

VisitDallas Contract Renewal

Dallas City Council Briefing

May 20, 2020

City of Dallas

Rosa Fleming, Director

Convention and Event Services

Joey Zapata, Assistant City Manager

VisitDallas

Craig Davis, CEO/President

Joyce Williams, Board Chair

Dave Brown, Chair-Elect

**Greg White, Board Member &
Dallas Tourism Public Improvement District
(DTPID) Corporation Chair**



Presentation Overview

- Background
- Purpose
- City Priorities
- Proposed Contract Terms
- Compensation Study
- Dallas-First Marketing
- Governance
- Requested Action
- Next Steps



Background



Background (cont.)

- City Council approved an amended and restated (A&R) contract for VisitDallas on November 13, 2019
- A&R contract expires September 30, 2020
- Contract has options for a five-year and thereafter a three-year renewal
- Convention and Event Services (CES) staff agreed to brief City Council in the spring about proposed renewal terms

Purpose

- Review recommended contract terms for contract renewal for City Council input
- Address the current and forecasted impact of the COVID-19 emergency and effects on CES revenue and local tourism industry

City Priorities

PRIORITIES

- Reduce VisitDallas budget and revise ordinance to provide 11% to other allowable uses for hotel occupancy tax (HOT)
- Align VisitDallas salaries with industry standards and reduce/adjust where necessary
- Focus tourism promotion and marketing on the city of Dallas
- Ensure continued and focused contract compliance
- Generate a governance structure proposal that takes into consideration percent of HOT funding allocated to VisitDallas by ordinance

Proposed Contract Terms

GOAL		PROPOSED CONTRACT TERM
Five-Year Proforma	✓	Reduced budget over five years to release 12.5% for other allowable HOT uses
Compensation Study	✓	Implemented study recommendations
Dallas-First Marketing	✓	Developed a policy and website changes
Continued Contract Compliance	✓	Continue working with VisitDallas on contract compliance improvements
Governance (not included in A&R contract)	✓	Proposed for elected City officials to select one additional board member in the general business group from a choice of 3 provided names

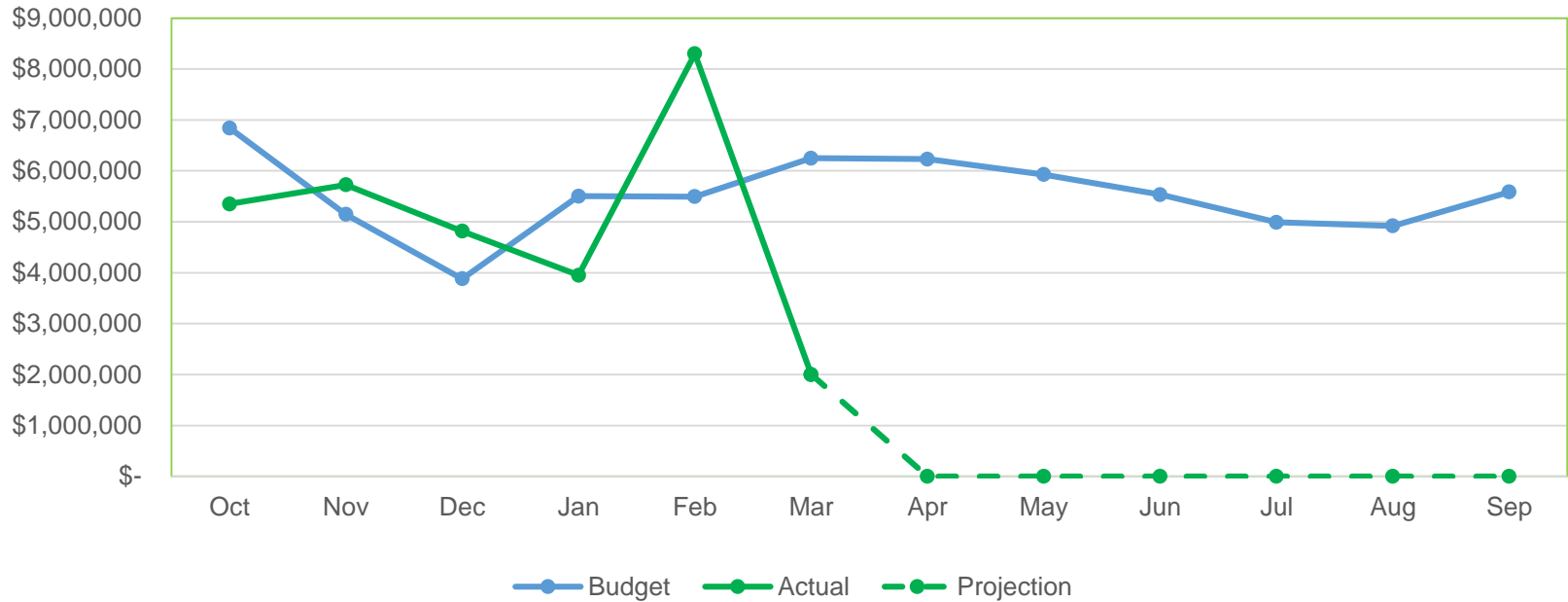
City Priorities – Five-Year Proforma

GOAL	BUDGET REDUCTION
Five-Year Proforma	<p>\$15M proposed five-year budget reduction:</p> <ul style="list-style-type: none">✓ Fulfill existing tourism promotion and marketing commitments✓ Refinement of staffing to better meet mission✓ No impact to sales for Kay Bailey Hutchison Convention Center Dallas✓ <i>Do no harm</i> to tourism, marketing and promotion of Dallas and its correlation to HOT and economic impact✓ KBHCCD capital construction contribution returned to City✓ Commitment to relocate to KBHCCD or other city facility in 2022 upon lease expiration (\$800k savings)

City Priorities – Five-Year Proforma

GOAL	APPROACH
<p>Five-Year Proforma</p> <p>Reduce budget without impacting revenue for:</p> <ul style="list-style-type: none">• KBHCCD Debt Service• KBHCCD Operations• Hotel Occupancy Tax (HOT)• Overall Tourism Dollars <p>Reduce budget without impacting:</p> <ul style="list-style-type: none">• Sales & Marketing for KBHCCD• Arts & Culture Marketing	<ul style="list-style-type: none">• Forecasted COVID decreases• Used Tourism Economics forecast• Evaluated short-term rental (STR) City actuals and CBRE study• Restructured operations and staffing <p>Result:</p> <ul style="list-style-type: none">• No reduction in 2021 (Post-COVID-19 recovery)• Reductions in 2022 – 2025 = 9%• Total Reduction A&R plus Proforma = 12.5%

CES Forecasted FY20 HOT Revenue



FY20 (in Million Dollars)	Budget	Actual/Projection	Variance
October to February	\$27.0	\$28.1	\$1.1
March to September	\$39.4	\$2.0	(\$37.4)
Total	\$66.4	\$30.1	(\$36.3)

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CES Forecasted FY20 Event Revenue

FY20 KBHCCD Bookings	Bookings	Revenue Projections (\$M)
Budgeted	98	33.2
Completed by Feb-29	48	18.4
Cancelled	(31)	(12.8)
Remaining Events thru Sep-30	19	5.2
Added Events (Shelter/FMS*)	2	2.0
Revised Bookings/Revenue	69	25.6

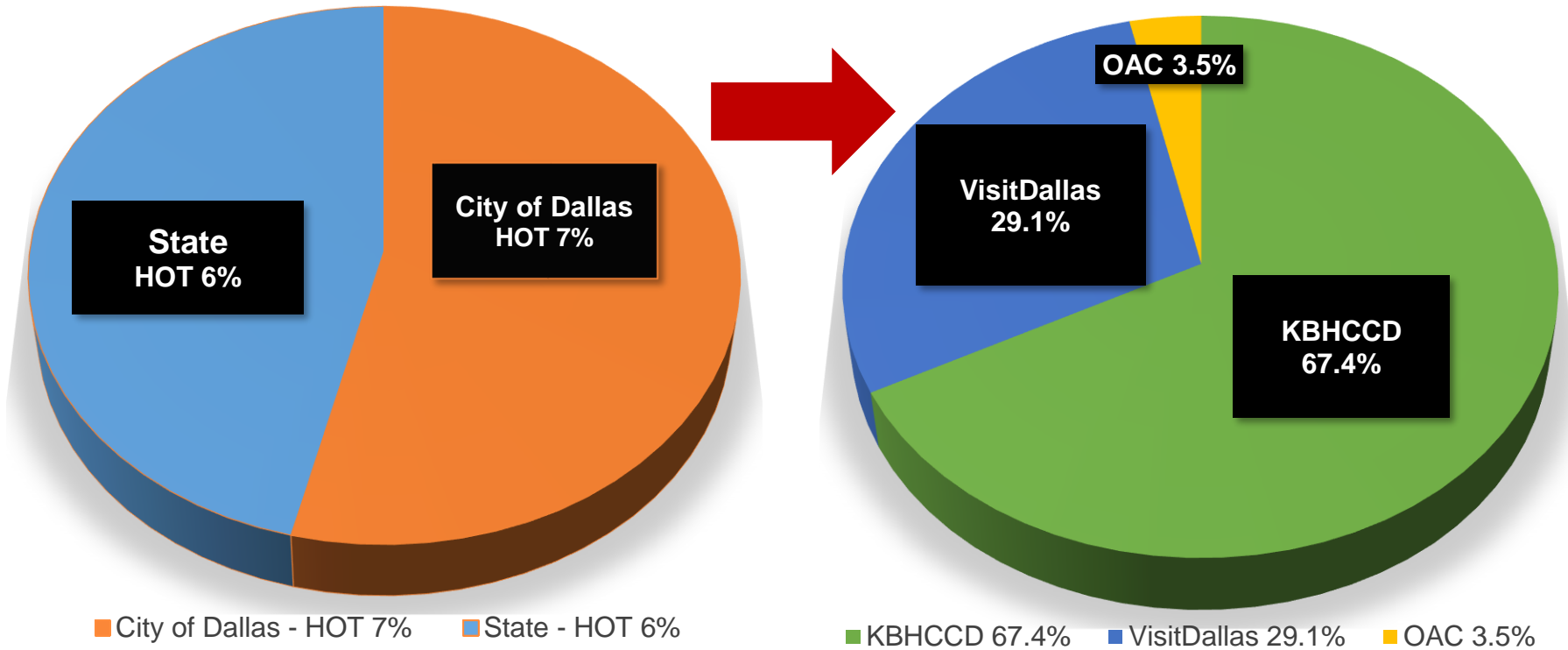
* *Field Medical Service*

VisitDallas and Spectra submitted budgets and provided an outline of the number of events that have cancelled for this fiscal year. Of the 98 budgeted bookings included, thirty-one events have cancelled, including seven citywide events (2,500 room nights on peak).

Hotel Occupancy Tax (HOT) Rate & Allocation

HOT Rate = 13%

City's 7% HOT Allocation



Although not yet reflected in the ordinance, in November 2019, the City Council approved an Amended and Restated contract with VisitDallas that increased the Office of Arts and Culture (OAC) allocation by adding an additional .9% to their budget through a direct allocation from VisitDallas. Additionally, \$500k of the existing allocation to VisitDallas is returned to Convention and Event Services for capital improvements.

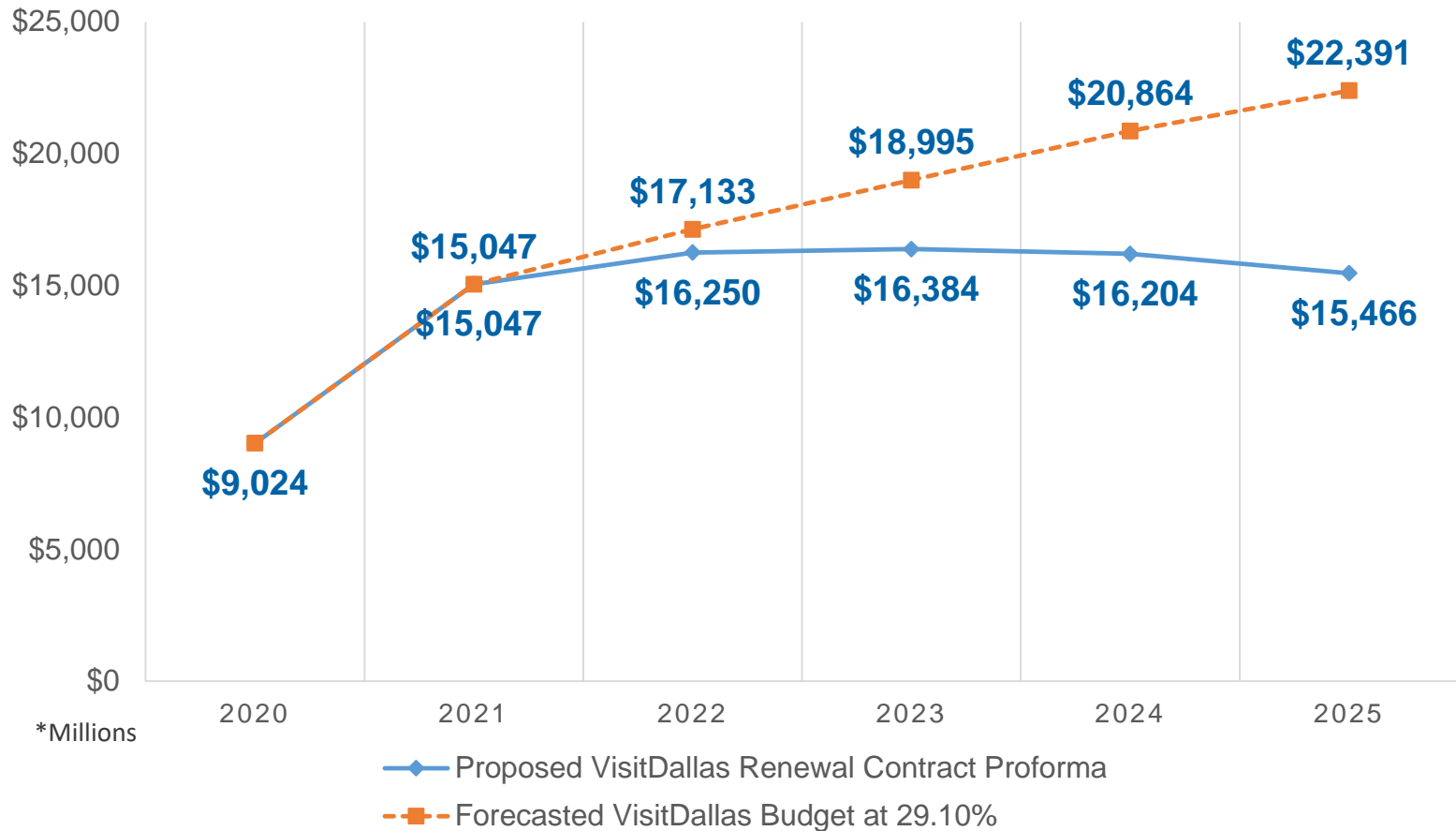
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Proposed Revised Ordinance Distribution

Fiscal Year	HOT Reduction	VisitDallas	Other Allowable Uses	Convention Center
2021	0.00%	29.10%	3.50%	67.4%
2022	1.50%	27.60%	5.00%	67.4%
2023	2.50%	25.10%	7.50%	67.4%
2024	2.50%	22.60%	10.00%	67.4%
2025	2.50%	20.10%	12.50%	67.4%

Proforma to Forecast Comparison

VISITDALLAS PROFORMA TO ORDINANCE PERCENTAGE COMPARISON



Compensation Study

VisitDallas - Pre-COVID-19

- CFO By Design completed an analysis comparing VisitDallas operations with competitive destinations, including:

Competitive Analysis				
Houston	Atlanta	Nashville	Orlando	San Diego
Chicago	New Orleans	San Antonio	Anaheim	Phoenix

- Findings illustrated VisitDallas operational headcounts aligned with competitive set averages
- CES verified with another consultant

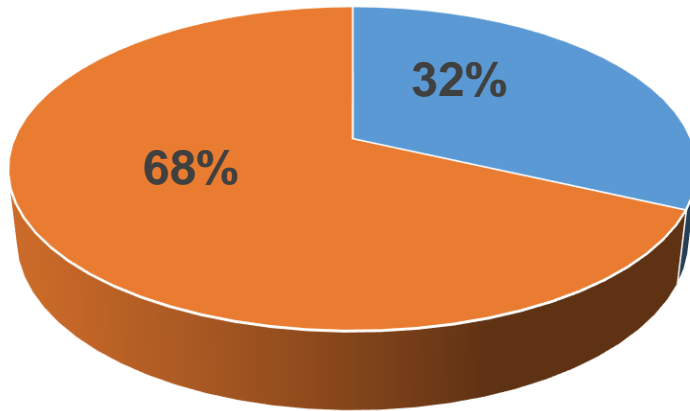
Compensation Study (cont.)

Division	Dallas	Average of Like-Sized DMOs/Sports Commissions
Sales	26.0	24.9
Marketing/Communications	15.0	16.0
Services (Convention and Visitor)	13.6	15.0
Tourism	6.0	5.0
Sports Commission	9.0	10.0
Diversity and Inclusion	3.0	0.8
Admin (Exec, Finance, HR, IT, Research)	15.5	16.5
Public Affairs / Community Affairs / Membership	3.0	6.1
Total	91.1	94.3

Compensation Study (cont.)

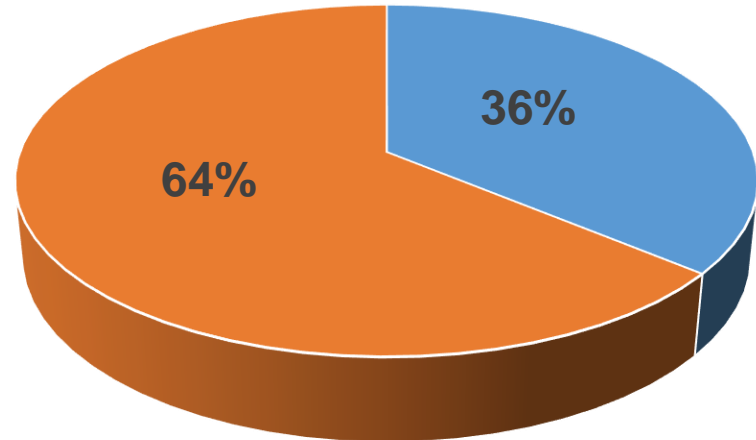
Spend on Personnel by Percentage of Total Budget

Dallas



- Percentage of Budget Invested in Personnel
- Percentage of Budget Invested in Programs

Average of Like Sized DMOs



- Percentage of Budget Invested in Personnel
- Percentage of Budget Invested in Programs

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Compensation Study (cont.)

VisitDallas - Post-COVID-19

- Used forecast data from *Tourism Economics* to eliminate \$2M in programming and \$2.5M in personnel costs
- Eliminated or furloughed 45% of staff
 - Eliminated 28 full-time, and 8 part-time positions (30%)
 - Furloughed an additional 13 positions (15%)

When adjusting for the five-year proforma, savings from permanent reductions carried forward to reach 12.5% for other allowable uses by year 5.

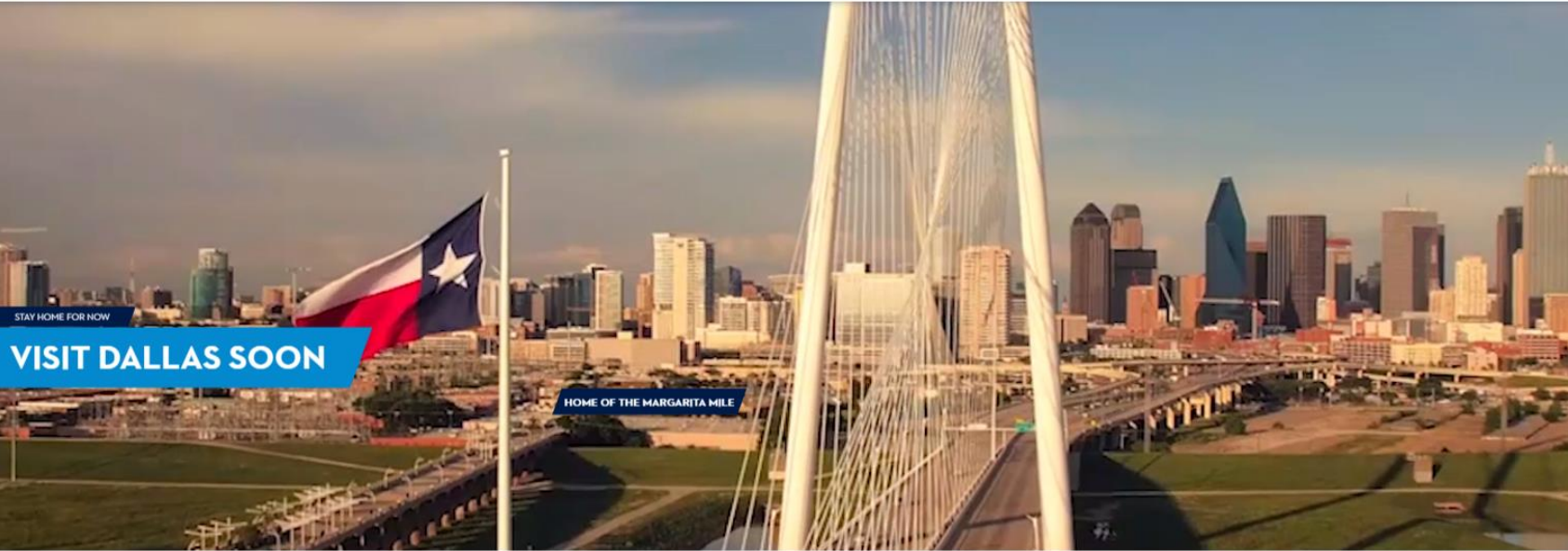
Dallas-First Marketing

VisitDallas increased website advertising rates for non-Dallas entities to allow for a greater focus on the city of Dallas

Membership Type	Partnership Level	Former Rates	New Rates (effective 10/1/20)
Non-Hotel Partner			
	Dallas Strategic	\$650	\$650
	Non-Dallas Strategic	\$650	\$900
	Dallas Invested	\$1,000	\$1,000+
	Non-Dallas Invested	\$1,000	\$1,250+
Hotel Partner			
	Dallas Hotel	\$15-\$20/room	\$20/room in hotel
	Non-Dallas Hotel	\$10.84-\$12.75/room	\$25/room in hotel

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Dallas-First Marketing (cont.)



DALLAS IN REAL TIME

Trending topics, the latest news and the must-see stops.

RESOURCES DAY NIGHT WEEKEND



Contract Compliance

- City improves monitoring of expense, audit, reporting and invoicing data received from VisitDallas
- City hires an independent third party to analyze VisitDallas performance goals and metrics
- Visit Dallas, with City input, engages third party to analyze and provide feedback on the reasonableness and sufficiency of VisitDallas policies, procedures and back-up source data

Governance

Governance was not specifically addressed as part of the A&R Contract; however, VisitDallas did address City Council and City staff leadership concerns with the size and composition of its Board of Directors.

	Original Board Composition	Amended Board Composition	Proposed New Board Composition
Board Size	55	24	24
Mayoral Appointments	2	2	2
Additional Appointment by City Officials	0	0	1
Mayor Selected Chair-Elect	1	1	1
Mayor Selected Vice Chair	1	0	0
City Staff on Board	1	0	0
City Ex-Officios	0	2	2
VisitDallas Ex-Officios	0	1	1
City Presence as a Percentage of Board	9.1%	20.8%	25.0%

*Amended and Proposed Board composition include 21 voting board members and 3 non-voting ex-officio members for total of 24 members.

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Requested Action

City Council approval to:

- Accept proposed contract renewal terms
- Revise the existing Ordinance 29-880 last revised in 2015

Next Steps

City Council consideration of the renewal contract and amended ordinance for May 27, 2020

End Note: Any statements made in this presentation that are not historical or current facts are “forward-looking statements.” These statements are based on assumptions and analyses made by the City in light of its experience and perception of historical trends of the City, current conditions, expected future developments, and other factors it believes are appropriate under the circumstances. However, whether actual results and developments conform to expectations and predictions is subject to a number of known and unknown risks and uncertainties, as well as additional factors beyond the City’s control. There can be no assurance that the actual results or developments anticipated will be realized or, even if substantially realized, that they will have the expected consequences to or effects on the City’s revenues or operations. All forward-looking statements made herein are qualified by these cautionary statements.

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Appendix

1. Renewal Contract Committee Meetings
2. HOT Comparison of Texas Cities
3. Proforma Overview
4. Contract Compliance Details
5. Previous Briefings

Renewal Contract Committee Meetings

CES and the Renewal Contract Committee outlined below met weekly with VisitDallas staff and leadership to negotiate the potential renewal contract:

Renewal Contract Committee

Joey Zapata – Assistant City Manager

Rosa Fleming – Director – CES

Sheri Kowalski – Director – Controller's Office

RaKeba L. Gordon – Assistant Director – Controller's Office

Courtney Pogue – Director – Office of Economic Development

Jennifer Scripps – Director – Office of Arts and Culture

Craig Davis – CEO/President – VisitDallas

Jill Larsen – CFO – VisitDallas

Joyce Williams – Chair – VisitDallas Board of Directors

Dave Brown – Chair-Elect – VisitDallas Board of Directors

Mary Pat Higgins – Cultural Tourism Committee Chair – VisitDallas Board of Directors

Peg Hall – Former Member – VisitDallas Board of Directors

Greg White – Chair – Dallas Tourism Public Improvement District

HOT Comparison of Texas Cities

Fiscal Year	City*	HOT State Portion	HOT Municipal Portion	Convention/ Information Centers	Registration Convention Delegates	Advertising	Arts	Historical Restoration and Preservation	Signage Directing the Public
2019	Dallas (Current)	6.00%	7.00%	67.40%	0.00%	29.10%	**3.50%	0.00%	0.00%
2020 to 2025	Dallas (Proposed)	6.00%	7.00%	67.40%	0.00%	20.10%	12.50%	0.00%	0.00%
2019	Austin	6.00%	7.00%	54.00%	0.00%	16.00%	15.00%	15.00%	0.00%
2019	Fort Worth	6.00%	9.00%	***49.14%	3.15%	43.04%	0.33%	4.07%	0.27%
2019	Houston	6.00%	7.00%	44.00%	0.00%	37.00%	19.00%	0.00%	0.00%
2019	San Antonio	6.00%	9.00%	51.00%	0.00%	27.00%	11.00%	11.00%	0.00%

*Not shown are additional general fund dollars distributed to Office of Arts and Culture equivalent departments

**Proposed Dallas percentage distribution listed under Arts may be distributed for other allowable uses as well based on City Council recommendation

***Fort Worth allocated \$6.8M for construction or expansion of a convention center facility above 7% HOT

Data based on information provided by each city to the Texas Controller's Office (<https://comptroller.texas.gov/transparency/local/hotel-receipts>)

Proforma Overview

	2021	2022	2023	2024	2025
REVENUE					
Hotel Occupancy Tax	\$ 15,047,000	\$ 16,250,000	\$ 16,384,000	\$ 16,204,000	\$ 15,466,000
DTPID Revenue		-	-		-
Event Trust Fund	-	-	-	-	-
Other Revenue	1,697,016	1,743,000	1,790,000	1,838,000	1,887,000
Total Revenue	16,744,016	17,993,000	18,174,000	18,042,000	17,353,000
Total Expense	16,913,842	17,624,000	17,501,624	17,652,400	18,230,600
Increase/(Decrease) in Net Assets	\$ (169,826)	\$ 369,000	\$ 672,376	\$ 389,600	\$ (877,600)
	5-year cumulative increase in Net Assets				\$ 383,550

Contract Compliance

City improves monitoring of expense, audit, reporting and invoicing data received from VisitDallas

Description	Status
Adopt formal procedures for documenting VisitDallas expenses <i>VisitDallas contracted with BDO to develop organization-wide formal procedures</i>	Subsequent to BDO review, VisitDallas contracted with CFO by Design to develop policies May-1
Obtain and review VisitDallas Form 990	Draft Apr-1 and Final by May-15
CES timely invoices VisitDallas for the annual capital contribution	Successfully implemented. Monitoring will continue
ECO to ensure timely invoicing of VisitDallas for annual Dallas Film Commission (Creative Industries) commitment and ECO Director requests monthly financial reports in a format that allows Creative Industries to efficiently reconcile direct expenses to program activity	Transferred duties to VisitDallas effective Oct 2019
ECO Director periodically monitors DTPID's expenses to ensure compliance	Minimum 3 monitoring visits / year
ECO Director, in coordination with VisitDallas and in consultation with the City Attorney's Office (CAO) to address the interim adjustments and excess assessments to ensure City has formal authority to accept assessments regarding hotels	Government Code – flexibility for inclusion now
CES Director monitors VisitDallas' expenses to ensure compliance by analyzing, reviewing and documenting expenses on a random sample basis	Ongoing
CES Director requests VisitDallas maintains a separate bank account for HOT funds	Completed
ECO Director requests VisitDallas maintains a separate bank account for DTPID funds	Completed

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Contract Compliance

City hires an independent third party to analyze VisitDallas performance goals and metrics

Description	Status
Ensure formal City approval of VisitDallas' performance goals	May-30
CES Director, in coordination with VisitDallas, provides adequate assurance that key metrics such as economic impact, bookings, and consumed activity are independently validated on a periodic basis and relevant supporting historical data is retained	Ongoing
CES Director, in coordination with VisitDallas, works to factor historical results of consumed events when setting Citywide event bookings performance goals	Ongoing
CES Director develops procedures for data and metrics measuring the success of the Convention Center	Ongoing
CES Director monitors VisitDallas' compensation practices with particular focus on employee incentive compensation	Ongoing

Contract Compliance

VisitDallas, with City input, engages third party to analyze and provide feedback on the reasonableness and sufficiency of VisitDallas policies, procedures and back-up source data

Description	Status
ECO Director develops a formal contract monitoring procedure and obtains and reviews DTPID's Form 990 annually	Draft by Apr-1 and Finalized by May-15
CES Director develops policies and procedures that document the methodology, formulas, and associated definitions, used in preparing both the monthly VisitDallas metrics report and the annual Accomplishments and Action Plan report	Ongoing sampling
CES Director reviews VisitDallas policies and procedures for completeness and reasonableness and requests VisitDallas amends any insufficient aspects / obtains underlying source documentation used by VisitDallas	Ongoing sampling
CES Director monitors VisitDallas' compensation practices to ensure that paid compensation is properly documented according to VisitDallas policies in order to demonstrate compliance with State laws related to HOT	Sept -30
CES Director monitors VisitDallas' practices with particular focus on the basis for CEO's annual compensation goals in order to demonstrate compliance with State laws related to HOT	Sept-30
CES Director monitors VisitDallas' policies and procedures to provide adequate guidance on allowable expenses to ensure the City achieves the expected benefit from expenses made from HOT and the DTPID funds	Sept-30

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Previous Briefings

OFFICE OF THE AUDITOR - Audit of VisitDallas

AUDIT OF VISITDALLAS Report No. A19-006 PROPOSED
CORRECTIVE ACTIONS Government Performance and Financial
Management Committee February 19, 2019

AUDIT OF VISITDALLAS Report No. A19-006 UPDATE ON
CORRECTIVE ACTIONS City Council Briefing May 15, 2019

VISITDALLAS AMENDED AND RESTATED CONTRACT City Council
Briefing October 16, 2019

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