



# City of San Antonio

## Agenda Memorandum

**File Number:**16-1188

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**Agenda Item Number:** 25.

**Agenda Date:** 2/18/2016

**In Control:** City Council A Session

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**DEPARTMENT:** Convention and Visitors Bureau

**DEPARTMENT HEAD:** Casandra Matej

**COUNCIL DISTRICTS IMPACTED:** City-Wide

### **SUBJECT:**

Authorization and approval to initiate the process to transition the San Antonio Convention and Visitors Bureau, a municipal government organization, to a non-profit corporation.

### **SUMMARY:**

The purpose of this Resolution is to initiate the next steps for the establishment of the Convention and Visitors Bureau (CVB) as an independent 501(c)(6) organization. This item authorizes staff to begin the process for the creation of a corporation.

### **BACKGROUND INFORMATION:**

In May 2015, Mayor Taylor appointed the 13-member CVB Structure Task Force that includes leaders from the hospitality industry, business community and the City of San Antonio. The Task Force was chaired by SeaWorld President Dan Decker and was charged with identifying the ideal CVB structure that would afford a greater competitive advantage for the City and as a destination.

The CVB Structure Task Force presented its findings and recommendation to the Mayor and City Council at the December 9, 2015 B-Session. The recommendation is to transition the CVB from a municipal government organization to an independent nonprofit corporation. The proposed new structure will increase the speed to market and presents opportunities to diversify the organization's revenue sources. A preliminary timeline discussed at the B-Session included the creation of the corporation by October 1, 2016, with current CVB staff transitioning to the new organization by January 1, 2017 and achievement of full organization transition by October 1, 2017. Overall, City Council was supportive of the recommendation and asked staff to develop a detailed transition plan.

The first step is to initiate creation of the corporation, which includes filing with the State of Texas and submitting an application to the Internal Revenue Service for the 501(c)(6) designation. The articles and bylaws for the corporation must also be drafted. The articles of incorporation establish the organization's form and define the entity's purpose. The bylaws outline the board composition, terms, and officers and also include information on an organization's hiring practices, record keeping and meeting procedures. Finally, a to-be-negotiated Management Agreement will be the controlling document that will authorize the Corporation to perform specific services on behalf of the City. Major discussion points of the agreement include the Agreement's duration, public funding, metrics, open records and transparency, staffing, and marketing. This agreement will be presented to City Council in October 2016.

A Transition Leadership Team comprised of public and private leaders will oversee the drafting of the bylaws, articles of incorporation, and management agreement. Prior to executing any agreements between the City and the Corporation concerning the transition, City staff will brief City Council in April as to the final content of the articles and bylaws. City staff will also return to City Council in summer 2016 with a briefing on the content of the management agreement prior to Council action in October 2016.

#### **ISSUE:**

CVB has engaged Norton Rose Fulbright to begin the process for creation of the corporation. The process includes filing with the Texas Secretary of State, applying for an Employer Identification Number (EIN), and applying for 501(c)(6) designation with the Internal Revenue Service. This process is expected to take about 6 to 12 months, with the majority of this time attributed to receipt of the 501(c)(6) designation. This action authorizes staff to proceed with the creation process.

#### **ALTERNATIVES:**

If the resolution is not passed, the CVB would be unable to transition to a private 501(c)(6) organization potentially positioning the City, CVB and local visitor industry at a greater disadvantage in competing with other destinations to market the destination to visitors and group business.

#### **FISCAL IMPACT:**

This item has no immediate fiscal impact. Staff will return to City Council in October 2016 with the Management Agreement between the City and the Corporation and will present the fiscal impact at that time.

#### **RECOMMENDATION:**

Staff recommends approval of this item initiating the process for the creation of the corporation in the State of Texas and the application process for 501(c)(6) designation