

**2010 VALERO ALAMO BOWL
ECONOMIC & FISCAL IMPACT ANALYSIS
(A PRIMARY STUDY)**



Study Team: *Strategic Marketing Services
SportsEconomics, LLC*

Contacts: *Dr. Richard Irwin
President, Strategic Marketing
Services
(901) 240-7232*

*Dr. Daniel Rascher
President, SportsEconomics
(510) 387-0644*

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1.0 EXECUTIVE SUMMARY

The Valero Alamo Bowl host committee retained Strategic Marketing Services and SportsEconomics, LLC (“Research Team”) to evaluate the economic and fiscal benefits to the City of San Antonio (“City”) associated with the operations of the 2010 Valero Alamo Bowl, hosted at the Alamodome on December 29, 2010. The study’s key findings are presented in this Executive Summary. The full Report must be read in its entirety, including the limiting conditions provided at the end of the Report, to understand the background, methods and assumptions underlying the study’s findings.

A total of 57,593 attended the event, 9 percent of which were residents of the City of San Antonio and 37 percent were residents of the State of Texas. Approximately 46,349 attendees represented “incremental visitors” to the City who spent an average of just over \$666 dollars during their stay outside of the Alamodome.

The events studied generated considerable economic impacts for the City and the State. Moreover, substantial tax revenues were also generated. Specifically, the total economic impact on the City of San Antonio from this event and from the event operations was approximately \$56.7 million (not including spending inside of Alamodome), with about 1,118 jobs created, and \$2.1 million in new tax revenues. The details are shown in Exhibit 1-1 below.

Exhibit 1-1

FINDING # 1 :	The Valero Alamo Bowl generated substantial economic impacts on the City of San Antonio and the State of Texas.
FINDING # 2 :	<u>Direct Economic Impacts:</u> City = \$32.6 million State ¹ = \$27.2 million
FINDING # 3 :	<u>Total Economic Impacts:</u> City = \$56.7 million State ¹ = \$49.6 million
FINDING # 4 :	<u>Induced Economic Impacts:</u> City = \$35.3 million in personal earnings and 1,118 jobs State ¹ = \$29.8 million in personal earnings and 938 jobs
FINDING # 5 :	<u>Incremental Tax Impacts:</u> City = \$2.1 million State ¹ =\$3.5 million

¹ Impacts to the State of Texas include those to the City of San Antonio and to Bexar County. State impacts can be lower because residents of the State who live outside of San Antonio are not “incremental visitors” to the State, but are to the City of San Antonio. Thus, there are more incremental visitors when measuring the impact on the City than on the State.

The economic impact portion of this study evaluates the areas described as follows:

- **Direct Spending** – This represents dollars spent within the City related to the events that otherwise would be spent outside the City’s economy (e.g., non-local fan spending outside the venue, and event-related spending and revenues that are incremental to the City).
- **Indirect Spending** – Indirect Spending results from the re-spending of those “direct” dollars as they circulate through the local economy (commonly referred to as the “multiplier effect”, which is discussed in a subsequent section).
- **Total Economic Impact**– Total Economic Impact (Output) is equal to the sum of direct and indirect spending.

Direct spending also increases economic activity, which increases resident income levels (associated with new and existing jobs), resulting in additional spending within the local economy, referred to as the induced effect. The Total Economic Impact is inclusive of the induced impacts.

- **Induced Economic Impact Affecting Earnings** – The direct and indirect increase in resident income levels resulting from direct spending activity related to the event hosted at the Alamodome.
- **Induced Economic Impact Affecting Employment** – The number of direct and indirect full-time equivalent (FTE) jobs that are supported in the local economy as a result of direct spending activity related to the event hosted at the Alamodome.
- **Fiscal Impact** – The annual taxes collected as a result of the events’ operations and non-local visitors traveling to the City that would not have accrued to the region if it were not for the presence of the event being measured.

Measurements of the economic impact of the event on the State of Texas are measured in a similar way, first defining “incremental visitors”, and then determining their spending.

The operations of such events can benefit a community in a variety of ways. Initial rounds of spending are generated by spectators on tickets, concessions, merchandise and parking, as well as before and after the events at local hotel, restaurant, entertainment, retail and other establishments. For events hosted at facilities such as the Alamodome, spending is also generated by the operation of the facility itself, which contributes through its direct expenditures within the community as well as through the taxes paid to the local government.² Further, the operations of a facility can generate venue-related spending in areas such as advertising and sponsorships. Although spending originates from local spectators or other local sources, as well as from spectators and sources outside the area (“visitors”), for purposes of this Report, only those sources of initial direct spending that are generated from outside the area or by organizations within the area that would not have spent the money locally otherwise are considered “net new” to the community. Spending by visitors inside of an event may be considered economic impact if the vendors inside of the

² The degree to which spending inside of a facility is considered economic impact depends on the tax policy regarding the facility and who is the recipient of the spending (i.e., local business or an out-of-area business).

event are local businesses. Care is taken to avoid double-counting expenditures by visitors that are then re-spent by event organizers in the local community.

Spending by local spectators and revenue generated by local sources is assumed to be entirely displaced. In other words, it is assumed that this spending would have occurred in the local economy (the City of San Antonio) in some other form if it were not spent before, during, and after the event. For example, if a local resident did not spend money at this event, it is assumed that he would have spent that money on another form of purchase in the local economy, such as for concert or theater tickets, shopping, dining, etc. Therefore, since such spending is not considered new to the local economy, it has not been included in the estimates of economic and fiscal impacts presented in this Report. Similarly, the indirect spending estimates are based on the “adjusted” direct spending figures. Explanations of all findings are contained within the relevant sections of the Report.

As described in Section 4.0 of this Report, there are aspects of economic impact that are difficult to quantify. For instance, sports and cultural events can provide free media coverage for a local region (known as media impact) that can lead to future tourism in the community. Measurements of media impact are beyond the scope of this analysis. Additionally, local events can provide an emotional benefit to residents above and beyond any tangible financial benefit. This is known as psychic impact or public consumption benefit. Valuing this is beyond the scope of this study. However, even though the amount of local spending is not counted as part of economic impact, it does provide information on the entertainment value to local residents of an event. Therefore, local spending estimates are measured for each event.

Section 2.0 of this Report describes economic impact concepts and the methodology used. Section 3.0 provides the specific findings of economic and fiscal impacts on the City of San Antonio. Section 3.0 also discusses the specific findings of economic and fiscal impacts on the State of Texas. Section 4.0 presents the other insights from the survey analysis. Section 5.0 discusses limitations of the study, including sources of economic impact that are not accounted for, thus making the estimates here conservative.

2.0 ECONOMIC IMPACT METHODOLOGIES & CONCEPTS

One purpose of economic impact analysis is to provide the public with relevant information regarding the return on an investment in a project or event. The management of financial resources is decided directly by government officials or indirectly by citizen voting. Economic impact provides a metric for comparison to other possible investment projects or events.

Economic impact is based on the theory that a dollar flowing into a local economy from outside of the local economy is a benefit to the locality. In order to measure economic impact, the cause of the impact must first be identified. The most important underlying principle in evaluating economic impact is to measure new economic benefits that accrue to the region that would not have otherwise occurred. While this sounds simple, part of the difficulty lays in measuring what would have happened to the region without the event having taken place, considering that the situation is purely hypothetical.

The financial return for citizens is in the form of new jobs, new earnings, and new tax revenues that occur because of the occurrence of the sporting event.³ These new earnings, for instance, are generated for citizens who are not directly associated with the sporting event, but who are the beneficiaries of the positive externalities that sports events can provide to communities. Positive externalities, or overflow benefits, are those benefits that are produced by an event, but are not captured by the event owners or sports facility being used. When a visitor comes to San Antonio to watch the Valero Alamo Bowl, they may spend money at local food establishments, gas stations, retail stores, etc. This spending benefits the owners and employees of those establishments thereby creating a positive direct economic impact.

An important concept that is determined early in a study is the geographic area of impact. Generally, the geographic region upon which the economic impact is measured is the region that is considering funding part of the sporting event costs. In this way, the proper cost-benefit analysis is performed. If the local government partially funds a sporting event, then the citizens of the San Antonio area pay for the investment. The correct comparison is to determine the benefits that San Antonio receives, not some other city, county, or state or combination thereof.

The area of impact is a significant factor in determining the amount of economic impact that occurs. As an example, imagine a resident of Comal County who typically spends his entertainment dollars attending the movies near home. If a sporting event comes to town and the resident spends money at the event and in the surrounding areas, but does not attend the movies that same weekend, then the spending that has occurred may not be new spending in the San Antonio MSA (which contains Comal County), but rather substituted, displaced, or redirected spending. However, it will be new spending in the City of San Antonio.

A resident of Comal County, for instance, may decide to attend the Valero Alamo Bowl and related events instead of her usual entertainment habits near home. In this case, she is adding new money to the City of San Antonio and providing a positive economic impact. However, she is not adding new money to the San

³ Additionally, having local major sporting events enhances community and civic pride. This is known as psychic impact and is discussed in Section 5.0.

Antonio MSA because it includes Comal County. Instead this is simply substituted, displaced, or redirected spending. She is, therefore, providing zero economic impact for the MSA, but positive impact for the City. On the other hand, a resident of Austin would provide economic impact for the City, County, and MSA since Austin lies outside of the San Antonio MSA, but not for the State of Texas.

Since the event was hosted in the City of San Antonio, for the purposes of this Report the relevant geographic area will be the City of San Antonio. The impacts to the State of Texas will also be described. Moreover, local respondents were surveyed to determine whether their participation in the event was displacing participation in an event outside of the City in an effort to measure “incremental” locals, or those whose spending would not be considered displaced and should be counted towards economic impact. These results are also provided as a point of comparison.

To be conservative, most spending by local residents is considered to be displaced spending and is not counted as part of economic impact. For this reason, it is very important to be able to delineate attendees into visitors and local residents. There is a further delineation of visitors into: (1) visitors who were already in town for another reason, but decided to attend the event anyway (“casual” visitors), (2) visitors who would have come to town during another nearby time period, but instead opted to attend the event during this time period forgoing coming to town another time (“time-switchers”), and (3) visitors who are in town because of the event and would not have come to town otherwise. This latter group constitutes visitors whose spending is fully counted as being part of direct spending economic impact. The spending by “casual” visitors and “time-switchers” is not fully counted as new spending, only the incremental spending is counted (if it can be measured).

Economic benefit is measured through direct spending, which has two different components. The first component is visitor spending. For example, how much did people spend at this event and during the course of their entire stay on restaurants, retail, transportation, etc. Another component is organizational spending. How much is spent by event organizers to run this event, accounting for the source of funding for the event? If the City is partially funding a local event, than those expenditures should not be counted as part of economic impact since the City could have spent that money elsewhere within the City. Care is taken to avoid double-counting of spending by spectators inside of an event coupled with the event organizers spending in town (see Section 2.1 for more details). Some vendors within an event are local businesses and thus spending by visitors on those vendors provides economic impact. However, spending by visitors on vendors who are not local does not necessarily provide local economic impact. To account for this issue economic impact is measured in two ways, one counting all visitors spending inside of an event and another not counting it at all. This provides the upper and lower bounds for economic impact.

For the purposes of this Report, quantifiable impacts are in the form of *economic impacts* which are subdivided into three stages of impact: *direct*, *indirect*, and *induced* impacts. Each of these is further subdivided into *total output*, *earnings or income*, *employment*, and *fiscal* effects. Descriptions of each term follow.

2.1 DIRECT SPENDING METHODOLOGY

Direct spending is measured for spending in the City that would not otherwise occur without the presence of and the events it hosts. This spending will be derived from:

- Visiting spectator spending outside of the events (at local restaurants, retail stores, etc.); and
- Visiting teams/corporations/sponsors and other event participants' spending.

Each of these expenditure categories are adjusted for spending that occurs outside of the City. This Report utilizes **primary research** (surveys and direct data gathering during the events) to estimate spending. Many economic impact studies double-count the spending of the event organizers locally in order to produce the event and the spending by event spectators inside of the event. However, some of the spending inside of an event may go to locally-based vendors (thus providing economic impact). This Report utilizes **primary research** (surveys and direct data gathering during the sporting event).

2.2 INDIRECT AND INDUCED SPENDING METHODOLOGY

The economic output that results from the direct spending during an event subsequently affects many other industries and workers. For instance, when a group of visitors attends an event at the Alamodome, they may spend money in a local restaurant before the event. The restaurant will disburse some of this money to pay employees, to purchase food, to pay utilities, and so on. The food wholesaler will pay the farmer who then purchases clothing at the local retail store. These additional expenditures continue through the successive rounds until the money either leaks out of the local economy or is saved within the local economy for a significant period of time.

The *indirect* economic impacts are those that occur in the local region or area of impact (City of San Antonio) that is the re-spending of the initial visitor expenditures. Indirect spending arises from the need of one industry to purchase goods or services from other industries to produce its output. When one business that is a direct recipient of event-related spending purchases goods from another business within the City in order to produce its output, the second business also realizes economic benefit through the “ripple” (or indirect effect) of the initial expenditure. For example, when attendees purchase food at the Alamodome, the concessionaire must purchase goods from producers/manufacturers in order to maintain inventory levels. To the extent this “re-spending” occurs in the City economy, the initial dollars spent with the concessionaire have secondary effects on the local economy. Indirect impacts occur in various industries including: the wholesale industry as purchases of food and merchandise products are made; the transportation industry as the products are shipped from purchaser to buyer; and the manufacturing

industry as products used to service the venue and teams are produced. The summation of each successive round of re-spending constitutes the indirect impact estimate.

In this study, expenditures made by the event organizer to host and manage the event and expenditures made by the vendors to offer concessions and merchandise during the event are included as indirect spending. Some of the direct spending by spectators and participants on tickets, participation fees, concessions, merchandise, etc. is then re-spent by the event organizer to host the event. In other words, the cause for the event organizer's spending is based on the direct revenues it generates from spectators and participants. The round of spending by the event organizer is the second round, and is thus indirect spending. This is also true for vendors.

The *induced* economic impact is the effect of the direct and indirect economic impact on earnings and employment. Induced effects occur when the income levels of residents rise as a result of increased economic activity and a portion of the increased income is re-spent with in the local economy. As the initial spending and subsequent re-spending occurs, a portion is retained as income to local residents and employees, and as City taxes. This indirect spending results in increased economic activity, which leads to increases in employment and which increases household income levels and allows for additional household spending (the "induced effect"). These impacts will be reported in terms of employment and earnings impacts.

2.3 MULTIPLIER EFFECT TO MEASURE INDIRECT AND INDUCED IMPACTS

As previously noted, direct spending stimulates additional spending, referred to as the indirect effect. Direct spending also increases economic activity, which increases resident income levels (associated with new and existing jobs), resulting in additional spending within the local economies, referred to as the induced effect. These secondary indirect and induced effects are referred to as the "multiplier effects" of the initial direct spending. These effects are measured through the application of economic multipliers, which quantify the extent that dollars introduced to a local or regional economy are re-spent on goods and services within the local economy.

The concept of multipliers is based on the theory that part of a dollar injected into a local economy will be re-spent locally, thereby affecting more than the original recipient of the dollar. Multipliers are derived by tracing the interrelationships of industries within a specified economy to understand the impact that a dollar spent in a given industry has on other industries in that economy. A business that is an initial recipient of new spending will purchase goods and services from other producers. These purchases comprise the indirect effect of the initial expenditure. This process is repeated until subsequent purchases are made from producers that are not a part of the San Antonio economy (i.e., a producer imports an input

from another city, state, or country) and the flow of money within the San Antonio economy ceases (or “leakage” occurs). The businesses, hotels, and organizations that receive the initial direct spending generally re-spend it in five ways:

- With other private sector businesses in the same local economy on inventory, maintenance, etc.;
- With employees who reside in the same local economy as wages, tips, etc.;
- With local government as sales taxes or property taxes;
- With non-local governments as sales taxes or taxes on profits;
- With employees, business, or organizations who reside outside of the local economy.

The first three items are types of spending that re-circulate throughout the local economy. These last two categories of spending are considered “leakages” outside of the geographic region and reflect the notion that a region is not economically isolated, but engages in commerce with other regions. The larger and more diverse the geographic region, the less leakage there is, all else equal.

Using the above five scenarios, input-output tables are created that disaggregate an economy into industries and examine the flow of goods and services among them. Multipliers are then mathematically derived which uniquely describe the change in output for each and every industry as a result of the injection of one dollar of direct impact into any of those industries. The process allows a separate multiplier to be applied for each of the 528 industry groups.

The size of a given economy’s multiplier is directly related to its geographic size, population and diversity of its industrial and commercial base. A larger population is generally able to support a more diverse economic base and more products are likely to be manufactured and purchased locally. Therefore, money injected into an economy with a larger population is re-spent more often, causing greater changes in local business volume. Conversely, a smaller defined local geographic region implies that more event attendees are visitors, as described above. However, smaller geographic areas suffer from a greater degree of “leakage” because a smaller geographic region is less self-sufficient than a larger region.

In this Report, direct spending is used to estimate indirect spending by using multipliers from a regional economic impact model based on the USDA Forest Service IMPLAN (IMPact Analysis for PLANning), now supplied by MIG (Minnesota IMPLAN Group).⁴ IMPLAN produces a report that provides multipliers for over

⁴Once estimates of direct spending are calculated, these estimates are entered into IMPLAN to obtain the total economic impact estimates. IMPLAN is a statistical software package that helps to calculate the total economic impact of various phenomena. The detailed matrix of multipliers imbedded in the IMPLAN software help to calculate the various spin-off impacts that originate from the initial direct injection of non-local money into a given region. Specifically, IMPLAN generates the following gross economic impact estimates: the short-term impact upon local spending and the long-term impact upon value-added. This long-term impact is comprised of additional local income; additional business taxes; and additional property-type income.

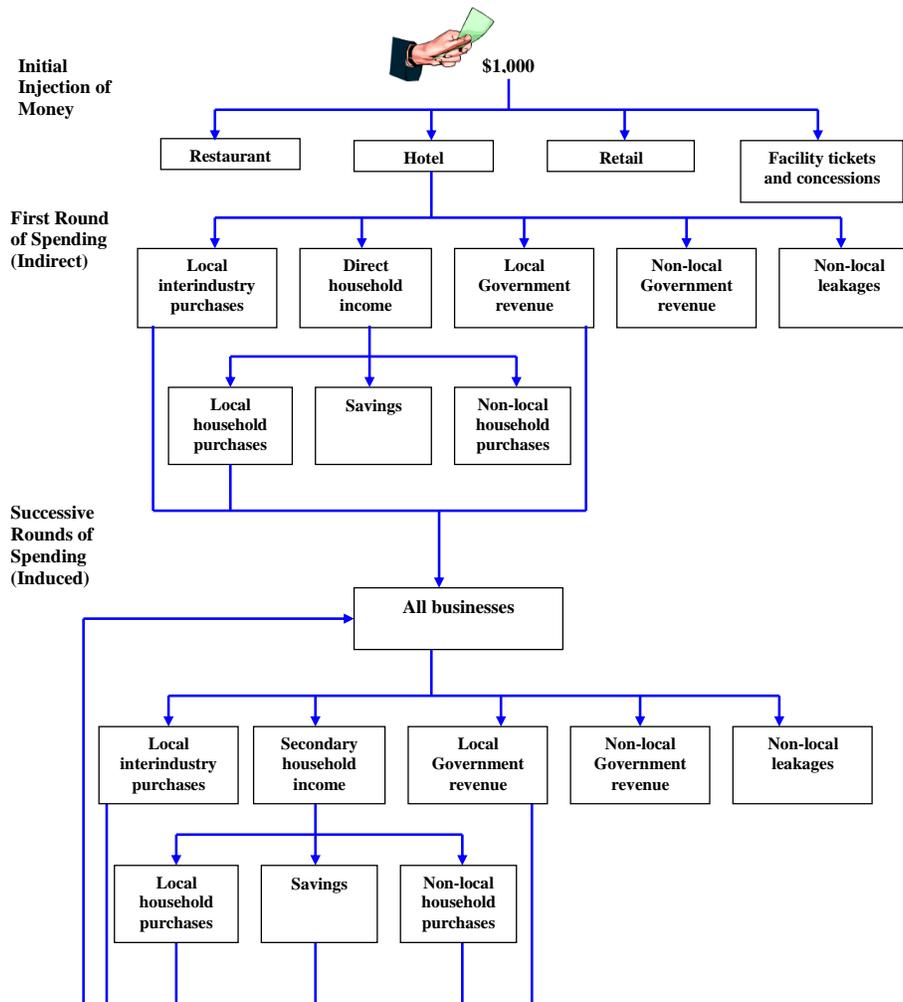
500 sectors of economic activity at the city, county, region, and state level, using data provided by the U.S. Department Bureau of Economic Analysis.

The following represents an example of multiplier effects within a locality. If a group of spectators from outside of the City visits San Antonio because of an event and spends \$1,000 in the community, or if this money is spent by one of the exhibitors affiliated with the event that is headquartered outside of the City (e.g., ESPN), then this initial direct expenditure stimulates economic activity and creates additional business spending, employment, household income, and government revenue in the City. The initial spending (by the visitor or exhibitor) is called the *direct impact* and the ripple effect is termed the *multiplier effect*.⁵

The local theatre, restaurants, retail stores, transportation, and others who receive the initial \$1,000 will spend it in one of the five ways listed above. The remaining portion of the initial spending that does not leak out of the economy is then spent in one of the same five ways and the chain of events continues. The subsequent rounds of spending are termed *indirect impacts* and stem from the *multiplier effect*. Exhibit 2-1 shows the direct and indirect effects.

⁵ To be clear, the multiplier effect leads to the calculation of the indirect and induced impacts.

Exhibit 2-1



As illustrated, direct spending that occurs from spectators in the venue, spectators out of the venue, and for team/exhibitor-related activities fosters additional spending in various industries. This indirect spending results in increased economic activity, which increases household income levels and allows for additional household spending (the “income effect”).

There are different types of multipliers and each has a specific purpose. *The multipliers are complementary, not additive.*

The first type of multiplier is called an *output*, sales, or transaction multiplier. It measures the direct, indirect, and induced effect of an extra unit of visitor spending on economic activity within a local economy. This multiplier relates tourism expenditure to the increase in business financial turnover that is created.

There are 528 industries, each having its own multiplier. In the analysis that follows, the multipliers have been reduced to 39 aggregated industry sectors with the relevant tourism sectors analyzed.

The appropriate multipliers to be used are dependent upon certain regional characteristics and also the nature of the expenditure. We selected multipliers for the following industries, as these industries provide the best representation of initial spending associated with the operations of events the City may host: commercial sports, hotels, eating and drinking places, entertainment, retail trade, local transportation, and miscellaneous spending. Three different sets of multipliers are generated by IMPLAN corresponding to measures of regional economic activity, including: total sales, personal income, and jobs. Multipliers for total sales, personal income, and jobs were identified for each of the industries listed above.

An *earnings* (also known as an *income*) multiplier, the second type, measures the direct, indirect, and induced effects of an extra unit of visitor spending on the level of household income in the local economy. It is operationalized as the ratio of change in income to the initial autonomous change in expenditure that brings it about. It is the clearest indicator of the effect of economic impact on residents of the host community.

The third type of multiplier is called an *employment* multiplier. Employment multipliers measure the direct, indirect, and induced effects of an extra unit of visitor spending on employment in the local economy. It measures how many full-time equivalent (FTE) jobs are supported in the local economy as a result of visitor expenditures.

It is important to note that the size of the area of impact also affects the size of the multiplier. Larger areas of impact, such as a State, have larger multipliers given the larger region for the circulation of spending. Therefore, when looking at impacts to the City of San Antonio versus that to the State of Texas, the amount of indirect spending will be proportionally larger for the State given its larger multiplier size.

2.4 FISCAL IMPACT METHODOLOGY

In addition to economic impacts, the government of the City, County and the State benefit from the operations of these events in the form of tax revenues.⁶ Further, the City, County, and State will also receive tax revenues due to the operation of the facility itself. Fiscal impacts are calculated by analyzing the marginal tax rates for each category in relation to direct impacts. Indirect impacts are measured by using recent historical aggregate average tax rates collected by the local government, accounting for the share that pertains to the tax categories listed below.

Fiscal information used in this analysis was obtained from the Office of Economic Development, Bureau of Economic Analysis, State GSP, the State Department of Finance, www.economy.com, and other governmental resources. The primary taxes affected by event-related expenditures include the City of San Antonio Sales and Use tax, Innkeepers (Hotel Occupancy) tax, and mixed beverage tax. The following is a brief discussion of these taxes.

Sales Tax

The City of San Antonio levies a tax of 1.125 percent on the sale of most consumer goods and services. The San Antonio ATD levies a tax of 0.25 percent, and the MTA levies a tax of 0.5 percent, bringing the total rate that can be allocated to the City to 1.875 percent.⁷

The sales tax is applied to prepared food items, retail products, auto rental, gasoline, and business services, and not applied to local transportation services (taxi, bus, etc.), and admissions to amusement establishments (movie theaters, golf, football, baseball, etc.). It is applied to merchandise and concessions sold inside of an event that charges an admission fee. For events that do not charge an admission fee, it is applied to alcohol and merchandise sales, but not food sales.

Innkeepers (Hotel Occupancy) Tax

In addition to sales tax, the City of San Antonio levies a 9.0 percent innkeeper's tax on hotel room rentals.⁸

Alcoholic Beverage Tax

The City of San Antonio levies a 1.5 percent tax on the gross receipts of mixed beverages.⁹ Wine and Beer drinks are taxed separately at a rate of 8.25 percent.

⁶ To reiterate, only fiscal impacts to the City and State are measured in this report. Fiscal impacts to the County are generated by these events and operations, but are not detailed in this report.

⁷ The State receives 6.25 percent, making the total tax 8.125 percent.

⁸ The County receives 1.75 percent and the State receives 6.0 percent, making the total Hotel Occupancy tax in San Antonio equal to 16.75 percent.

Rental Car Tax

The City of San Antonio does not levy a rental car tax.¹⁰

Other Taxes

In addition to the above major taxes affected by venue events noted above, the Counties and State may realize additional event-related tax revenues such as gasoline tax and others.

These taxes and corresponding tax rates provide the basis to calculate fiscal impact for the City of San Antonio from direct and indirect revenues as a result of event-operations. Indirect fiscal impact is based on the average (not marginal) taxes collected for each dollar spent within San Antonio due to this event.

⁹ An additional 11.0 percent goes to the State, 1.5 percent goes to the County, making the total tax equal to 14.0 percent. These taxes do not include the wholesale tax on liquor (by the gallon).

¹⁰ However, Bexar County levies a tax of 5.0 percent and the State levies a tax of 10.0 percent, making the total tax equal to 15.0 percent.

3.0 MEASUREMENT OF ECONOMIC AND FISCAL IMPACT FROM THE VALERO ALAMO BOWL

The analysis described in this section is primarily based on the surveys administered before, during, and after the Valero Alamo Bowl in San Antonio. An intercept survey was administered to visitors and local residents in and around the Riverwalk area, the Alamodome, and other local places surrounding the Alamodome prior to and during the event (December 29, 2010). The preponderance of the surveys were filled out via direct interviews with respondents. A copy of this survey may be seen upon request. There were 658 usable surveys representing 2,662 people based on the size of each party represented in the survey responses. The measurement error in the results that follow is equal to 3.1% percent.¹¹ Hence, the quantity of usable surveys is more than sufficient to estimate the actual economic impact. The economic impact measurements based on this survey are described in this section. Additionally, information on sponsor spending, team spending, and media spending came from the Valero Alamo Bowl staff, event hotel staff, and staff from teams involved in the game. Other analyses of the attending population, such as demographics, are contained in Section 4.0.

As noted, an important component of direct spending includes fan expenditures outside event venues at local establishments such as restaurants, retail shops and other such places. Survey respondents were asked their location of residence, reason for their visit, and about the level and types of activities for which they spend their money in order to develop an estimate regarding the level of fan spending before and after events. As discussed previously, economic impact is generated only when “new” money is injected into the local economy. In other words, only the spending that would not have occurred were it not for the events the City hosted is considered economic impact. To quantify this amount, spending was only included for attendees who met three conditions:

- Attendees must live outside the City of San Antonio in order to generate “new” spending for the City;
- Attending the event must have been the primary purpose for traveling to the area; and
- Attending the event must not replace a future visit to the City of San Antonio.

As described in Section 2.0, the economic impact of the event is derived from new spending in the local region, mostly due to from visitors to the community. Corporate and team expenditures related to the event also provide economic impact. These sources of revenue are new to the community and do not come from local residents, but from those outside of the community.¹² Impacts are in the form of total output, earnings, and employment and begin with direct spending, followed by indirect and fiscal impacts.

¹¹ The measurement error is defined at the 95 percent confidence level.

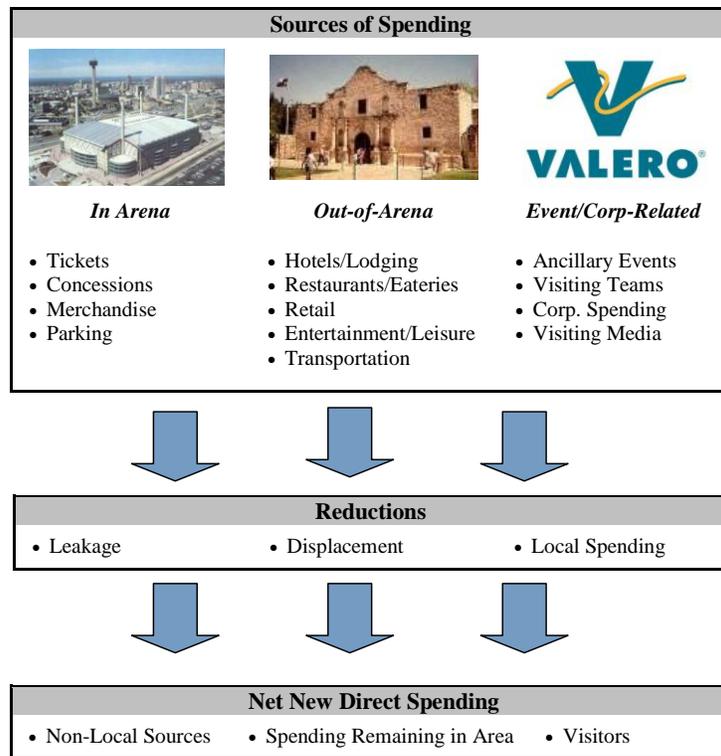
¹² Spending by local residents due to the events was measured for all event types, but to be conservative this spending is excluded from the impact figures given for the events.

Finally, the operations of these events also generate spending within the area of impact. The expenditures by event organizers that are captured within the City are included in the total economic impact. Impacts are in the form of total output, earnings, and employment and begin with direct spending, followed by indirect and fiscal impacts.

3.1 DIRECT AND INDIRECT SPENDING

Organizational spending and visitor spending at local restaurants, retail stores, and other relevant establishments constitute the direct impacts in this Report. Exhibit 3-1 shows the sources of direct operations impact and various adjustments made to account for re-directed spending, as opposed to new spending, and leakages outside of the area of impact.

Exhibit 3-1



For each of the main participant groups under analysis (incremental visitors, non-incremental visitors, and local residents), we have per day, per group data on how much they spent on lodging, transportation, dining, event-related merchandise, retail, and miscellaneous items.

Each set of sample data is extrapolated up to its corresponding population in order to obtain direct spending estimates for each of the primary spending categories listed above. The amount of incremental visitor spending is calculated by determining the total number of incremental visitors in the population (not local residents, time-switchers or casual visitors), and then taking a weighted average of those individuals' spending, per person, per day. From this, we can determine the proportions of spending that were allocated to each of the spending categories, such as lodging, transportation, dining, etc. These relative proportional spending figures can be used to extrapolate the amount of spending that occurred in each of these spending categories during the events being measured.¹³

3.2 DIRECT AND INDIRECT SPENDING: CITY OF SAN ANTONIO

Visitor Survey. Of the spectators represented by the surveys administered during the game, 9 percent were local residents of the City of San Antonio.¹⁴

The average size of the party represented in each survey is 3.6 for visitors and 4.5 for local residents.¹⁵ As shown in Exhibit 3-2 below, the average number of days that each incremental visitor stayed in the City was 3.2 days; non-incremental visitors also stayed an average of 3.2 days. The typical incremental visitor spent \$207 per day, not including event-specific spending inside of the Alamodome, leading to \$666 in spending for the entire trip to San Antonio, and an additional \$143 in spending inside of the Alamodome.¹⁶ Including inside spending, the total spending per incremental visitor would increase to approximately \$809 per trip to San Antonio.

The number of visitors who came to San Antonio and participated in Valero Alamo Bowl activities was approximately 52,379. Of these visitors, about 6 percent were “time-switchers”, meaning that they would have come to San Antonio during some other nearby time period, but instead chose to come during the Valero Alamo Bowl. Similarly, 6 percent were “casual” visitors. These visitors were in town for other reasons, but chose to take part in bowl-related activities as part of their stay. To be conservative,

¹³ This calculation is slightly modified for hotel expenditures since not all non-local groups stayed in a hotel. The modification is that the calculation is weighted to account for the number of parties that, separately, used a local hotel.

¹⁴ This was determined by referencing all zip codes that are located in the City of San Antonio. The respondent sample is based on the number of surveys administered during the event, multiplied by the number of persons in the respondent's traveling party. Though 15 percent identified themselves as locals when asked if they lived in the San Antonio Area (defined as Bexar County and the adjacent counties), just over half of those self-identified residents actually had zipcodes in the City of San Antonio.

¹⁵ The size of the party, as described in the survey, relates to the number of persons in their party that the survey respondent was paying for when estimating expenditure responses.

¹⁶ Survey estimates show an average ticket price of \$113 for incremental visitors, and \$50 for City residents. The Alchian-Allen Theorem would imply that visitors spend more money on tickets than locals. Not including ticket costs would decrease inside spending to \$28 per incremental visitor.

expenditures by “time-switchers” and “casual” visitors are not included in the economic impact calculations because this spending would have occurred in San Antonio anyway. Thus, the number of visitors to San Antonio for which expenditures are counted toward the economic impact of the Valero Alamo Bowl are 46,349 (hereafter referred to as “incremental” or “relevant” visitors), 12 percent fewer than the total number of visitors.

It is believed that not all residents of the City of San Antonio would have attended another in-State event instead to make their spending “displaced”. To estimate the number of these individuals whose spending should be accounted for as incremental spending, City of San Antonio respondents were asked if the Valero Alamo Bowl were not hosted in the City, would [they] have instead participated in another event in the State? Similarly, State residents were asked if they would have attended the Valero Alamo Bowl if it were hosted in another state. For those individuals who indicated they would have traveled outside of their local geography to attend the event, it can be argued that these individuals are residents whose spending is incremental.¹⁷ In total, 15 percent of City resident respondents indicated that would have attended the event if it were hosted in another city in Texas, and 4 percent would have attended the event outside of the State. Accounting for these local residents in the economic impact brings the total number of incremental visitors that count towards economic impact to 47,140.¹⁸ This represents an increase of less than 2 percent over the estimates of incremental visitors only.

¹⁷ See Cobb, S., & Olberding, D. J. (2007). The importance of import substitution in marathon economic impact analysis. *International Journal of Sport Finance*, 2, 108-118.

¹⁸ This excludes expenditures by “time-switchers” and “casual” visitors.

Exhibit 3-2

Valero Alamo Bowl Findings: Impact to San Antonio		
	(a)	(b)
Category	Visitor Impact	Visitor and Incremental Local Impact ³
Total Attendance	57,593	57,593
Number of Unique Attendees (individual people attending event)	57,593	57,593
Local Residents (not Visitors, from within City of San Antonio)	5,214	4,427
Incremental Local Residents from within City of San Antonio	0	787
Number of "Incremental" Visitors: Count Towards Economic Impact ¹	46,349	47,140
Average Expenditure Estimates		
Spending by City Residents		
Average Number of Days Stayed Per City Resident	1.0	1.0
Average Daily Expenditure Per City Resident Inside + Outside of Alamodome	\$144	\$144
Average Expenditure Per Trip Per City Resident Inside+ Outside of Alamodome	\$144	\$144
Total Direct Spending of Locals Inside + Outside of Alamodome²	\$753,118	\$639,440
Visitor Spending		
Average Number of Days Stayed Per "Incremental" Visitor	3.2	3.2
Average Daily Expenditure Per "Incremental" Visitor Outside of Alamodome	\$207	\$204
Average Expenditure for Entire Trip Per "Incremental" Visitor Outside of Alamodome	\$666	\$657
Average Expenditure for Entire Trip Per "Incremental" Visitor Inside of Alamodome	\$143	\$142
Total Direct Spending of "Incremental" Visitors Outside of Alamodome¹	\$30,862,378	\$30,976,056
Total Direct Spending of "Incremental" Visitors Inside of Alamodome²	\$6,637,686	\$6,700,612

¹Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

²Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area for the day of the game.

³Accounts for the 15% of Locals that are residents of the City of San Antonio that indicated this event was incremental and WOULD replace a trip outside of the City. Spending per person and per trip represent the weighted average of the total visitors, and those who are incremental City residents.

Based on these findings from the survey analysis, the total direct expenditures by incremental visitors to the City are nearly \$30.9 million outside of the Alamodome, and \$37.5 million if counting spending within the Alamodome. If also accounting for incremental local spending, these figures would increase to \$31.0 million and \$37.7 million, respectively.

It is important to note that out-of-state residents comprised a majority (76 percent) of incremental visitors to the City given that one of the competing teams was in close proximity to the State of Texas. This also resulted in a shorter trip duration than in other years in which both teams were located a longer distance from Texas.

As shown in Exhibit 3-3, total business spending used in this measurement of economic impact is nearly \$2.3 million.

Exhibit 3-3

Non-Spectator Expenditures by Organizations Affiliated with the Event

Team Expenditures ¹	\$799,287
Media Expenditures ²	\$178,007
Corporate/Sponsor Expenditures ³	\$746,077
Event Organizer Expenditures ⁴	\$547,734
Total	\$2,271,105

¹Team Spending based on information from San Antonio Local Organizing Committee and event organizer. This estimate includes spending by both teams for their lodging, catering, entertainment/ancillary events, and local transportation (cars and buses).

²Estimates include only non-local spending by media organizations to cover the event, estimated by the organizing committee. Includes lodging as well as per-capita expenditures for each of the 189 visiting media given a credential. It is assumed that all out of town media stay 2 days. Estimate excludes the additional costs for the event to be broadcast.

³Estimates include corporate and sponsor spending at the event based on estimates provided by event organizers. This includes expenditures on lodging, ancillary events such as hosting corporate and pregame parties during the Valero Alamo Bowl weekend. This also includes funds for rental of the Alamodome, expenditures on game officials, and other expenditures by groups hosted by the event organizers.

⁴Estimates provided by event organizers and is based on incremental spending on operational expenses that is not reflected in the other data. This estimate is based on the event's local expenditures for the Valero Alamo Bowl that would not have otherwise incurred if not hosting the game, including extra game staffing, printing/signage, and ancillary event spending such as catering and evening events.

A measure of direct visitor spending in each category is shown below in Exhibit 3-4. Given that it is unclear to what extent spending within the Alamodome goes to the City of San Antonio, this spending is not included in the calculations. The total new incremental direct spending in the City of San Antonio due to the Valero Alamo Bowl is nearly \$32.6 million. This figure increases by nearly \$114 thousand if accounting for incremental local spending.

Exhibit 3-4

Economic Impact of Valero Alamo Bowl on the City of San Antonio - Output		
	(a)	(b)
Projected Direct Spending ¹	Visitor Impact	Visitor and Incremental Local Impact²
Transportation	\$3,578,193	\$3,591,372
Rental Car	\$306,847	\$307,977
Retail	\$6,089,007	\$6,111,435
Lodging	\$7,361,378	\$7,388,493
Entertainment	\$2,215,960	\$2,224,123
Beverage: Mixed Alcoholic Beverages	\$1,717,408	\$1,723,734
Beverage: Wine and Beer	\$1,799,775	\$1,806,404
Food & Beverage (Non-Alcoholic)	\$6,247,469	\$6,270,481
Miscellaneous	<u>\$1,546,341</u>	<u>\$1,552,037</u>
Total Incremental Visitor Spending Outside of Event	\$30,862,378	\$30,976,056
Business Spending ³	<u>\$1,723,371</u>	<u>\$1,723,371</u>
Total Direct Spending (Outside of Event)	\$32,585,748	\$32,699,427
Indirect Spending (+ Organizer Spending)	\$24,113,128	\$24,196,210
Total Economic Impact	\$56,698,876	\$56,895,636
Total Economic Impact (With Inside Spending)	\$68,248,383	\$68,554,421

¹Does not include impacts from spending within the Alamodome.

²Accounts for the 15% of Locals that are residents of the City of San Antonio that indicated this event was incremental and WOULD replace a trip outside of the City. Spending per person and per trip represent the weighted average of the total visitors, and those who are incremental City residents.

³Business spending includes all incremental spending by non-local corporations, media, and by the teams. This does not include spending by event organizers, which is accounted for separately in the Indirect Spending. See Methodology section for details.

New incremental indirect spending is about \$24.1 million. Total economic impact, in terms of output, is about \$56.7 million on the City of San Antonio because of the Valero Alamo Bowl and related activities. If inside spending were included, total economic impact would grow to \$68.2 million. All measurements account for incremental visitor spending, not local resident spending that is above and beyond what they would have spent if not for these events taking place in San Antonio.

If accounting for incremental City local spending outside of the Alamodome, total impact increases to \$56.9 million, and to nearly \$68.6 million if also accounting for inside spending.

Spending by Local Residents

An estimate of direct spending from non-incremental visitors outside of the Alamodome because of the events is about \$4.6 million.¹⁹ If including spending by non-incremental visitors, direct economic spending outside of the event would rise to approximately \$37.2 million, or an increase of 14 percent over the current estimates of direct economic impact for incremental visitors to the City of San Antonio.

Nearly 70 percent of City residents indicated that they would not have spent the same amount in San Antonio if not attending the Valero Alamo Bowl. If accounting for the spending by City residents outside of the facility, the direct impact would increase \$32.9 million.

3.3 INDUCED SPENDING: CITY OF SAN ANTONIO

Induced economic impacts on San Antonio are shown in Exhibit 3-5. Personal earnings total nearly \$35.3 million for the City of San Antonio, and approximately 1,118 full-time equivalent jobs are generated from the direct and indirect spending.

Exhibit 3-5

Impact of Valero Alamo Bowl on the City of San Antonio - Earnings & Employment		
	(a)	(b)
Type of Impact¹	Visitor Impact	Visitor and Incremental Local Impact²
Earnings	\$35,258,995	\$35,383,363
Employment	1,118	1,122

¹Does not include impacts from spending within the Alamodome, nor full time jobs related to operating the Alamodome.

²Accounts for the 15% of Locals that are residents of the City of San Antonio that indicated this event was incremental and WOULD replace a trip outside of the City.

3.4 TAX IMPACT: CITY OF SAN ANTONIO

The new incremental direct tax impact of the Valero Alamo Bowl on the City of San Antonio is based on the various tax rates described in Section 2.4. Information sources for these calculations came from documents and discussions with the Office of the Texas Comptroller, City of San Antonio, other economic impact

¹⁹ This represents the spending of the visitors that were time-switchers and casuals.

studies, City of San Antonio forecasts, the local convention and visitor’s bureau, and reports on the economic outlook of Bexar County and the City of San Antonio.

Exhibit 3-6

Net New Incremental Tax Impact of Valero Alamo Bowl on the City of San Antonio		
	(a)	(b)
Tax Category¹	Visitor Impact	Visitor and Incremental Local Impact²
Sales and Use	\$334,165	\$335,277
Beverage: Mixed Alcoholic Beverages	\$25,761	\$25,856
Beverage: Wine and Beer	\$0	\$0
Alamodome Related Impacts ³	\$168,948	\$168,948
Hotel Occupancy	\$662,524	\$664,964
Rental Car ⁴	\$0	\$0
Sub-total	\$1,191,398	\$1,195,045
Indirect Taxation	\$863,250	\$866,224
Total Fiscal Impact	\$2,054,648	\$2,061,270

¹Does not include taxes on spending within the Alamodome.

²Accounts for the 15% of Locals that are residents of the City of San Antonio that indicated this event was incremental and WOULD replace a trip outside of the City.

³ Valero Alamo Bowl staging costs totals were comprised of expenditures for police (SAPD), fire department, and security. Also includes costs for additional event staff and building costs. All estimates provided from event organizers.

⁴ Includes rental car taxes for all relevant visitors who indicated spending on rental cars. Since the City does not levy a rental car tax, this rate is \$0. The State and County, however, both generate rental car tax revenues.

As Exhibit 3-6 shows, the total new incremental tax impact measurement for the Valero Alamo Bowl is nearly \$2.1 million on the City of San Antonio because of the game and related activities. If accounting for incremental local attendee spending outside of the Alamodome, total impact increases by \$6.6 thousand. These fiscal impacts include nearly \$169.0 thousand in total business spending related to the operation of this event at the Alamodome, including spending on police (SAPD), facility rental by event organizers, net parking revenues, and equipment rental fees, for example.²⁰ All measurements account for incremental visitor spending, not local resident spending that is above and beyond what they would have spent if not

²⁰ Data provided by event organizers. This is *not* double counting spending by non-spectator and corporations, which is shown in Exhibit 3-3.

for these events taking place in the City. These impacts are only for the tax categories discussed in this study, not all possible tax revenue sources.

3.5 DIRECT AND INDIRECT SPENDING: STATE OF TEXAS

Visitor Survey. Of the spectators represented by the surveys administered during the game, 37 percent were residents of the State of Texas.²¹

The average size of the party represented in each survey is 3.6 for visitors and 4.4 for local residents.²² As shown in Exhibit 3-7 below, the average number of days that each incremental visitor stayed in the City was 3.5 days; non-incremental visitors also stayed an average of 2.8 days. The typical incremental visitor spent \$228 per day, not including event-specific spending inside of the Alamodome, leading to \$789 in spending for the entire trip to San Antonio, and an additional \$149 in spending inside of the Alamodome.²³ Including inside spending, the total spending per incremental visitor would increase to approximately \$937 per trip to San Antonio.

The number of out-of-state visitors who came to San Antonio and participated in Valero Alamo Bowl activities was approximately 36,304. Of these visitors, about 6 percent were “time-switchers”, meaning that they would have come to San Antonio during some other nearby time period, but instead chose to come during the Valero Alamo Bowl. Similarly, 5 percent were “casual” visitors. These visitors were in town for other reasons, but chose to take part in bowl-related activities as part of their stay. To be conservative, expenditures by “time-switchers” and “casual” visitors are not included in the economic impact calculations because this spending would have occurred in Texas anyway. Thus, the number of visitors to Texas for which expenditures are counted toward the economic impact are 32,258 (hereafter referred to as “incremental” or “relevant” visitors), 11 percent fewer than the total number of visitors.

It is believed that not all Texas residents would have attended another in-State event instead to make their spending “displaced”. To estimate the number of these individuals whose spending should be accounted for as incremental spending, respondents were asked if the Valero Alamo Bowl were not hosted in San Antonio, would [they] have instead participated in another event outside of the State? For those individuals who indicated they would have traveled outside of Texas to attend the event, it can be argued that these individuals are residents whose spending is incremental. In total, 22 percent of Texas residents indicated they would have attended the event if it were hosted outside of the State. Accounting for these local residents in the economic impact brings the total number of incremental visitors that count towards

²¹ The local population was estimated using the survey data and zipcode lookups to verify the actual residents of the State of Texas.

²² The size of the party, as described in the survey, relates to the number of persons in their party that the survey respondent was paying for when estimating expenditure responses.

²³ Survey estimates show an average ticket price of \$113 for incremental visitors. Not including ticket costs would decrease inside spending to \$34 per incremental visitor.

economic impact to 36,395.²⁴ This represents an increase of nearly 13 percent over the estimates of incremental visitors only.

Exhibit 3-7

Valero Alamo Bowl Findings: Impact to Texas		
	(a)	(b)
Category	Visitor Impact	Visitor and Incremental Local Impact³
Total Attendance	57,593	57,593
Number of Unique Attendees (individual people attending event)	57,593	57,593
Local Residents (not Visitors, from within State of Texas)	21,289	16,629
Incremental Local Residents from within State of Texas	0	4,660
Number of "Incremental" Visitors: Count Towards Economic Impact ¹	32,258	36,395
Average Expenditure Estimates		
Spending by State Residents		
Average Number of Days Stayed Per Texas Resident	1.5	1.5
Average Daily Expenditure Per Texas Resident Inside + Outside of Alamodome	\$194	\$194
Average Expenditure Per Trip Per Texas Resident Inside+ Outside of Alamodome	\$295	\$295
Total Direct Spending of Locals Inside + Outside of Alamodome²	\$6,287,610	\$4,911,291
Visitor Spending		
Average Number of Days Stayed Per "Incremental" Visitor	3.5	3.3
Average Daily Expenditure Per "Incremental" Visitor Outside of Alamodome	\$228	\$231
Average Expenditure for Entire Trip Per "Incremental" Visitor Outside of Alamodome	\$789	\$757
Average Expenditure for Entire Trip Per "Incremental" Visitor Inside of Alamodome	\$149	\$144
Total Direct Spending of "Incremental" Visitors Outside of Alamodome¹	\$25,444,307	\$27,542,580
Total Direct Spending of "Incremental" Visitors Inside of Alamodome²	\$4,793,610	\$5,225,847

¹Spending by local residents, "time-switchers", and "casual" visitors was not used in the impact analysis.

²Spending includes revenues from tickets, merchandise, concessions and other incidental spending inside event area for the day of the game.

³Accounts for the 22% of residents of the State of Texas that indicated this event was incremental and WOULD replace a trip outside of the State. Spending per person and per trip represent the weighted average of the total visitors and those who are in-state residents.

Based on these findings from the survey analysis, the total direct expenditures by incremental visitors are nearly \$25.4 million outside of the Alamodome, and \$30.2 million if counting spending within the Alamodome. If also accounting for incremental local spending outside and inside the facility, these figures would increase to \$27.5 million and \$32.8 million, respectively.

As shown in Exhibit 3-8, total business spending used in this measurement of economic impact is nearly \$2.3 million.

²⁴ This excludes expenditures by "time-switchers" and "casual" visitors.

Exhibit 3-8

Non-Spectator Expenditures by Organizations Affiliated with the Event	
Team Expenditures ¹	\$799,287
Media Expenditures ²	\$178,007
Corporate/Sponsor Expenditures ³	\$746,077
Event Organizer Expenditures ⁴	\$547,734
Total	\$2,271,105

¹Team Spending based on information from San Antonio Local Organizing Committee and event organizer. This estimate includes spending by both teams for their lodging, catering, entertainment/ancillary events, and local transportation (cars and buses).

²Estimates include only non-local spending by media organizations to cover the event, estimated by the organizing committee. Includes lodging as well as per-capita expenditures for each of the 189 visiting media given a credential. It is assumed that all out of town media stay 2 days. Estimate excludes the additional costs for the event to be broadcast.

³Estimates include corporate and sponsor spending at the event based on estimates provided by event organizers. This includes expenditures on lodging, ancillary events such as hosting corporate and pregame parties during the Valero Alamo Bowl weekend. This also includes funds for rental of the Alamodome, expenditures on game officials, and other expenditures by groups hosted by the event organizers.

⁴Estimates provided by event organizers and is based on incremental spending on operational expenses that is not reflected in the other data. This estimate is based on the event's local expenditures for the Valero Alamo Bowl that would not have otherwise incurred if not hosting the game, including extra game staffing, printing/signage, and ancillary event spending such as catering and evening events.

A measure of direct visitor spending in each category is shown below in Exhibit 3-9. Given that it is unclear to what extent spending within the Alamodome goes to the City of San Antonio (or the State), this spending is not included in the calculations. The total new incremental direct spending in the State of Texas due to the Valero Alamo Bowl is nearly \$27.2 million. This figure increases by nearly about \$2.1 million if accounting for incremental local spending.

Exhibit 3-9

Economic Impact of Valero Alamo Bowl on the State of Texas - Output

	(a)	(b)
Projected Direct Spending¹	Visitor Impact	Visitor and Incremental Local Impact²
Transportation	\$2,907,300	\$3,147,051
Rental Car	\$258,724	\$280,060
Retail	\$5,158,500	\$5,583,897
Lodging	\$5,745,517	\$6,219,322
Entertainment	\$2,292,088	\$2,481,106
Beverage: Mixed Alcoholic Beverages	\$1,500,539	\$1,624,281
Beverage: Wine and Beer	\$1,370,746	\$1,483,785
Food & Beverage (Non-Alcoholic)	\$4,839,521	\$5,238,614
Miscellaneous	\$1,371,372	\$1,484,463
Total Incremental Visitor Spending Outside of Event	\$25,444,307	\$27,542,580
Business Spending ³	\$1,723,371	\$1,723,371
Total Direct Spending (Outside of Event)	\$27,167,678	\$29,265,951
Indirect Spending (+ Organizer Spending)	\$22,400,877	\$24,108,858
Total Economic Impact	\$49,568,555	\$53,374,809
Total Economic Impact (With Inside Spending)	\$58,314,694	\$62,905,631

¹Does not include impacts from spending within the Alamodome.

²Accounts for the 22% of residents of the State of Texas that indicated this event was incremental and WOULD replace a trip outside of the State.

³Business spending includes all incremental spending by non-local corporations, media, and by the teams. This does not include spending by event organizers, which is accounted for separately.

New incremental indirect spending is about \$22.4 million. Total economic impact, in terms of output, is about \$49.6 million on the State of Texas because of the Valero Alamo Bowl and related activities. If inside spending were included, total economic impact would grow to \$58.3 million. All measurements account for incremental visitor spending, not local resident spending that is above and beyond what they would have spent if not for these events taking place in Texas.

If accounting for spending by State residents who are deemed to be “incremental” because they would have left town and spent their money outside of the State, if not for the bowl game being held in the State, total impact increases to \$53.4 million, and to \$62.9 million if also accounting for inside spending.

Spending by Local Residents

An estimate of direct spending from non-incremental visitors outside of the Alamodome because of the events is about \$2.7 million.²⁵ If including non-incremental visitor spending outside of the facility, direct economic impact would increase 5 percent over the current estimates to approximately \$52.3 million.

Nearly 83 percent of State residents indicated that they would not have spent the same amount in San Antonio if not attending the Valero Alamo Bowl. If adding the additional impact of the \$3.3 million in spending by State residents, total economic impact would grow to \$52.9 million.

3.6 INDUCED SPENDING: STATE OF TEXAS

Induced economic impacts on San Antonio are shown in Exhibit 3-10. Personal earnings total nearly \$29.8 million for the State of Texas, and approximately 938 full-time equivalent jobs are generated from the direct and indirect spending.

Exhibit 3-10

Impact of Valero Alamo Bowl on the State of Texas - Earnings & Employment		
	(a)	(b)
Type of Impact¹	Visitor Impact	Visitor and Incremental Local Impact²
Earnings	\$29,791,881	\$32,121,779
Employment	938	1,011

¹Does not include impacts from spending within the Alamodome, nor full time jobs related to operating the Alamodome.

²Accounts for the 22% of residents of the State of Texas that indicated this event was incremental and WOULD replace a trip outside of the State.

3.7 TAX IMPACT: STATE OF TEXAS

The new incremental direct tax impact of the Valero Alamo Bowl on the State of Texas is based on the various tax rates described in Section 2.4. Information sources for these calculations came from documents and discussions with the Office of the Texas Comptroller, City of San Antonio, other economic impact studies, City of San Antonio forecasts, the local convention and visitor's bureau, and reports on the economic outlook of Bexar County and the City of San Antonio. The figures stated here include the tax benefit to the City of San Antonio.

²⁵ This represents the spending of the visitors that were time-switchers and casuals.

Exhibit 3-11

Net New Incremental Tax Impact of 2010 Valero Alamo Bowl on State of Texas

Tax Category¹	(a)	(b)
	Visitor Impact	Visitor and Incremental Local Impact²
Sales and Use	\$1,250,019	\$1,341,555
Beverage: Mixed Alcoholic Beverages	\$210,075	\$227,399
Beverage: Wine and Beer	\$99,379	\$107,574
Alamodome Related Impacts ³	\$168,948	\$168,948
Hotel Occupancy	\$962,374	\$1,041,737
Rental Car ⁴	\$38,809	\$42,009
Sub-total	<u>\$2,729,604</u>	<u>\$2,929,223</u>
Indirect Taxation	\$801,951	\$863,097
Total Fiscal Impact	\$3,531,556	\$3,792,320

¹Does not include taxes on spending within the Alamodome.

²Accounts for the 22% of residents of the State of Texas that indicated this event was incremental and WOULD replace a trip outside of the State.

³ Valero Alamo Bowl staging costs totals were comprised of expenditures for police (SAPD), fire department, and security. Also includes costs for additional event staff and building costs. All estimates provided from event organizers.

⁴ Includes rental car taxes for all relevant visitors who indicated spending on rental cars. The State and County, both generate rental car tax revenues.

As Exhibit 3-11 shows, the total new incremental tax impact measurement for the Valero Alamo Bowl is \$3.5 million on the State of Texas because of the game and related activities. If accounting for incremental local attendee spending outside of the Alamodome, total impact increases to about \$3.8 million. These fiscal impacts include nearly \$169.0 thousand in total business spending related to the operation of this event at the Alamodome, including spending on police (SAPD), facility rental by event organizers, net parking revenues, and equipment rental fees, for example.²⁶ All measurements account for incremental visitor spending, not local resident spending that is above and beyond what they would have spent if not for these events taking place in the City. These impacts are only for the tax categories discussed in this study, not all possible tax revenue sources.

²⁶ Data provided by event organizers. This is *not* double counting spending by non-spectator and corporations, which is shown in Exhibit 3-8.

4.0 OTHER FINDINGS FROM THE SURVEY ANALYSIS

Of the survey respondents, nearly 91 percent were visitors to the City of San Antonio. Just 11 percent of the sample were residents of Bexar County, and 37 percent of the sample were residents of the State of Texas. Of those visiting from other counties, the highest percentage of attendees traveled from Harris, Fort Bend and Travis County, which collectively accounted for 6 percent of the sample. Of those visiting from other states, the highest percentage of attendees traveled from Oklahoma (40 percent), and then Arizona (12 percent).

The higher number traveling from out-of-state is also reflected by those who indicated support for a team. Just 16 percent indicated that they attended the Valero Alamo Bowl but did not support a particular team, 61 percent said they supported Oklahoma State, and 24 percent said that they supported the University of Arizona. Of those that did not support a team, 70 percent were from Texas, indicating state-residents were more likely to see the game regardless of which teams were involved in the game.

As expected, the event was primarily attended by incremental spectators, with more than 85 percent of respondents choosing to travel to San Antonio for the purpose of attending the event. Approximately 11 percent were in town for Pleasure/Vacation and included the event as part of their activities, and the remainder were in town for Business or another activity. Nearly three-quarters of out-of-state visitors indicated that this was their first trip to San Antonio.

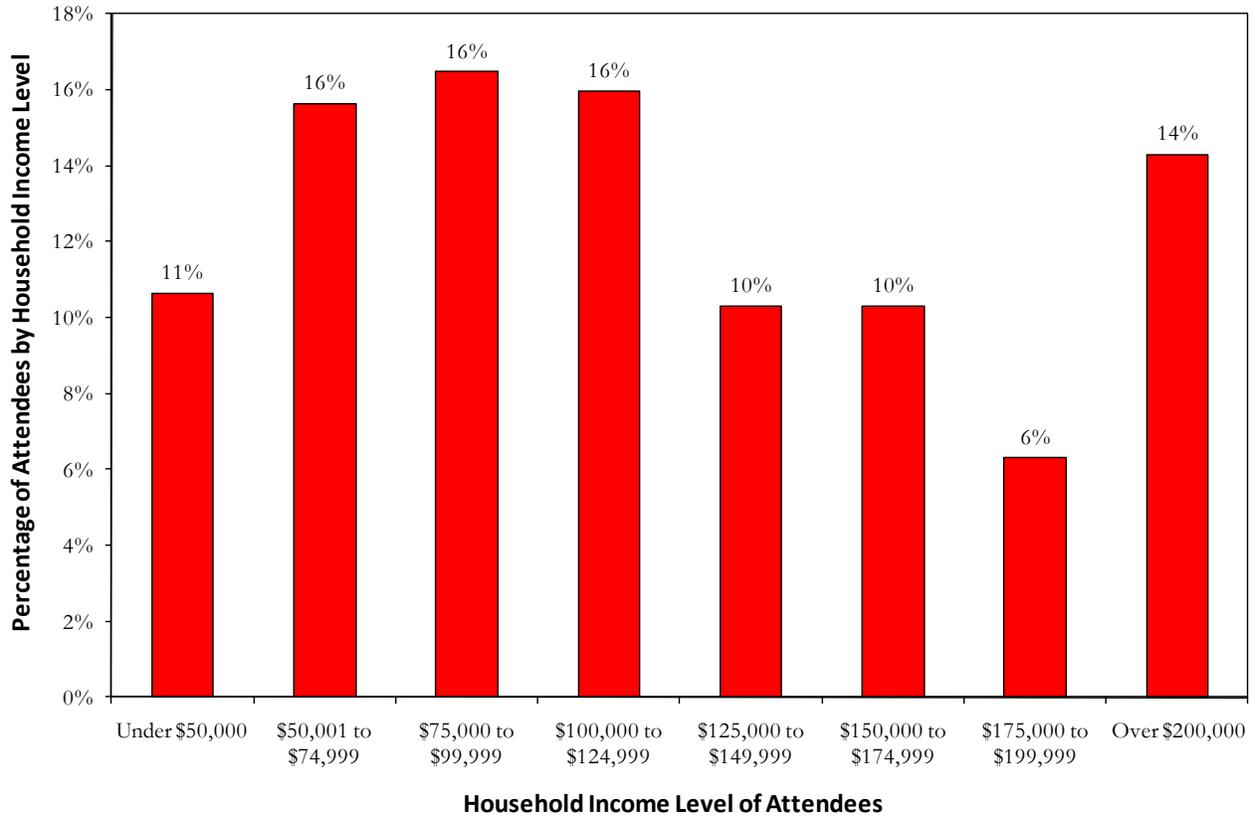
Three-quarters of attendees stayed in a Hotel/ Motel during their visit. Approximately 81 percent of visitors to San Antonio, and 80 percent of visitors to Texas, stayed in a hotel. Of those who stayed in a hotel, 93 percent indicated that they stayed in a hotel that was located in the City of San Antonio.²⁷ Forty percent booked their lodging directly through the hotel at which they stayed, 19 percent booked through the event website, 12 percent booked through a package bundle, and less than 1 percent booked through the San Antonio CVB. Of the remaining 28 percent listing another mode of booking, the majority (57 percent) booked through the Internet via a travel aggregator such as Priceline.com, Hotels.com, Hotwire.com, Expedia.com, Orbitz.com, or Travelocity.com. Another 13 percent booked through their school or alumni organization.

Of those visiting the City of San Antonio, an average of 1.6 rooms were booked for the average party of 2.8 persons. The average incremental visiting party listed a hotel rate of approximately \$159 per night for each of the 2.6 nights they stayed in the City. This equates to an average of \$92 per visitor per night, or \$234 per person per stay in lodging expenses.

²⁷ For the City of San Antonio impact calculations, only lodging expenditures at hotels located in the City of San Antonio was counted towards economic impact.

The classification of household incomes is shown below in Exhibit 4-1, with the average household income of attendees of \$118,240.²⁸ A quarter of respondents had annual household incomes less than \$75,000, and nearly 57 percent had incomes above \$100,000.

Exhibit 4-1



Approximately 20 percent of visitors traveled by plane to get to the event. Just 8 percent indicated they rented a car during their visit. The average transportation cost within the city (e.g., rental car, gas, parking) per out-of-city visitor was \$26.

²⁸ The calculation of average household incomes is based on using the midrange of each income category for all categories except the less than \$50,000 category, which used \$25,000 as its weight, and the \$200,000+ category, which used \$200,000 as its weight.

5.0 LIMITATIONS OF THE STUDY

This portion of the Report provides a brief analysis of the limitations of the study. There are a number of areas where the authors were conservative in the analysis, and a few areas where the authors were liberal. The overall goal was to come up with a proper, but conservative, estimate of economic impact related to the Valero Alamo Bowl.

5.1 LIMITATIONS THAT MAKE THE ESTIMATE AN UNDERESTIMATE OF TRUE ECONOMIC IMPACT

Expenditures by the media on local businesses to produce their coverage of the Valero Alamo Bowl are not accounted for in this Report. Also, any business expenditures above what were reported are not counted in the measurement of economic impact, but they should be.

As described in Section 3.1, there was no attempt to account for the impact from visitors who came to San Antonio because of the bowl game, but did not attend the game itself. Based on other sporting events, this may have been as large as 5,000-6,000 people.

As with all survey analysis, the treatment of blank responses to certain questions can affect the final results. In the Visitor Survey, there were blanks on some of the spending categories. Treating them as zero lowers the overall estimate economic impact. Treating them as the average of other responses on the same question creates an unbiased estimate (unless the respondent meant for the answer to be zero, but left it blank). In this Report, blank responses were only treated as zero if the categories were left blank but other spending categories were completed. This method results in a lower measure of economic impact than if any of those categories were treated as not being equal to zero.

Similarly, event-related spending was accounted for as if the respondents' answers on that question were the total spending at event-related sites (not the daily spending as the question indirectly states).

As described in Section 2.0, it is properly conservative to count spending by local residents and by "casual" visitors and "time-switchers" as not counting towards economic impact because it is assumed that their spending would have occurred even without the event having taken place. Where possible, estimates of incremental spending by these parties were generated, but are not stated in the economic impact figures.

Only fiscal impacts related to the tax categories detailed in Section 2.4 are calculated in this Report. There are other types of taxes and fees that are not included in this measurement of tax revenues generated by the City, County, and State.

One shortcoming of standard economic impact analysis is that most measurements only account for the current new spending because of an event, team, etc., but ignore the possibility that an event might cause an increase in the number of future visitors to the community.²⁹ These future visits should at least partially be attributed to the Valero Alamo Bowl economic impact, yet the impacts of the future visits are not part of the measurement in this Report. Another way in which this occurs is through the media coverage of an event.

Communities which support sporting and cultural events are believed to derive significant benefit from the national and international focus and media attention created by such events. During televised events, for instance, the announcers mention the name of the City, often increasing awareness about it. Additionally, television viewers saw many images of people enjoying themselves in City, creating an enhanced image of the area. The City is exposed to millions of people through appearances in many media forums such as newspapers, radio, and the Internet. The benefits derived are similar to those of companies who advertise their company name as opposed to a specific product. The advertising or media attention creates "awareness" and "goodwill" toward that company, or in this case, the City. Increased awareness is translated into economic benefits in subtle, but meaningful ways. It is extremely difficult to measure the translation of media coverage into actual new visitor expenditures. This media impact is not part of the economic impact measured in Section 3.0.

One role of government is to aid in the provision of cultural, civic, and entertainment goods and services that residents enjoy, but that no private firm is willing to provide because the goods or services are "public goods".³⁰ Major sports and cultural events add to the quality of life in a region in a manner similar to that of zoos, museums, aquariums, parks, arts institutions, and other public goods, but in significantly different ways. Cultural events of all types provide an entertainment option for some, especially those who value attending or viewing the events. Moreover, many of these events may be perceived by local residents as helping to portray San Antonio as a cosmopolitan, 'major-league' city.

Psychic Impact

Psychic impact is the emotional impact that is generated by hosting significant regional, national or international events. Cultural events often are part of the fabric of a community. They add to civic pride and increase community spirit. Emotional benefits that are received by members of a community who are

²⁹ For instance, the 2004 NCAA Men's Final Four basketball tournament economic impact analysis reported that approximately 20 percent of visitors said that coming to San Antonio for the Final Four would make them come some other time during the future.

³⁰ Much of the value of psychic impact is a "public good" meaning that its consumption is non-excludable and non-rival. In general, public goods are funded by governments in the appropriate jurisdiction (e.g., parks, national defense). Because these benefits derive from externalities, no private investor could hope to capture enough of the benefits to justify privately financed construction.

not directly involved with managing an event, but who still strongly identify with the event, are part of the overall psychic impact. Sports or other cultural events are often a common connection that provides entertainment and conversation at the office or in the neighborhood, for instance. Most other industries do not provide the same degree of emotional impact.

As an example, when Atlanta was awarded the 1996 Summer Olympics, locals were moved by the announcement. Many people cried with joy. They felt that Atlanta had now proved itself as a “real” international city. Newspaper reports described the city as a sea of honking horns and cheers as people were swept up with jubilation. If it were possible to quantify in financial terms the collective emotional upswing of Atlantans, what would it have been? The new psychic impact techniques focus on measuring this value. Proper decision-making on how the public should invest its tax dollars requires knowledge of economic impact *plus* psychic and image impact.

A more recent example comes from Minnesota where the former governor, Arne Carlson, feels that “If you were to make a list of 10 or 15 of the most prized possessions of the state, [the Twins] would probably be one of them, and you never want to lose one of your prized possessions. Never.”

Event owners are able to capture part of the value of psychic impact through ticket sales, merchandise sales, etc. However, much of the impact, as discussed above, is provided free to the residents through sheer knowledge of the event. This is one of the reasons for the public-private partnerships that build sports venues.

A few estimates of the psychic impact of sports teams have been generated. For instance, the Pittsburgh Penguins of the NHL are worth approximately \$16 million per year to the residents of Pittsburgh solely in terms of emotional impact. This works out to an average of about \$7.27 per person in the Pittsburgh MSA. The Indiana Pacers have an annual psychic impact on the Indianapolis community of about \$35 million per year. The Minnesota Vikings are worth approximately \$10 per resident of the state. There are not any current measures of psychic impact of cultural events such as the ones examined in this Report. Estimates of psychic impact are not included in this Report.

The field of economic impact analysis is ripe for the inclusion of psychic impact measurement. There are methods, such as Contingent Valuation Method, that can help quantify these important aspects of sports and cultural events.

5.2 LIMITATIONS THAT MAKE THE ESTIMATE AN OVERESTIMATE OF TRUE ECONOMIC IMPACT

This analysis does not account for “reverse time-switchers”, those local residents who leave town during the event period *because* of the event. To the extent that there are any “reverse time-switchers”, the expenditures that would have been spent by them in town are now spent outside of the local area. There is not any anecdotal evidence that leads the authors to believe that there is any significant loss in local spending due to “reverse time-switchers”.

Opportunity Costs

Economic impact analysis often neglects to account for important opportunity costs. For instance, if the City of San Antonio had to turn down a major event (that would have generated its own economic impact) because of a time conflict with any of the events measured in this Report, then the total net new incremental gain from hosting the event should account for the lost economic impact that would have occurred had the other event been hosted. The authors are unaware of any such situation in this particular case.

Other potentially important opportunity costs are the impacts from visitors who would have come to town under normal circumstances, but were unable to because the event filled all of the hotels to capacity. If these would-be visitors came anyway and stayed outside of town, then it isn’t a loss in revenue. However, if there were people who did not come to the City of San Antonio because of an event hosted within the City, then any economic impact from the event being measured should take that loss into account. The authors are unaware of any hotel capacity constraints caused by any event hosted in the city.

Finally, all of the event attendance figures and operational and corporate expenditures were provided by the event organizers. Where possible, attempts were made to discount for non-unique visitors. However, since it is in the best interest of events to have larger economic impact, the possibility exists that these figures may have been inflated by organizers for this purpose. SportsEconomics is not responsible for auditing these figures. However, guidelines were provided and discussions with event organizers and City staff took place to ensure that they were aware of issues which may cause them to overstate these figures. Moreover, if alternate information was provided by the media, the events did need to verify which figures they wanted to use, and to explain the rationale for the difference in the estimates.

Finally, this analysis does not account for “reverse time-switchers”, those local residents who leave town during the event period *because* of the event. To the extent that there are any “reverse time-switchers”, the expenditures that would have been spent by them in town are now spent outside of the local area. There is not any anecdotal evidence that leads the authors to believe that there is any significant loss in local spending due to “reverse time-switchers”.

5.3 OTHER LIMITING CONDITIONS

Information, estimates and opinions furnished to us and contained in the Report were obtained from sources considered reliable and believed to be true and correct. However, no representation, liability or warranty for the accuracy of such items is assumed by or imposed on us, and is subject to corrections, errors, omissions and withdrawals without notice. Information from all sources not generated by SportsEconomics or Strategic Marketing Services was taken without verification or audit. Our analyses are based on estimates and assumptions provided by various governmental authorities, event organizers, and surveys developed in connection with this engagement.

The analyses were based on the work plan described in our contract, estimates and assumptions provided by the event organizers, estimates and assumptions from previous studies, information developed from primary and supplemental research, knowledge of the industry and other sources, including certain information that the City of San Antonio and event organizers provided. These sources of information and bases of significant estimates and assumptions are stated in the Report.