

**Attached is Additional Information for
Agenda Item #14**

**Consideration of Office of Management and Budget's Management
Review of the Tallahassee Area Convention & Visitors Bureau**

Meeting of Tuesday, May 26, 2009

This document distributed: May 21, 2009



May 21, 2009

Mr. Scott Ross, Budget Manager
Leon County Office of Management & Budget
301 South Monroe Street
Tallahassee, Florida 32301

Dear Mr. Ross:

As the Chair of the Tallahassee Area Convention and Visitors Bureau (TACVB), I, along with the Executive Committee of the Board of Directors, reviewed the draft Management Review Report. As noted, in my previous correspondence, I have attached the responses of the TACVB's Board of Directors to each of the findings presented in your report.

We appreciate your office's time and efforts while conducting this audit. As I stated in or previous correspondence, I regret that this report, and subsequent review of the TACVB, did not reflect the growth, professional development and the incorporation of new tourism industry standards of reporting and performance enacted by the TACVB since it has been under new leadership. The TACVB will continue to respond to and meet every request for information, documentation, data, research, policy or programmatic changes or other materials from the Leon County Tourist Development Council, The Leon County Office of OMB and the Board of County Commissioners and the opportunity to respond to this draft is appreciated.

If you should have any questions, regarding our comments, please do not hesitate to contact me.

Sincerely,

A handwritten signature in cursive script that reads "Michelle Personette" with a small "872" written below the name.

Michelle Personette
Chair, TACVB Board of Directors

cc: Honorable Brain Desloge, Honorable Bob Rackleff, Honorable Akin Akinyemi,
Honorable John Dailey, Honorable Bill Proctor, Honorable Jane Sauls, Honorable Cliff
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TACVB Board of Directors Responses to Leon County OMB Findings

Finding1: The scope of services provided by the CVB has expanded beyond the direct marketing and visitor services outlined in the current Agreement. The Agreement specifically addresses direct marketing and visitor services. However, the CVB, over a number of years has gradually provided services which cause a conflict and duplication of services with the established role of the County's contracted advertising and public relations firm.

Response 1: The TACVB has from time to time been granted permission from the TACVB Board of Directors and the TDC to take advantage of new and/or immediate opportunities presented to us for the benefit of marketing and promoting the Tallahassee area. As publications get closer to their print date, they may find that they have unsold ad space which needs to be filled. A publication will offer the TACVB this unsold space as a "remnant ad" at a drastically reduced rate. Additionally, the TACVB can purchase most advertising very economically as we do not pay the 17.5% agency fee and we often pay the reduced non-profit rate resulting in greater visibility for our area at a reduced cost.

Additionally, the TACVB has partnered with regional entities such as the Original Florida Marketing Task Force and the Big Bend Scenic Byway to leverage our collective financial and creative resources for marketing and promotion activities which may or may not technically be in the scope of direct marketing and visitor services but certainly is an economical approach to expand the visibility of Tallahassee's offerings to visitors.

Also, these additional activities were not identified or budgeted for in the advertising or public relations contracts. So while the service delivery may have been duplicitous the actual advertising or promotional products have never been duplicated.

Finding 2: The CVB has four points of distribution for visitor information: the downtown Visitors Center the Airport, the Capitol and the internet. The majority of visitors arrive in Tallahassee by car. A detailed analysis should be performed, to determine the need of having two downtown visitor locations (the main visitors center and the satellite Capitol location) and having staff assigned to the airport or Capitol.

Response 2: Tallahassee is renowned for being a friendly and hospitable state capital. In FY2007-2008, our professional and informed staff greeted over 74,000 visitors. In 2007, according to Dr. Mark Bonn, 71% arrived by car while 27% arrived by air. The satellite Capitol location is in partnership with Visit Florida, an industry leader in destination marketing, and serves the leisure tour group market while the Jefferson Street location serves primarily the family or individual traveler.

Our partnership with Visit Florida includes one staff person, for 15-20 hours per week. Recently, the Capitol Visitor Center staff person resigned and that position has not been refilled. The staff person at the airport works 5-8 hours a week, during peak arrival times. The TACVB will conduct an analysis of the Visitor Services program to determine service levels and the viability of staffing at the airport. However, the TACVB is amenable to the consideration of eliminating staff presence at the Capital as a cost saving measure.

TACVB Board of Directors Responses to Leon County OMB Findings

Finding 3: The CVB provides an enhanced service level to membership businesses. As a membership organization supported by a countywide tax, non-members who collect the tourist tax are in essence subsidizing this program and not receiving the same level of benefits (i.e. non members not being listed in the visitors and meeting planner guides).

Response 3: There are only **two** lodging properties out of 72 properties, which collect the tax (or 2.8 % of lodging properties), in Leon County that are not members of the TACVB. These hotels are the Prince Murat and the Lafayette Motel. While we recognize that the collection of taxes requires some small expenditure on the part of the lodging property (they already collect sales tax), it is the visitor to that property that pays the tax and therefore is subsidizing this program, not the non-member.

Our efforts to position Tallahassee and the surrounding region as a preferred cultural, historic, nature-based, film and sporting destination positively impacts non-members as well through increased visibility, brand recognition, public relations efforts and ultimately increased sales resulting from our various marketing channels and tools.

The TACVB was founded and continues to operate as a non-profit, 501(c) 6 organization. The IRS defines this as a “membership organization characteristically supported by dues. Although an organization may receive a substantial portion or even the primary part of its income from non-member sources, membership support, either in the form of dues paid to or involvement in the organization's activities must be meaningful.” Other CVBs with member programs include Miami, Tampa, Orlando, Jacksonville and Sarasota. The membership programs and services of the TACVB meet the IRS definition and provide tourism industry representatives (hotels, attractions, restaurants, etc.) with “meaningful” activities to market and promote Tallahassee with the goal of increasing visitation.

To address the decline in membership, the TACVB staff, since November of 2005, there has led a concentrated effort to analyze, review and modernize the TACVB membership program. We have “cleaned up” the membership files inherited from previous administrations and now have an accurate, appropriate and invigorated member program. During the prior administration, member recruitment programs were driven solely by financial incentives. Based on our discussions with former members, they were recruited without a relationship to the tourism or hospitality industry, explaining the questionable value membership and perhaps the statistically insignificant survey response.

Finding 4 The CVB Sports marketing staff acts as a semi-independent entity, which can cause confusion regarding who is representing the CVB. The sport staff appears to report to and take direction from a volunteer advisory group (the TSC) rather than the director.

Response 4: We agree that this confusion exists and that the relationship should be clarified. One of the FY 2008-2009 goals of the TACVB Board Chair was to examine the relationship with the Tallahassee Sports Council. This review may address funding, marketing resources, grants, structure, more incorporation, less incorporation, venue development and the like. The TACVB recognizes the importance of sports tourism for Leon County and wants to see this sector of tourism continue to grow.

TACVB Board of Directors Responses to Leon County OMB Findings

Finding 5: The CVB has no documented policies and procedures to guide expending funds related to marketing activities. The existing Agreement with the CVB requires direct marketing and visitor services. However, the overall allocation of the resources by the CVB is not governed by any formal process.

Response 5: The allocation of marketing funds is governed by a many-tiered formal process. Each year, the process begins with the integration of the mission statement with the goals and objectives of the strategic plan and marketing plan. Every expenditure is identified in advance by the target market and budgeted accordingly. This line item budget is approved by the TACVB Finance Committee, the Executive Committee and ultimately the full Board of Directors. The TACVB budget is then approved by the Tourist Development Council. Florida State Statute gives the authority to the Tourist Development Councils to monitor the expenditure of tourist tax dollars for compliance with FS 125.0104, not convention and visitors bureaus.

To further address this concern, when the TACVB hired a new President/CEO the individual was charged with rebuilding the organization by:

- professionalizing the destination marketing organization to meet industry standards
- implementing a newly created three year strategic plan
- developing the foundation to achieve industry accreditation through DMAI
- **modernizing the human resource and operations policies and procedures**
- **adopting new financial policies and procedures**

To this end, in February of 2007, the TACVB Board of Directors approved new financial policies and procedures as well as operations policies and procedures. These documents provide the formal processes that govern the TACVB's ability to expense funds. Additionally, these guiding documents were reviewed by an independent human resources consultant, the TACVB attorney and the accounting firm which conducts our annual audit of the financial statements.

Finding 6: The TSC operates as a semi-independent entity under the direction of a Council, and not under the direction of the CVB director.

Response 6: We agree that this confusion exists and that the relationship should be clarified. However, it should be noted that the TSC does gather information to determine the feasibility of hosting sporting events. These factors include:

- Do we have a venue to support the event?
- Do we have community partners to cooperatively host the event?
- Calculate the number of potential room nights, estimated amount of direct spending and overall economic impact.
- Does the economic impact outweigh the expenses?

Additionally, a post event report is always created for every event to evaluate the outcome and determine if the event was successful in terms of economic impact.

TACVB Board of Directors Responses to Leon County OMB Findings

Finding 7 There is a high number of management or supervisory to non-management staff. The CVB has 1 supervisor to 2.4 FTEs which is the highest ratio of any of the CVB surveyed.

Response 7: The TACVB was reorganized in 2007 with the assistance from a human resources consultant and in concert with our national accreditation organization (DMAI) recommended job descriptions. As a non-profit, we reward our employees with tourism industry appropriate titles. Supervisors carry an operational work load in addition to supervising staff and programs. For example, often times, managers are operating programs and not necessarily directing people. Most member oriented CVBs have a senior level operations staff person-whether the title is Chief Operating Officer, Vice President or Deputy Director. With that said, the TACVB can perform a human resources audit to determine if cost savings can occur and to eliminate any duplication of efforts and/or responsibilities.

Finding 8: The CVB has 24 employees or 17 FTEs. This compares to an average of 7.9 for 13 other CVBs surveyed.

Response 8: In tourism it is difficult to compare apples to apples. Just the number of different types of organizational structures in one state is hard to categorize. We offer more services at more locations such as a gift shop which extends our branding and messaging, satellite visitor service locations and highly regarded member programs & services. The TACVB can perform another human resources audit to determine if cost savings can occur and to eliminate any duplication of efforts and/or responsibilities.

Presently, our staff consists of the following full time staff (12):

- President/CEO—organizational direction and administration, board relations, community liaison
- Chief Operating Officer—accounting, budgeting, payroll, human resources, operations
- Director Sales, Marketing & PR—sales programs, marketing plan, press releases, promotions, FAM Tours, media tours and media coordination
- Sr. Marketing Manager—Web, social networking, content and image development
- Communication Manager- newsletters, reports, media leads, publications
- Member Services Manager—tourism industry programs and services
- Leisure Sales/Marketing Manager- individual and group tours, motorcoach tours
- Meetings & Conventions Sales/Marketing Manager—conferences and meetings
- Visitor/Group Services Manager—Visitor Centers, group hospitality, lead fulfillment, local trade shows (FSU/FAMU/TCC)
- Sports—Executive Director—sport event bids, sports and recreation community liaison
- Sports Sales/Marketing Manager—grant program, sports marketing
- Fiscal/Administrative Asst. — accounts receivable/payable support, administrative support for entire TACVB

Presently, our part time staff consists of (8):

- Office Asst. –copying, filing, faxing, mail room, supplies (26 hours/week)
- Guest Services Coordinator/Runner –daily deliveries, plan and distribute collateral to industry members, lead fulfillment (30 hours/week)
- (6) Guest -Services Representatives/Cashier

TACVB Board of Directors Responses to Leon County OMB Findings

- 8-10 hours/week
- 15 hours/week
- 10-12 hours/week
- 5-8 hours/week (Airport)
- 15 hours/week
- 20 hours/week

Note: Gift Shop and the Visitor Center is open 45 hours per week and is staffed by the above referenced employees. Most shifts require two employees.

Finding 9: Job descriptions reflect some duplication and overlapping of staff duties and responsibilities, especially between management and supervised employees.

Response 9: The job descriptions are based on industry standards set forth by the Destination Marketing Association International. Additionally our job descriptions and organizational structure has been reviewed by an HR consultant and HR attorney. This profession requires a good deal of cross training, team work and group projects. The TACVB can perform another human resources audit to determine if cost savings can occur and to eliminate any duplication of efforts and/or responsibilities.

Finding 10: A staff analysis of in-house CVBs that provide comparable services indicates that Leon County could provide the services with 65% less staffing.

Response 10: What are the assumptions in that analysis? Does that include the member program? Does that include targeted visitor services? Does that plan include a gift shop? Does that include increasing other contractor services to fill the void or does it reduce the programs and services? More information regarding this finding is required for the TACVB Board of Directors to comment further.

Finding 11: Since 1996, the county has paid the CVB a total of \$10,080,000: \$8,671,800 in contract payments and \$1,408,200 in reimbursable expenditures. The total contract has increased 109% from fiscal years 1996 up to FY 2008. For FY 2010, the CVB has requested \$1.5 million or a 42.2% increase in funding.

Response 11: For the last three years the TACVB has grown its programs and services. The TDC funding identified below is inclusive of the contract and the reimbursable expenditures.

<u>Fiscal Year</u>	<u>TDC Funding</u>	<u>Visitor Economic Impact from TACVB Activities</u>
FY 2005-2006	\$ 865,800	\$21,429,109
FY 2006-2007	\$1,070,000	\$20,169,409
FY 2007-2008	<u>\$1,347,000</u>	<u>\$26,508,772</u>
	\$3,642,995	\$68,107,240

The economic impact numbers reflect the special events, meetings or conventions, film projects, motorcoach tour groups, sporting events, reunions, weddings, etc. with which the TACVB has provided goods, programs or services. The formula to calculate local economic impact is provided by Dr. Mark Bonn.

TACVB Board of Directors Responses to Leon County OMB Findings

For the last several years the TACVB auditors have encouraged the TACVB Board of Directors to request that the process of reimbursable expenses by the TDC be eliminated. The TACVB Board would then request, as a contract addendum or other tool, an amount to cover promotional items, miscellaneous marketing and sporting events for that fiscal year, including Original Florida, organizing FAM trips and additional advertising opportunities. Each year the request was denied by the TDC Director. For FY 2010, we have again asked for the "reimbursable" additional amount to be included in the contract hence the increase.

Finding 12: CVB professional service payments increased eased steadily (43.8% over four years) while visitor numbers declined 15.8% over the same time period. The increase in contract funding did not result in a corresponding increase in bed tax revenues.

Response 12: Tourism is an investment over time. It is similar to building a championship sporting team. You recruit this season for what will mature in two or three seasons. In Response 11 we have demonstrated growth in the amount of economic impact generated from TACVB activities, programs and services. While we would like to take credit for the 2.4 million visitors and \$640 million generated in economic impact reported by Dr. Mark Bonn for 2007, we only report what we "touch." To date for FY2008-2009, the TACVB has booked 169 events representing an anticipated 80,689 visitors generating an estimated \$27,972,884 with four months remaining in the year.

Additionally, there are many other contributing factors that influence visitor numbers and bed tax revenue such as the average daily rate (hotel rates), the economy, gas prices, weather related crises and winning sports teams just to name a few. So while we do not take credit for all of the visitors perhaps we should not be attributed for the all of the decline.

Finding 13: The County provides the CVB in-kind services annually in the form of equipment and operating services. This is in addition to the direct contract payment. For FY 2008, the in-kind services (Internet, GroupWise, Avaya Phone System, website, office furniture, computers, printers, copies, phones, postage meter, IDSS sales and membership management system and monthly maintenance fees) are estimated at \$79,000.

Response 13: This is accurate. Please note that the iDSS system is a recent acquisition which could account for \$20,000 of the \$79,000.

Finding 14: The CVB is dependent on the County for more than 94% of its revenue. However, as noted in Finding 3, it provides a higher level of service to its paying members who only account for only 4.52% of the CVB revenue. This level of support includes free listing in the visitors and meeting planner guide, even though all hotels/motels are collecting the tourist tax for the entire county. In addition, over the past three years, the trend has shown a steady increase in county's support from 83% in 2006 to 94% in 2008.

Response 14: As noted in response 3, there are only two lodging properties, the Prince Murat and the Lafayette Motel, which are not TACVB members. Our entire tourism economy such as, local attractions, restaurants, gas stations, rental car companies, taxi cabs, party rental stores, tent

TACVB Board of Directors Responses to Leon County OMB Findings

rental, caterers, food vendors, banks, dry cleaners etc. etc. also benefit from the marketing efforts that are generated from tourist bed tax revenue, however they do not collect nor contribute to this tax.

The budget increase from 2006 to 2008 was an investment into the economic development of this community's tourism industry. The increase was also the result of and confidence in a reinvented TACVB with a new strategic plan, new policies and procedures, new leadership and a new vision as mentioned in Response 5. The budget increases were recommended by the TACVB and presented to the TDC with requisite documentation. The TDC approved these requests and funding was received from the Tourist Development Trust Fund which is generated by visitors. The TACVB does not receive county general revenue funds as implied in the last sentence of this finding.

Finding 15: CVB employee receive greater employment benefits, such as paid dental and parking, than County employees.

Response 15: Our employee salary and benefits package was the result comparing association and tourism industry studies from the FSAE salary study, FACVB Florida Tourism Industry Study and DMAI personnel resources. Our comparison was not with government/public sector studies. Further, there are benefits received by county employees that are not available to TACVB employees such as the state retirement system.

Finding 16: The separation of revenue and expenses funded by the tourist tax and other CVB revenue and expenses, is not apparent in the CVB's financial or budget records. Although CVB budgets provide significant budget detail for activities, staff could not always determine the costs of expenditures directly related to the direct marketing and visitor services functions outlined in the contract.

Response 16: The TACVB has provided the TDC detailed analysis and reports which have been finances and have found that the TACVB is conducting its financial affairs in accordance with generally accepted accounting principles. Further, the accounting firm provided advice and guidance as to the content and reporting methods of the TACVB's financial statements.

Finding 17: Although tacitly approved by the TDC, tourist tax funding provided to the CVB is - used to support activities and services not directly associated with the scope of the contracted services

Response 17: The Board of Directors of the TACVB and the TDC has approved all activities of the TACVB. The operations, programs, policies and procedures of the TACVB have been followed.

Finding 18: The CVB lacks sufficient accountability for spending associated with the contract. In addition, some CVB services and activities, such as advertising are a duplication of services provided by another contractor. This appears to be an inefficient use of contract dollars.

TACVB Board of Directors Responses to Leon County OMB Findings

Response 18: The TACVB, with approval, has taken advantage of every creative opportunity to leverage any available resources to market and promote Tallahassee for the benefit of our local tourism industry. As mentioned in a prior response, there are market and timing sensitive opportunities that are presented to the TACVB which may not be offered to another vendor.

Finding 19: The CVB Marketing Plan and progress reports are not compliant with the terms of the Agreement. They lack performance measures, which is crucial to evaluating the effectiveness of CVB services.

Response 19: In March 2007, the TACVB adopted the DMAI Standard CVB Performance Reporting measures. This tourism industry benchmark and reporting platform has been utilized since that time to report performance to the TACVB Board of Directors, the TDC and the BOCC. When the marketing plan is combined with the budget, with the strategic plan, with the mission statement and with the organizational structure you will have the complete TACVB plan with the components listed above.

Finding 20 The TDC; provided inadequate management of the CVB contract. As required by the Agreement, the TDC did not establish performance measures for the assessment of CVB services.

Response 20: This concern is best addressed to the TDC.

Finding 21: Sales productivity and service activities do not justify' the CVBs staff size. The 13 CVBs survey showed that an average of four employees performed marketing services. Fifty percent of the CVBs did not provide visitor services or have staff dedicated to visitor services Among the CVBs that offer visitor services; the number of employees averaged two.

Response 21: We believe that the growth in our program, as demonstrated in Response 11, does warrant the current staffing levels. In fact, our program has just begun to scratch the surface at the possibilities for collaboration and cooperation with community stakeholder as we strive to make our contribution to a sustainable tourism economy. Many of the 13 CVBs surveyed have very long standing, well developed tourism programs as well as traditional Florida tourism products such as beaches or theme parks. Here in North Florida, we are just beginning to identify and cultivate niche markets that are not football or legislature related such as eco-tourism, culinary tourism, equestrian tourism and the list goes on. The creation of new tourism product requires time, expertise and a commitment of resources to develop these markets.

We believe that a viable, engaged, knowledgeable and professional visitor services staff is an integral part of the Tallahassee brand and experience known for being welcoming and informative. TACVB Visitor Services staff provides directions, parking information, travel planning assistance, attractions information, education, community service referrals, tour scheduling, distribution of Visitor Guides to members businesses or facility as well as other tourism stakeholders, fulfillment of leads generated from advertising such as Southern Living and much more.

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However and as mentioned before, the TACVB can perform a human resources audit to determine if cost savings can occur and to eliminate any duplication of efforts and/or responsibilities.