



Legislation Text

File #: 19-1665, **Version:** 1

STRATEGIC PRIORITY: Government Performance and Financial Management
AGENDA DATE: November 13, 2019
COUNCIL DISTRICT(S): 2
DEPARTMENT: Department of Convention and Event Services
EXECUTIVE: Joey Zapata

SUBJECT

A resolution authorizing: **(1)** the City Manager to execute an Amended and Restated Contract with Dallas Convention and Visitors Bureau for the period beginning October 1, 2019 through September 30, 2020, to incorporate corrective changes in response to the City's Audit findings; and **(2)** the receipt and deposit of funds in an amount not to exceed \$596,690.00 from the Dallas Convention and Visitors Bureau for the transfer to the Office of Arts and Culture in the OCA Hotel Occupancy Tax Fund - Not to exceed \$19,889,664.00 - Financing: Convention and Event Services Fund

BACKGROUND

On January 4, 2019, the Office of the City Auditor (AUD) released the *Audit of VisitDallas Report No. A19-006* which evaluated the effectiveness of services provided by the Dallas Convention and Visitors Bureau (dba VisitDallas) between FY 2016 and FY 2017. The audit tested the reliability and reporting of VisitDallas performance measures and their usage of Hotel Occupancy Tax (HOT) and Dallas Tourism Public Improvement District funds. Ultimately, the AUD provided 18 recommendations based on the data they received and analyzed. Convention and Event Services (CES) and the Office of Economic Development (ECO) agreed with 11 recommendation and provided alternate remedies for the remaining 7. CES, ECO and VisitDallas briefed the City of Dallas Government Performance and Financial Management (GPFM) Committee on February 19, 2019 and full Council on May 15, 2019, providing a commitment to bring forth an amended and restated contract to City Council by October 2019. The amended and restated contract provides stipulations and amendments that meet and address the recommendations provided by the AUD in its January report.

The amended and restated contract includes the memorialization of firm due dates, additional reporting language and requirements, and amended definition for tourism, inclusion of arts and culture specifically for promotional and marketing activities, the removal of reserve fund obligations, the transition of the Dallas Film Commission (dba Creative Industries) to the DCVB, increased retainage from 2% to 3% with enhanced contract compliance requirements and the addition of increased line item funding for arts and culture totaling .9% of the DCVB budget.

The City of Dallas has maintained a contractual relationship with the DCVB since 1996. Section 44-35 of the Dallas City Code, as amended, provides for HOT and for the allocation of a portion of the City HOT revenues to be used for advertising and conducting solicitations and promotional programs to acquaint potential users with public meeting and convention facilities. On September 25, 1996, City Council authorized a contract with the Dallas Convention and Visitors Bureau (DCVB), a nonprofit Texas corporation, for convention, facility promotion, advertising and tourism development services by Resolution No. 96-3120. The contract with the DCVB was for a 10-year period, beginning October 1, 1996 and ending September 20, 2006, with two five-year extension options. The City of Dallas paid the DCVB monthly, an amount equal to 32.60% (33.57% prior to May 12, 1999) of the City's 7% HOT received by the City.

On October 28, 2009, City Council authorized Supplemental Agreement No. 9 to the contract with the DCVB for the City to assume the function of marketing and promoting the City as a desirable location for the entertainment industry by Resolution No. 09-2672. On September 14, 2011, City Council authorized an amendment to the second and final renewal period of October 1, 2011 through September 30, 2013, and replaced it with a two-year contract with three one-year automatic renewal periods, and secured the DCVB's commitment to the City to provide \$500,000.00 in funding annually for capital improvements to the Kay Bailey Hutchison Convention Center Dallas by Resolution No. 11-2452.

On September 9, 2015, City Council, authorized a contract with the DCVB for convention facility promotion, advertising and tourism development for the period October 1, 2015 through September 30, 2020, with one five-year renewal option and one three-year renewal option, subject to annual appropriations by Resolution No. 15-1666. This resolution reduced the amount paid to the DCVB to an amount equal to 30% of the City's 7% HOT received by the City. The contract continued the DCVB's annual commitment of \$500,000.00 for capital improvements to the Kay Bailey Hutchison Convention Center. Additionally, the contract continued the DCVB's commitment to provide \$200,000.00 annually in support for the Dallas Film Commission operations through a \$100,000.00 transfer to ECO and \$100,000.00 in direct pay for Film Commission activities. The contract included new performance goals and reporting requirements, including a 2% retainage to be paid out to the DCVB based on the DCVB meeting or exceeding performance goals. This contract was amended by Supplemental Agreement No. 1, Resolution No. 16-7122 to remove Downtown Tourist Public Improvement funds as the source of funding for the annual \$500,000.00 capital improvement contribution and to update the DCVB contact information move language.

PRIOR ACTION/REVIEW (COUNCIL, BOARDS, COMMISSIONS)

On September 25, 1996, City Council authorized a ten-year contract, with two five-year renewal option terms with the DCVB for the promotion of tourism and convention sales/marketing promotion by Resolution No. 96-3120.

On May 12, 1999, City Council authorized Supplemental Agreement No. 1 to the contract to remove the cap on the amount of compensation and decrease the percentage of compensation the DCVB receives from 33.57% to 32.6% of the 7% Hotel Occupancy Tax the City collects by Resolution No. 99-1652.

On June 26, 2002, City Council authorized Supplemental Agreement No. 2 to the contract to provide \$950,000.00 supplemental funding for additional marketing and promotion of the Dallas Convention Center expansion and required DCVB to establish a reserve fund of not less than \$1,000,000.00 to address future revenue shortfalls and require DCVB to provide for future improvements at WRR Municipal Radio by Resolution No. 02-1986.

On December 11, 2002, City Council authorized Supplemental Agreement No. 3 to the contract to provide \$30,000.00 in funding for the promotion of the City of Dallas and the Dallas area as a location for the production of motion picture and television films by Resolution No. 02-3527.

On January 8, 2003, City Council authorized Supplemental Agreement No. 4 to the contract to reduce the supplemental funding for additional marketing services from the DCVB from \$950,000.00 to \$715,000.00, and to reduce DCVB's required reserve fund from \$1,000,000.00 to \$800,000.00 to address future budget deficiencies, and to reduce DCVB's requirement to pay for capital improvements at WRR Municipal Radio from \$1,050,000.00 to \$790,280.00 by Resolution No. 03-0213.

On October 22, 2003, City Council authorized Supplemental Agreement No. 5 to the contract to defer DCVB's January 1, 2004, repayment in the amount of \$197,570.00 until January 1, 2007, allowing DCVB to offer economic incentives to the clients to facilitate future convention center booking by Resolution No. 03-2860.

On April 28, 2004, City Council authorized Supplemental Agreement No. 6 to the contract to defer DCVB's requirement to establish a reserve account of \$800,000.00 from September 30, 2006 to September 30, 2007, to enable DCVB to support or create special events to attract visitors downtown by Resolution No. 04-1442.

On October 12, 2005, City Council authorized Supplemental Agreement No. 7 to the contract to provide \$200,000.00 supplemental funding for DCVB to promote the City of Dallas and the North Texas area as a location for production of motion pictures and television films by Resolution No. 05-2924.

On September 13, 2006, City Council authorized Supplemental Agreement No. 8 to the contact with DCVB, exercising the first of two five-year renewal options to extend the contract by Resolution No. 06-2490.

On October 28, 2006, City Council authorized Supplemental Agreement No. 9 to the contract with DCVB for the City to assume the function of marketing and promoting the City as a desirable location for the entertainment industry (i.e. film, digital image and other) and other actions by Resolution No. 09-2672.

On September 14, 2011, City Council authorized an Amended and Restated Contract with the DCVB for convention facility promotion, advertising and tourism development services by Resolution No. 11-2452.

The Economic Development Committee was briefed regarding this matter on August 17, 2015.

On September 9, 2015, City Council authorized a contract with the DCVB for convention facility promotion and advertising and tourism development by Resolution No. 15-1666.

On December 19, 2016, City Council authorized Supplemental Agreement No. 1 to remove Downtown Tourist Public Improvement funds as the source of funding for the annual \$500,000.00 capital improvement contribution and to update the DCVB contact information by Resolution No. 16-7122.

The Government Performance and Financial Management Committee was briefed on the Audit of VisitDallas Report No. A19-006 Proposed Corrective Actions on February 19, 2019.

City Council was briefed on the Audit of VisitDallas Report No. A19-006 Update on Corrective Actions on May 15, 2019.

City Council was briefed on the VisitDallas Amended and Re-stated Contract on October 16, 2019.

FISCAL INFORMATION

Convention and Event Services Fund - \$19,889,664.00