



City of San Antonio

Agenda Memorandum

File Number:16-4809

Agenda Item Number: 4.

Agenda Date: 9/29/2016

In Control: City Council A Session

DEPARTMENT: Convention and Sports Facilities Department

DEPARTMENT HEAD: Michael J. Sawaya, Director

COUNCIL DISTRICTS IMPACTED: All

SUBJECT:

Execution of a Professional Service Agreement with Visit San Antonio ("VSA") establishing VSA as the City of San Antonio's ("City") provider of destination and marketing services and other functions formerly provided to the City by the City's former Convention & Visitors Bureau ("CVB").

SUMMARY:

This ordinance authorizes the execution of a Destination and Marketing Services Agreement in the amount of approximately \$23,000,000.00 in fiscal year 2017 and other related agreements with Visit San Antonio ("VSA") for the performance of duties associated with the City's former Convention & Visitors Bureau ("CVB").

BACKGROUND INFORMATION:

The visitor industry is a key economic generator for the City of San Antonio with an estimated \$13.4 billion annual economic impact. Additionally, San Antonio hosts more than 32.5 million visitors annually, which provides for more than 122,500 local jobs. The significance of the CVB's efforts, working jointly with its partners, is directly connected to the success of San Antonio's visitor industry. The SACVB is the only organization of the top 50 U.S. cities in a city governed structure, including all cities in our competitive set.

Competition between destinations for leisure visitors, meetings, and conventions is growing at both a national and international level. A primary goal for this transition is to cultivate a dynamic and competitive Destination Marketing Organization ("DMO") that affords the best competitive advantage to sustain and grow the San Antonio visitor industry.

In May 2015, Mayor Taylor appointed a CVB Structure Task Force (the "Task Force") comprised of more than a dozen local industry leaders charged with determining an ideal structure for a DMO entity to afford the City a greater competitive advantage in attracting leisure visitors, meetings, and conventions.

In December 2015, the Task Force recommended to Mayor Taylor and the City Council a transition from the City's current CVB structure that operated as a City department to a public/private 501(c)(6) non-profit corporation independent of City government. Key considerations for this recommendation were:

- 1) to afford the City a greater competitive advantage;
- 2) to sustain and grow San Antonio's visitor industry; and
- 3) to afford new opportunities for budget growth through private and other sources.

In February 2016, City Council approved a Resolution to Proceed with Transition, effectively directing City staff to work toward establishing an independent entity to accomplish the services provided by the City's CVB. City staff, led by members of its CVB, then established Visit San Antonio ("VSA") as a 501(c)(6) non-profit entity with the intent of transitioning the duties of the CVB to VSA. On May 5, 2016, Mayor Ivy Taylor appointed the initial Board of VSA comprised of five individuals:

- Councilwoman Rebecca Viagran, District 3
- Frank Miceli, Sales & Marketing Executive, Spurs Sports & Entertainment
- Tim Sullivan, General Manager - Marriott Rivercenter/Riverwalk Hotels
- Rusty Wallace, Regional Vice President, General Manager at Omni Hotels
- Marise McDermott, President & CEO Witte Museum

Since its establishment, City staff, to include CVB, has negotiated a Destination and Marketing Services Agreement (the "Agreement") whereby the City would provide funding to VSA through the City's Hotel Occupancy Tax ("HOT") collections to compensate VSA for the provision of services formerly performed by the City's CVB. The Agreement establishes services related to the attraction of leisure visitors, meetings, conventions and events to San Antonio to be performed by VSA. Additionally, the Agreement provides for an annual Business Plan to be implemented by VSA to achieve certain goals and objectives in the tourism and convention industries and a transition plan that established VSA as an independent entity.

ISSUE:

The Agreement is for a five (5) year term with a five (5) year renewal option. The primary purpose of the Agreement is to work to maximize the business and operating relationship of the City and VSA and to ensure the continued promotion of travel and tourism and the aggressive marketing of San Antonio as a major meeting destination. The Agreement establishes VSA as the primary sales and marketing entity for the Henry B. Gonzalez Convention Center and provides certain metrics for VSA to book major events and conventions at the facility. Additionally, the Agreement provides for VSA to provide imaging and marketing campaigns for the City and to provide periodic reports on VSA's progress in implementing its annual business plan.

The Transition Plan would serve as an exhibit to the Agreement and would address some of the key and/or unique business relationships for both the CITY and VSA associated with the successful transition of the CVB to VSA during its initial transition year, to include:

- CVB/VSA Staff Transition
- City Services
- Coordination of Air Incentive Reserve and Marketing/Major Events Reserve
- Transition of Current Assets
- Revenue Enhancement Plan

ALTERNATIVES:

City Council could choose to not approve the Agreement which would result in VSA not being utilized as the City's primary provider of destination and marketing services.

FISCAL IMPACT:

This ordinance authorizes expenditures in the amount of \$23,330,624.00, payable to Visit San Antonio for destination and marketing services for FY2017. It further specifies authorization to use VSA for destination and marketing services for FY2018 through FY2021, with a one-time five year extension to FY2026.

Beginning on October 1, 2017, the City shall target 35 percent (35%) of HOT collected minus the provision of payment satisfying the City's lease payment (debt service) obligation to the Public Facilities Corporation as well as any amount set aside for the defeasance of debt. Then, each year during the City's annual budget process, the targeted percentage will result in an annual appropriation (budgeted amount) to be paid to VSA. The targeted annual percentage may be adjusted by the City during the City's annual budget process based upon the annual update to the HOT Pro Forma in order to make a determination on whether or not adjustments are necessary to increase, maintain, or reduce operating expenses due to, but not limited to changing economic conditions, requirements of the VSA, requirements of the City and funding levels of the contingency funds and lease payment. The City will actively manage operating expenses to be funded with HOT in keeping with the HOT Funds financial policy approved by City Council on September 20, 2012 through Resolution No. 2012-09-20-0038R.

This ordinance authorizes VSA to contract with the City for usage of City employees with a reimbursement of all personnel costs during the FY2017 year of transition.

This ordinance additionally authorizes the City to enter into a multi-year lease agreement for rental space and equipment, not specifically noted below, at the City's International Center and Visitor Information Center for VSA's usage for an estimated FY2017 budget of \$592,221 and \$35,829. Subsequent years leasing revenue will be negotiated and determined through a prospectively executed contract.

This ordinance further permits the City to transfer ownership and titles of furniture and fixtures, personal computers, laptops and miscellaneous equipment, vehicles/fleet and intellectual property as detailed out in the Transition Agreement to VSA as of October 1, 2016.

RECOMMENDATION:

Staff recommends approval of this item which authorizes the execution of a Destination and Marketing Service Agreement and associated agreements with Visit San Antonio to effectively transition the services of the City's former Convention & Visitors Bureau.