



City of League City, TX

300 West Walker
League City TX 77573

Meeting Minutes City Council

Monday, June 27, 2016

6:00 PM

Johnnie Arolfo Civic Center
400 West Walker Street

Council Work Session

The City Council of the City of League City, Texas, met in a work session in the Johnnie Arolfo Civic Center at 400 West Walker Street on the above date at 6:00 p.m.

Mayor:

Pat Hallisey

City Council Members:

**Dan Becker
Hank Dugie
Heidi Hansing
Todd Kinsey
Geri Bentley
Keith Gross
Nick Long**

City Manager:

Mark Rohr

Deputy City Manager:

John Baumgartner

Asst. City Manager/Director of Finance:

Rebecca Underhill

City Attorney:

Nghiem V. Doan

City Secretary:

Diana M. Stapp

Chief of Police:

Michael Kramm

Director of Engineering:

Earl Smith

Director of Human Resources/Civil Service:

Queenell Fox

Director of Parks & Cultural Services:

Chien Wei

Director of Planning & Development:

Paul Menzies

Director of Public Works

Vacant

1. CALL TO ORDER AND ROLL CALL OF MEMBERS

Mayor Hallisey called the meeting to order at 6:01 p.m. and called the roll. All members of Council were present Ms. Bentley and Mr. Gross.

Absent 2 - Ms. Geri Bentley and Mr. Keith Gross

Present 6 - Mayor Pat Hallisey, Mr. Dan Becker, Mr. Hank Dugie, Ms. Heidi Hansing, Mr. Todd Kinsey and Mr. Nick Long

2. **PRESENTATION AND DISCUSSION REGARDING THE CONVENTION AND VISITORS BUREAU**

Angel Lopez, Director of Communications said we are here to discuss the Hotel Occupancy Tax revenues and how we have been using them in our approach to tourism and to drive heads and beds at our hotels in League City. For an overview of tonight's presentation we will look at the Hotel Occupancy Tax, Current approach to tourism, Expenditures, Future approach to tourism, Options, HOT Board recommendations and Staff recommendations. For those who are not familiar the Hotel Occupancy Tax is basically a tax revenue that is generated from the daily rental of a hotel room. It can be used to fund programs and tourism-related facilities throughout the City. The criteria that the State has established, what hotel revenues can be spent and must directly enhance, promote tourism and convention/hotel industry. There are nine categories that these expenditures must fit into: funding the establishment, improvement or maintenance of a convention or visitor center; administrative costs for facilitating convention registration; advertising, solicitations, promotions to attract tourists/convention delegates; promotion of the arts; historical restoration or preservation programs; certain expenses to include promotional expenses related to sporting event; enhancing or upgrading existing sports facilities or fields; transportation system for tourists; directional signage for sights and attractions frequently visited by hotel guests. The current picture today on how we manage and handle tourism, we have no concerted effort or plan. We have monies that have been coming in and have been piecing things together. There is no strategic vision of where we are, here is where we want to go and here are the measures we are going to get to that, and how we are going to work together as a city, as a chamber of commerce and all the community organizations to bring that to fruition. Right now our events have been driving our expenditures. What I mean by that is we have entities who are hosting events in the city. They come to us, put in an application, we approve or deny the application, and we provide them revenues from our HOT tax to fund their events. But we are not going out there and creating those events. The other piece to this is our tourism efforts are contracted out the Bay Area Houston Convention and Visitors Bureau (CVB). The CVB is a destination marketing organization. We are currently under contract with them that began on July 1, 2013 and ends June 30, 2016. Our contract is 15% of the City's annual HOT funds. Our estimate for FY2016 is \$64,000. We anticipate that as we go forward that 15% contribution would increase as we have other activities and other hotels that come to town. It is also a regional marketing approach, the member cities for this contract period are Kemah, LaPorte, League City, Nassau Bay, Seabrook, and Clear Lake area of Houston. Prior to this the City of Webster was a member of the CVB and non-renewed their contract in December 2012 ceasing participation in January 2013. The City of LaPorte terminated their contract in September 2013 and there is no Houston contribution. Out of the monies that we pay into the CVB up to 68% goes to operating and overhead costs. What brings us to this point is that our contract is coming up for renewal, but the other piece is the Houston contribution and director has been moved back to Houston and is primarily working with Houston first. Another piece to this is we have no formal Visitors Center. We did pay the Chamber of Commerce from 2011-2014 to run a center for us.

For a history of expenditures we did a deep dive into our expenditures going back to 2010. We are providing you the contract expense for each year with the 2016 number projected because we are currently in that fiscal year. The total payment to the CVB for contract services was \$349,118 and does not include our Co-Op advertising. Co-Op advertising is on top of the services we are already paying for and an example would be the cost an ad in Texas Monthly that would be distributed among the partnering cities. The combined total for both those services for the 2010-2016 period totaled \$500,223. From 2011-2014 we paid the League City Chamber of Commerce to run a Visitors Center at a cost of \$250,000. If you total the payments to the CVB and the chamber for the Visitors Center the City of League City has paid \$750,223 in HOT funds for tourism-related services. This does not include the other expenditures of \$1,200,343 for funding of the approved events, activities, or advertising opportunities that come about. The total of all expenditures mentioned is \$1,950,566 and we really don't have anything to show for it. It is a combination of things. First of all we don't have a strategic vision on moving forward. When you don't have a strategic vision you are going to go with any opportunity that comes up whether it is the right market or not. If you talk to people throughout the area, the region, the state – how many people know who League City is? What we are, where we at. So our money should be spent in a strategic marketing plan, where people know who League City is and who we are, to put us on the map. With that amount of money we should have already been on the map and have some notoriety.

Future approach to tourism, in going forward we have two options that we are going to report to you. Also what we want you to know is that each option goes in line with our future approach to tourism. We need to implement a tourism marketing approach that complements League City. We need to have visions and goals that drive our expenditures and in turn have events that we are establishing and everything compliments each other. We need to strategically align our tourism and economic development efforts but most importantly take a leadership role and take the reins in our tourism efforts. We need to lead the way and this plan what you will see as we go forward is there are a number of different entities, a number of different community organizations that are working and have great ideas. So what we have done is worked with the Chamber of Commerce to pull together a comprehensive plan. This plan was built on what they put together and what we put together to make sure that we are doing what is best for the city. The other piece to this is economic diversification through business/corporate recruitment, downtown redevelopment and innovation.

Some other factors that contributed into what we took into consideration are the study done by Chris Reed and provided to you. A couple of talking points, what they found in that study is that the CVB predominantly advertised the Kemah Boardwalk and Space Center Houston. They found that statistics being provided were unreliable and unbelievable. There is very little focus on Nassau Bay's hotel needs and the contracts were changed throughout the years without cities being notified. The City of Webster did not renew their contract and the reason cited for that was the investment was not a wise use of Webster funds.

Information they requested to demonstrate the effectiveness and the efforts from the CVB to place visitor's in Webster's hotels was not provided. And since not renewing their contract they have experienced more than 21% HOT fund increase. City of LaPorte, during the tenure of our contract, non-renewed their contract in September 2013. The reason cited was they felt marginalized and under-represented in marketing efforts. Since that they have seen an increase in more than 20% in their HOT fund. We also contacted various CVB's throughout the state to find out about their best practices and what they see that works and doesn't work to put this all together.

Proposal 1 – the CVB put in a HOT fund application to the HOT Board and the content presented here is verbatim from that. They are proposing that we renew our contract with them for 3 years to market and promote the member cities. Those member cities will be Kemah, League City, Nassau Bay and Seabrook at a cost of 15% of our yearly HOT fund contributions. Estimated contributions for FY2017 would be approximately \$65,000. The benefits listed on the application as to what we would get from renewing our contract include: broader media exposure, enhanced marketing opportunities, co-op advertising program, inclusion in their print, digital collateral, social media and VisitHouston.com, regional appeal, regional organizational memberships and travel industry associations, CVB personnel extended as marketing support staff and then a membership in Visit Houston & Beyond. Our return on investment with this approach we would see up to 50% of CVB operating budget would go to overhead costs. We would have a regional marketing approach, League City would be promoted through Bay Area Houston brand and the bulk of the promotion would be geared towards Kemah and other entertainment/attraction opportunities in the area. Another piece of this is there would be no dedicated focus on bring events, activities, convention, and hotel promotion to League City. What we mean by that is we need someone who is going to go out there and promote hotels to partner packages with the events taking place here.

Proposal 2 – Visit League City, we are putting forth to you will establish a CVB function under the City. The City would assume the leadership role and we would work in collaboration with the League City Regional Chamber of Commerce. We would increase marketing opportunities, capitalizing the media contact, databases that are already in place and the bulk of this would fall to the Chamber of Commerce in expanding our region to international markets. We would take our HOT Board and blend efforts to become a Tourism Advisory Board because there is a lot of great work that is already done there. We would hire a full time person that would be focused to League City interests. That salary would be paid out of the HOT funds and that would be the cost that we would put towards a yearly contract with CVB. We would have a strategic marketing plan/approach to tourism that blends visions to better align goals so we know where we are going. We would have events and activities, promoting all city hotels, museums, activities and amenities that are already in place. The other piece is our expenditures would drive our events. We have a vision, here is where we are going, and now see the events that are coming in and how we can bring it all together.

We would also be able to implement and improve tracking and metric systems to assess our efforts and gain in return on investment. The other piece to this is forge regional partnerships, working with Galveston County and everyone around to find the best way to do this approach to marketing. Our return on investment includes a full time dedicated person who would be focused on promoting League City. Finding different events taking place, how we can capitalize, how we can partner with cities throughout the region. Galveston has the beach, we have a lot of sporting activities so working together to find the collaborative efforts. The other piece to this is we would effectively brand our city, establish identity so people would know who we are and increase heads in beds. We would have more transparency over our HOT funds. Our vision would drive expenditures more effectively. We would be able to increase communication throughout our community and work together to find different activities in how we can promote them. We would be able to more effectively manage our HOT funds and tourism activities and all that we would bring together by strategically aligning our tourism and economic development efforts. There are a lot of great things happening and they continue to happen we would have it all together because we have a roadmap to the future and that would bring economic diversification.

This information was presented to the HOT Board on May 18. There was initial discussion and during that meeting it was tabled for further discussion. It came back on June 2, a special meeting was called to discuss the contract renewal application. The Board did recommend approval to renew the contract with a vote of 4-0-1 along with the following motion: The HOT Board supports the vision of League City creating its own CVB with a targeted strategic plan. We also support the regional approach with a reformatted and re-directed BAHCVB with the consideration that any financial support include a contract that sets out goals with measurable results. Staff recommendation is that we not renew our contract with BAHVB and establish a convention and visitors bureau underneath the City. That would be Visit League City and we would hire a full time person.

The first budget option that we put together was for our program 'Visit League City' for a total of \$415,651. This option would bring a lot of focus to events and advertising. We estimate HOT revenues to be \$421,500 for FY2017. The current fund balance is \$919,772. The second budget we prepared is if we were to renew our contract with the CVB, a three year contract at 50%. That would bring our total budget to approximately \$378,164. We did bring it under the estimated revenues to account for a really good year in hotel revenues and our estimated \$65,000 for it to be exceeded. The third budget would be a transitional budget, where we are saying we need to go a different route and we need a stand up 'Visit League City'. We would continue our contract with the CVB for three years at 15%, 10%, 5% and then end our contract. This budget would be approximately \$387,164. It is slightly higher than the second option because there are additional costs that we would have doing both options. The fourth budget is if we decided to non-renew our contact but standup 'Visit League City' and pay a membership to Bay Area CVB. We would not end our partnership completely and pay an estimated membership fee of \$10,000. This budget would be \$415,651. This is the same as the first budget without the advertising.

3. ADJOURNMENT

At 7:10 p.m. Mayor Hallisey said, there being no further business this meeting is adjourned.

PAT HALLISEY
MAYOR

DIANA M. STAPP
CITY SECRETARY

(SEAL)

MINUTES APPROVED: