

Branson/Lakes Area Tourism Community Enhancement District

TOPIC: Contract Management and Marketing Administration
PREPARED BY: Ann McDowell, Board President and Chair

BACKGROUND:

The Branson/Lakes Area Tourism Community Enhancement District (BLATCED) is a special district established under Missouri law that includes the City of Branson, the Village of Indian Point and tourism oriented portions of Taney and Stone Counties, including Silver Dollar City. Voters in the Tourism District approved a 1% sales tax in November 2005, to be utilized for marketing the area. A seven-person, volunteer Board of Directors, appointed by elected officials from Branson, Indian Point, Taney and Stone Counties administer the District and oversee the spending of these tax dollars for the purpose of promoting tourism to the area. The BLATCED tax collection began on April 1, 2006. The tax sunsets March 30, 2016. *Reference: RSMo Sec. 67.1950 – 67.1979*

REQUEST FOR PROPOSAL

In March 2006, the BLATCED Board of Directors established its Advisory Council appointing 13 members from various tourism industry segments, selected based on their knowledge and experience in marketing. An official Request for Proposals (RFP) was distributed nationwide to secure bids from entities wishing to provide the administrative services for the District's marketing programs. Administrative responsibilities include the development of the marketing plan and the oversight of its implementation. RFP solicitation began March 3 and qualified bidders provided the requested information by April 21, 2006. Finalists came to Branson for personal presentations on May 23, 2006. The Advisory Council, along with the BLATCED Board reviewed bidder information thoroughly. The Advisory Council submitted several recommendations to the Board of Directors on June 9, and the Board held follow-up sessions with bidders and continued to gather and process related information directly thereafter.

Early in August 2006, the BLATCED Board of Directors voted to enter into contract negotiations with the Branson/Lakes Area Convention and Visitors Bureau (BLACVB) to be the marketing administrators for the District. The BLATCED Board selected this direction for three primary reasons:

- 1) Our own CVB had the history, experience and knowledge of our area that far exceeded any other bidder.
- 2) As a non-profit, community-based organization, the BLACVB invites and encourages involvement from the best marketing and business professionals in the area who volunteer their time and expertise. These business leaders have a vested interest in the effective marketing of our area and are committed to making all of Branson stronger and more successful.
- 3) As an official Destination Marketing Organization (DMO) recognized by the State of Missouri Department of Tourism, our CVB can access over \$600,000 annually in matching funds from the state. Those dollars are not available to any other public or private organization within three years of being established, so the net loss in marketing dollars by not utilizing our established DMO would be nearly \$2 million.

Through this extensive RFP process, we also learned that many private companies outside our community would like the opportunity to access our tax revenues and perform specific parts of our marketing, usually creative production, promotion and media buying, but none of them provide the full range of services performed by our experienced and established DMO.

A final contract was completed and signed October 1, 2006 for a duration of three (3) years with the possibility of an extension upon notice no later than 7.30.09.

SEPARATION OF MEMBERSHIP AND DISTRICT TAXING ENTITIES

When the contract for marketing administration was first developed with the Branson/Lakes Area Chamber of Commerce and Convention & Visitors Bureau, the BLATCED required the organization to separate the Chamber from the CVB functions and finances, so that the member-based chamber could

provide services to area businesses without impacting the destination marketing functions of the tax-funded CVB. According to the legislation that established the BLATCED, its tax-generated resources must promote tourism to the District and include all tax-collecting entities within the District, regardless of Chamber membership.

CONTRACT MANAGEMENT, AUDITS and MODIFICATIONS:

The contract with the CVB for Marketing Administration was a three-year contract with an automatic Cost of Living Adjustment (COLA) in year three. During the contract term, annual financial audits and contract compliance audits were conducted by the independent accounting firm, Dunton and Associates. Several auditor recommendations were incorporated into contract modifications and adjustments mutually agreed to by the BLACVB and BLATCED. Several other issues were resolved with policy or procedural adjustments made during the term of the contract.

The annual marketing plan and budget is approved by the BLATCED Board of Directors. The BLACVB provides quarterly updates on the progress toward goals established in the contract and others of interest to the District and the tourism community.

All marketing expenses funded by the BLATCED sales tax are on a cost reimbursement basis, meaning that every penny spent on marketing and advertising is paid directly to vendors after adequate documentation is provided that corresponds to the previously approved budget. Documentation is reviewed by the BLATCED's administrator and two Board officers prior to payment. There are no add-on's or mark-up's to these invoices.

RFP's are frequently used by the BLATCED and by the BLACVB to secure the best products and services at the best price. Professional outside firms are used to provide branding, creative, printing, strategic, production, research, media buying, public relations and numerous other specific marketing implementation efforts required for promoting our destination.

CONTRACT REVIEW AND RENEWAL:

At the April 2009 BLATCED Board of Directors meeting, the BLACVB presented their case for continuation of their administrative contract with the District. Unsolicited, the two largest tourism organizations in the area, the Branson/Lakes Area Lodging Association and the Branson League of Theater Owners and Producers, both submitted letters of endorsement to the District, supporting the continuation of the BLACVB as the area's marketing administrators. Others including Mary Kellogg from The Titanic Museum Attraction and Gene Conrad from the Branson Airport attended the meeting in person to voice their support of the CVB. At that same meeting, the BLATCED Board created a task force to conduct an in depth review of the marketing contract with the BLACVB. The Contract Review Task Force, chaired by director McDowell with directors Skains and Leman serving, was appointed and began work.

The Task Force reviewed and evaluated contract effectiveness in five areas: service delivery, relationship management, contract administration, seeking improvement and managing change. A report of the task force findings was submitted to the BLATCED Board on May 22, 2009 which concluded that service delivery was accurately and appropriately provided in accordance with the stated objectives of the contract and the measured results of those efforts. Contract administration was also implemented appropriately. Areas for improvement included communication at the strategic level between the BLATCED and BLACVB, the need for a formal conflict resolution process, and better pursuit of ongoing improvements and change management. These issues were discussed at length at a joint meeting of the BLATCED Contract Review Task Force and Board of Director representatives from the BLACVB on 6.15.09.

CONTRACT NEGOTIATION:

On June 16 at the regularly held, public BLATCED Board of Directors meeting, the Contract Review Task Force recommended and the BLATCED Board voted their approval to forego a formal RFP, and begin negotiations to extend the existing contract with the BLACVB. The Task Force and Board agreed that in-depth contract review and revision work would be the best way to improve the effectiveness and efficiency of the District's marketing administration. Opening the contract for bids from private, for-profit entities outside our District to compete with our community-based, strongly supported, non-profit CVB, now officially recognized by the State of Missouri as the exclusive DMO for Taney County, would likely be a resource consuming effort with a predictable outcome.

The Contract Review Task Force then transitioned into the Contract Negotiation Task Force, with the same chair and members continuing the process of developing the revised agreement. The Task Force requested considerable and detailed information for review and met with various representatives of the BLACVB approximately eight times, all in open meetings, over the next 60 days.

The following open meetings covered each discussion topic noted in considerable detail. All Task Force members and BLACVB representatives attended every session. Additional BLATCED board members and interested guests occasionally attended. A summary of the sessions follows:

- 6.25.09 Formulated request for specific information regarding marketing functions, budget structure, process and management and community involvement from the BLACVB.
- 7.16.09 BLACVB presented requested information for review and discussion.
- 7.22.09 BLACVB presented requested information for review and discussion.
- 7.29.09 BLACVB key management provided departmental P&L's. Expense distribution and allocations were discussed and adjustments requested and made.
- 8.05.09 Simplified and clarified objectives in Section 2 of the contract and assigned specific, objective measurement methods for each. Initial communication plan efforts were identified and documented.
- 8.12.09 Historical administrative fee analysis, time tracking summary to support staff allocations and demonstration of surplus roll over. Three and twelve month admin fee proposed.
- 8.19.09 Contract term options, 15 "clean up" items from BLATCED's Financial Oversight Committee and auditor reports were implemented via contract language or policy change.
- 8.26.09 Task Force recommended and BLATCED Board of Directors approved contract changes and enhancements and requested treasurer, staff and attorney to develop contract language.

ADMINISTRATIVE EXPENSE DETAIL

One of the topics covered during the contract negotiations was the management of administrative expenses. Destination marketing requires the employment of professionals who develop and direct program implementation, as well as necessary operational needs and expenses common to any business. The BLATCED provides an administrative fee that covers the salaries, benefits, office space and other costs required for the operation of the Convention and Visitors Bureau. In addition to the marketing administration of the BLATCED, BLATCED funds also cover administrative expenses for the management and implementation of the City of Branson and Missouri Tourism Coop funds, neither of which reimburse any administrative costs.

The combined compensation of the BLACVB's (roughly 22) destination sales and marketing-related employees make up approximately 78% of the administration fee each year, or about 12% of the total marketing and advertising expenditure for the whole community. (Based on 2009 data.)

During the first three years of the marketing contract with the CVB, administrative fees were:

2006-2007	\$1,100,000.00	With 2-3 open director level positions at start of the fiscal year
2007-2008	\$1,406,000.00	Fully staffed for full year; publications expense (and revenues) added to the BLACVB/District budget (2007 publications were underway prior to the first contract, so remained in the Chamber's budget during year one of the contract.)
2008-2009	\$1,550,660.00	Automatic COLA increase of 3.9%; Internet management was moved from web site expenses to administrative expense.
Oct.-Dec. 2009	\$432,233.00	Three months of stub year to adjust BLATCED fiscal year to a calendar year.
2010	\$1,620,002.00	Removed automatic COLA increase from contract; four additional staff.
2011	\$1,692,251.00	1% salary increase; 3.45% increase in cost of benefits.
2012	\$1,692,251.00	No increase.

The Contract now requires the administrative fee to be reviewed for possible adjustment each year, but without any automatic increase based on COLA or any other measurement.

BLACVB staff now total 26 (FTE). Personnel and other administrative costs combined now represent approximately 16.8% of the total marketing funds available for our destination, with the remaining 83.2% going directly to marketing and advertising investment. (Destination Total includes City of Branson and Missouri Division of Tourism coop funds utilized by the CVB to market our area.)

INDUSTRY COMPARISON OF ADMINISTRATIVE EFFICIENCY

In 2007, Destination Marketing Association International published a comprehensive study that included more than 600 DMO's worldwide--223 DMO's in the US and Canada responded to the survey. The chart below, reviewed at the April BLATCED Board Meeting, illustrates how the BLACVB compares to its peers in North America.

INDUSTRY DATA COMPARISON PROVIDED TO BLATCED BOARD -- APRIL 2009				2012
	All CVBs (Sample Size: 199)	\$5-10 Million CVB's (Sample Size: 32)	Branson/Lakes Area CVB 2009 Data	Branson/Lakes Area CVB 2012 Data
Staff Size (FTE)	14.25	41.5	22.0	25.9
Cost Per FTE	\$56,878	\$66,845	\$55,113	\$65,212
Personnel Costs	39.2% \$1,599,812	37.2% \$2,613,929	12.1% \$1,212,505	13.0% \$1,307,386
Other Admin Costs	12.6% \$481,871	9.9% \$708,695	3.7% \$373,849	3.8% \$384,865
Marketing Investment	48.1% \$2,261,397	52.8% \$3,764,939	84.0% \$8,421,826	83.2% \$8,396,136
DESTINATION TOTAL	\$4,343,080	\$7,087,563	\$10,008,180	\$10,088,387

CONTRACT APPROVAL

On August 26, 2009, the BLATCED Board approved contract changes recommended by the Task Force and requested appropriate language be developed by the treasurer, staff and attorney for a final contract draft. The contract was approved pending attorney review at the October BLATCED Board Meeting.

McDowell (Chair), Lucchi (Treasurer) and Hank Griffin (BLATCED Legal Counsel) met in November 2009 to finalize contract wording. The final contract was signed by McDowell, Schmitt (Secretary) and BLACVB representatives on December 23, 2009. The term of this contract is from October 1, 2009 until December 31, 2009 (initial 3 month term), followed by five (5) succeeding terms, subject to annual approval and budgetary appropriation by the Tourism District. It is subject to renewals by both parties with written agreement a minimum of 60 days prior to the end of any annual term.

The executed contract was distributed to all BLATCED Board members. The BLATCED Board of Directors voted to ratify the contract at their regularly scheduled meeting on February 4, 2010.

LEGAL OPINION

At the request of the BLATCED Board of Directors, BLATCED legal counsel Hank Griffin submitted a formal legal opinion regarding the District's competitive bidding requirements on February 25, 2010. After careful review of the BLATCED by-laws, the enabling legislation for the creation of the BLATCED, Missouri state statutes and discussions with the MO Municipal League, Griffin concluded that there are no specific provisions that require competitive bidding.

Again in August 2012, the BLATCED Board of Directors asked current legal counsel Matt Trokey to review the previous opinion as well as the most recent state statutes to determine the Tourism District's legal liability with regard to bidding requirements. Trokey concurred that there is not a Missouri statute nor is there anything in our enabling legislation that requires competitive bidding for the BLATCED to enter into an agreement with our marketing administrative entity.

The BLATCED has, and continues to use an RFP process for vendors providing Marketing Administration, Legal, Audit, Banking and Insurance services. This bidding and selection schedule, as well as other details regarding the process, can be found on our website: www.BLATCED.com.