



**CITY COUNCIL ISSUE SUMMARY**

CITY OF BEND

<b>MEETING DATE:</b> May 15, 2019	<b>SUBJECT:</b> Approve Visit Bend FY 2019-20 Business Plan and Budget  <b>STAFF MEMBER:</b> Carolyn Eagan <b>DEPARTMENT:</b> Economic Development
<b>ACTION REQUIRED:</b>  <input checked="" type="checkbox"/> <b>Motion</b> <input type="checkbox"/> <b>Public Hearing Date:</b> <input type="checkbox"/> <b>Ordinance 1<sup>st</sup> Reading Date:</b> <input type="checkbox"/> <b>Ordinance 2<sup>nd</sup> Reading Date:</b> <input type="checkbox"/> <b>Resolution</b> <input type="checkbox"/> <b>Information/Direction</b> <input type="checkbox"/> <b>Consent Agenda</b> ( <i>adopted by motion</i> )	<b>ADVISORY BOARD/COMMISSION RECOMMENDATION:</b> <input checked="" type="checkbox"/> <b>Approval</b> <input type="checkbox"/> <b>Denial</b> <input type="checkbox"/> <b>None Forwarded</b> <input type="checkbox"/> <b>Not applicable</b> <b>Comments:</b> The Bend Economic Development Advisory Board (BEDAB) provides fiscal oversight of the Visit Bend Business Plan. The BEDAB approved the 2020 Business Plan and budget at their May 6 <sup>th</sup> , 2019 meeting.

**RECOMMENDED LANGUAGE FOR MOTION:** I move to approve the Visit Bend Business Plan and approve the allocation of \$3,146,126 in Tourism Funds for fiscal year 2019-20.

**ISSUE / COUNCIL DECISION & DISCUSSION POINTS:**

As per the contract between the City of Bend and Visit Bend, each year Visit Bend proposes a Business Plan and Budget for allocation and investment of the Tourism Fund. The dollar amount is forecast by Visit Bend, reviewed by the Bend Economic Development Board (BEDAB) for fiscal accuracy, and considered for approval by the Bend City Council.

The City Council is the final approval authority for the Business Plan.

**BACKGROUND:**

On November 5, 2014 City Council approved a three-year contract for Visit Bend that modified the formal relationship between the two parties. On May 3, 2017 the Council extended this contract through June 30, 2022 while amending the contract to reflect an assumed budget not to exceed 31.2% of the City's total room tax revenues.

In September 2017, the Oregon Restaurant and Lodging Association and two local plaintiffs filed suit against the City in Deschutes County Circuit Court, contending that the City should allocate 35.4% of total room tax revenue to tourism promotion based on interpretation of state statute. After the court found in plaintiffs' favor, in June 2018 the City appealed the judgment to the Oregon Court of Appeals. The appeal remains active. In the meantime, the

equivalent of 4.2% of total room tax revenues (the difference between the two allocations above) will be held in reserve in the City's General Fund pending the outcome of the case.

The contract between the City and Visit Bend requires the City's Economic Development Advisory Board (BEDAB) to review Visit Bend's proposed business plan for each fiscal year before forwarding to City Council for final review.

BEDAB's review seeks to identify Visit Bend's progress toward their stated goals in fiscal year 2018-19, approve the goals outlined in the 2019-20 marketing plan, and ensure that proposed 2019-20 expenditures meet the needs and expectations of stakeholders in the City's tourism industry.

The 2019 Business Plan included a new component: a proposal to devote a portion of tourism funds to create a cash reserve fund for unbudgeted marketing expenses, operational opportunities, or unbudgeted capital expenditures. Visit Bend pledged to allocate the equivalent of 5% of their total budget annually to the reserve fund in order to achieve a multi-year funding goal of \$750,000. The funding target for fiscal year 2019 was \$158,613. Visit Bend is on pace to meet or exceed this target by the end of the current fiscal year.

On April 29 and May 6, 2019 Visit Bend staff presented their 2018-19 successes and proposed initiatives for 2019-20. BEDAB had the opportunity to provide feedback and revisit the Business Plan before making a final decision at their meeting on May 6, 2019.

The plan outlines Visit Bend's goals and objectives. These objectives are:

- Achieve a +4% year-over-year growth in room tax collections.
- Maintain citywide lodging occupancy (traditional + short term) rate as well as Average Daily Rate (ADR).
- Distribute \$210,000 in grants through the Bend Cultural Tourism Fund.
- Continue to fund "Rainy Day" Reserve Fund at 5% of budget.
- Maintain their position as the most effective social media marketers within their DMA West competitive set (Visit Central Oregon, Visit Mesa, Visit SLO, Visit Sedona, and Tualatin Valley).
- Produce 3 content video pieces per month placed digitally.
- Establish Bend as a leader in sustainable tourism, achieving 50,000 new pageviews on visitbendlikealocal.com, and reach 50,000 Bend Pledge submissions.
- Launch Pledge for the Wild in partnership with other notable destinations including Jackson Hole, Steamboat Springs, South Lake Tahoe, and Bozeman.
- Continue to partner with regional organizations such as EDCO, the Bend Chamber, Visit Central Oregon, and Mt. Bachelor to create a stronger level of economic development.
- Continue to fund research to better understand visitor profiles and behaviors.
- Collaborate with land managers and key non-profits to promote proper and respectful use of the area's natural resources and wild places.

At the May 6, 2019 meeting, the BEDAB also considered whether or not the cities that Visit Bend has identified as their media markets are the best markets for advertising. Visit Bend explained that they advertise within an eight-hour drive distance to Bend, while tourism partners Visit Central Oregon and Travel Oregon advertise on the west coast, nationally and

internationally. Visitors to Bend are largely (70%) from other parts of Oregon with the remaining 30 percent from California, Washington, and elsewhere.

The BEDAB concluded that Visit Bend is advertising to the right markets, based on the following: state law which dictates that the money be spend on Tourism Promotion; the fact that if Visit Bend advertised in Kansas we would have fewer visitors; and, that the City contracts with Visit Bend to identify markets that will bring in the largest number of visitors to get the greatest return so that we contribute the largest amount of money possible to the general fund. BEDAB also wants to make sure that the businesses and employees who depend on visitors can continue to sustain and grow their companies and livelihoods. We have over 1,000 businesses and nearly 13,000 employees who rely on our leisure and hospitality industry. BEDAB concluding that asking Visit Bend to change their markets for advertising would result in a known harmful impact to existing industries, without producing any known or understood benefits to the housing affordability crisis.

The BEDAB believes that Visit Bend achieved the goals set forth in the 2018-19 Business Plan. The BEDAB approved Visit Bend's 2020 Business Plan and request for \$3,146,126 on May 6, 2019.

**CURRENT YEAR BUDGET IMPACTS IDENTIFIED BY DEPARTMENT:**

The City budget includes \$10.6 million that will be collected in Room Tax revenue in fiscal year 2019-20. The Tourism Fund budget includes \$3,294,100 in Room Tax revenue. The city budgeted to spend \$65,900 for associated administrative costs and \$3,228,700 for tourism promotion.

The Visit Bend request for \$3,146,126 is slightly less than the City's forecast expenditures for tourism promotion in fiscal year 2019-20. If collections exceed the City's forecast, a budget adjustment will be presented to City Council in fiscal year 2020-21 to recognize additional revenue and increase appropriations for administrative costs and tourism promotion.

**DEPARTMENT DIRECTOR REVIEW:**

**Reviewed by:** Carolyn Eagan      **Date:** May 7, 2019

**FINANCIAL REVIEW:**

**Reviewed by:** Melissa Bradley      **Date:** May 7, 2019

**LEGAL REVIEW:**

**Reviewed by:** Ian Leitheiser      **Date:** May 7, 2019

**COMMUNITY OUTREACH PROCESS AND POTENTIAL IMPACTS:**

Per the Visit Bend contract, the business plan and budget were presented to the City's Economic Development Advisory Board (BEDAB) on April 29, 2019; a final recommendation from BEDAB to City Council was made on May 6, 2019. The board made no additions or deletions to the proposed business plan and approved the request from Visit Bend for fiscal year 2019-20.

After the April 29 presentation to BEDAB, the proposed business plan was shared with the business community via the Business Registration newsletter. Recipients with feedback were encouraged to share their feedback during the public comment period at BEDAB's May 6 meeting.

Almost 13,000 jobs, or 15.6 percent of the City's total employment is in leisure and hospitality and over \$440 million of the region's \$8.2 billion in GDP is related to tourism. Investment in the promotion of Bend to potential visitors will benefit the entire business community. This is especially true as Visit Bend continues to focus its efforts on the shoulder and winter seasons. Lodging bookings in October through April provide more certainty to businesses and more hours for employees in the related industries.

**ATTACHMENTS:**

- 2020 Visit Bend Proposed Business Plan & Budget