

Dallas Convention & Visitors Bureau Convention Promotion, Advertising and Tourism Development Services Contract Extension

Economic Development and Housing
Committee

September 5, 2006

Purpose

To update the City Council Economic Development Committee on the promotion, advertising and tourism development services provided by the Dallas Convention & Visitors Bureau and seek approval for the first of two five-year options to extend the City's contract with the Dallas Convention/Visitors Bureau.

Dallas Convention & Visitors Bureau Background

- 10 year term agreement with the City of Dallas (Oct. 1996- Sept. 2006), with two (2) five-year options
- DCVB mission is to sell, market and promote Dallas as a destination for conventions, meetings, tradeshow and tourism
- City pays DCVB monthly an amount equal to 32.60 percent (FY 05/06 est. \$11,213,949) of the City's 7 % Hotel Occupancy Tax.

Contract

- Contract provides for two five-year extension options.
- Provides mechanism for new/expanded services and deliverables through annual reports.
- City staff engaged in the development of goals/objectives for the DCVB.
- DCVB Board provides oversight and review of management practices for the DCVB.
- City Council representation as well as city staff are an integral part of the DCVB Board oversight.
- DCVB provides monthly performance reports.
- DCVB provides an annual audited report of its financial records.

DCVB Historical Financial Data

Fiscal Year	Actual Hotel Occupancy Tax (HOT) to City	Budgeted DCVB Revenue from HOT	Actual DCVB Revenue from HOT
2001/02	\$29,816,303	\$10,654,495	\$9,649,141
2002/03	\$28,439,795	\$9,780,000	\$9,276,972
2003/04	\$29,191,916	\$8,867,200	\$9,403,601
2004/05	\$29,660,692	\$9,627,500	\$9,618,613
2005/06	\$34,500,916(est)	\$10,012,600	\$11,213,949(est)

Dallas CVB Performance - Post Management Change

<u>FY</u>	<u>Room Demand Nights</u>	<u>Room Revenue</u>	<u>Room Rate-ADR*</u>	<u>Occupancy</u>	<u>Definite Room</u>
04	483K	\$485.0m	\$83.68	53.7%	626K
05	499K	\$512.0m	\$85.47	55.6%	767K
06	562K	\$533.0m	\$94.79	63.7%	800K est.
04 to 06					
Growth	16%	10%	13%	18%	28%

Source: Smith Travel Research and DCVB Booking Report. Reflects hotel room usage, total revenue generated based on room rate, and resulting occupancy rate. Room Nights reflect the rooms booked by the bureau in the fiscal year.

*ADR – average daily guest room rate

Dallas CVB Performance

- Corporate Partnerships have experienced significant improvements for the past three fiscal years – growing from 3 in FY 04 with cash/in-kind value of \$45,000 to 11 in FY 06 with cash/in-kind value of \$326,000.
- Public Relations value for editorial in major trade publications has also experienced significant improvements averaging \$6.3m annually from FY 04 – FY 06.

Financial Accountability

- The DCVB is in the 5th year of a 5-year agreement with Lane, Gorman, Tribitt, LLP to perform its annual financial audit. The current year's audit is scheduled to be completed by the 12/14/2006 board meeting.
- Under the current management team's leadership the DCVB has produced clean audits and dramatically improved its financial outlook. During this period some 20 "Reportable Conditions" and "Significant Issues" have been resolved (ranging from the proper recording of in-kind donations, an improved schedule for deferred membership revenue, a complete review of the fixed assets schedules, date stamping all checks received, etc.)

Financial Accountability

- Implemented new processes resulting in tighter controls on expenditures through:
 - Prior authorization for travel and entertainment expenses
 - Purchase order process also requiring prior authorization
 - Evaluate ROI for major expenditures
 - Budget issues are discussed at weekly Executive Management Team meetings
 - CFO meets periodically with managers to review budget and spending patterns
 - Adherence to budget and policies now part of managers' performance goals
 - Monthly meetings of CFO with Finance Committee of the DCVB Board

Financial Performance

	FY03	FY04	FY05	FY06(6/30)
Fund Balance	(1M)	(720k)	(223k)	844k
Long-Term Debt	741k	480k	200k	95k
Accounts Payable	1M	497k	180k	65k
Line of Credit(spent)	249k	249k	239k	0
Total Liabilities	4M	3.6M	2.7M	1.8M
Cash	37k	51k	29k	680k

All amounts in dollars

DCVB Supplemental Marketing Initiatives - as originally presented to City Council

Note: These funds were fully received and utilized prior to the current management team. The final reimbursement payment of \$197,570.00 is scheduled for 01/07.

Challenges

- Dallas is the last of 20 major cities without a hotel attached or under construction to its convention center
- Need more break-out meeting space in convention center

Challenges

- Marketing budget still lags behind our competitors

(according to budget data reported to Destination Marketing Association International)

• Las Vegas	\$114.00m
• Orlando	\$26.40m
• Atlanta	\$7.90m
• San Antonio	\$6.10m
• Chicago	\$6.40m
• Houston	\$2.80m
• Fort Worth	\$2.11m
• Dallas	\$1.70m

Challenges Faced by the DCC/DCVB

- Increased competition in the North American Market
 - 93 cities have convention center construction and/or convention center hotel projects underway or completed:
 - 20 of these developments are in major markets (e.g. San Diego, Boston, Chicago, Denver, Las Vegas, Orlando, Phoenix, Philadelphia)
 - Of these developments 5 are in the State of Texas (e.g. Austin, El Paso, San Antonio, Houston, Ft. Worth)
 - Other regional developments:
 - Gaylord Texan – guest room expansion and Wolf Resort. 6th Major Convention Destination in Texas
 - Developments in Arlington and Irving

Convention Center Hotel Project

- Woodbine Development Corp. (WDC) and Marriott selected as development team for the proposed Convention Center Hotel.
- Convention Center hotel project scope includes 1000 guest rooms, appropriately sized meeting and public spaces and sufficient parking.
- Discussions in 2005 focused on framework for the pre-development agreement and potential for Trinity Crossing entertainment project.
- Trinity Crossing entertainment project, if proved to be financially feasible, was seen as an enhancement to the convention center hotel project and its capitalization potential.
- City and WDC have determined the Convention Center hotel project is important as a critical enhancement to the city's pursuit in attracting and retaining major convention/tradeshows business.

Convention Center Hotel Project_{cont}

- WDC is currently assessing project costs and financing in light of interest rates, construction and labor cost increases, coupled with the legally available public incentives and private debt to equity requirements.
- City and WDC/Marriott team continue to assess additional creative approaches for development of the convention center hotel to include other cities which have completed privately owned hotels supported by legally permissible inducements.
- Should WDC determine, following its preliminary assessment, the project can be financed, additional milestones would consist of the following – finalization of pre-development agreement, final development agreement, project design, finalization of project budget, secure financing, construction, pre-opening sales/marketing program and opening. Current estimates suggest the earliest project opening date to be January, 2010.

Destination Sales/Marketing Strategies

- The DCVB's #1 accomplishment was to successfully change its strategy keeping pace with an evolving industry. By re-launching the destination, the DCVB shifted from a traditional sales oriented model to a marketing oriented focus – selling a destination (Dallas), through such actions as:
 - Strategic Business Plan Development including a destination audit to identify key changes in the industry (ex. Mature industry/increased supply)
 - Significant strategic shift to Destination Marketing
 - Brand Strategy and Research & Development
 - Brand Positioning Concept Development and Testing
 - Tagline Development and Testing
 - Logo Development
 - Re-Launch of Brand for Dallas (logo, tagline, and marketing video)

Vision:

To Become a Top 5 U.S. Destination

Goal #1:

It Starts at Home

Convince residents that
Dallas is truly great

Goal #2:

Turn Back the Competition

Protect and grow our meeting and
convention business

Goal #3:

Gain Share in the Growth Segment

Make Dallas "a must" visit
for *leisure* travelers

Goal #4: Become New and Improved – Get Better to Compete Effectively

- Dallas: The Product
- DCVB: The Organization

Recommendation

The City Council September 13, 2006 agenda will have an action item authorizing the exercise of the first of two five-year extension options with the Dallas Convention/Visitors Bureau for Convention Promotion, Advertising and Tourism Development Services.