



Board of County Commissioners
Leon County, Florida
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Leon County
Management Review:
Tallahassee Area Convention & Visitors Bureau

Introduction:

At the November 25, 2008 Tourist Development Council Workshop, the Leon County Board of County Commissioners directed the Office of Management and Budget (OMB) to determine the cost effectiveness of the direct marketing and visitor services provided by the Tallahassee Area Convention & Visitors Bureau (CVB).

The management review provides a comprehensive evaluation of the CVB's organizational structure, operations and financial records. The review specifically analyzes the CVB's services, activities and expenditures for efficiency and compliance with its contract to provide direct marketing and visitor services. The outcome of this review will support the County's ongoing initiative to develop and implement a strategy for revising the Tourist Development Plan.

This report contains the following sections:

- A. Methodology
- B. Background
- C. Summary of CVB Survey Results
- D. Summary of Services and Activities
- E. General Management and Administration
- F. CVB Agreement and Budget Analysis
- G. Summary of Findings
- H. Conclusion
- I. Options and Recommendations

The recommendations present two options for the Board to consider for the continuation of the direct marketing and visitor services program currently provided by the CVB.

The CVB was provided a draft copy of this report for review and the opportunity to respond to any findings (Attachment # 1). Those responses are provided as Attachment # 2.

A. Methodology

The management review provides a comprehensive review that involved observing and evaluating the CVB programs and activities, interviewing staff, surveying employees, current and former CVB members, and CVB Board Members (Attachment # 3). Additionally, staff conducted a statewide comparison of other CVBs (Attachment # 4). Finally, a documentation review and analysis included policies and procedures, annual reports, board minutes, and financial documents.

B. Background

Originally formed as a visitor services unit under the auspices of the Tallahassee Area Chamber of Commerce, the CVB was founded and incorporated in 1986 as a non-profit, 501(c) 6 organization (Attachment #5). Its primary purpose was to promote the Tallahassee area by marketing to meeting planners, tour operators, travel writers, and other convention and visitor industry prospects. Additionally, the CVB was established to serve as a focal point or a clearinghouse for the exchange of information for visitors and the local hospitality industry.

Leon County's Tourism Development Marketing Plan allocates funding for direct marketing and convention services. In 1988, the Leon County Board of County Commissioners initially hired the CVB to provide direct marketing and convention services. In 1997, the County entered into the current contract with the CVB to provide direct marketing and visitor services (Attachment #6). The contract is administered by the County's Tourist Development Council (TDC) staff.

In 1991, the Executive Director of the TDC began serving dual roles as the TDC Administrator and the President of the CVB. This was approved to bring greater assurance of control and ownership given the delegation of the day-to-day administration of both programs. As stated in the initial concept memo (Attachment # 7), the "integrity of the program would remain intact and the interests of [CVB] and the local hospitality industry would be appropriately represented at the county level." The intent at the time was to create a "lower profile TDC coupled with a strong visible [CVB]." Additionally, this dual role concept would create the perception of "One" organization with both public and private sector components. As a result of a 2001 OMB Audit and Management Review recommendation this dual role was abolished due to conflicts of interest

Given past organizational structure, there appears at times to be confusion regarding who takes the lead in directing direct marketing and visitor services. A survey of the CVB board members (Attachment # 8) revealed that 27% of the respondents are confused in regard to the responsibilities of the CVB and TDC. It appears that the TDC and CVB's past relationship may have blurred the line of responsibilities of each entity.

Organization Description

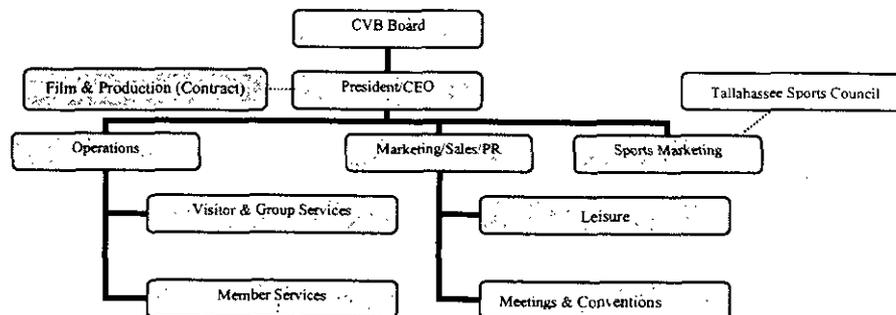
The CVB serves as the official point of contact, for convention and meeting planners, tour operators and visitors by assisting with meeting preparation and travel plans, and encouraging business travelers and visitors to visit local historic, cultural and recreational sites. The CVB sells the Tallahassee area by providing free group travel planning assistance including itinerary development, spouse/youth programs and securing favorable group rates with area hotels, restaurants and attractions. The CVB also provides visitor services through the Tallahassee Area Visitor Information centers including toll-free information assistance and brochures distribution.

The following is the CVB's mission statement as cited in its bylaws: "The Tallahassee Area Convention and Visitors Bureau manages the marketing of tourism of the Tallahassee area, in a manner that strengthens the local economy, promotes hotel night stays, enriches the quality of life, and preserves and promotes Tallahassee area's cultural, historical, recreational and ecological uniqueness."

Organizational Structure

The CVB is a private, non-profit membership organization that is governed by a Board of Directors. The Board of Directors is comprised of 19 volunteers representing various sectors of the tourism industry. The Board of Directors appoints an executive committee that is responsible for making recommendations for action on CVB matters. The executive committee includes the Chair, Vice-Chair, Secretary, Treasurer, Chair of the Sports Council, and Immediate Past-Chair. The executive committee is responsible for the recruitment and hiring of the President/CEO. The President/CEO carries out the directions of the CVB Board and manages and directs the activities of the CVB. The position provides oversight to three primary functional areas: Operations, Marketing/Sales/Public Relations, and Sports Marketing. The following chart summarizes the CVB's organizational structure.

CVB Primary Functional Areas



The CVB Sports marketing staff is advised by the Tallahassee Sports Council (TSC), a volunteer group of individuals that represent various sports in Leon County. The TSC provides insight on sporting activities, use of venues, among other areas of interest in the Tallahassee area.

Bylaws and Statutory Requirements

The CVB's Board of Directors has established bylaws by which the organization should operate and carry out its mission of marketing the Tallahassee area (Attachment # 9). The bylaws, revised in 2008, include its purpose, mission and objectives, guidelines on organizational governance, membership, establishment of officers and directors, establishment and make-up of committees and board meetings governance. Further, the bylaws convey the President/CEO's qualifications, term, and authority. Other provisions include the establishment of rules on fiscal matters, indemnification and liability matters, and lastly dedication of assets upon liquidation or dissolution.

Due to its use of the tourist development tax, the CVB is required to follow guidelines on the use of the taxes as outlined in Florida Statutes 125.0104.

C. Summary of CVB Survey Results

Table # 1 summarizes the results of a survey conducted of 13 CVBs in the State of Florida. The CVBs represent a cross section of the following: like-sized counties based on population; counties with similar tourist tax revenue (\$2-5 million); counties with similar 1% tax value; counties with less and more revenue receipts; and non county managed CVBs. Of the 13 counties surveyed, 30.7% were like-sized counties and 46% have similar tax revenue. The results of the survey are referenced throughout this report. Detailed responses are provided as Attachment # 10.

| TABLE # 1 CVB Statewide Comparison | | | | |
|---|-------------------|--|---------------------|-----------------|
| <i>County</i> | <i>Population</i> | <i>FY 2008 Tax Revenue¹</i> | <i># of FTE</i> | <i>In-house</i> |
| Alachua* | 240,082 | \$2.30 | 6 | Yes |
| Brevard | 536,161 | 8.60 | 10 | Yes |
| Charlotte | 152,614 | 2.10 | 5 | Yes |
| Collier | 315,839 | 14.50 | 7 | Yes |
| Escambia* | 306,407 | 5.6 | 7 | No |
| Lake | 301,059 | 2.21 | 4 | Yes |
| Leon | 272,497 | 3.8 | 17 | No |
| Manatee* | 315,108 | 3.05 | 11 | Yes |
| Marion | 324,857 | 1.04 | 3 | Yes |
| Nassau | 68,450 | 2.5 | 4 | No |
| Okaloosa | 181,499 | 8.60 | 3 | Yes |
| Polk | 574,746 | 7.50 | 17 | Yes |
| Seminole | 409,509 | 2.50 | 6 | Yes |
| St. John | 175,446 | \$5.8 | 11 | No |

*Like-sized counties
1. Tax revenue in millions

As reflected in the Table 1, 10 out of 13 counties have in-house CVBs. Leon County has the highest number of employees among all the CVBs surveyed, except for Polk County which has tax revenues twice that of Leon County and the same number of staff (17 FTEs).

D. Summary of Activities and Services

The following is a summary of CVB key services and activities.

Marketing and Sales

Marketing is a general term which includes several areas of discipline. Those areas include, but are not limited to, direct marketing, advertising, media relations, public relations, and internet marketing.

In accordance with the Agreement with the County, the CVB is required to provide direct marketing services. Direct marketing involves unsolicited communication to consumers through means of direct mail, email, or telemarketing and activities that include “selling” an area as a desirable location. In the tourism industry, sales is synonymous with direct marketing and involves cultivating referrals for tour groups, sporting events, meeting and convention planners, travel agents, film, music or commercial production groups. Through the sales process, the CVB conveys the benefits of the Tallahassee/Leon County area’s lodging accommodations, restaurants, attractions, meeting space, and venues; promotes the area’s cultural, historical,

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recreational, nature-based, sporting and film production amenities; and, secures events into area hotels or other lodging accommodations, creating room nights and thus regenerating the tourist development tax.

The CVB concentrates its sales activities in four target markets: leisure, meetings and conventions, sports, and film and production; leisure marketing targets individuals, families, tour groups, school groups, church groups and similar groups; meetings and conventions targets associations, government, colleges/universities, and businesses/corporations; sports marketing attract and promote youth and adult tournaments, demonstrations, races, festival and other sports related events; and film and production promote video and film production. Although the four markets differ, the general practice of "selling" the area to each of these markets is similar.

Over time, the CVB has expanded its services to include not only direct marketing, but other areas of marketing including advertising, public relations and internet marketing. Advertising activities typically involve the utilization of paid media to present tourism-related ideas, activities or products to a target audience or niche market. Until September 2008, the County held a separate contract with a local advertising firm for advertising and public relations services. Despite this contractual relationship, the CVB provided advertising services in the form of remnant advertising. Remnant advertising opportunities are provided by publishers typically seeking to "fill" needed space and are usually offered at discounted rates.

The CVB, on occasion, provides public relations, informing the public about activities and events through unpaid media channels. Public relations include press releases, media advisories, pitch letters, familiarization (FAM) tours and community outreach and involve local media outlets. Although these efforts were provided on a smaller scale, most of these services were also contracted out to the advertising firm.

Finding 1: 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.

CVB Response to Finding 1: The TACVB has from time to time been granted permission from the TACVB Board of Directors and the TDC to take advantage of opportunities presented to the organization for the benefit of marketing and promoting the Tallahassee area. 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 resources for marketing and promotion activities which may or may not technically be in the scope of direct marketing and visitor services. 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 program was not.

Visitor and Group Services

Visitor services, the second and final service called for in the Agreement include: disseminating Tallahassee/Leon County information and promotional items directly to individual visitors as

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walk-ins; to the visitor centers or as inquirers via the internet and telephone; and to large groups for conventions and meetings, class reunions, family reunions, weddings and other such events.

The CVB has three staffed points of distribution for visitor information and servicing. They include the downtown visitors center and the two visitors kiosks located at the Tallahassee Regional Airport and the Capitol. Total approximate costs associated with this service are \$63,000: \$39,000 for the primary downtown visitor center, \$9,000 for the airport and \$15,000 for the Capitol. In addition, Visitor Services has relationships with area hotels and businesses where kiosk space is provided for visitor guide publications and other Tallahassee brochures.

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.

***CVB Response to Finding 2:** Tallahassee is renowned for being a friendly and hospitable state capital. 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 professional and informed staff greeted over 74,000 visitors in FY2007-2008.*

Member Services

The CVB was initially established as a membership organization to bring together businesses that rely on tourism and meetings for revenue. It currently serves a membership of approximately 200 hotels, restaurants, attractions, and other businesses and associations. Data provided by the CVB shows that membership has declined by more than 50% over the past four years. A random sample of 10% of former members elicited only three responses. The minimal survey response to gauge member sentiment suggests that businesses do not see the value of being a member of the CVB.

Membership dues begin at a basic rate of \$175 annually. Member benefits include: free listing in the Visitors Guide; business referrals; tradeshow and association representation; networking opportunities; public relations and advertising opportunities; first opportunity to provide goods and services to visiting groups; opportunities to be featured in regional, national, and international newspapers and trade magazines; and receive CVB newsletters and internet bulletins.

The CVB is charged with marketing the entire Tallahassee/Leon County area and primarily receives public tax dollars to achieve this goal. In marketing the Tallahassee/Leon County area, the CVB distinguishes between services provided to members and non-CVB members. For example, a non-member hotel that actually collects the tourist tax, would not receive the above listed benefits as a member hotel. This practice excludes non-members from some CVB promotional activities. Subsidizing the membership program with contract funds appears to provide members additional benefits, paid by tourist taxes, but not provided to non-members.

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).

CVB Response to Finding 3: Since November of 2005, there has been 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 with 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.

*The TACVB was founded 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. Furthermore, the membership program provides the **only** outlet for tourist industry representatives (hotels, attractions, restaurants) to meet and collaborate on future promotions with the purpose of increasing visitations.*

*There are only **two** lodging properties out of 72, which collect the tax (or .027% of lodging properties), in Leon County that are not members of the TACVB-Prince Murat and the Lafayette Motel. It can be argued that the marketing and visitor services generated by the TACVB promoting the entire Tallahassee area positively impact non-members as well. I believe that it also the argument for childless residents paying taxes which fund schools.*

E. General Management and Administration

Operational Controls

The four primary functional areas of the CVB are Administration, Operations, Marketing/Public Relations and Sales, and Sports Marketing. Administration which includes strategic planning and policy implementation is headed by the President and CEO. Operations which include the functions of Payroll, Finance and Accounting, Human Resources Management, Visitor Services, and Member services are headed by the Chief Operations Officer. The Director of Marketing, Public Relations, and Sales oversees those functions involving marketing activities. Marketing for sporting events and activities is overseen by the TSC Executive Director.

Although Sports Marketing is under the auspices of the CVB, many of the activities and marketing efforts are guided by the TSC, an ad hoc committee representing the sports interest in the community.

Discussions with the administrative staff revealed that the President/CEO does not always approve and/or have prior knowledge of sports marketing activities. This practice causes confusion and could hinder the President from effectively coordinating CVB activities to achieve

stated goals. In addition, the discussion with the President/CEO revealed that the CVB Board is currently considering if it will eliminate the sports marketing function, giving way for the TSC to legally organize and pursue its own funding from the County.

It should be noted that sports are a unique brand asset and provide a positive economic impact to the Tallahassee/Leon County area. Specifically, "adult, youth and collegiate sporting events have high returns on investments, resulting in increased sales tax collections and regeneration of the tourist development tax." CVB survey results show that 12 of the 13 CVBs activities included sports marketing. Of the 12 CVBs with sports marketing, nine or 75% provide sports marketing services directly or do not contract for services.

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

CVB Response to Finding 4: To clarify the comment from the President/CEO- the discussion included a statement that one of the FY 2008-2009 goals of the TACVB Board Chair was to examine the relationship with Tallahassee Sports Council. Responding to questions from the audit team regarding the nature of the review, the President offered that the review may address funding, marketing resources, grants, structure, more incorporation, less incorporation, venue development and the like. To date, the TACVB has not addressed any of these issues. The TACVB recognizes the importance of sports tourism for Leon County and wants to see this sector of tourism continue to grow.

Written Policies and Procedures

The CVB has developed written policies and procedures pertaining to human resource management and management of accounting practices and procedures. The Human Resource Management Policies and Procedures Manual provides guidelines for CVB personnel policies and procedures covering issues such as, but not limited to, employment, employment status, employee benefits, payroll, attendance and leave, employee conduct, and disciplinary action.

Accounting Procedures

The Accounting Policies, Procedures, and Internal Control Manual provides the CVB accounting processes for the handling of contracts, document storage, budgeting, cash management, accounts receivables, accounts payable, and reserve fund policies.

Additionally, FS 125.014 provides guidelines for spending tourist tax dollars. There were no references to this statute in any of the CVB's policies, nor are there specific policies for expending contract dollars. For instance, the sports marketing staff's primary responsibility is to pursue and secure sports events to host in the Tallahassee/Leon County area. Typically, this occurs through a bidding process or through negotiations with event organizers to provide support for the event. This support may include anything from the planning stage through the execution stage, and often involves paying for certain event expenses such as officials, event labor, medical services and hospitality, to name a few.

While the TSC/CVB has hosted events where bids were awarded, there appears to be no analysis conducted regarding a return on investment. Such an analysis would involve staff preparing a

pre-event report to assess the feasibility of hosting an event. In addition, a post-event analysis should be performed to evaluate the outcome and determine if the event was successful in terms of economic impact and estimated return on investment. Appropriate policies and a formal process are needed to guide the CVB when pursuing marketing opportunities.

Findings 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.

CVB Response to Finding 5: *The allocation of marketing funds is governed by a many-tiered formal process. In November 2005, the TACVB hired a new President/CEO with the charge of rebuilding the organization to include, but not limited to:*

- *Professionalize the destination marketing organization to industry standards*
- *Implement a newly created three year strategic plan*
- *Develop the foundation to achieve industry accreditation through DMAI*
- *Modernize human resource and operations policies and procedures*
- *Adopt new financial policies and procedures*

Each year, the process begins with the integration of the mission statement with the goals and objectives of the strategic plan with the organizational chart with the budget to create the marketing plan. Each area of marketing and visitor services can be directly linked back to charge from the TACVB Board of Directors. 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 date, the Tourist Development Council has not indicated that any expenditure made by the TACVB is not in keeping with the standards set forth in the statute.

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.

CVB Response to Finding 6: *See comments in Response 4. The TSC does gather information to determine the feasibility of hosting sporting events.*

- *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?*

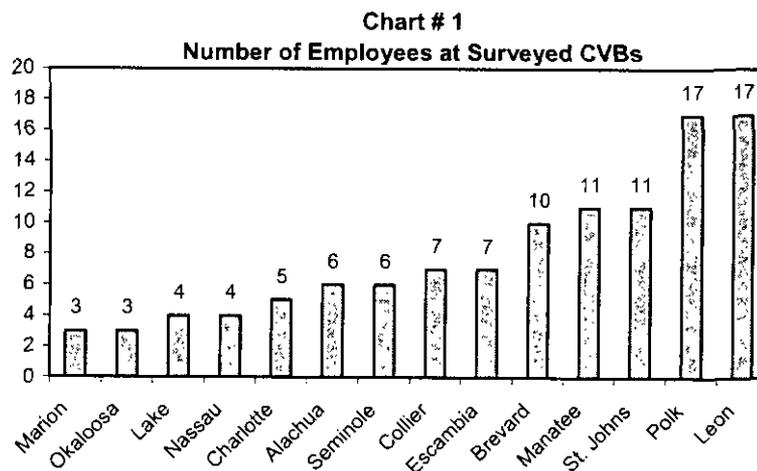
A post event report is created for every event to evaluate the outcome and determine if the event was successful in terms of economic impact.

Human Resource Management

Effective human resource management practices help organizations achieve goals and objectives. Examples of core human resource management practices that drive organizations to perform include: levels in management, adequate staff, well defined job descriptions, a performance management system and competitive-based pay.

Staffing

Fewer management levels have been known to increase the speed and accuracy of communications in organizations. The CVB has a total of 24 employees or 17 full-time equivalent (FTE) positions (Attachment # 11). Five employees make up the management or supervisory staff: President/CEO, Chief Operations Officer, Sports Executive Director, Marketing/Public Relations & Sales Director and the Visitors and Group Services Manager. The ratio of management staff to non-management is 1:4 or (1:2.4 FTE). Although the Assistant Sports Director has a management title, this position does not supervise any positions. Chart # 1 shows the number of full time employees at each surveyed CVB. In addition to having the most levels of management out of 14 CVB surveyed across the state, the Tallahassee Area CVB had the highest staffing levels.



Adequate staffing is critical to an organization attaining its goals. As mentioned above, the CVB has 24 employees (17 FTEs) for service delivery. A comparison of the CVB's staff size with other CVBs in the state shows it has a large number of employees. Survey results show the average employee numbers for 13 CVBs is 7.9 employees. A benchmarking survey was conducted of jurisdictions that have in-house marketing visitor center programs (Attachment # 12). One survey finding is the CVB has some positions, such as Chief Operations Officer and Membership Manager not found in similar jurisdictions. This survey indicated that to provide current or comparable services to similar jurisdictions, Leon County CVB staffing level should be 6 FTE or 65% less than currently staffed.

Performance

Well defined jobs which reflect a mutual understanding and establishment of duties and responsibilities between management and employees drive organizations to perform at optimal levels. The CVB has policies and procedures that place the responsibility of maintaining job descriptions on both management and employees. The policy states in part that "job descriptions may be re-written periodically to reflect any changes in the position's duties and responsibilities." Despite this policy, job descriptions showed some supervisory positions perform some of the same duties as subordinate positions.

Additionally, the CVB has established a performance management system that includes performance evaluations and appraisals. The CVB has implemented a pay for performance system in which organizational performance is linked with employee performance and reward employees accordingly if funding is available. Employees receive feedback on their strengths, areas for improvement, training, development, and professional training and development issues.

Employee Pay

Competitive-based pay and benefits are established to retain and attract talented employees. In establishing a base pay rate, management should take into account duties and responsibilities, experience, training, and pay in local or similar markets, all in an effort to retain and recruit talented employees. According to CVB policies and procedures, the salary administration program was created to achieve consistent pay practices, comply with federal and state laws, mirror commitment to Equal Employment Opportunity, and offer competitive salaries within its labor market. Because recruiting and retaining talented employees is critical to its success, the CVB is committed to paying its employees wages that reflect the requirements and responsibilities of their positions and that are comparable to the pay received by similarly situated employees in other organizations in the area. The benchmarking survey indicated that the CVBs employees are paid within the acceptable ranges of other markets; however, the CVB is paying for other positions such as Chief Operations Officer and Membership Manager that are not found in similar jurisdictions.

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.

CVB Response to Finding 7: *To build an experienced and seasoned high performing staff it may get a little top heavy from time to time but natural attrition usually evens this out over time. Additionally, 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.

CVB Response to Finding 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. Additionally, we have a member program with highly regarded*

program and services. With that said, the TACVB can perform a human resources audit to determine if costs savings can occur and to eliminate any duplication of efforts and/or responsibility.

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

CVB Response to Finding 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 lawyer. This profession requires a good deal of cross training, team work and group projects. 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 10: A staff analysis of in-house CVBs that provide comparable services indicates that Leon County could provide the services with 65% less staffing.

CVB Response to Finding 10: What are the assumptions in that analysis? Does that include the member program? Does that include targeted visitor services? Does that include increasing other contractor services to fill the void or does it reduce the programs and services?

F. CVB Agreement and Budget Analysis

In October 1997, Leon County entered into an Agreement with the Tallahassee Area Convention and Visitors Bureau, Inc. (Attachment # 6). The scope of services is "to conduct direct marketing programs to promote Leon County as an ideal sports, business, convention and vacation travel destination to sports organizing bodies, meeting planners, travel intermediaries and consumers; and ... to develop and implement a professional, comprehensive, and reasonably priced visitor services program to encourage new and repeat utilization."

Since its execution, the Agreement has been extended annually by a contract addendum. The initial Agreement allowed the CVB to establish its performance measures to evaluate the effectiveness of its direct marketing and visitor services programs. In 2001, this language was amended requiring the TDC to establish CVB performance measures and obtain Board of County Commissioners approval before implementing. During the review process, staff found nothing to indicate that written performance measures were ever established.

CVB Contract Payments and Reimbursements

Under the terms of the County's initial Agreement with CVB, a total fixed professional fee of \$505,000 was to be paid to the CVB based on the satisfactory completion of services as described in the agreement. Annual increases are dependent upon the comparative growth of the trust fund and are negotiable.

Additionally, the Agreement allows for the reimbursement of approved out-of-pocket costs with the submission of appropriate support documentation. Since the first year of the Agreement, reimbursements have been made to the CVB for promotional, advertising and marketing opportunity-related expenditures. These reimbursements have varied annually depending upon the type and number of activities or events taking place during the year.

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Beginning in FY 2003, \$15,000 was allocated for promotional item expenses and included in the contract as an addendum. The decision was based upon a 2001 CVB financial audit recommendation: "to negotiate with the County, and, if possible, obtain permission to purchase promotional items for trade shows and visitor groups and rebill documented costs to the TDC." In FY 2005, the promotional item amount increased to \$25,000 and has remained flat through the current fiscal year.

Table # 2 details payments for the contract and reimbursement expenses. From FY 1996 to FY 2008, the County has paid the CVB more than \$10 million for professional services and reimbursements related to promotional items, advertising and marketing opportunities, some of which are outside of the scope of the contract. Actual contract payments increased by \$550,000 or 109% during the same time period. Reimbursements have ranged from \$6,000 during FY 1996 up to \$227,635 during FY 2003. The current contract for professional services and promotional items is \$1,055,000. The amount in FY 2009 reflects the contract total for the year and reimbursements as of April 20, 2009. For FY 2010, the CVB has requested \$1,500,000 for professional services, promotional items and reimbursements. This is a 42.2% increase over the current contract amount.

TABLE # 2 CONTRACT & REIMBURSEMENT PAYMENTS

| FY | Contract Amount ¹ | % Change | Reimbursed | Total Payment | % Change |
|-------------------|------------------------------|----------|------------------|-------------------|----------|
| 1996 | 505,000 | | 6,000 | 511,000 | |
| 1997 | 505,000 | 0.0% | 97,448 | 602,448 | 15.2% |
| 1998 | 530,000 | 4.7% | 86,560 | 616,560 | 2.3% |
| 1999 | 545,000 | 2.8% | 211,903 | 756,903 | 18.5% |
| 2000 | 545,000 | 0.0% | 108,324 | 653,324 | -15.9% |
| 2001 | 600,000 | 9.2% | 101,650 | 701,650 | 6.9% |
| 2002 | 600,000 | 0.0% | 98,856 | 698,856 | -0.4% |
| 2003 | 615,000 | 2.4% | 227,634 | 842,634 | 17.1% |
| 2004 | 675,000 | 8.9% | 103,431 | 778,431 | -8.2% |
| 2005 | 706,000 | 4.4% | 91,608 | 797,608 | 2.4% |
| 2006 | 795,800 | 11.3% | 84,198 | 879,998 | 9.4% |
| 2007 | 995,000 | 20.0% | 124,389 | 1,119,389 | 21.4% |
| 2008 | 1,055,000 | 5.7% | 66,199 | 1,121,199 | 0.2% |
| Subtotal | 8,671,800 | - | 1,408,200 | 10,080,000 | - |
| 2009 ² | 1,055,000 | 0.0% | 0 | 1,055,000 | - |
| 2010 ³ | 1,500,000 | 42.2% | - | - | - |
| Total | 11,226,800 | - | 1,408,200 | 11,135,000 | - |

1. Includes professional services fee and promotional items expenses payments that began in FY 2003.
2. Reflects current year contact budget.
3. Reflects FY 2010 requested contract amount.

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 to FY 2008. For FY 2010, the CVB has requested \$1.5 million or a 42.2% increase in funding.

CVB Response to Finding II: I will ask Dr. Mark Bonn to present the economic impact resulting from the \$10 million dollar investment over 14 years to Tallahassee/Leon County. 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, inclusion in 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.

Visitor Trends and Tourist Tax Revenue

Table # 3 compares visitor trends and tourist tax revenue to CVB contract payments over a four year period. In the past five years, while payment amounts to the CVB have increased steadily, visitor numbers to Leon County have declined. Since 2006 revenues have remained flat and decreased in FY 2008 due to the beginning of a recession economy. This decrease in revenue is continuing in the current fiscal year and is expected to persist into FY 2010.

TABLE # 3

| Comparison of CVB Contract Payments to Visitor Numbers and | | | | | | |
|--|-----------|----------|-----------|----------|-------------|----------|
| FY | Payments | % Change | Visitors* | % Change | Revenue | % Change |
| 2004 | \$778,431 | | 2.78 | | \$2,133,393 | |
| 2005 | 797,608 | 2.4% | 2.75 | -1.1% | 2,410,828 | 11.5% |
| 2006 | 879,998 | 9.4% | 2.55 | -7.8% | 2,455,890 | 1.8% |
| 2007 | 1,119,389 | 21.4% | 2.40 | -6.3% | 2,528,550 | 2.9% |
| 2008 | 1,121,199 | 0.2% | 2.40 | 0.0% | 2,450,290 | -3.2% |

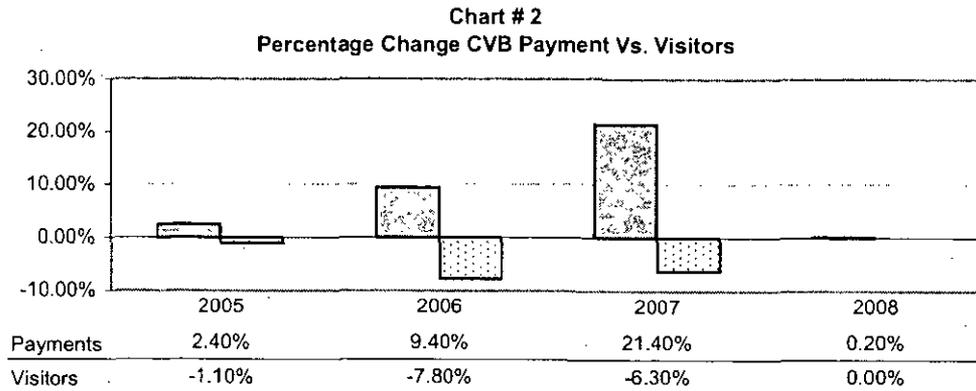
* Visitors figures represent millions. Due to a lapse in contracting 2008 visitors were estimated on three quarters of data. (Source: TDC Annual Visitors Report, Dr. Mark Bonn, FSU)

From FY 2004 to FY 2007, the CVB total payments increased by 43.8%. Conversely, visitor numbers have decreased by 15.8% during the same time period. Although the total visitor numbers for 2008 was not available, the first three quarters of the year indicates a continuance of this declining trend.

The 3-cent tourist tax revenue showed an increase from FY 2004 to FY 2006 due to a temporary increase in relocation visitors associated with a number of hurricanes the Gulf coast experienced. The tax increase in FY 2007 due to the hotel rate increase in this area. In the past year, tax revenues have declined despite the number of new hotel rooms coming online. Given the current economic climate, this declining trend is expected to continue into FY 2009. Projected 3-cent tax revenue for FY 2009 is \$2,193,708 or \$769,722 per penny.

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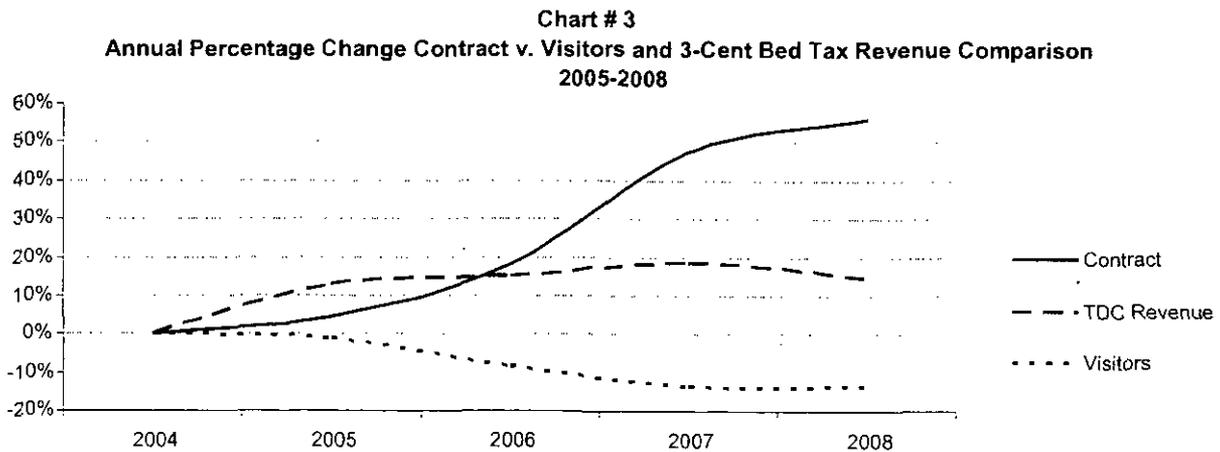
Chart # 2 below displays the contrasting differences between the CVB payments and visitor numbers.



Finding 12: CVB professional service payments increased 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.

CVB Response to Finding 12: *Tourism is an investment over time. A conference or sporting event that we book today may not occur until 2012. It is similar to building a championship sporting team. You recruit this season for what will mature in two or three seasons.*

Chart # 3 illustrates the comparative change in contracting levels, visitor numbers and 3-cent tourist tax revenue.



The graph depicts the CVB contract increasing between 11-20% per year in 2006 and 2007. After an initial increase in revenue in 2005, tax revenue has remained flat while visitors continue to decline year after year.

In-kind and other Paid Services Support

In addition to payments for professional services and reimbursables, the County provides in-kind services for the CVB, which includes Management Information Services (Internet, GroupWise, Avaya Phone System and website services). Additionally, the CVB is complete with County supplied office furniture and standard office equipment. Standard office equipment includes computers (with software), printers, copiers, phone hardware and a postage meter. During the past fiscal year, the iDSS sales and membership management system was funded at a cost of \$20,000. The iDSS system requires a monthly maintenance fee of \$650 or \$7,800 annually. CVB in-kind services totaled \$79,000 for FY 2008. It should be noted that the CVB pays for its local and long distance phone service and postage.

Drafted as a result of recommendations from the 2001 OMB Audit and Management Review of the TDC, the County's lease agreement with the CVB provides utilities, janitorial, maintenance and repair services at annual cost \$43,200.

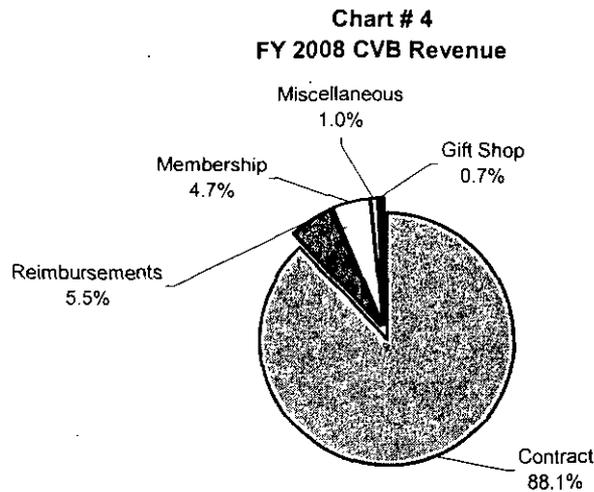
In addition to those noted above, at the request of the CVB, the TDC provided mid-year funding for a \$30,000 contingency account in FY 2007. This request was the result of the CVB's independent auditor's recommendation that CVB establish a reserve fund of \$180,000 due to its primary revenue source being a contract may not be renewed. It should be noted that the CVB's cash at the end of the year for fiscal years 2006 and 2007 was \$51,250 and \$136,579, respectively. The \$136,579 includes the \$30,000 contingency account.

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, copiers, phones, postage meter, IDSS sales and membership management system and monthly maintenance fees) are estimated at \$79,000.

The CVB had no response to Finding 13.

Revenue

The CVB's total actual revenue for FY 2008 was \$1,197,399 (unaudited). Leon County contract payments and reimbursements totaled \$1,121,199 or 94% of the CVB's revenue for the past fiscal year. The organization's second largest revenue source, memberships was \$55,891. Combined, the CVB's other revenue sources totaled \$76,200 for FY 2008. The chart # 4 on the following page presents the revenue sources percentages for FY 2008.



Other financial documents (Attachment # 13) show the County contract was the source of at least 83% of the CVB's actual revenue. Table # 4 provides a comparison of CVB revenue sources for the past three fiscal years that reflects this trend.

Table # 4
CVB Revenue Sources

| FY | County | % | Other Revenue | % |
|-------|-------------|-----|---------------|-----|
| 2006 | \$879,998 | 83% | \$100,147 | 17% |
| 2007 | 1,119,389 | 92% | 107,419 | 8% |
| 2008* | \$1,161,506 | 94% | \$76,200 | 6% |

*unaudited

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's revenue. This level of support includes free listing in the visitors and meeting planner guides, 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.

CVB Response to Finding 14: *Please see Response 3. Additionally, local attractions, restaurants, gas stations, rental car companies, party rental stores, tent 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 or contribute to this tax.*

Expenditures

The CVB's total actual expenditures (unaudited) for FY 2008 were \$1,106,918. The CVB budget is separated into four categories of expenditures: Personnel, Taxes and Insurance, Marketing/Public Relations, Administrative and Office and Operations. These categories with amounts expended are shown in Table 5 below.

| TABLE 5 | | |
|------------------------------------|---------------|---------------|
| FY 2008 Budget and Expenses | | |
| <i>Expenses</i> | <i>Budget</i> | <i>Actual</i> |
| Personnel Expenses | \$777,440 | \$681,969 |
| Administrative Expenses | 50,050 | 35,315 |
| Office and Operating Expenses | 89,950 | 88,461 |
| Marketing & Public Relations | 530,815 | 301,173 |
| Total Budget and Expenses | \$1,448,255 | \$1,106,918 |

Personnel costs total \$681,969 for 24 employees and represents 61.6% of the CVB's budget for FY 2008. The CVB employees' benefits plan includes medical, cancer, dental, intensive care, accident, hospital, life, short and long-term disability insurance, as well as specified health event and medical care expense reimbursement. The CVB covers the full costs for health and dental insurance. In addition to health and dental insurance, the full cost of parking is paid for each employee at a rate of \$360 annually. Personnel costs were 12% less than the budgeted costs due to position vacancies.

Administrative expenses totaled \$35,315 and make up 3.2% of the FY 2008 budget. A total of \$10,926 was used to fund CVB Board and Tallahassee Sports Council meetings. Professional services expenses included accounting expenses and employee related legal expenses. Employee Relations expenses cover staff benevolence, retreats and familiarization tours. Miscellaneous Administrative expenses include position vacancy advertisements and employee background checks.

Office and Operating expenses total \$88,461; and represent standard operating costs. Bank service charges are fees for direct deposit payroll services. CVB marketing and public relations expenses totaled \$301,703.

To adequately determine the efficiency of services, the CVB's budget should be separated based upon funding source. Although some expenses are easily distinguishable, there remains some question regarding the purpose of certain expenditures especially with reimbursable expenses submitted in batch statements to the TDC for approval, many of which were for TSC events. 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 determine the costs of expenditures directly related to the direct marketing and visitor services functions outlined in the contract.

Currently, the CVB submits its budget to the TDC for approval prior to the TDC providing its budget request to the County. If the CVB is required to submit its budget through the County's annual budget process, the TDC director and OMB would provide the necessary budgetary controls for the Agreement.

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

CVB Response to Finding 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.*

Finding 16: The separation of revenue and expenses funded by the tourist tax and other CVB revenue and expenses, such as membership fees/expenditure and expenditures requests by the TSC, 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.

CVB Response to Finding 16: *The TACVB has never received a request from the TDC or the TACVB financial auditors to separate funding sources. Furthermore, independent auditors and certified public accountants have reviewed the TACVB's finances and never raised an issue regarding the reporting nature of its finances.*

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.

CVB Response to Finding 17: *The Board of Directors of the TACVB and the TDC have approved all activities of the TACVB.*

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.

CVB Response to Finding 18: *Please see Responses 17, 1 & 5. Advertising efforts performed by a separate vendor are not the ONLY advertising efforts that are available to promoting Tallahassee and the TACVB has taken advantage of these opportunities when presented, since the vendor of the advertising and PR contract did not. Perhaps this is an area that should be reviewed when the audit of the advertising and PR vendor is conducted or when the RFP is released.*

Contract Compliance

In addition to providing direct marketing and visitor services, the Agreement holds that the organization will comply with the following:

- Submit for TDC approval a preliminary Direct Marketing and Visitor Services (Marketing) Plan and budget for each subsequent fiscal year on or before July 1 in the year prior;
- Submit a fiscal year Marketing Plan and budget including overall program and individual project goals, objectives, and strategic action plans for TDC approval;
- The Plan shall be consistent with the goals of the TDCs tourist development plan and outline all direct marketing and visitor services needs;
- The Plan shall consist of a program of work with estimate of costs in a format acceptable to the TDC, containing full descriptions of the proposed projects and estimates of the costs of the obligations or services involved;

- Each approved Plan will become a part of the Agreement and be used as a framework to evaluate the CVB's performance.
- The CVB shall establish measures which will evaluate the effectiveness of the direct marketing and visitor services programs and incorporate these measures into each fiscal year's marketing plan; and
- The CVB shall provide periodic progress reports that compare actual accomplishments and results with goals and objectives established at the beginning of the year.

Marketing Plan and Progress Reports

The CVB annually presents a marketing plan to the TDC that lists the organization's goals and strategies. The Marketing Plan lists five overall program goals that are consistent with TDC goals: (1) Positive promotion of tourism for the Tallahassee area, (2) Increased hotel nights/bed tax (3) Increased length of stay (4) Increased brand awareness (Tallahassee) and (5) Exposure to new market segments. However, the Plan does not list any individual program goals, nor does it provide any objectives or a plan of action for the individual or overall goals.

As mentioned previously, the Agreement requires the TDC to establish CVB performance measures for Board of County Commissioners approval. During the review process, staff found nothing to indicate that written performance measures were established. Since no measures were established, none were incorporated in the Agreement as required. The recent acquisition of the iDSS software should address this issue, but the program has not been fully implemented.

Consistent with the Agreement, the CVB submits periodic progress reports presenting actual accomplishments and results. However, the reports show no comparisons of performance measures and actual results that would provide an assessment on how well the CVB performed in the previous year in relation to the stated goals. These goals should be established by the TDC during the current TDC strategic plan revision process.

The TDC, through its Marketing Plan, should established goals for marketing the Tallahassee/Leon County area. Subsequently, the CVB strategies, objectives and performance measures should be aligned with these goals and implemented through its direct marketing and visitor services programs.

Finally, the Plan lacks full descriptions of proposed projects and estimates of the costs of the obligations or services involved. The TDC has accepted the organization's budget in lieu of the project descriptions and costs estimates.

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

CVB Response to Finding 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. Regarding the marketing plan – 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. The TACVB continues to provide more documentation to the TDC then is requested of them.

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.

The CVB had no response to Finding 20.

Service Delivery

The contract holds that the CVB will document the results of its direct marketing and visitor services efforts. The CVB compiles a monthly productivity report that details its progress. As stated previously performance measures or quantitative goals were never established for the CVB. Therefore, the CVB can not effectively compare its results and accomplishments.

As stated previously, the CVB maintains a monthly performance report. A synopsis of the 2007 and 2008 reports is reflected in Table # 6. An assessment of the report reveals that recently there was an overall decrease in sales and activity by 71% from FY 2007 to FY 2008. More specifically, Leon County hosted 38 groups in 2008, compared to 71 in 2007. Although the FY 2008 production decrease is an indicator of the current economic climate, there is concern about the number of employees the CVB has to provide these services. The CVB has seven marketing/sales employees (three employees for the Leisure and Meetings/Conventions, two employees for sports, and two employees for other functions). This number does not take into account the \$25,000 service contract for Film and Production.

Table # 6 Sales and Visitor Services Activity

| | 2007 | Per Emp* | 2008 | Per Emp* | % Change |
|---|------------|------------|------------|-----------|-------------|
| Leisure, Meeting & Convention and Sports | | | | | |
| Hosted | 71 | 10 | 38 | 5 | -87% |
| Booked | 80 | 11 | 44 | 6 | -82% |
| Assisted | 87 | 12 | 52 | 7 | -67% |
| Pending | 480 | 69 | 286 | 41 | -68% |
| Total | 718 | 103 | 420 | 60 | -71% |
| Visitor Services | | | | | |
| Group Services - hotel | 125 | 25 | 137 | 27 | 9% |
| Group Services - non hotel | 117 | 23 | 124 | 25 | 6% |
| Total | 242 | 48 | 261 | 52 | 7% |

* 7 (FTE) Total Marketing/Sales staff including 2 Sports Marketing

5 (FTE) Total Visitor Services staff

Hosted - A booked group/event that stayed in Tallahassee/Leon County.
Booked - A contracted future event with the hotel lead generated by the CVB.
Assisted - Ongoing monthly services provided for a booked group/event.
Pending - A group/event that has contacted the CVB for services but has not been booked.

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In FY 2008, seven marketing/sales staff persons worked with groups/events which resulted in 38 hosted events, 44 booked events, assistance provided to 52 groups and contact made with and/or inquiries made by 420 groups. Results of a survey comparison of 13 CVBs in Florida showed that the average number of marketing and sales employees is four.

During the same period, a visitors and groups services staff of five FTE serviced 261 groups. Fifty percent of the CVBs surveyed either do not provide visitor services or do not have staff specifically dedicated to visitor services. The seven CVBs that provided visitor services had an average of two employees to perform these services. The results of this analysis support the earlier statement that the CVB has an unusually large staff.

Finding 21: Sales productivity and service activities do not justify the CVB's staff size. The 13 CVBs survey showed that an average of four employees performed marketing services. Fifty percent of the CVBs either 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.

CVB Response to Finding 21: Please see prior responses. 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.

G. Summary of Findings

Finding 1: The scope of services provided by the CVB has expanded beyond the direct marketing and visitor services outlined in the 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.

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.

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).

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

Findings 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.

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.

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.

Finding 8: The CVB has 22 employees or 17 FTEs. This compares to an average of 7.9 for 13 other CVBs surveyed.

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

Finding 10: A staff analysis of in-house CVBs that provide comparable services indicates that Leon County could provide the services with 69% less staffing.

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 FY 1996 to FY 2008. For FY 2010, the CVB has requested \$1.5 million or a 42.2% increase in funding.

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Finding 12: CVB professional service payments increased 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.

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, copiers, phones, postage meter, IDSS sales and membership management system and monthly maintenance fees) are estimated at \$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's revenue. This level of support includes free listing in the visitors and meeting planner guides, 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.

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

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.

Finding 17: Tourist tax funding provided to the CVB is used to support activities and services not directly associated with the scope of the contracted services.

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.

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

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.

Finding 21: Sales productivity and service activities do not justify the CVB's staff size. The 14 CVBs survey showed that an average of four employees performed marketing services. Fifty percent of the CVBs either 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.

H. Conclusion

Since 1996, Leon County has expended over \$10 million under the current CVB. This is approximately 39% of the TDC 3-cent bed tax collected over the same period. This trend indicates that the County is committed to providing adequate resources to the CVB in proportion to the revenue available to fund such direct marketing and visitor service functions as specified in the contract.

While the County has committed increased resources to fund direct marketing and visitor services, there has not been a corresponding increase in the number of visitors and bed tax revenue equal to the resources provided to the CVB. Given the current limitation on tax revenues, and the competition for resources, now may be the time to look at a different service delivery model for direct marketing for convention and visitor services.

The two primary models for providing these services are:

- performing the services within a county Tourist Development Office; or
- contracting with an external source such as a CVB.

Of the 13 counties surveyed four or 31% contract with a private entity. The remaining 69% perform the function internally. This indicates that performing these services in-house is commonplace throughout the state. Out of the four who contract for services, the Tallahassee CVB has the highest staffing level (17 FTE).

If the County were to bring these services in-house, under the management of the Tourist Development, there would be an immediate economy of scale savings through the utilization of existing County resources such as; financial management; human resources; facilities management; and management information technology. In addition, if Tourist Development provided the direct marketing functions and other services specified in the contract, confusion regarding who provides these types of services for the community would cease to exist.

The previously referenced staffing analysis (Attachment # 12) indicated that the services currently provide with the 17 CVB FTEs could be performed by adding six FTEs to existing county staff. Estimated saving are anticipated at more than \$670,000 over the current year budget (including reimbursable expenses) and approximately \$1 million over the proposed FY 2010 budget. Table # 7 provides proposed budget summary for an in-house CVB. A detailed budget is provided as Attachment # 14.

| Table # 7 Proposed Budget | |
|----------------------------------|---------------|
| <i>Expense</i> | <i>Amount</i> |
| Personnel | \$352,000 |
| Operating Expenses | 33,000 |
| Marketing Program | 200,000 |
| Visitor Services Program | 25,000 |
| Total Proposed Budget | \$610,000 |

Other benefits of bringing direct marketing and visitor services under the immediate auspices of the County would be:

- Elimination of duplicative management, administrative and operating functions/costs
- Elimination of duplicative contracted services especially with advertising and public relations
- Greater accountability for the expenditures associated with bed tax revenue
- Greater accountability of sports marketing activities and expenditures

The other option for providing direct market and visitor services would be for the County to continue to contract with the CVB, or another entity, but at a cost no higher than which the services could be performed internally. In addition, if the services are to be contracted, it is recommended that a new contract be drafted that clearly delineates the services to be provided to avoid the duplication of efforts that currently exists in the realm of advertising and other marketing and visitor bureau services.

I. Options and Recommendation

1. Bring the CVB and the direct marketing and visitors services functions in-house; or
2. If the Board chooses not bring the CVB in-house, staff recommends reducing the CVB contract amount to \$610,000, rewriting the contract to more specifically delineate the services, and incorporate performance measures to evaluate the organizations effectiveness.

Recommendation:

Option #1.