

Review Committee for the Charlottesville Albemarle Convention and Visitors Bureau (CACVB)

Initial Committee Meeting Report - May, 2016

1 INTRODUCTION/REVIEW COMMITTEE CHARGE

In December, 2015, the Board of Supervisors and City Council adopted a Joint Resolution regarding establishment of a Review Committee for the Charlottesville Albemarle Convention and Visitors Bureau (CACVB). The Joint Resolution noted the important economic impact of our local tourism industry and the dedication of City and County revenues to support the CACVB as the designated marketing organization for our area. The Joint Resolution stated that the City and County desire to ensure that these dedicated revenues are managed effectively and producing the desired results, and that it would be beneficial to have the City and County leadership meet to receive information and provide feedback as to CACVB performance.

To achieve that outcome, the Joint Resolution directed the County Executive and the City Manager to establish a Review Committee to perform a bi-annual review, analyze CACVB performance and provide feedback to the CACVB director, the CACVB Management Board and to the respective governing bodies after each review committee meeting as to the efficiency and effectiveness of our jointly created and managed bureau.

The County Executive and City Manager formed a Review Committee and identified the following work product to meet the directives of the Joint Resolution:

The CACVB Review Committee will meet bi-annually and will provide a written report regarding the efficiency and effectiveness of the Bureau based on a high level review of financials and performance metrics following each committee meeting.

The Review Committee, comprised of the following members, held its first biennial meeting in May, with results of that meeting being provided in this report to the Board of Supervisors and City Council.

Review Committee Members	Affiliations
Tom Foley	County Executive, Albemarle County
Maurice Jones	City Manager, Charlottesville
Lee Catlin	Assistant County Executive, Albemarle County; CACVB Board Member
Chris Engel	Director of Economic Development, Charlottesville; CACVB Board Member
Kurt Burkhart	CACVB Executive Director
Jennifer Mayo	Director of Sales and Marketing/Omni Hotel; CACVB Board Chair

2 CACVB BACKGROUND

The Committee reviewed basic background information related to the establishment and structure of the CACVB, which was formed by a joint agreement between the City of Charlottesville and Albemarle County on July 1, 2004, including the following highlights:

2.1 MISSION

The agreement calls for joint funding and operation of a local Convention and Visitors Bureau to focus on destination marketing with the specific mission to **“promote the holding of conventions, meetings, conferences and trade shows; to advertise, publicize and promote tourism, leisure travel and meeting facilities; and to otherwise promote the resources and advantages of the localities.”**

2.2 GOVERNANCE

The composition of the Board of Directors is outlined in the joint agreement, with the following categories:

- Seat 1 – Charlottesville City Manager, or his/her designee
- Seat 2 – Albemarle County Executive, or his/her designee
- Seat 3 – President of the Greater Charlottesville Regional Chamber of Commerce or his/her designee
- Seat 4 – Executive Vice President of the University of Virginia, or his designee
- Seat 5 – President/CEO of the Thomas Jefferson Foundation, or his designee
- Seat 6 – Local General Business Community Rep, appointed by City Council
- Seat 7 - Local General Business Community Rep, appointed by Board of Supervisors
- Seat 8 – Local Accommodations/Hotel Business Rep, appointed by City Council
- Seat 9 - Local Accommodations/Hotel Business Rep, appointed by Board of Supervisors
- Seat 10 – Local Tourism Industry Rep, appointed by City Council
- Seat 11 - Local Tourism Industry Rep, appointed by Board of Supervisors

Currently the Board is comprised of the following members:

Board Members	Seat Represented	Affiliation
Chris Engel	Seat 1	Director of Economic Development, Charlottesville
Lee Catlin	Seat 2	Assistant County Executive, Albemarle County
Timothy Hulbert	Seat 3	President, Charlottesville Regional Chamber of Commerce
Anthony de Bruyn	Seat 4	Spokesman, University of Virginia
Ann Taylor	Seat 5	Executive Vice President, Thomas Jefferson Foundation
Yolunda Harrell	Seat 6	General Manager, Graduate Charlottesville
Andrea Saathoff	Seat 7	Owner, Albemarle Limousine
Jennifer Mayo	Seat 8	Director of Sales and Marketing/Omni Hotel
Matthew Harris	Seat 9	General Manager, Boars Head
Kirby Hutto	Seat 10	General Manager, Charlottesville Pavilion
Cynthia Chiles	Seat 11	Owner, Carters Mountain Orchard

2.3 FUNDING FORMULA

The joint agreement outlines the annual fiscal year formula that funds the activities and responsibilities of CACVB as explained below:

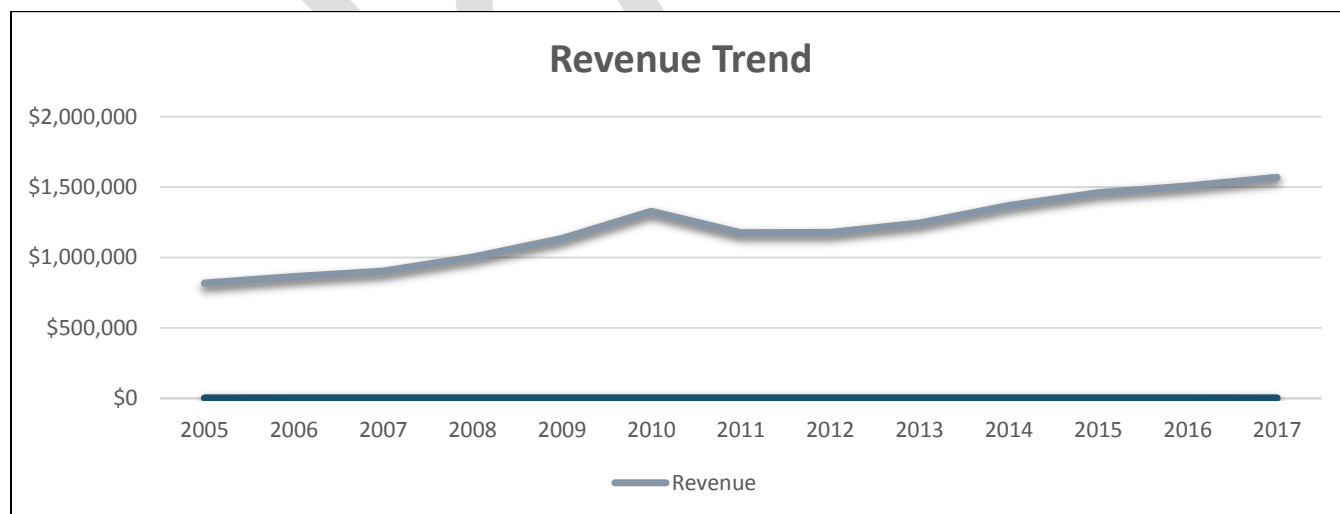
“Each of the two parties (Charlottesville and Albemarle County) shall provide funding for CACVB, in each fiscal year, in an amount equal to thirty percent (30%) of its Transient Occupancy Tax revenues collected by it in the most recent Fiscal Year for which a full year of data is available. This specified percentage and obligation is based on, and specifically limited to, a Transient Occupancy Tax of five percent (5%) in each locality; if either party enacts a Transient Occupancy Tax greater than 5%, that party’s funding obligation will be determined as if its tax were 5%.”

3 FINANCIAL INFORMATION

The Review Committee reviewed financial information as outlined below in keeping with its charge to analyze CACVB performance to ensure that the dedicated revenues are being managed effectively and producing the desired result.

3.1 REVENUE TREND

As explained earlier, CACVB receives funding from the City of Charlottesville and Albemarle County based on a funding formula established in the Joint Agreement. Revenues from transient occupancy taxes from the two jurisdictions have shown a steady increase excluding the years during the Great Recession, from 2010 – 2012.



3.2 FY 17 ADOPTED BUDGET

The CACVB Board of Directors approved a FY17 Adopted Budget totaling \$1,569,955, with revenues coming from Charlottesville and Albemarle County as indicated in the following table along with a small

amount from ticket commissions. As indicated by the total, the budget has increased by \$61,502 over FY16 due to the increase in TOT in the two localities as per the funding formula in the Joint Agreement.

Revenue Source	FY16	% of Budget	FY17	% of Budget
Albemarle County	\$773,146	51.25%	\$776,378	49.25%
City of Charlottesville	\$733,307	48.62%	\$791,577	50.42%
Ticket Commissions	\$2,000	1.3%	\$2,000	1.2%
Total	\$1,508,453	100%	\$1,569,955	100%

In order to align CACVB's budget development and reporting with best practices for destination marketing organizations, last year the CACVB Board created a budget subcommittee that restructured the process to create a budget document that mirrors the one created by the Virginia Tourism Corporation (VTC). That restructuring involved organizing expenses in three major categories – administrative, marketing, and visitors services – to make it easy and transparent to track exactly where revenues are being dedicated.

A primary goal of the CACVB Board has been to dedicate new revenues to direct marketing to the greatest extent possible. The revised budget format, modeled by VTC, makes it clear that the new resources available in the FY17 budget are in fact supporting marketing, with an increase of \$68,097 in that category for FY17. As stated above, the entire budget increased by a total of \$61,502 for FY17. Marketing constitutes a larger percentage of the FY17 budget than it did in FY 16, while the other two categories declined as a percentage of total budget. The marketing category supports website and social media tools, tourism festivals and sponsorships, public relations efforts for major initiatives like hosting the USA cycling team and opening the Albemarle Visitor and Adventure Center in Crozet, travel trade shows, and visitors guide printing and distribution. This category also includes funding for the marketing program being implemented by the CACVB local marketing agency Payne Ross Associates.

Expenditure Category	FY16	% of Budget	FY17	% of Budget
Administrative	\$404,152	26.79%	\$414,178	26.38%
Marketing	\$870,531	57.71%	\$938,628	59.79%
Visitor Services	\$233,770	15.50%	\$217,149	13.83%
Total	\$1,508,453	100%	\$1,569,955	100%

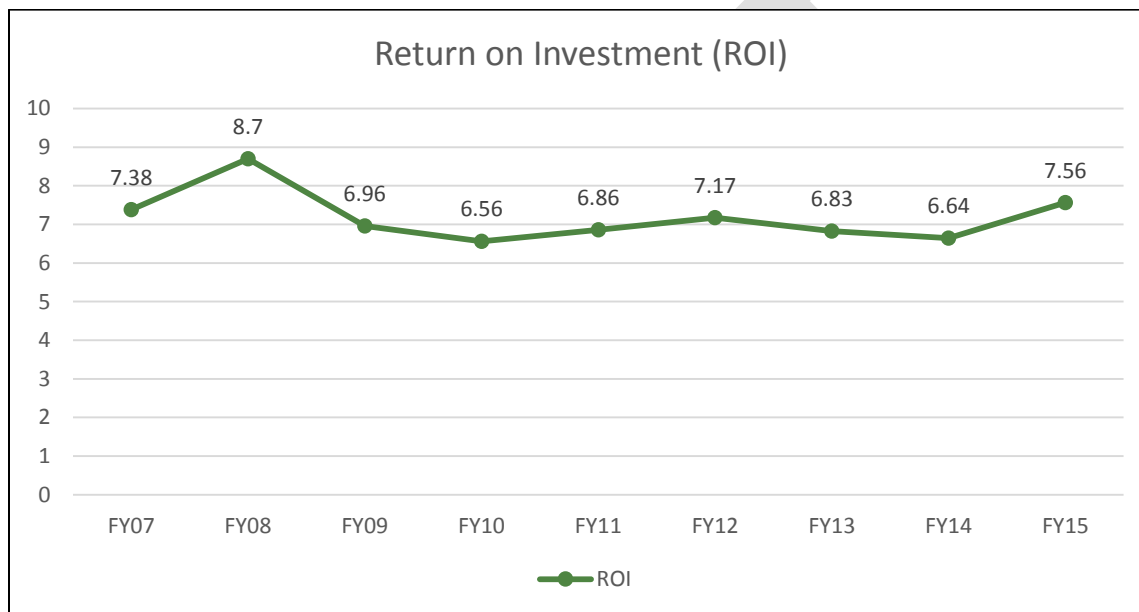
4 PERFORMANCE METRICS

The Review Committee reviewed performance metrics as outlined below in keeping with its charge to analyze CACVB performance to ensure that the dedicated revenues are being managed effectively and producing the desired result.

4.1 RETURN ON INVESTMENT (ROI) AS DEFINED BY THE JOINT OPERATING AGREEMENT

The Joint Agreement outlines an annual ROI ratio target of 7:1 (\$7 of total direct visitor expenditures for every \$1 of funding provided to CACVB) and provides a formula for calculating the ROI ratio. National travel industry statistical data when combined with leisure and group travel visitation provide an average for direct economic activity that is the basis for computing ROI. CACVB prepares and publishes an Annual Return on Investment Report Card for City Council and the Board of Supervisors that documents the dollar-for-dollar return on the investment from funds received by the City of Charlottesville and Albemarle.

The following chart shows ROI for the past nine years, demonstrating an average ROI of 7.2:1 for this period.

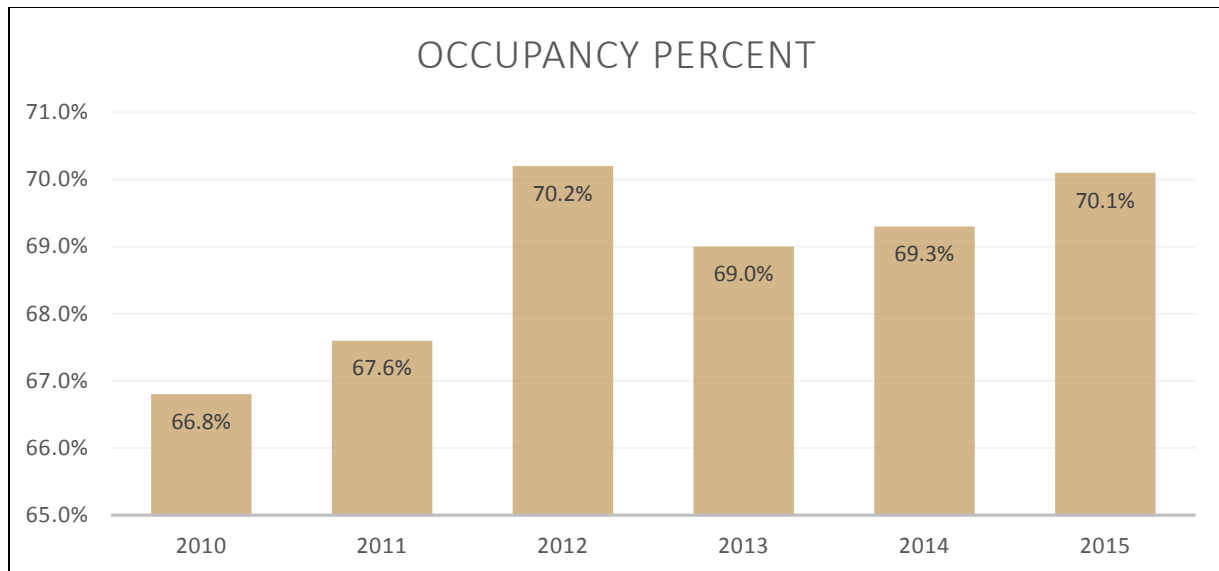


4.2 PERFORMANCE METRICS NOT INCLUDED IN ROI FORMULA

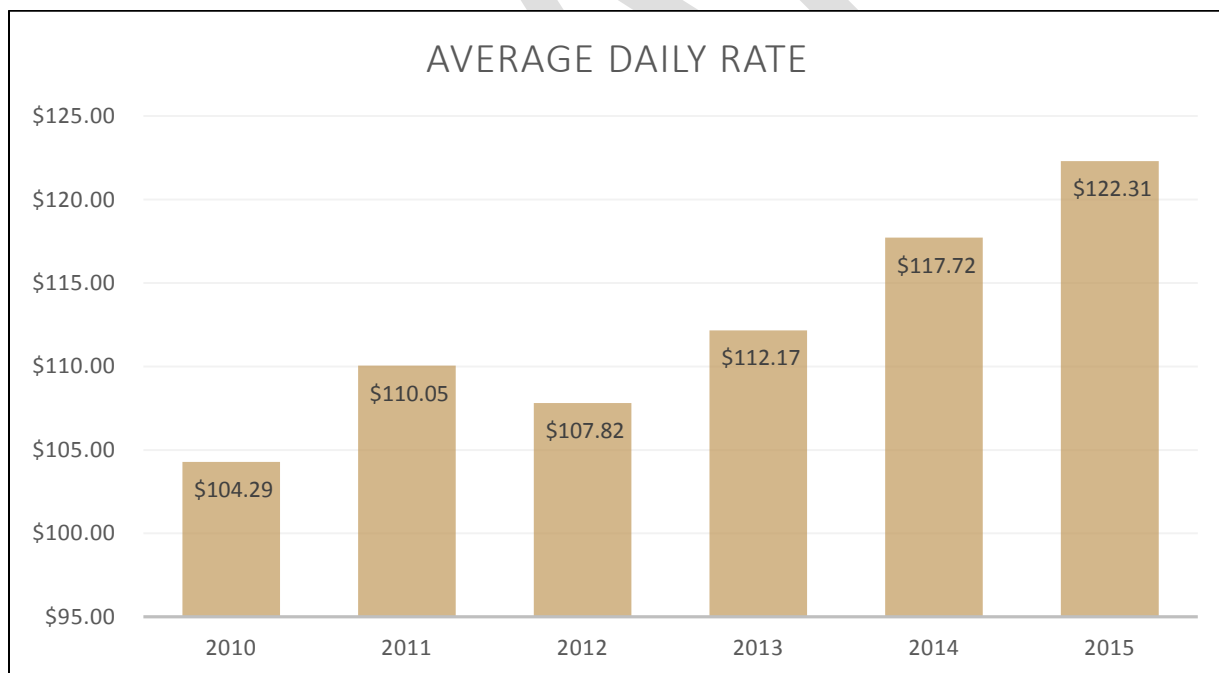
CACVB tracks other metrics that are not included in the ROI formula that are important in assessing the performance of the Bureau, including the following:

Smith Travel Research (STR) - STR is a leading lodging industry research company contracted by the Virginia Tourism Corporation to provide monthly and annual lodging data for the Commonwealth of Virginia. The following charts show lodging related data for the Charlottesville/Albemarle County region:

Occupancy Percent – Reflects the percentage of rooms occupied. This chart demonstrates that our overall occupancy rate continues to gradually increase. This is particularly important as our room supply has grown in recent years – from 1,174,570 available room nights in 2010 to 1,247,011 available room nights in 2015.



Average Daily Rate (ADR) – Reflects the average rate paid for rooms sold. This chart demonstrates the continued growth in the value of rooms in our region.



Virginia Tourism Corporation - The Virginia Tourism Corporation compiles locality-specific data that measures estimated travel expenditures as well as revenues directly generated by the expenditures. The following chart shows data provided by VTC for the years 2010 – 2014:

Travel Economic Impacts	2010	2011	2012	2013	2014	Percent Change (2010-2014)
Employment	4,863	4,958	5,004	5,218	5,402	11%
Expenditures	\$449,309,435	\$486,712,124	\$502,716,071	\$523,695,220	\$553,386,044	23%
Local Tax Receipts	\$15,859,440	\$16,378,288	\$16,712,317	\$17,662,299	\$18,326,723	16%
Payroll	\$88,077,716	\$91,684,983	\$94,232,951	\$100,551,410	\$105,796,732	20%
State Tax Receipts	\$18,389,978	\$19,016,876	\$19,529,309	\$20,340,815	\$21,619,822	18%
Local Food Service Excise Tax Collected	\$11,844,190	\$12,598,542	\$13,343,436	\$14,271,592	\$14,518,681	23%
Local Lodging Excise Tax Collected	\$4,334,592	\$4,549,624	\$5,027,979	\$5,349,360	\$5,510,380	27%

5 SUMMARY

Findings: The Review Committee finds that the CACVB is managing its dedicated resources effectively and producing the desired results as defined by the established ROI formula and objective industry measures based on the following specific findings:

- CACVB has achieved an average ROI of 7.2:1 for the past nine years, exceeding the 7:1 ROI target established in the Joint Agreement - this compares to a 5:1 ROI target established for the Virginia Tourism Corporation.
- Independently tracked lodging occupancy percentage and average daily rates both show a continuing upward trend even as over 72,000 room nights have been added to our region's inventory in the past five years.
- Independently tracked travel economic indicators show healthy growth in all travel related areas including employment, expenditures, payroll, and local tax receipts.
- Growth in new revenues is being dedicated to direct marketing expenditures as evidenced by the growth in that category in the approved FY 17 budget.

Opportunities:

- The Review Committee feels there is an opportunity to revisit the ROI formula to reflect evolving tourism goals and measures – the existing formula was developed in 2004 and may not accurately reflect the changing tourism environment.
- For the past several years resources and attention have been focused on completing the Albemarle Visitor and Adventure Center as a functioning state certified asset promoting the region's outdoor/active recreation options and on creating a more visible and dynamic tourism presence at the Charlottesville Albemarle Regional Airport. Now that those projects are well underway, the Review Committee feels there is an opportunity to look at other longer term initiatives that will increase visitation mid-week and during the slower season of November – March, with a focus on attracting additional business/conference activity.