would Lions Club be amenable to allowing a rotation of food trucks at Rio Vista Park?**

Answer: Staff has spoken to the Lions Club and they do not oppose food truck operations. Staff is currently working to establish a policy and program to allow food truck vending in our riverfront parks. Vendors will have to comply with all City Ordinances regarding permitting.

**Rental rates - yes difficult, but a guestimate is needed - check with New Braunfels? They aren't paying rent; they are reimbursing the City Expenses for their facility rebuild over 20 years and it's a LOW amount.**

Answer: The Lions Club, within the lease agreement, are paying rent in the amount of \$11,350 per year (2016-2021). The rent payment for 2021-2026 will be \$11,900 per year. The process that was utilized in 2011 to determine the amount of rent to be paid was the approximate cost of the portion of the building that was being reconstructed. That, instead of a market value determination, was the method used to derive a rent payment. We have reached out to New Braunfels to gather information regarding a similar operation, Wurstfest, that we can use as a comparable to our lease amount.

The upper portion of Landa Park grounds is owned by the City of New Braunfels and has been leased to the Wurstfest Organization since the 1960's. The current lease, approved September 2020, is a 25-year lease requiring an annual payment of \$8,500 and has two renewal options. The first option is an automatic renewal, provided all conditions and terms have been met by the Lessee, and is termed for an additional 25 years. The first renewal period does provide language for modifications to insurance requirements if needed. The second renewal period is also for 25 years and must be approved by City Council and provides for an in-depth review of all terms and conditions of the lease agreement. The leased premises consist of approximately 7.5 acres of land and 46,000 square feet of building space. Wurstfest conducts a multi-million-dollar operation annually.

**Over \$700K in expenses to run the operation 5 months out of the year doesn't look right at first blush, can we request expenses? Is our only other option to get the IRS involved?**

Answer: Of the expenses documented on the 2018 990, about one-half of that \$668k is salaries for employees. They employ approximately 50 to 60 employees annually. Lions will be providing additional information detailing staffing levels and wages to us. The Board of Directors and other Lions Club members are all volunteers and do not receive payment from the tube rental operation. Salaries and wages paid to Lions Club staff, like all contributions made to non-profit organizations funded by Lions Club, have a financial impact on our community.

## **How much is their portion of the utility bill?**

Answer: The building is equipped with two electric meters that separate the leased area rented by the Lions Club and the main area of the Rec Hall available for other rental activities. 2018 and 2019 data reflect average consumption/bill usage of the Lions Club portion at approximately \$2,267 per year. The Rec Hall portion for the same period is approximately \$6,146 per year. Under the terms of the 2011 Lease, the City is obligated to provide water and wastewater utilities at no cost to the Lions Club. The portion of the facility rented by the Lions Club has one sink. Water consumption is minimal and the City agreed in 2011 to provide this service at no cost to the Lions Club. Although the 2011 Lease specifies the Lions Club is responsible for paying utilities (phone, internet, and electric), the account was never established in their name and the City has been covering payments for both portions of the building. The Lions Club has been paying their phone/internet bills and will work with the City to have the electric utility account set-up in their name. The Lions Club will be paying for the electric service from this point on and will not be assessed any charges retroactively.

## **How much is their portion of grounds maintenance?**

Answer: The Lions Club has no obligation for ground maintenance within the lease.

## **Can we use CDBG funds for rangers/parks?**

Answer: After researching this issue, CDBG staff have not found an instance where CDBG funds were used for park rangers. While CDBG is used to fund enhanced community policing in some cities, staff recommends against attempting to use CDBG funds for park ranger funding. It would be difficult to justify that it has impact on the neighborhood around the park, and we would be taking the risk of having to pay the money back if at some time in the future HUD decided it was not justified. Here are some of the notable criteria:

1. This would be a public service, so it would count against the 15% cap. We have about \$110,000 annually for public services and generally spend \$60,000 on CASA
2. We would need to show very clearly the benefit to a specific service area that is primarily residential and has more than 51% low-to-moderate income residents.
3. Enhanced community policing is funded by CDBG because it is above and beyond ordinary patrols, and it enables concentrating officers in specified struggling neighborhoods as a way of trying to help the neighborhoods improve. We would need to be able to show how this position is a new or enhanced service that benefits low-to-moderate income residents in the service area. This seems more difficult for a park ranger than a neighborhood patrol officer, but it could be attempted.

Also, programs like the ones we have in place now have the direct impact of fostering long term improvement in neighborhoods and for the residents of San Marcos, and that's the underlying goal of CDBG funds.

**Questions from Council Member Baker:**

**In 2019 when the Lions Club increased their fee by \$2, they reported an 11% decrease. Was this in number of tubes rented? Did they see the same amount of profit? Was it an 11% decrease in profit or rentals?**

Answer: It was an 11% reduction in tubes rented, but it provided approximately the same amount of revenue collected in 2018 because of the \$2 increase that was implemented.

**Did the City conduct an environmental analysis to determine the benefits to our river that were realized by fewer people using it through tubing?**

Answer: In 2018, the Conservation Crew (EAHCP Program) reported 4,382 cubic feet (cu ft) of litter and mixed recyclables was removed during the recreation season only from Spring Lake Dam to Ramon Lucio. Atlas Environmental (EAHCP contractor) reported 4.58 cu ft removed from Spring Lake Dam to top of City Park; 174.07 from City Park to IH35; and 212.39 from IH35 to Stokes Park. River Cleanup events, spring and fall, reported 36,217 pounds of trash and 11,100 pounds of recyclables.

In 2019, the Conservation Crew (EAHCP Program) reported 3,073 cubic feet (cu ft) of litter and mixed recyclables was removed during recreation season only from Spring Lake Dam to Ramon Lucio. Atlas Environmental (EAHCP contractor) reported 3.75 cu ft from Spring Lake Dam to top of City Park; 88.57 from City Park to IH35; and 168.84 from IH35 to Stokes Park. River Cleanup events, spring and fall, reported 17,600 pounds of trash and 8,343 pounds of recyclables.

In 2020, the Conservation Crew (EAHCP Program) was put on hold due to COVID-19. Atlas Environmental (EAHCP contractor) reported 1.29 cu ft was removed from Spring Lake Dam to top of City Park; 52.93 from City Park to IH35; and 103.18 from IH35 to Stokes Park. River Cleanup events, spring and fall, reported 16,725 pounds of trash and 15,645 of recyclables.

Diminishing vegetation growth associated with recreational activity has been observed in the San Marcos River. The impacts are more severe with activity that creates physical contact with the riverbed, such as swimming and wading. This [link](#) provides a visual representation of Texas Wild Rice within the river near Dog Beach from October 2019 to June 2020.

## **Summary of changes proposed in lease agreement:**

Below is a summary of proposed changes the City Council will be requested to consider during the April 6<sup>th</sup> meeting:

Summary of Changes	Current Lease	Negotiated Lease															
<b>Annual Rent Amount</b>	\$11,900	\$11, 900															
<b>Concession Stand Donation</b>	<p>Lease is currently silent, but they have continued to donate 75% of net proceeds from the Rio Vista concession stand to the Park Ranger.</p> <p>Donations have ranged between \$14k - \$29k over the last 5 years.</p>	<p>Section 3.03 adds an annual donation of \$285 per day that the concession stand is open. Closures due to inclement weather will not be counted.</p> <p>Operating days are expected to be as follows:</p> <table> <tr> <td>2021 Season (May1 – September 30):</td> <td>71 Days</td> <td>\$20,235</td> </tr> <tr> <td>2022 Season (May1 – September 30):</td> <td>70 Days</td> <td>\$19,950</td> </tr> <tr> <td>2023 Season (May 1 – September 30):</td> <td>76 Days</td> <td>\$21,660</td> </tr> <tr> <td>2024 Season (May 1 – September 30):</td> <td>76 Days</td> <td>\$21,660</td> </tr> <tr> <td>2025 Season (May 1 – September 30):</td> <td>72 Days</td> <td>\$20,520</td> </tr> </table>	2021 Season (May1 – September 30):	71 Days	\$20,235	2022 Season (May1 – September 30):	70 Days	\$19,950	2023 Season (May 1 – September 30):	76 Days	\$21,660	2024 Season (May 1 – September 30):	76 Days	\$21,660	2025 Season (May 1 – September 30):	72 Days	\$20,520
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<b>River Parks Improvement Fund</b>	N/A	<p>Section 2.06 establishes a River Parks Improvements Fund by the Lessee with a guaranteed minimum payment of \$10,000 over the 5-year term of the renewed lease. Funding will be used solely for improvements within the river parks.</p>															
<b>Litter Abatement</b>	Article 9. River Clean Up	<p>Section 9.02 &amp; 9.03 expand the number of hours each operating day and specific locations in which litter will be removed by employees of the Lions Club.</p> <p>Monday – Friday: 2 hours per day  Saturday – Sunday: 4 hours per day</p> <p>Lessee shall remove litter from: City Park, Dog Beach and the Rio Vista Park area between the concession stand and Reynolds Dr along Cheatham Street.</p>															
<b>Lease Renewal Process</b>	N/A	<p>Section 2.05 - Negotiations between the Lessor and Lessee for future renewal periods shall be finalized and approved by October 1 of the preceding year of the expiration date.</p>															

Lions Club Payments to City									
	Account Code	2015	2016	2017	2018	2019	2020	2021	How funds are used
<b>Donations</b>									
HCP/Litter abatement	10000000-22090 12027010-53155		\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$2,500.00	\$1,250.00/COVID	River Litter pick-up
AC Room Rental	10000000-44145			\$3,831.75	\$3,322.00	\$4,000.00	COVID		General Fund Revenue
SummerFest donations	12007205-44305		\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00	\$4,500.00		Fireworks
<b>Lease/Concession</b>									
Park Ranger -LC Concessions	10000000-22239	\$14,000.00	\$14,000.00	\$15,000.00	\$23,850.00	\$17,177.82	2 ATVs		Park Ranger Equipment
Lease Payments	10000000-44045 10000000-44006	\$10,800.00	\$11,350.00	\$11,350.00	\$11,350.00	\$11,350.00	\$11,350.00		General Fund Revenue
River Franchise Fee	10000000-41115	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	\$1,000.00	COVID	season hasn't started	General Fund Revenue
Totals		\$25,800.00	\$33,350.00	\$38,181.75	\$46,522.00	\$40,527.82	\$18,350.00	\$0.00	



# The Impact of River Tourism in the San Marcos Area



Produced for



Prepared by



**TXP, Inc.**

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## Executive Summary

TXP was engaged to provide an economic impact assessment of River tourism in the San Marcos area. In the course of this analysis, four major findings emerged:

- Finding #1:** *Overall growth has been explosive in San Marcos and Hays County in recent years, with most aggregate indicators (population, jobs, consumer spending, and housing development) suggesting a pace of expansion that is among the fastest in Texas.*
- Finding # 2:** *Travel & tourism activity in Hays County has kept pace with overall growth.*
- Finding # 3:** *The impact of \$6.7 million in direct River tourism spending translates into a total economic impact of \$10.8 million in economic activity (output), \$6.3 million in value-added, \$3.3 million in earnings, and approximately 120 jobs.*
- Finding # 4:** *River tourism contributes almost \$181,000 annually to the City of San Marcos, largely in the form of sales tax.*

The report offers the following conclusions:

While the tangible value of River tourism to San Marcos and the regional economy is clear, the impact could be even larger. Visitors come to the community to enjoy the River, but they are staying elsewhere in the region; since the economic impact of tourism is a largely a function of “heads in beds,” San Marcos is foregoing much of the potential benefit. As a result, the economic impact of the River *per se* is fairly modest, though there is significant opportunity for growth, especially as more hotel capacity comes on-line and local tourism-related amenities evolve.

The non-measurable impacts may outstrip those quantified above. Recreational and other travel amenities also have an important role in the recruitment and retention of individuals and firms. This is especially true in the San Marcos area, where the community increasingly is seen as providing much of the quality of life Austin has to offer at a lower cost with less traffic. Fully exploiting this opportunity depends on continued investment in the shopping, cultural, and recreational amenities that appeal to both tourists and those who live and work in Hays County, present and future. In essence, the value of River tourism extends beyond its immediate economic impact, suggesting that policies and spending decisions that influence this sector be seen in a broad context.

## Introduction

The San Marcos River (the River) can be seen as the birthplace of North American civilization, as credible evidence suggests it's the longest site of continued human habitation on the continent. In that vein, the River literally has been at the heart of the community since it was officially founded during the 19<sup>th</sup> Century. According to the Handbook of Texas Online, "the Texas Legislature organized Hays County on March 1, 1848, and designated the young community as the county seat. San Marcos already had 387 residents. Slowed for a while by the Civil War, the population in 1870 had grown only to 742, but in the decade following the arrival of the International-Great Northern Railroad in 1881 it reached 2,335." The Handbook goes on to state that "the chartering in 1899 and subsequent opening in 1903 of Southwest Texas State Normal School and of the San Marcos Baptist Academy in 1907 established education as an important local industry. Since early in the century, Hays County has enjoyed a steady influx of tourists attracted by the caves, springs, and spas of Wimberley and San Marcos," with subsequent attractions including swimming pigs and mermaids. To this day, the River remains a popular spot for both locals and visitors, as *TripAdviser* currently ranks it as the #3 local attraction (right behind the Outlet malls) for tourists.

While the River is integral to the identity and soul of San Marcos, its role in the local economy has not been fully measured. There is no doubt that its impact on local quality of life has implications for the attraction and retention of both residents and employers, but that impact is challenging to quantify. Meanwhile, the role the River plays in local tourism has not been systematically measured. To address this, TXP was engaged to provide an economic impact assessment of River tourism in the San Marcos area. As part of that process, TXP met with local stakeholders, reviewed the academic and trade literature around the local economic impacts of river tourism, and worked with the Lions Club to survey the origin and spending patterns of River tourists. The information developed in this process then was used as inputs into the model of the Austin area economy that enables estimation of the total economic and tax revenue impacts.

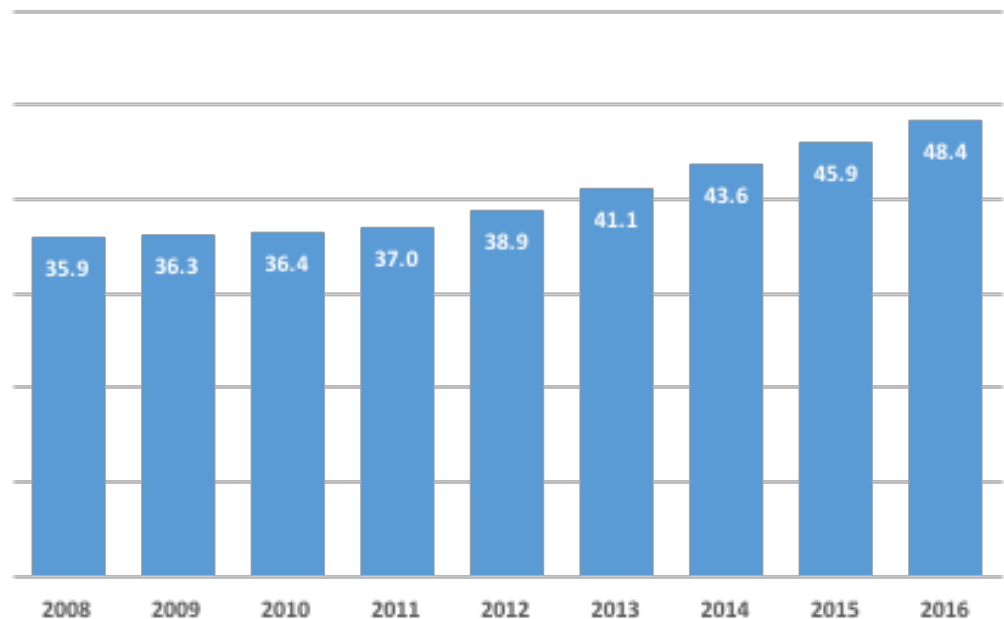
The structure of the report is as follows. First, overall trends in the local economy are reviewed, with an emphasis on indicators of the travel and tourism sector. The next section provides findings from the Lions Club survey and interaction with other River vendors related to the place of origin, length of stay, and expenditure patterns of River users who come from outside the area. This data is then used, in part, to estimate the overall economic and tax impact of River tourism in the San Marcos area. Section Three concludes the report, and summarizes the major findings and conclusions.

## The Economic Context

### Hays County Economy

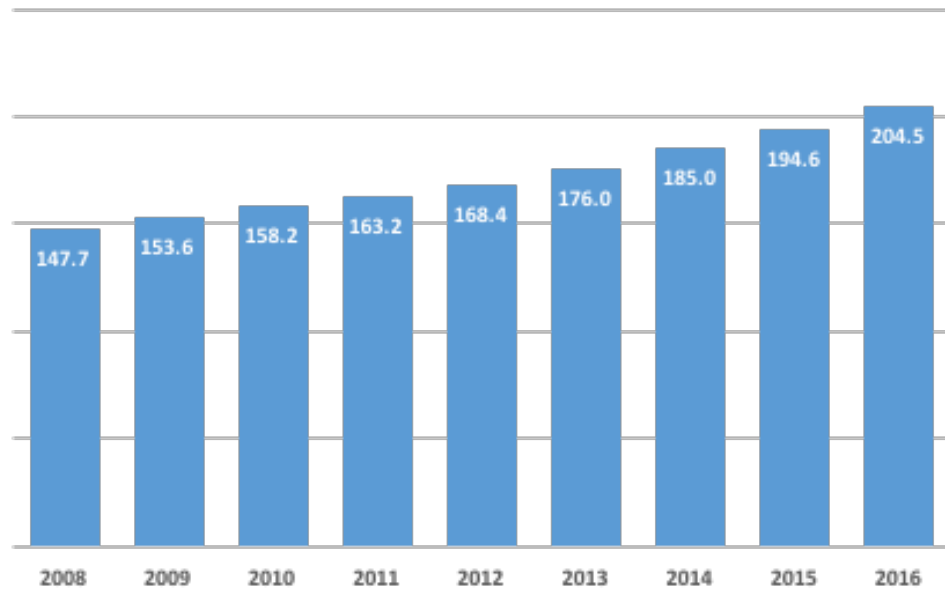
Located on the I-35 Corridor in one of the fastest growing regions in the nation, it is not surprising that growth in San Marcos and Hays County has been rapid in recent years, especially when local amenities, quality of life, and the rapidly rising cost of living in Austin are factored into the equation. Since 2008, almost 60,000 additional people have chosen to call Hays County home, pushing total county population past 200,000. Over that same period, 12,500 net new jobs have been created in Hays County, while other indicators of development have more than kept pace. The gap between the level of community-based employment and the surge in population is explained by the fact that a significant share of county residents commute outside the county for work. For example, there were just over 48,000 jobs in the county during 2016, but, that same year, almost 100,000 Hays residents reported being employed. Additionally, taxable retail sales rose sharply in the wake of the recession, but growth appeared to have slowed in recent years.

**Figure 1 – Total Hays County Employment (000s)**



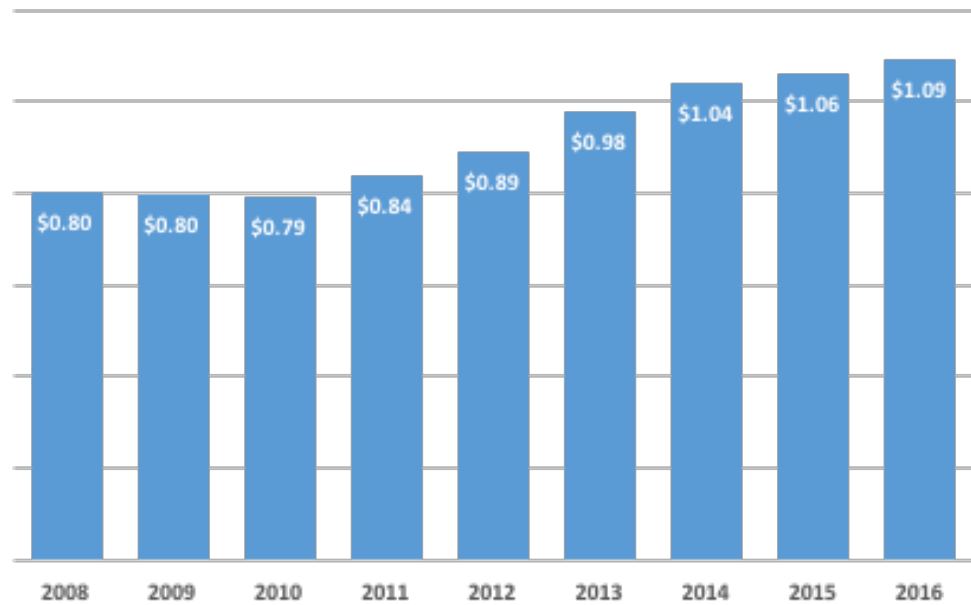
Source: TXP, Texas Workforce Commission (QCEW)

**Figure 2 – Hays County Population (000s)**



Source: TXP, U.S. Census Bureau

**Figure 3 – Hays County Taxable Retail Sales (\$Billions)**



Source: TXP, Texas Comptroller's Office

## San Marcos Travel & Tourism

Visitors historically have been drawn to the San Marcos area to explore both natural and man-made attractions, including swimming pigs, mermaids, theme parks, outlet malls, and, more recently, a convention center and adjacent hotel. This activity has an economic impact; as tracked by Dean Runyan & Associates for the State of Texas, direct annual travel spending in Hays County rose 75 percent from 2007 to last year, while travel-related earnings more than doubled and local tax revenue rose even faster.

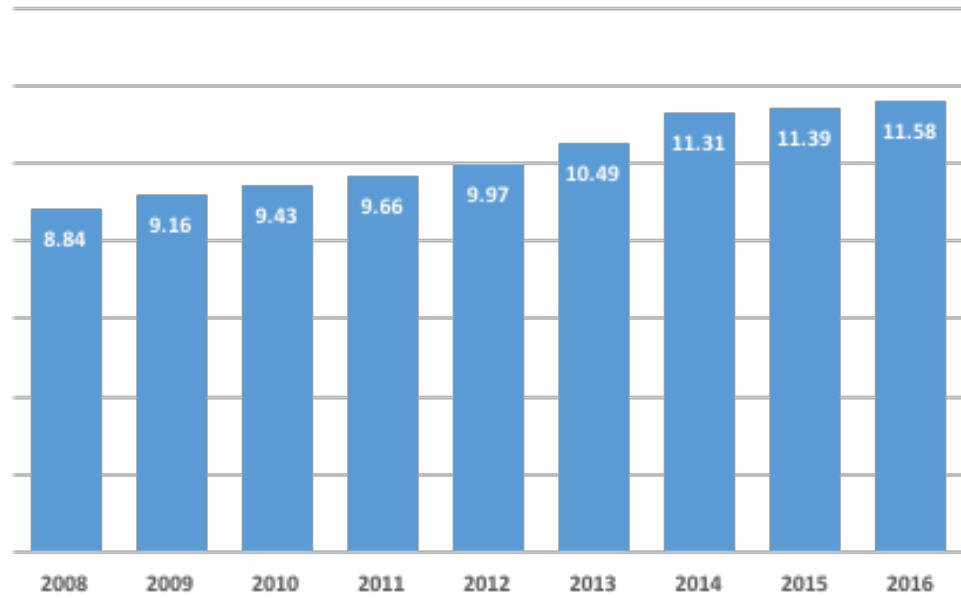
**Table 1 - Hays County Tourism Performance**

	Direct Travel Spending (\$Millions)	Direct Travel Earnings (\$Millions)	Direct Travel- Related Jobs (000s)	Local Tax Revenue (\$Millions)
2007	\$188.3	\$46.6	2.0	\$2.7
2008	\$203.6	\$48.9	2.0	\$2.9
2009	\$210.3	\$59.5	2.3	\$3.4
2010	\$231.1	\$63.2	2.4	\$3.7
2011	\$246.9	\$68.6	2.5	\$3.9
2012	\$264.1	\$74.1	2.6	\$4.4
2013	\$284.5	\$80.5	2.8	\$4.9
2014	\$299.6	\$90.2	3.1	\$5.3
2015	\$312.0	\$100.3	3.3	\$5.9
2016	\$329.4	\$109.9	3.6	\$6.3

Source: TXP, Office of the Governor, State of Texas

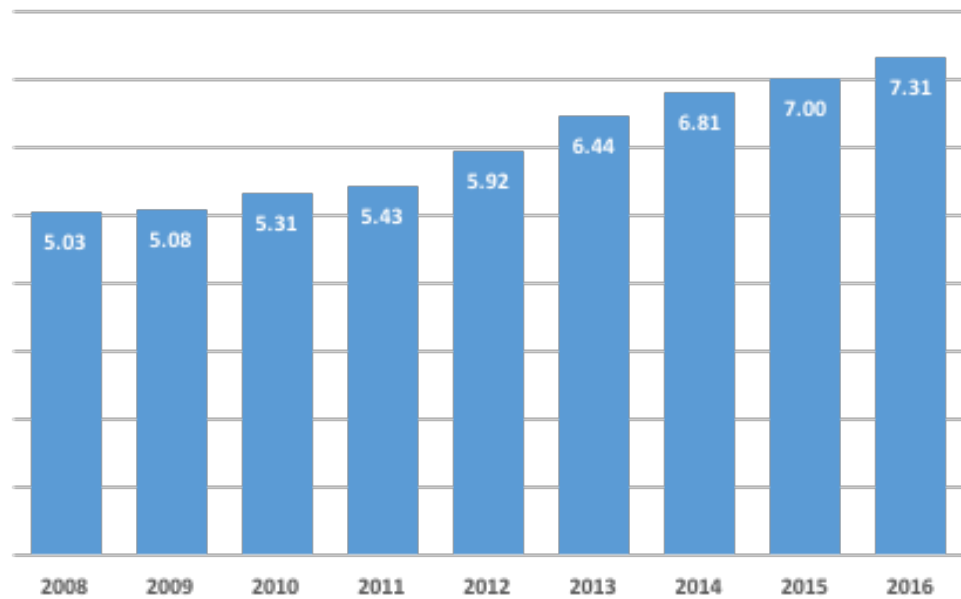
On the employment side, Dean Runyan reports the creation of 1,600 net new travel-related jobs since 2007. QCEW data on Hays County employment by sector provides additional detail: while jobs in the accommodation sector have doubled (albeit from a fairly small base), employment in the arts, entertainment, and recreation sector essentially has been flat over the past ten years. Meanwhile, growth has been steady in retail trade and eating & drinking places, but it is difficult to untangle the role that visitors played in that expansion from the overall growth in consumer spending locally.

**Figure 4 – Hays County Retail Trade Employment (000s)**



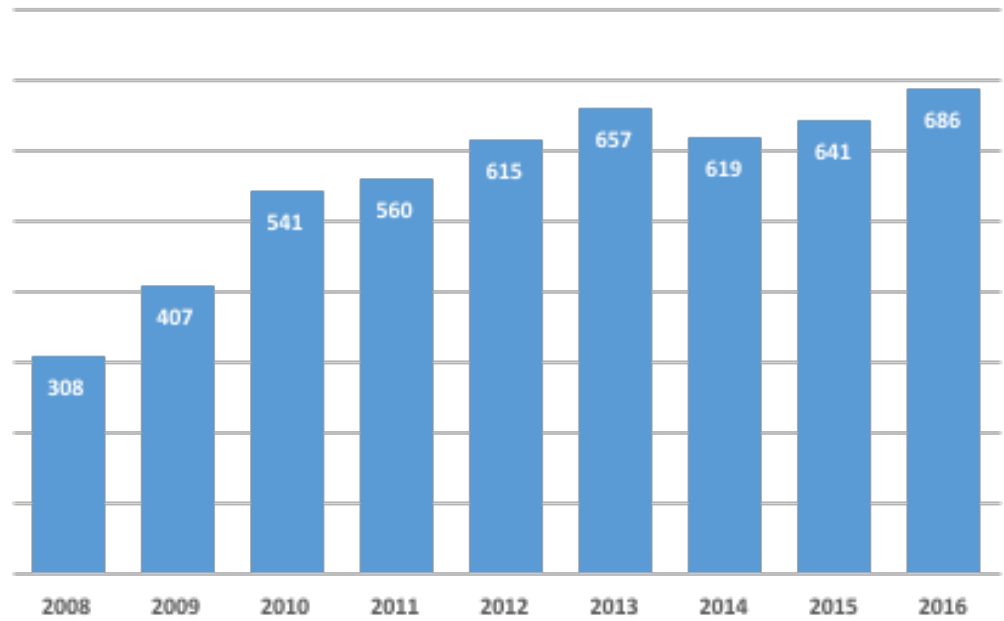
Source: TXP, Texas Workforce Commission (QCEW)

**Figure 5 – Hays County Eating & Drinking Employment**



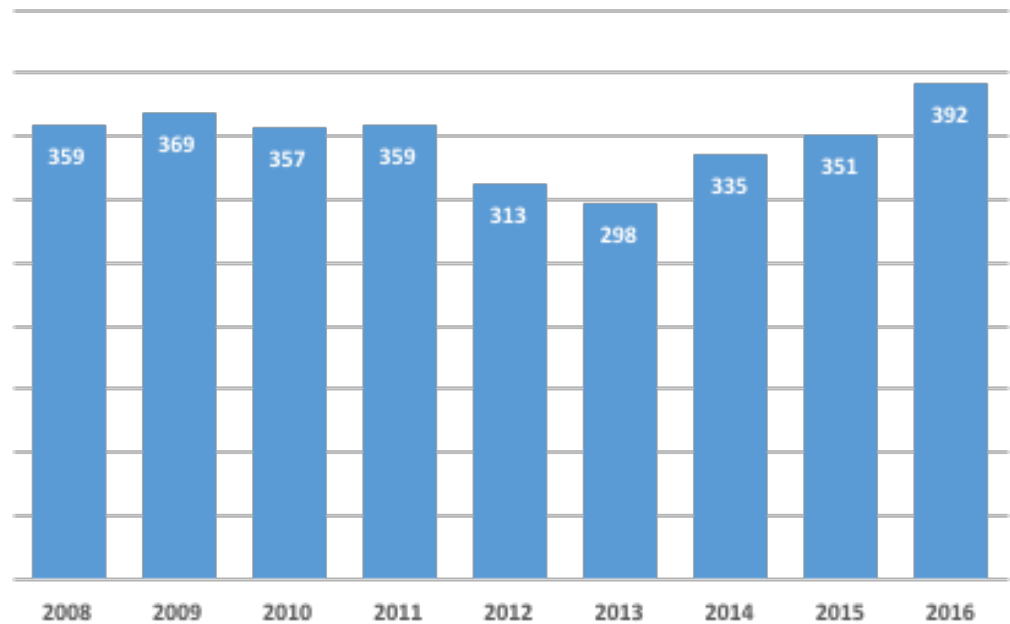
Source: TXP, Texas Workforce Commission (QCEW)

**Figure 6 – Hays County Accommodation Employment**



Source: TXP, Texas Workforce Commission (QCEW)

**Figure 7 – Hays County Arts, Entertainment, & Recreation Employment**



Source: TXP, Texas Workforce Commission (QCEW)

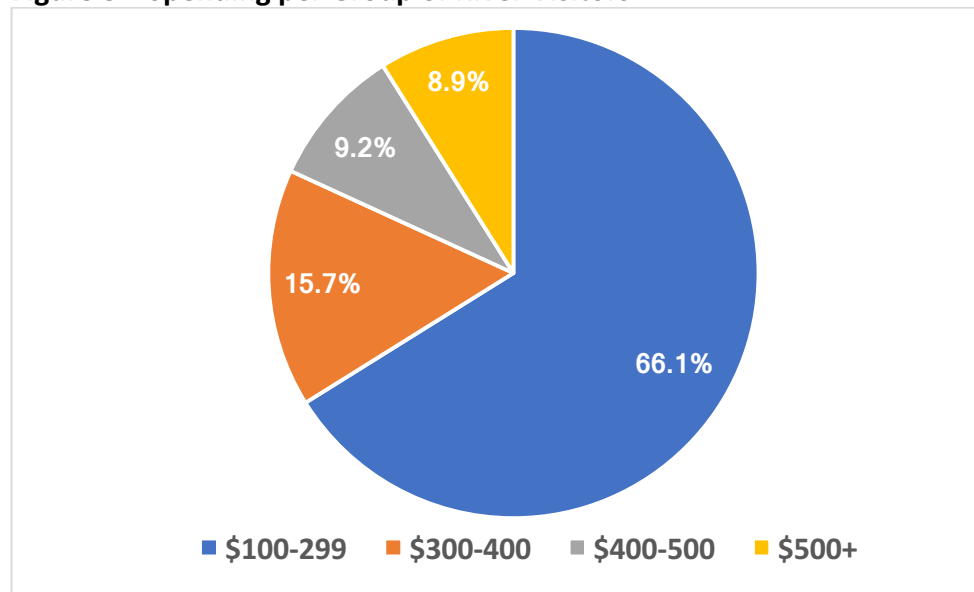


## The Economic Impact of River Tourism

### Direct Impacts

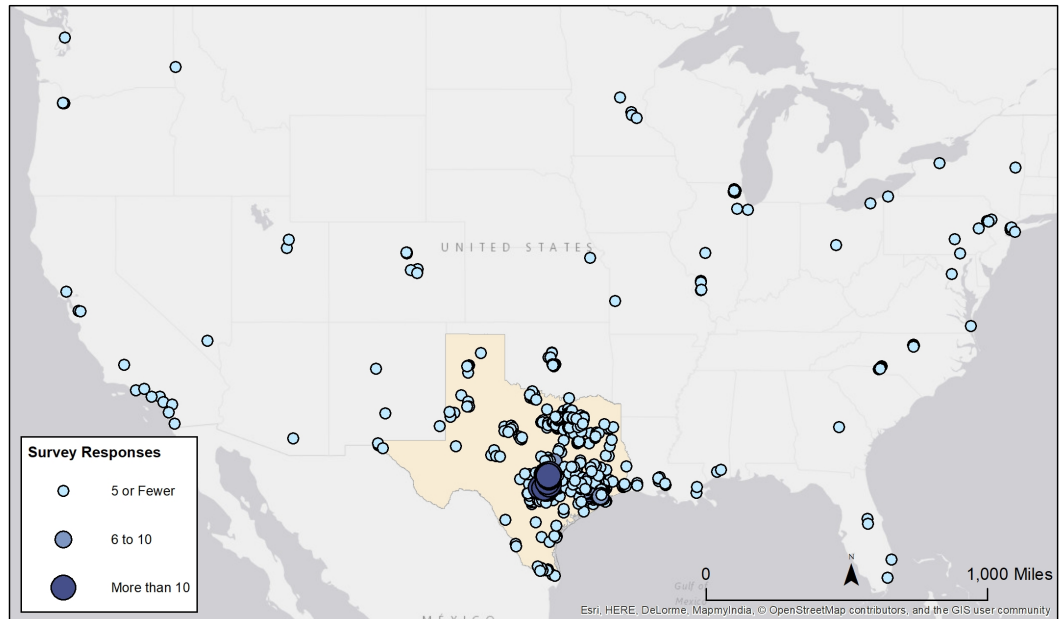
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**Figure 8 – Spending per Group of River Visitors**



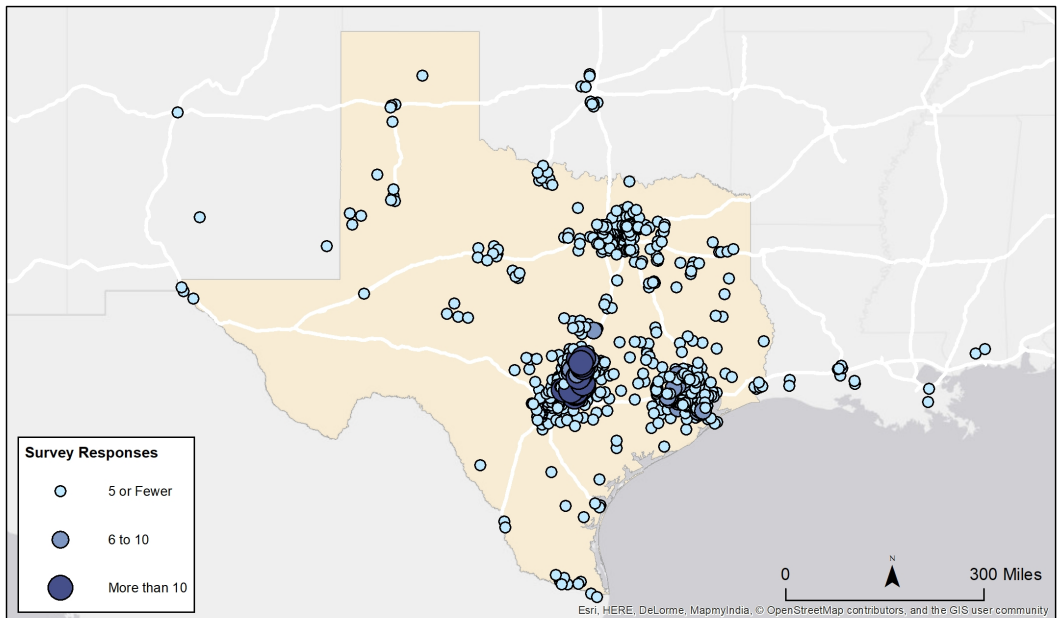
Source: TXP, Lions Club Survey

**Figure 9 – Zip Code of Origin of River Visitors**



Source: TXP, Lions Club Survey

**Figure 10 – Zip Code of Origin of River Visitors from Texas**

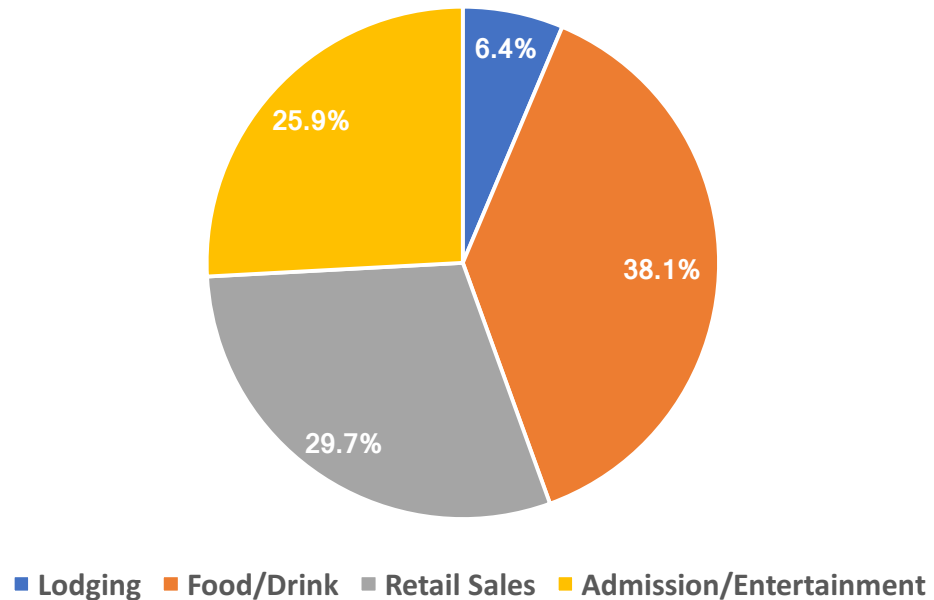


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**Figure 11 – Direct River Visitor Spending by Category**



Source: TXP, Lions Club Survey

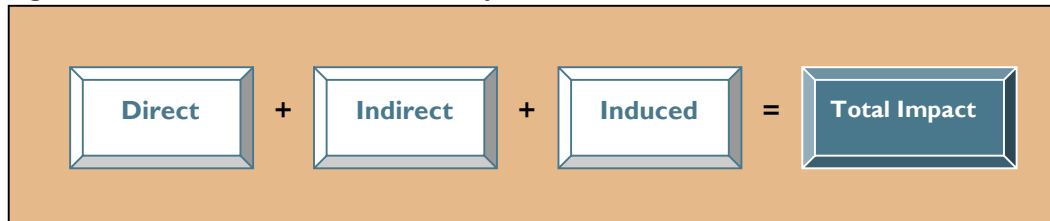
### **Economic Impact Methodology**

The economic impacts extend beyond the direct spending activity outlined above. In an input-output analysis of new economic activity, it is useful to distinguish three types of expenditure effects: direct, indirect, and induced. Direct effects are production changes associated with the immediate effects or final demand changes. The payment made by an out-of-town visitor to a hotel operator is an example of a direct effect, as would be the taxi fare that visitor paid to be transported into town from the airport.

Indirect effects are production changes in backward-linked industries caused by the changing input needs of directly affected industries – typically, additional purchases to produce additional output. Satisfying the demand for an overnight stay will require the hotel operator to purchase additional cleaning supplies and services, for example, and the taxi driver will have to replace the gasoline consumed during the trip from the airport. These downstream purchases affect the economic status of other local merchants and workers.

Induced effects are the changes in regional household spending patterns caused by changes in household income generated from the direct and indirect effects. Both the hotel operator and taxi driver experience increased income from the visitor's stay, for example, as do the cleaning supplies outlet and the gas station proprietor. Induced effects capture the way in which this increased income is in turn spent by them in the local economy.

**Figure 12 - The Flow of Economic Impacts**



Once the ripple effects have been calculated, the results can be expressed in a number of ways. Four of the most common are “Output,” equivalent to sales; “Value-Added,” which describes the difference between a firm’s top-line revenue and its cost of goods sold (exclusive of labor-related costs); “Earnings,” which represents the compensation to employees and proprietors; and “Employment,” which refers to permanent, full-time jobs that have been created in the local economy. The interdependence between different sectors of the economy is reflected in the concept of a “multiplier.” An output multiplier, for example, divides the total (direct, indirect and induced) effects of an initial spending injection by the value of that injection – i.e., the direct effect. The higher the multiplier, the greater the interdependence among different sectors of the economy. An output multiplier of 1.4, for example, means that for every \$1,000 injected into the economy, another \$400 in output is produced in all sectors.

Economic impact models available from the Commerce Department’s Bureau of Economic Analysis cannot be disaggregated below the county-level, and so are reported for Hays County. However, the nature of the impacts (direct and ancillary consumer activity as a result of visitors coming to the River) means that the vast majority are likely to be in San Marcos. Based on this assumption, the tax revenue impacts are reported at the City level.

## Total Economic Impacts

**Table 2 - Total Economic Impact of River Tourism in Hays County (2017)**

	Output	Value-Added	Earnings	Jobs
Lodging	\$750,044	\$464,446	\$217,347	6
Food and Beverage	\$4,701,631	\$2,627,352	\$1,446,617	54
Art, Ent., & Recreation	\$3,428,873	\$1,997,796	\$1,015,759	40
Retail Sales	\$1,871,055	\$1,168,953	\$587,538	18
<b>TOTAL</b>	<b>\$10,751,604</b>	<b>\$6,258,547</b>	<b>\$3,267,260</b>	<b>118</b>

Source: TXP

## Tax Revenue Impacts

There are two areas of tax impact associated with travel and tourism in Hays County: A) revenue linked to new spending in clearly defined categories that have a defined tax rate such as lodging and B) revenue generated as a result of overall increased economic activity in the region. For example, restaurants buy goods and services from local suppliers to meet the increased demand created by of out-of-town visitors. In addition, the restaurant and its suppliers employ local workers who spend their income within the region. This economic activity, called the ripple effect, generates tax revenue for local jurisdictions. In conceptual equation form, this translates as follows: A (taxes associated with direct new activity) + B (additional tax revenue based on ripple effects) = C (total tax revenue). The approach for calculating A is relatively straightforward: for some taxes: multiply total new spending in each category by the existing tax rates. The approach used to estimate the ripple tax impacts of the project was to examine the relationship between personal income and City tax revenue derived from local sources. Note: these findings do not include property taxes or fees.

**Table 3 – City of San Marcos Tax Revenue Impact of River Tourism (2017)**

	Direct Tax	Indirect Tax	Total Tax
Lodging	\$38,035	\$3,038	\$41,073
Food and Beverage	\$38,056	\$21,321	\$59,376
Art, Ent., & Recreation	\$25,807	\$16,194	\$42,001
Retail Sales	\$29,629	\$8,876	\$38,505
<b>TOTAL</b>	<b>\$131,526</b>	<b>\$49,430</b>	<b>\$180,956</b>

Source: TXP

## Findings & Conclusions

- Finding #1:** *Overall growth has been explosive in the San Marcos area in recent years, with most aggregate indicators (population, jobs, consumer spending, housing development) suggesting a pace of expansion that is among the fastest in Texas.*
- Finding #2:** *Local travel & tourism activity has kept pace with overall growth.*
- Finding #3:** *The impact of \$6.7 million in direct River tourism spending translates into a total economic impact of \$10.8 million in economic activity (output), \$6.3 million in value-added, \$3.3 million in earnings, and approximately 120 jobs.*
- Finding #4:** *River tourism contributes almost \$181,000 annually to the City of San Marcos, largely in the form of sales tax.*

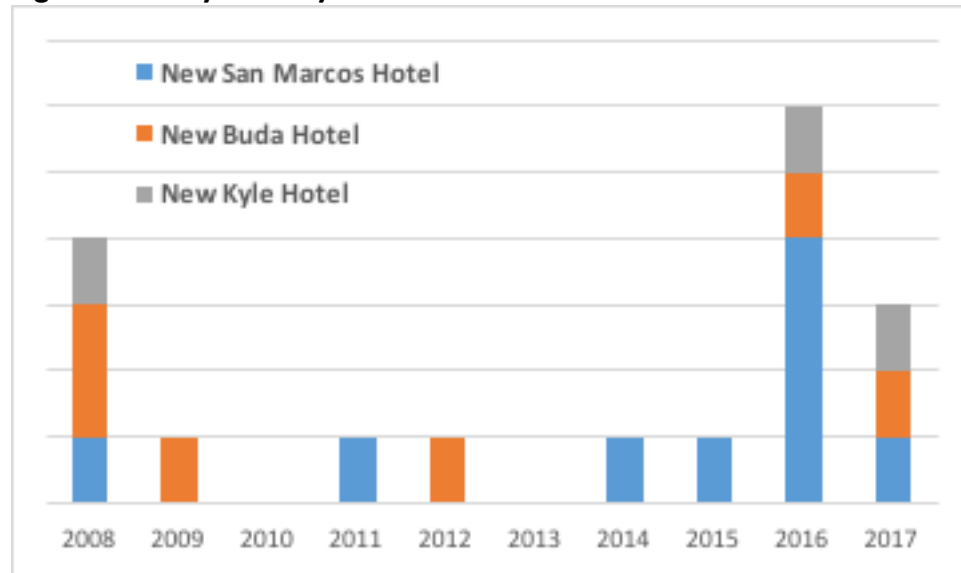
The tangible value of River tourism to San Marcos is clear. Economic activity attributable to the “importing” of external dollars into the community in the form of spending by non-local residents supports hundreds of jobs and provides millions of dollars in earnings for local residents each year. The City also benefits, as tax revenues attributable to the impact River tourism approach \$181,000 annually.

That said, the impact could be even larger. On the surface, there appears to be something of a disconnect in the survey findings: over 90 percent of the River users at the Lions Club said they were from outside the area, yet less than 15 percent reported that they planned to spend the night in the community. The answer, mentioned by several in the business, appears to be that visitors come to the region, typically arriving in Austin or San Antonio, and then visit Hays County for the day before staying elsewhere in Central Texas. In general, the economic impact of travel and tourism is a function of “heads in beds” as spending goes up markedly with lodging, extra meals, and more time in general in the community that occurs with overnight visitors. Given that relatively few River visitors spend the night, perhaps it is not surprising that an examination of current listings on Homeway and AirBnB contain only one mention of the River.

Rapidly increasing local hotel capacity may offer the opportunity for the impact of River tourism to grow. An article published during April 2016 in the local *Community Impact Newspaper* cites Jan Freitag, VP at Smith Travel Research, as saying that a study of the hotel inventory in the Central Texas area, including San Marcos, Kyle, Buda, Bastrop and Lakeway, showed that between 2012 and 2015 there were 1,078 new hotel rooms added to the market. During the same period, occupancy rates increased from 65.6 percent to 78 percent, which he said shows “very healthy” demand growth. Figure 13

indicates the emerging new Hays County capacity; the challenge will then be to persuade River visitors to take advantage, stay locally, and spend additional funds in the community.

**Figure 13 – Hays County Hotel Growth**



Source: TXP, *Community Impact Newspaper*, April 2016. (2016 & 2017 are projections)

In conclusion, the economic impact of the River per se is fairly modest, though there is significant opportunity for growth, especially as more hotel capacity comes on-line and the tourism infrastructure of San Marcos (including other lodging options) continues to evolve. Seen more broadly, however, the non-measurable impacts may outstrip those quantified in this report. Much energy and effort has gone into analyzing the emerging role of “quality of life” considerations in economic development, resulting in the view that recreational and other tourism amenities have an important role in the recruitment and retention of individuals and firms. This is especially true in San Marcos, where the community increasingly is seen as providing much of the quality of life Austin has to offer at a lower cost with less hassle. Fully exploiting this opportunity depends on continued investment in the shopping, cultural, and recreational amenities that appeal to both tourists and those who live and work locally, present and future. In essence, the sum is greater than the parts, suggesting that policies and spending decisions that influence this sector be seen in a broad context.

## Appendix 1: Detailed Economic Impacts

### Total

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$2,904	\$993	\$567	0
Mining	\$28,781	\$19,453	\$5,033	0
Utilities	\$180,122	\$95,847	\$26,830	0
Construction	\$82,571	\$44,390	\$28,449	0
Durable manufacturing	\$123,112	\$50,790	\$26,921	0
Nondurable manufacturing	\$196,302	\$63,565	\$34,529	1
Wholesale trade	\$303,252	\$205,804	\$90,691	1
Retail trade	\$1,361,344	\$877,501	\$461,056	16
Transport/warehousing	\$120,516	\$62,874	\$41,433	1
Information	\$323,724	\$187,874	\$62,545	1
Finance & insurance	\$531,476	\$274,214	\$141,260	3
Real estate, etc.	\$1,140,171	\$797,913	\$176,186	7
Prof. & scientific services	\$419,524	\$263,197	\$190,337	3
Management of companies	\$78,931	\$47,356	\$32,537	0
Admin. & waste mgmt.	\$253,606	\$164,327	\$111,292	3
Educational services	\$60,106	\$36,611	\$27,691	1
Health care, etc.	\$355,487	\$214,398	\$159,229	4
Arts, entertain., & recreation	\$1,776,670	\$989,648	\$543,847	29
Accommodation	\$482,843	\$305,453	\$134,674	4
Eating & drinking	\$2,693,641	\$1,419,890	\$873,733	41
Other services	\$239,427	\$132,951	\$94,495	3
Households	\$0	\$4,492	\$4,492	0
<b>Total</b>	<b>\$10,754,508</b>	<b>\$6,259,539</b>	<b>\$3,267,827</b>	<b>118</b>



## Accommodation/Lodging

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$127	\$42	\$42	0.0
Mining	\$1,986	\$1,352	\$338	0.0
Utilities	\$12,678	\$6,762	\$1,902	0.0
Construction	\$5,578	\$3,001	\$1,944	0.0
Durable manufacturing	\$6,170	\$2,578	\$1,395	0.0
Nondurable manufacturing	\$10,692	\$3,677	\$2,029	0.0
Wholesale trade	\$17,242	\$11,706	\$5,156	0.1
Retail trade	\$26,202	\$17,369	\$9,128	0.3
Transport/warehousing	\$7,522	\$3,973	\$2,620	0.1
Information	\$23,117	\$13,439	\$4,437	0.1
Finance & insurance	\$34,189	\$17,496	\$9,086	0.2
Real estate, etc.	\$57,179	\$39,936	\$8,917	0.3
Prof. & scientific services	\$34,612	\$21,722	\$15,721	0.2
Management of companies	\$5,621	\$3,381	\$2,324	0.0
Admin. & waste mgmt.	\$20,496	\$13,228	\$8,959	0.3
Educational services	\$3,803	\$2,324	\$1,733	0.1
Health care, etc.	\$23,666	\$14,242	\$10,607	0.2
Arts, entertain., & recreation	\$4,184	\$2,409	\$1,268	0.1
Accommodation	\$427,721	\$270,680	\$119,471	3.5
Eating & drinking	\$11,410	\$6,001	\$3,719	0.2
Other services	\$15,975	\$8,875	\$6,297	0.2
Households	\$0	\$296	\$296	0.0
<b>Total</b>	<b>\$750,044</b>	<b>\$464,446</b>	<b>\$217,347</b>	<b>6</b>

## Arts, Entertainment, & Recreation

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$860	\$344	\$172	0.0
Mining	\$9,807	\$6,710	\$1,720	0.0
Utilities	\$63,313	\$33,721	\$9,463	0.1
Construction	\$29,592	\$15,828	\$10,151	0.2
Durable manufacturing	\$34,065	\$14,280	\$7,398	0.1
Nondurable manufacturing	\$47,657	\$16,172	\$8,774	0.2
Wholesale trade	\$87,915	\$59,700	\$26,323	0.3
Retail trade	\$112,862	\$75,184	\$39,571	1.3
Transport/warehousing	\$32,173	\$16,516	\$10,839	0.3
Information	\$106,840	\$61,937	\$20,646	0.3
Finance & insurance	\$200,089	\$104,432	\$53,162	1.0
Real estate, etc.	\$422,545	\$295,919	\$65,205	2.5
Prof. & scientific services	\$151,400	\$94,969	\$68,646	1.0
Management of companies	\$14,624	\$8,774	\$6,022	0.1
Admin. & waste mgmt.	\$93,077	\$60,216	\$40,775	1.1
Educational services	\$20,646	\$12,559	\$9,463	0.3
Health care, etc.	\$110,625	\$66,754	\$49,549	1.1
Arts, entertain., & recreation	\$1,740,244	\$968,446	\$532,654	28.2
Accommodation	\$19,269	\$12,215	\$5,333	0.2
Eating & drinking	\$48,861	\$25,807	\$15,828	0.7
Other services	\$83,270	\$46,280	\$32,861	0.9
Households	\$0	\$1,376	\$1,376	0.1
<b>Total</b>	<b>\$3,428,873</b>	<b>\$1,997,796</b>	<b>\$1,015,759</b>	<b>40</b>

## Retail Trade

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$395	\$99	\$99	0.0
Mining	\$4,049	\$2,765	\$691	0.0
Utilities	\$27,258	\$14,518	\$4,049	0.0
Construction	\$14,419	\$7,802	\$4,938	0.1
Durable manufacturing	\$14,123	\$6,025	\$3,160	0.1
Nondurable manufacturing	\$22,518	\$8,197	\$4,444	0.1
Wholesale trade	\$49,678	\$33,678	\$14,814	0.2
Retail trade	\$1,051,030	\$671,289	\$352,483	12.6
Transport/warehousing	\$29,826	\$16,000	\$10,469	0.2
Information	\$63,109	\$36,641	\$12,345	0.2
Finance & insurance	\$95,503	\$49,282	\$25,481	0.5
Real estate, etc.	\$209,870	\$146,959	\$32,295	1.3
Prof. & scientific services	\$75,455	\$47,307	\$34,172	0.5
Management of companies	\$9,975	\$6,025	\$4,148	0.0
Admin. & waste mgmt.	\$44,641	\$29,234	\$19,950	0.6
Educational services	\$11,555	\$7,012	\$5,333	0.2
Health care, etc.	\$63,899	\$38,517	\$28,542	0.6
Arts, entertain., & recreation	\$8,395	\$4,839	\$2,568	0.1
Accommodation	\$9,975	\$6,321	\$2,765	0.1
Eating & drinking	\$26,567	\$14,024	\$8,592	0.4
Other services	\$39,209	\$21,728	\$15,506	0.4
Households	\$0	\$790	\$790	0.1
<b>Total</b>	<b>\$1,871,055</b>	<b>\$1,168,953</b>	<b>\$587,538</b>	<b>18</b>

## Eating & Drinking

	Output	Value-Added	Earnings	Jobs
Agriculture, etc.	\$1,522	\$507	\$254	0.0
Mining	\$12,939	\$8,626	\$2,283	0.0
Utilities	\$76,872	\$40,846	\$11,417	0.1
Construction	\$32,981	\$17,759	\$11,417	0.2
Durable manufacturing	\$68,754	\$27,907	\$14,969	0.3
Nondurable manufacturing	\$115,435	\$35,518	\$19,281	0.4
Wholesale trade	\$148,416	\$100,720	\$44,398	0.6
Retail trade	\$171,250	\$113,659	\$59,874	2.0
Transport/warehousing	\$50,994	\$26,385	\$17,506	0.4
Information	\$130,657	\$75,857	\$25,117	0.4
Finance & insurance	\$201,694	\$103,004	\$53,531	1.0
Real estate, etc.	\$450,577	\$315,100	\$69,768	2.7
Prof. & scientific services	\$158,057	\$99,198	\$71,798	1.0
Management of companies	\$48,711	\$29,176	\$20,043	0.2
Admin. & waste mgmt.	\$95,392	\$61,650	\$41,607	1.2
Educational services	\$24,102	\$14,715	\$11,163	0.4
Health care, etc.	\$157,296	\$94,885	\$70,530	1.6
Arts, ent., & recreation	\$23,848	\$13,954	\$7,357	0.3
Accommodation	\$25,878	\$16,237	\$7,104	0.2
Eating & drinking	\$2,606,802	\$1,374,058	\$845,593	39.8
Other services	\$100,974	\$56,068	\$39,831	1.1
Households	\$0	\$2,030	\$2,030	0.2
<b>Total</b>	<b>\$4,701,631</b>	<b>\$2,627,352</b>	<b>\$1,446,617</b>	<b>54</b>

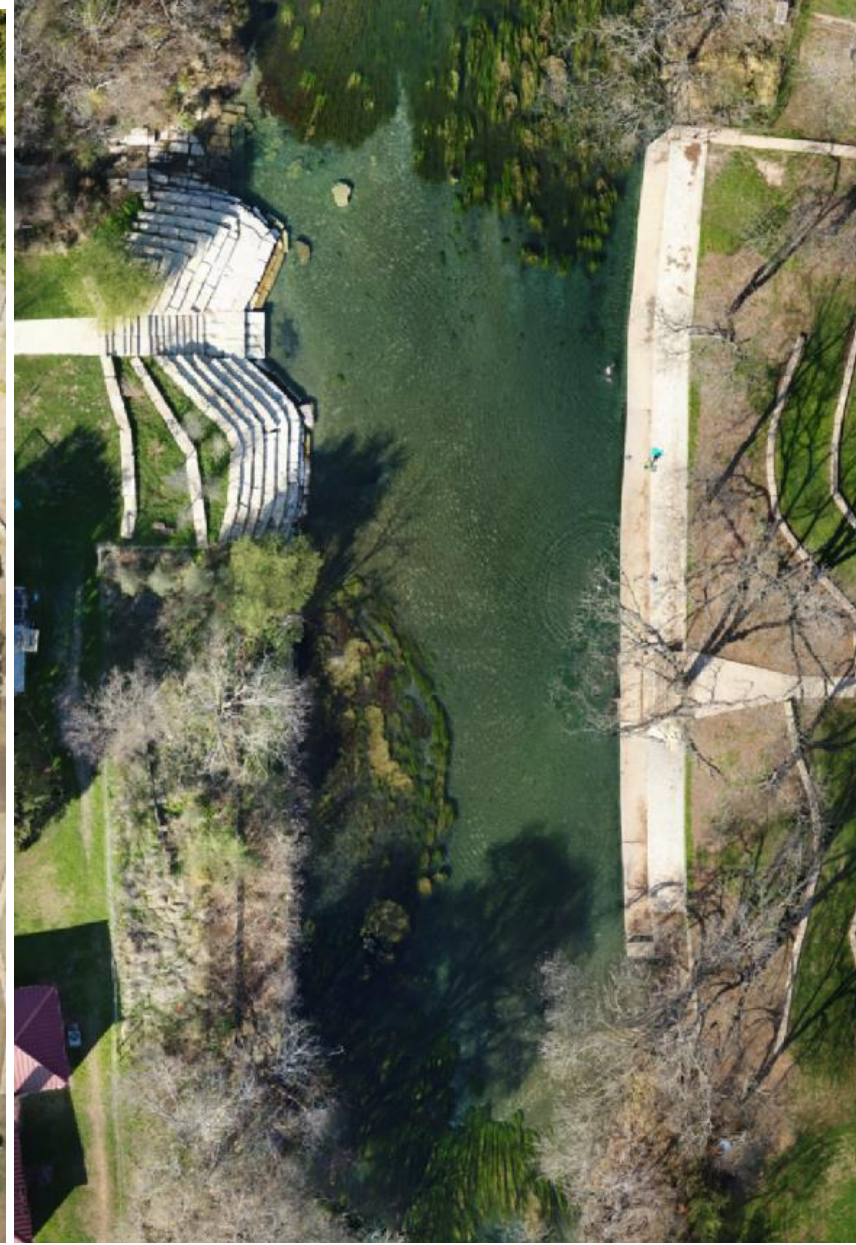


# Texas wild-rice coverage at City Park (EAHCP imagery)

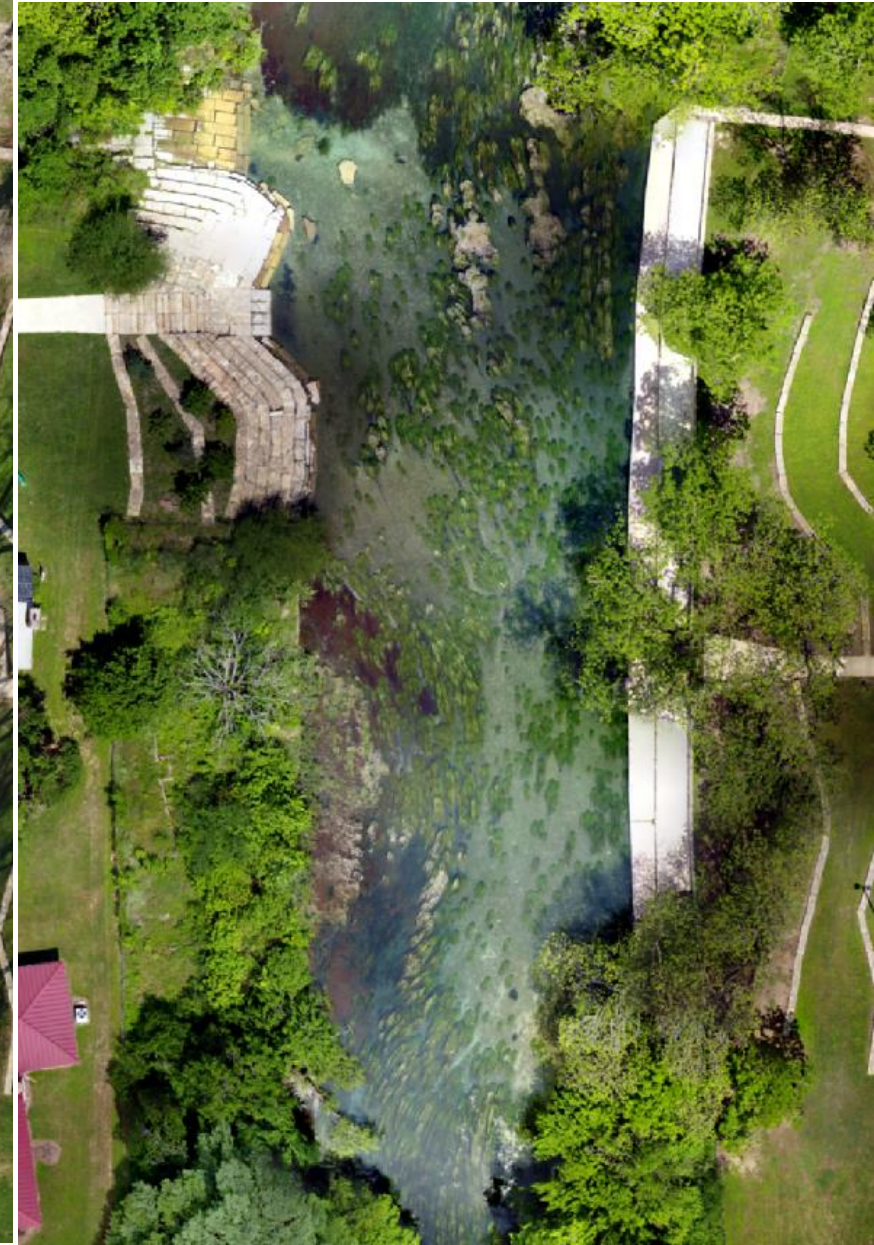
**October 2019**



**January 2020**



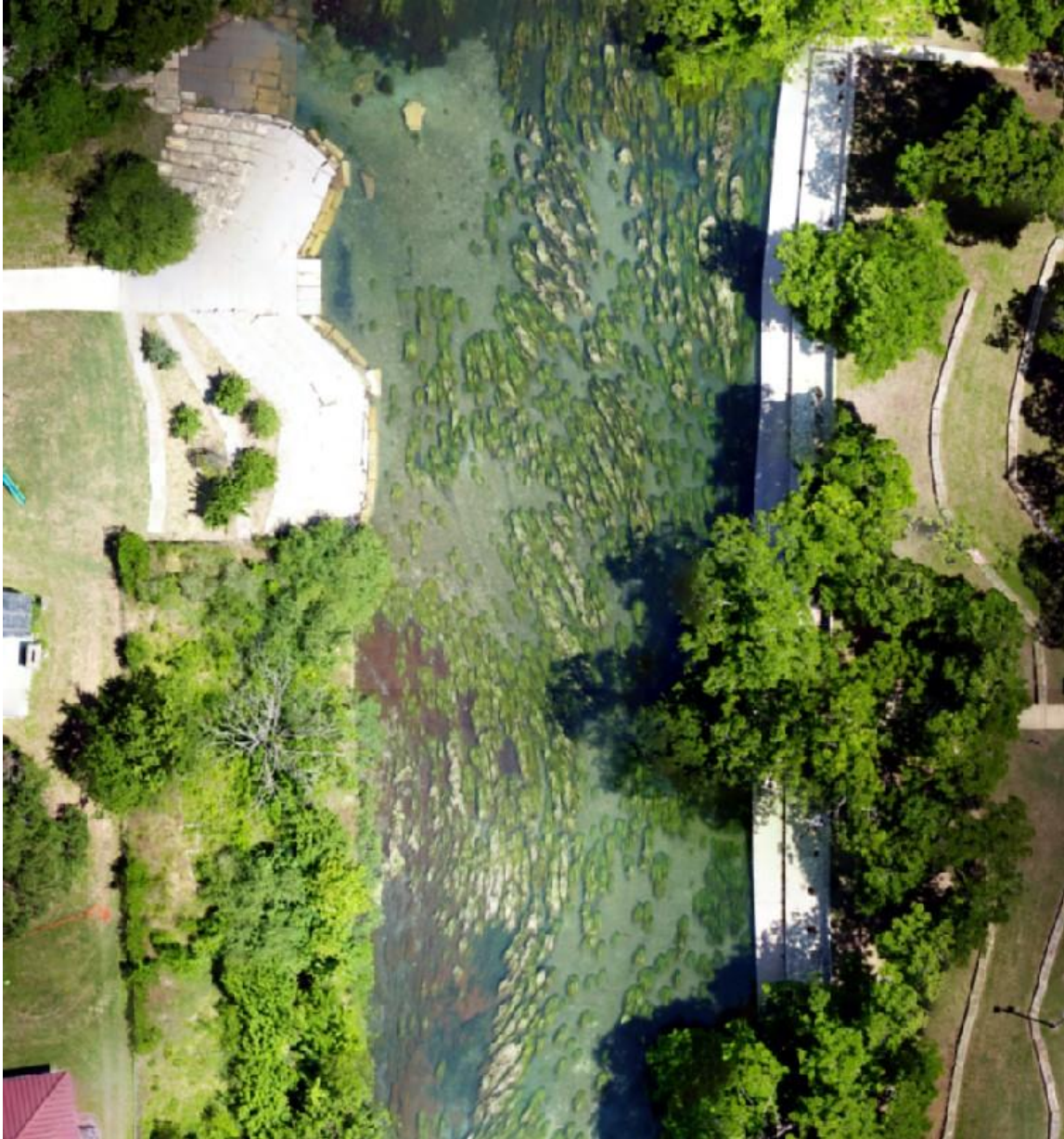
**April 15 2020**





# Texas wild-rice coverage at City Park (EAHCP imagery)

**May 2020**



**June 2020**

