

The graphic consists of an orange rectangular background. At the top, the words 'THE ECONOMIC IMPACT OF' are written in white, uppercase, sans-serif font. Below this, the words 'SAN ANTONIO'S' are written in a larger, white, uppercase, sans-serif font, with a slight upward curve. A thin white horizontal line is positioned below 'SAN ANTONIO'S'. At the bottom, the words 'HOSPITALITY INDUSTRY' are written in white, uppercase, sans-serif font, also with a thin white horizontal line below it.

This study was prepared by

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HIGHLIGHTS

- In 2017, the economic impact of San Antonio's Hospitality Industry was **\$15.2 billion**.
- The San Antonio metropolitan area attracted **37 million visitors** in 2017, **31.1 million of these to Bexar County**.
 - Includes 23.1 million overnight visitors to the metro area
- The Hospitality Industry contributed some **\$214 million** in taxes and fees to the city of San Antonio, and **\$419 million** to all local governments combined.
- In 2017, the industry employed more than **140,000** individuals. This is nearly 1 out of every 7 workers in the San Antonio metropolitan area.
- From 2007 to 2017, the economic impact of the Hospitality Industry increased by nearly 50%. The industry's size has more than tripled since 1992.

INTRODUCTION

San Antonio has long been a premier meeting destination and is known as a favorite of visitors from around the world. These visitors, and the Hospitality Industry they support, produce a number of economic benefits for the city:

- The industry provides **a large number of both part-time and full-time jobs** in dozens of occupations, including culinary, customer service, administration, finance, maintenance, marketing and human resources.
- Visitor spending **impacts virtually every corner of the local economy** – sports, food service, transportation, cultural events, healthcare and much more.
- The presence of so many visitors helps promote **a vibrant and diverse cultural and social atmosphere** that is attractive to San Antonio residents and visitors alike. Many of the amenities and attractions that San Antonians take for granted are available to them only because these attractions are also supported by millions of visitors.
- Because **visitors bring new dollars to San Antonio**, their spending has a multiplier effect. Each dollar of visitor spending generates approximately one additional dollar of income for San Antonio as the effects of this spending work their way through the local economy.

For the purposes of this report, the Hospitality Industry has been defined to include only those businesses that derive a significant portion of their sales from out-of-town visitors. Whether they come to San Antonio on a vacation, to attend a convention, or for business, these visitors patronize local companies that provide transportation and travel arrangements, lodging, recreational activities, and food and beverage services. Of course, the full economic impact of these businesses also includes their sales to local customers. A complete description of the industries included in this study can be found at the end of this report.

The economic impact analysis is based on data obtained from the Texas Workforce Commission (TWC). Following the same methodology used in the previous bi-annual Economic Impact Studies of the Hospitality Industry, the current work is based on TWC's quarterly wage and employment data aggregated along the lines of business defined by the North American Industrial Classification System (NAICS).

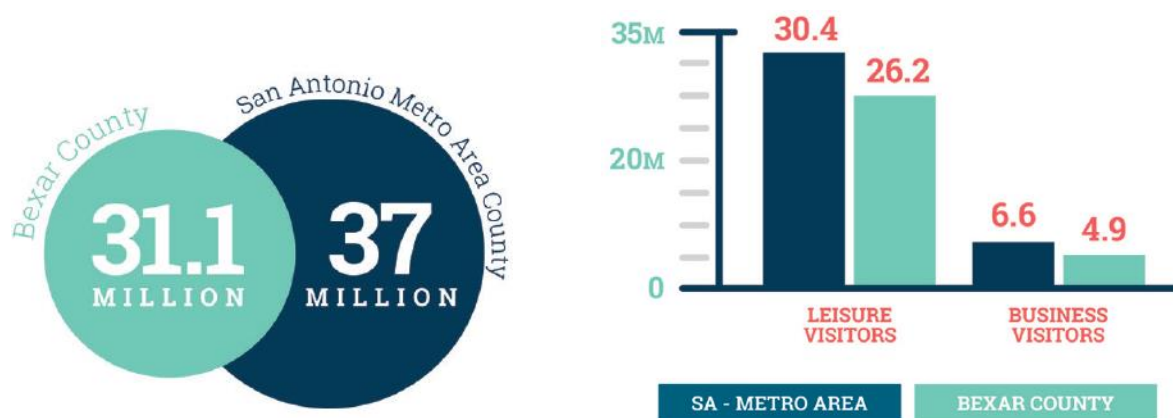
THE HOSPITALITY INDUSTRY IN 2017

37 Million Visitors

The Hospitality Industry is a vital and expanding part of the San Antonio economy. Each year, tens of millions of visitors come to San Antonio for business or pleasure.

- In 2017, 37 million visitors came to the San Antonio metropolitan area. The vast majority of these visitors (31.1 million) came to Bexar County.
- More than half of the 37 million visitors (23.1 million) stayed overnight.

- Each year, millions of leisure visitors come to San Antonio to shop, play and enjoy the city's unique history and culture. In 2017, the San Antonio metropolitan area hosted 30.4 million leisure visitors. Of these, 26.2 million came to Bexar County. Most (19.4 million) stayed overnight.
- San Antonio is one of the top convention cities in the country. In 2017, some 6.6 million business visitors came to the area for conventions and other business purposes (4.9 million of these to Bexar County). As with the leisure visitors, the majority (3.7 million) of the business visitors stayed overnight. The recently completed transformation of the convention center is already making San Antonio an even more attractive meeting place.



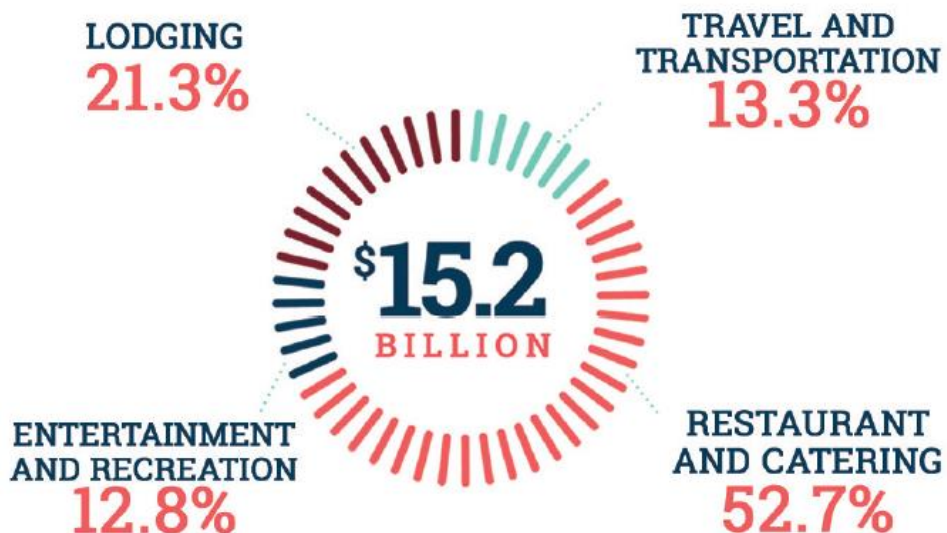
Overall Economic Impact: \$15.2 Billion

The Hospitality Industry's economic impact in 2017 was \$15.2 billion. For a variety of technical reasons, this estimate is conservative. The true economic impact is no doubt considerably greater.

The businesses that make up the Hospitality Industry fall into four sectors: Transportation and Travel Arrangements, Lodging and other Traveler Accommodations, Restaurants and other eating and drinking establishments, and Entertainment and Recreation activities, ranging from golfing establishments to cultural events to amusement parks and spectator sports.

The Restaurants and Catering sector made the largest contribution to the local economy, accounting for 52.7% of the total economic impact, or \$8 billion. The vast majority of this large impact was due to full-service or limited-service restaurants and eating places (\$6.6 billion), with the remainder coming from catering services and drinking establishments.

The Transportation and Lodging sectors contributed 13.3% and 21.3% respectively to the overall economic impact. Entertainment of various types comprised the remaining 12.8% of the industry's \$13.6 billion economic impact in 2017.

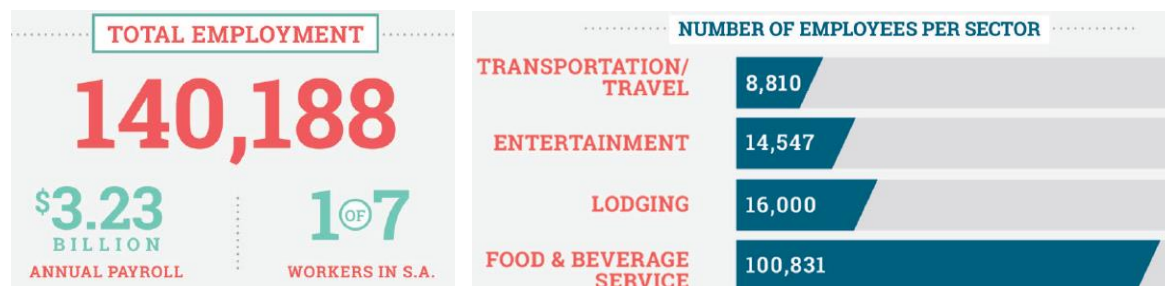


Annual Payroll: \$3.23 Billion

The Hospitality Industry’s annual payroll was \$3.23 billion in 2017. It should be noted that these figures reflect only direct wage payments. Total compensation, including benefits and gratuities, would be significantly higher.

Total Employment: 140,188

During 2017, the Hospitality Industry provided an estimated 140,188 jobs. This represents nearly one-seventh of the total number of jobs in the San Antonio metropolitan area. Many of these jobs provide life-long career opportunities and help employees develop skills that translate into many areas of business.



THE HOSPITALITY INDUSTRY OVER TIME

In the past ten years, the Hospitality Industry’s economic impact has grown substantially, from \$10.4 billion in 2007 to \$15.2 billion in 2017 – almost a 50% increase. The growth over a 25-

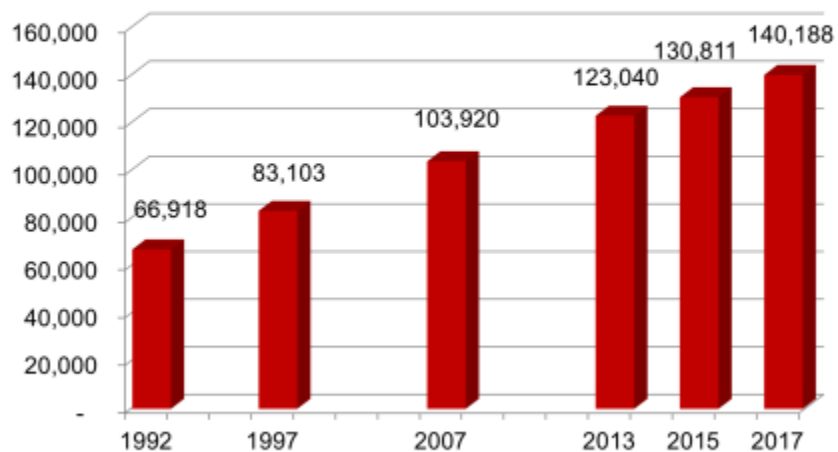
year horizon is even more impressive: a nearly 300% gain from the \$4.0 billion impact the industry had in 1992. What is especially striking is that the industry grew steadily from 2007 to 2017 despite challenging national economic conditions during much of that period. It is a great advantage for San Antonio to have as one of its major industries one that is so resilient over the business cycle.

Hospitality Industry Economic Impact



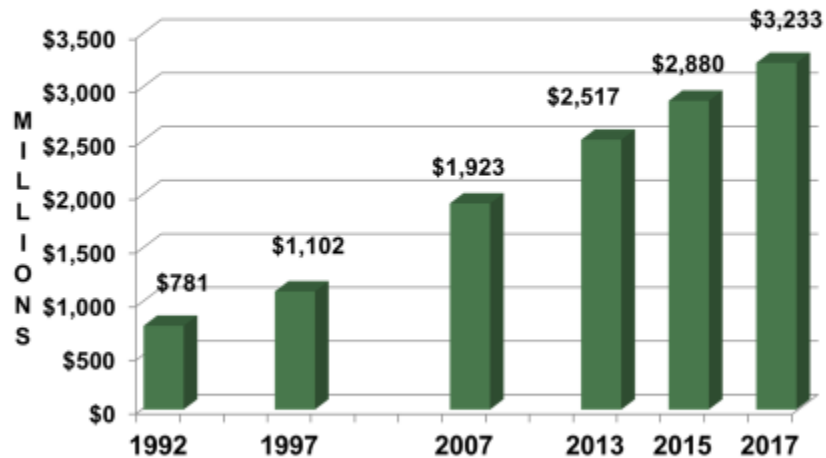
The number of employees in the industry has also grown, as the graph indicates. Employment increased by more than one-third over the decade. It has more than doubled since 1992.

Hospitality Industry Employment



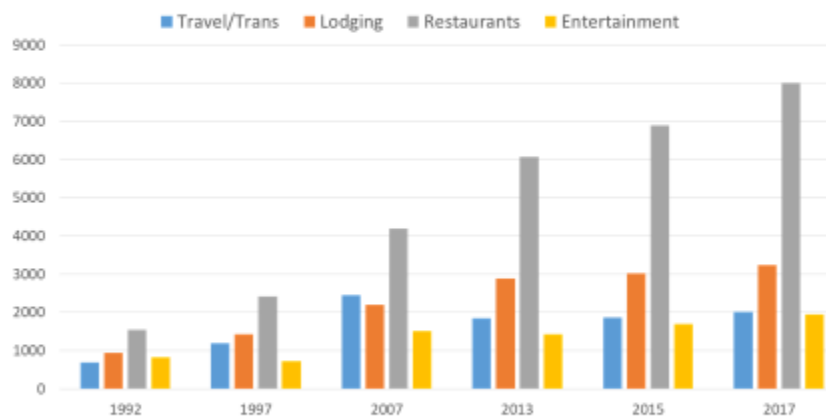
Total wages in the industry have grown much more briskly. They increased by 69% in the ten-year period between 2007 and 2017, and by more than 300% since 1992.

Hospitality Industry Annual Payroll



Over the past ten years, there's been a great deal of growth in the industry. The Restaurant sector has not only remained the dominant sector throughout the decade; it has grown rapidly over that period (up 91%). The Entertainment sector has grown more slowly, though it is up 42% since 2007, while lodging is up 47%. The Transportation sector, reflecting the challenges that industry has faced since 9/11, has shrunk by 17% over the decade, though it has grown modestly since 2013.

Economic Impact of the Industry' Sectors over Time (\$millions)



FINANCIAL CONTRIBUTIONS TO LOCAL GOVERNMENT

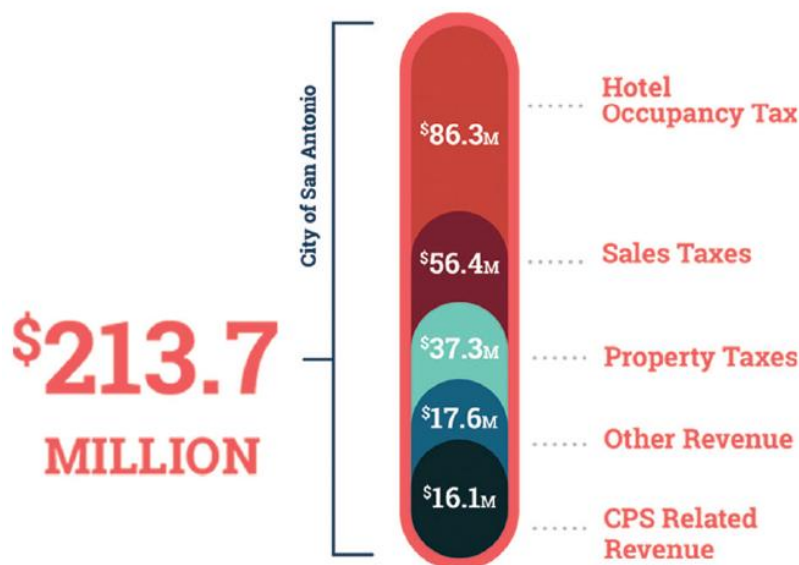
The Hospitality Industry is a major contributor of tax and other revenues to local governments. A complete accounting of these contributions is beyond the scope of this study, but an examination of the major revenue streams for the City of San Antonio shows the extent to which local government depends upon the Hospitality Industry for financial support.

The bottom line for the City is impressive, as the Hospitality Industry provided revenues of **\$213.7 million** in 2017. This is equivalent to 18.7% of the City's adopted General Fund expenditure budget of \$1.14 billion for the 2016-17 fiscal year.

These revenues come from a variety of sources. The largest share (\$86.3 million) comes from the Hotel Occupancy Tax (HOT). Property taxes on real and personal business property accounted for \$37.3 million in city revenues. City sales taxes paid on purchases at businesses in the Hospitality Industry contributed another \$56.4 million. These businesses bought \$114 million worth of electricity and natural gas from CPS Energy; since 14% of CPS revenues are paid to the City in lieu of taxes, the City received \$16.1 million from these payments. Smaller amounts of revenue (\$17.6 million in all) were received from river cruise and Tower of the Americas concessions and taxes on alcoholic beverages sold in restaurants and bars.

FINANCIAL CONTRIBUTIONS TO CITY OF SAN ANTONIO

The Hospitality Industry is a major contributor of tax and other revenues to local governments.



The City of San Antonio is not the only local government entity that depends on revenues from the Hospitality Industry. The industry pays sales, property and hotel occupancy taxes to other municipalities. In addition, Bexar County collects property and hotel

occupancy taxes, while school districts, the Alamo Community College District, the University Health System and the San Antonio River Authority all levy property taxes paid by Hospitality Industry businesses. These businesses also collect sales taxes to support VIA Metropolitan Transit and the Advanced Transportation District.

These are not small sums. The County collected \$16.8 million in HOT taxes and \$9.7 million in rental car taxes in 2017. Property taxes on just those hospitality-related businesses located within the San Antonio city limits contributed \$95.2 million to local school districts, \$20.3 million to Bexar County and another \$29.6 million to the other taxing entities. VIA and ATD sales tax revenues from Hospitality Industry businesses within the San Antonio city limits totaled \$33.9 million. In all, these local governments received **\$205.25 million**, not including the sales and property taxes paid to entities outside the City limits.

The government revenues itemized above add up to approximately **\$419.0 million**. Since this estimate excludes some property, sales and hotel taxes paid by hospitality-related businesses outside the San Antonio city limits, the full contribution of the industry to local government is in fact significantly greater than this estimate.



These revenues help reduce the taxes paid by those who live in the San Antonio metropolitan area. Without the tax payments from the hospitality industry, the city, county and state would either have to reduce services or find additional resources to balance their respective budgets.

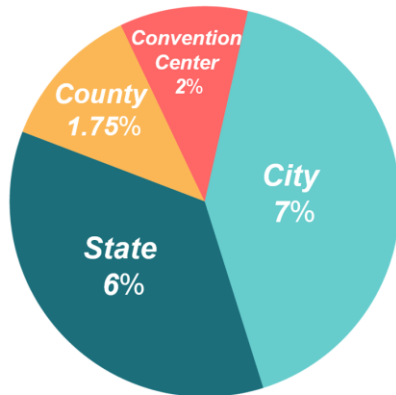
VISITOR TAXES IMPROVE THE QUALITY OF LIFE FOR SAN ANTONIO RESIDENTS

The City annually provides millions of dollars from its hotel occupancy tax to support local Arts and History and Preservation efforts. In 2017, \$86.3 million (representing the combined 9% rate for the City's Hotel Occupancy Tax) was allocated by the City to support services that both visitors and San Antonio residents enjoy. These funds are devoted to maintaining and improving convention, sports and entertainment facilities, supporting the efforts of Visit San Antonio, and for cultural arts and historic preservation.

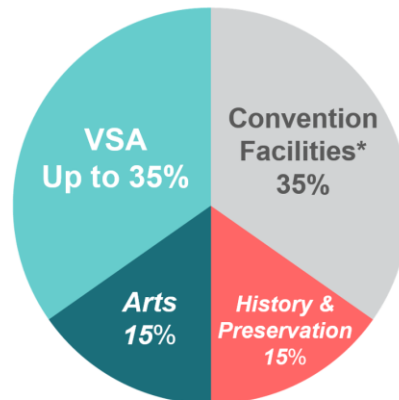
In 2017, \$20.2 million of HOT revenues was allocated to service the debt incurred to finance the recent Convention Center expansion. By longstanding City policy, the remaining HOT revenue was designated for:

- Direct support of local Arts and History and Preservation efforts (30%). These dollars help to sustain and fund the maintenance, marketing and operational programming in these areas that directly contribute to the quality of life for San Antonio residents.
- Maintenance and operations of the convention, sports and entertainment facilities that both visitors and San Antonio residents enjoy (\$35%).
- Promoting and marketing San Antonio to increase the influx of outside dollars into the San Antonio community, providing for economic development and job growth (35%).

**Hotel Occupancy Tax (HOT)
Rate (16.75%)**



**City Allocation
of HOT and Uses**



* Also supported by Alamodome & Convention Center Revenues

In addition, the Bexar County Venue Tax and Car Rental Tax continue to support the following community improvements:

- \$125 million in improvements to the San Antonio River
- \$80 million for amateur sports facilities
- \$100 million for community arenas and grounds
- \$110 million for cultural arts, including the Tobin Center

TECHNICAL NOTES

Information Sources for the Economic Impact Estimates

As noted in the introduction, the primary information source for this Economic Impact Studies is the Texas Workforce Commission's (TWC) Covered Employment and Wages database, which provides data on payroll and employment for the San Antonio Metropolitan Statistical Area aggregated into lines of business defined by the North American Industrial Classification System (NAICS) coding framework. It represents essentially a 100% sample of all the businesses in each NAICS code.

The specific industry codes used in this study are listed at the end of the Technical Notes section. The process of deciding which NAICS codes to include required some judgment. The study includes only those industries that derive a significant portion of their sales from out-of-town visitors, whether they are tourists, conventioners or business visitors. These businesses, not surprisingly, are concentrated in the lodging, eating and drinking, transportation and entertainment sectors. Clearly, San Antonio's visitors patronize many other businesses, from department stores to gas stations. This spending would have to be included in an estimate of the overall impact of visitors on the San Antonio economy. But since this study is focused not on the impact of visitors but on the impact of *the industry that serves visitors*, the estimates presented here refer to the hospitality industry alone.

Since many of our visitors use air transportation to get here, it is entirely appropriate to include commercial air travel as part of the local Hospitality Industry. However, users of this study should be aware that passenger air service is also included in The San Antonio Chamber of Commerce's economic impact study of the Aerospace Industry. This overlap is unavoidable since the commercial air travel sector is legitimately a part of both industries.

Information Sources for the Estimates of Financial Contributions to Local Government

Total revenues received in fiscal year 2016-17:

Hotel occupancy taxes, river cruise fees, liquor taxes: Finance Department, City of San Antonio.
City General Fund Budget: Fiscal Year 2017 Adopted Budget, City of San Antonio website.

Estimates of 2015 revenues for the Hospitality Industry NAICS codes only:

CPS revenues: CPS Energy.

Sales taxes: Texas State Comptroller's Office.

Property taxes: Finance Department, City of San Antonio.

Information source for visitor statistics:

2017 study of visitors to San Antonio, prepared for the San Antonio Convention and Visitors Bureau by D K Shiflett & Associates.

NAICS CODES FOR THE HOSPITALITY INDUSTRY

Transportation and Travel Arrangements

48111	Scheduled air transportation
48521	Interurban and rural bus transportation
48531	Taxi services
48551	Charter buses
48599	Other ground passenger transportation
48711	Scenic and sightseeing transportation
48811	Airport operations
53211	Passenger car rental and leasing
56152	Tour operators
56159	Other travel arrangement services
81293	Parking lots and garages

Lodging

7211	Hotels, motels, etc.
7212	RV parks and recreational camps

Restaurants, etc.

7223	Special food services
7224	Drinking places Limited-service eating places
7225	Restaurants

Entertainment

51213	Motion picture exhibition
7111	Performing arts companies
71121	Spectator sports
7113	Promoters of performing arts
7115	Independent artists, writers and performers
7121	Museums, historical sites, zoos, etc.
71311	Amusement and theme parks
71312	Amusement arcades
71391	Golf courses and country clubs
71399	Other amusement and recreation



TECHNICAL NOTES (appendix – on websites only)

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Since the TWC is constantly revising its historical data in the interest of greater accuracy, the data for 2015 and earlier years used in this study reflect many small changes from the data upon which the previous Hospitality Industry Economic Impact Studies were based. The figures in this report are based upon the latest release of the TWC data, so they represent the most accurate measure now available of the industry. The limitations of the TWC database make this estimate inherently conservative. For example, it is not possible to include the operations of the convention center even though these operations clearly are part of the services San Antonio provides to visitors. Since the convention center is operated by the City, its employees are not reported separately to the TWC; they are part of one figure that includes firefighters, sanitation workers and the City Manager. This version of the study does include parking lots and parking garages since a recent study verified that a substantial portion (33%) of the revenue generated by this segment is attributable to visitors.

The TWC provides employment and salary information for each quarter of the calendar year. The employment figures for the four quarters in each year were averaged to obtain a representative employment level, and payroll figures were computed by summing the wages reported for each of the four quarters.

Translating payroll information to economic impact involves two transformations. First, total sales for each subsector are estimated from payroll using the ratio of sales to payroll from the

Economic Census for the corresponding industry category in the San Antonio MSA. (For the 1992 estimates, these ratios were taken from the 1992 Economic Census; for 1997, from the 1997 Economics Census; for 2007, from the 2007 Economic Census; and those for the more recent years are based upon the data from the 2012 Economic Census. These ratios are specific to each NAICS code, and ranged (in 2012) from 1.68 for spectator sports to a high of 13.99 for the charter bus industry. These conversion factors simply translate the TWC's payroll data into the estimated amount of final sales in each subsector. It is important to note that these factors change over time, sometimes quite significantly. This is one reason why the estimates of economic impact in this report for 2013 and earlier years differ from the figures reported in earlier Economic Impact Studies.

The second transformation is necessary because visitors' spending is an export of the San Antonio economy. When local businesses generate "export" sales, new spending comes into the San Antonio area. This spending generates a "multiplier" effect as the recipients of that spending use it to purchase other goods and services in the local economy. These individuals and businesses in turn have new income to spend on local goods and services. In short, revenues from export sales circulate in the economy, magnifying their original impact. To estimate the total economic impact of an export industry, it is customary to use an economic impact multiplier. This study employs the widely-used industry-specific multipliers from the U.S. Department of Commerce's RIMS II model for San Antonio; these figures range from 1.74 to 2.17 for the hospitality industry sectors present in our region. The study captures only the multiplier effects of visitor spending at businesses in the hospitality industry. Since visitors also patronize department stores, health care facilities, etc., the full multiplier impact of visitor spending on the local economy is markedly greater than the amounts included here.

Note that the multiplier can properly be applied only to export sales. This is especially important when estimating the impact of the hospitality industry, since all of these businesses serve local residents as well as visitors. To estimate the proportion of each subsector's sales that are visitor-related, we have used estimated percentages of total spending due to visitors from a definitive study by the U. S. Department of Commerce's Bureau of Economic Analysis, with modifications in certain subsectors based on the experience of local Hospitality businesses. Since San Antonio is one of the nation's premier tourism and convention destinations, the percentages cited in this study are almost certainly lower than the actual shares of visitor spending in these sectors of the local economy. For this reason, the estimates of economic impact presented here are without a doubt quite conservative.

Information Sources for the Estimates of Financial Contributions to Local Government

Total revenues received in fiscal year 2016-17:

Hotel occupancy taxes, river cruise fees, liquor taxes: Finance Department, City of San Antonio.
City General Fund Budget: Fiscal Year 2014-15 Adopted Budget, City of San Antonio website.

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