

City of Alexandria, Virginia

MEMORANDUM

DATE: MARCH 24, 2004

TO: THE HONORABLE MAYOR AND MEMBERS OF CITY COUNCIL

FROM: PHILIP SUNDERLAND, CITY MANAGER

SUBJECT: BUDGET MEMO #15 ALEXANDRIA CONVENTION AND VISITORS ASSOCIATION (ACVA)

This memorandum responds to Councilman Krupicka's request for additional information on the Alexandria Convention and Visitors Association (ACVA) budget request.

ACVA is a membership-based organization consisting of the City government, the hospitality industry, retail businesses, restaurants, and other individuals and groups with an interest in the City's tourism and hospitality industries. The Alexandria Convention and Visitors Association is incorporated as a separate 501 (c) (6) corporation, which provides the autonomy necessary for the ACVA Board to have direct oversight of tourism and promotion programs and of the ACVA budget. The mission of the ACVA is to promote the facilities, restaurants, attractions, retail businesses and events of the City in order to maximize tax revenues and to share the unique heritage of the City with visitors. The ACVA Visitors Center is located in the historic Ramsay House, located at 221 King Street.

The City has a long history of support for tourism and related activities to increase revenues through marketing the City's unique heritage and historic sites. The Alexandria Tourist Council, which marketed the City from 1978 to 1988, evolved into the Alexandria Convention and Visitors Bureau. The Visitors Bureau was a division of the Office of Historic Alexandria until it was privatized by action of the City Council in 1996. In 1996, the Alexandria Convention and Visitors Association, Inc. was established as a private membership-based corporation. Board members are appointed by the City Council. Currently, ACVA has 15 board members, including a Council member, an Assistant City Manager, and other positions designated for representatives of the hotel, restaurant and retail industries.

The City's FY 1997 Approved Operating Budget states: "One of the goals of the privatization of the ACVA is to achieve a greater degree of private sector funding for tourism promotion efforts in the City, with private sector funding either matching or exceeding the City's contribution to the ACVA within a three to five year time frame." Since FY 1997, ACVA has been budgeted

within the Community Development section of the City budget, as part of "Other Planning and Economic Development Activities." (See page 8-103 in the FY 2005 Proposed Budget.)

In FY 1999, ACVA received a \$200,000, or 52.6 percent, increase from the City. One hundred thousand dollars of this increase was proposed by the City Manager as a supplemental request to increase participation in regional, national and international marketing. The City Council added an additional \$100,000 for expanded tourism promotion and marketing efforts, bringing the total FY 1999 contribution to \$580,413. The FY 1999 Approved Operating Budget reiterated that one of the goals of ACVA was to "achieve a greater degree of private sector funding for tourism promotion efforts in the City, with private sector funding either matching or exceeding the City's contribution to the ACVA within a three to five year time frame."

The following chart depicts City funding of ACVA since its inception.

Fiscal Year	FY 1998	FY 1999	FY 2000 *	FY 2001	FY 2002	FY 2003	FY 2004	FY2005 Proposed
City Funding	380,413	580,413	956,378	985,069	1,242,069	1,339,052	1,392,614	1,635,214
\$ Increase	0	200,000	375,965	28,691	257,000	96,983	53,562	242,600
% Increase	0%	52.6%	64.8%	3.0%	26.1%	7.8%	4.0%	17.4%
Federal \$					\$60,000	\$90,000	\$50,000	0

* In FY 2000, the City began to levy a \$1 per night lodging fee

In FY 2000, the City reduced its 5.65 percent transient lodging tax to 5.5 percent and also established a \$1 per night per room lodging fee. Although never meant to be a dedicated tax, the \$1 per night fee was a major factor in ACVA's funding increase of 64.8 percent in FY 2000. It should be noted that the \$1 per night fee is estimated to raise approximately \$835,200 in revenue in FY 2005. If this entire amount were dedicated to ACVA and added to the FY 1999 "base" funding amount of \$580,413, the resulting FY 2005 contribution to ACVA would be \$1,415,613, which is \$219,601 less than the recommended contribution of \$1,635,214 in FY 2005 and \$486,387 less than ACVA's request.

The FY 2005 Proposed Operating Budget increases the City's contribution to the ACVA by \$242,600, or 17.4 percent. This amount is less than ACVA's request of \$1,902,000, which would be an increase of \$509,386, or 36.6 percent.

ACVA's requested increase of \$509,386 included the following:

- \$302,000 for an expanded regional marketing program (attachment), including \$60,000 for a new full-time professional staff member. This would be a 49.7 percent increase over the approved FY 2004 budget for communications and marketing.

- \$119,258 for increased personnel costs (excluding the new staff position). This would be a 15.8 percent increase over the approved FY 2004 personnel budget.
- \$50,000 to replace one-time federal grant funding.
- \$6,843 for increased office management and payroll processing expenses.
- \$31,285 for other miscellaneous increases.

The recommended FY 2005 contribution of \$1,635,214, an increase of \$242,600, or 17.4 percent, will provide the following:

- \$150,000 to assist ACVA with an expanded regional marketing program, including the proposed hiring of one new full-time regional marketing professional (\$60,000).
- \$50,000 to replace one-time federal economic development grant funding, used to cover part of the ACVA budget increase in FY 2004.
- \$35,757 for increased personnel expenditures (excluding the new marketing position), which is a 4.7 percent increase over the approved FY 2004 personnel budget.
- \$6,843 for increased office management and payroll processing expenditures.

It should be noted that ACVA does receive revenue from membership dues, sponsorships, advertising in the Official Visitors Guide, and from sales and donations at the Visitors' Center. For FY 2005, ACVA has budgeted \$142,000 from these sources, in comparison to \$128,000 budgeted in FY 2004.

The City's share of the total ACVA budget is as follows:

Fiscal Year	2000	2001	2002	2003	2004	2005 Request
City share *	89.7 %	92.3%	82.4%	85.9%	88.9%	93.1%

* does not include federal grant funding in fiscal years 2002, 2003 or 2004

The City provides an in-kind contribution of office space at Ramsay House Visitors Center, valued at approximately in \$45,000 in FY 2005. In addition, the FY 2005 Proposed Budget includes \$125,000 to market the City for the holiday season, and \$25,000 for the 2004 Fall Festival of the Arts.

Attachment

**ALEXANDRIA CONVENTION & VISITORS ASSOCIATION
Regional Marketing Program**

Mission:

Purposes: To promote restaurants, retail shops, and events to regional visitors
To increase length of stay and revenue from group tours

Goals:
Increase meals tax by 5%
Increase sales tax by 5%
Increase attendance at events by 5%

Venue	Cost
METRO dioramas	\$ 45,000.00
Local radio/TV WGMS, WMAL, PBS	\$ 70,000.00
Print media	
Connection newspapers	\$ 22,000.00
Washington Post Weekend Section	\$ 38,000.00
Other	\$ 15,000.00
Seaport Summer Sounds music series	\$ 25,000.00
Winter Holiday Activities carolers, winter carnival, etc.	\$ 15,000.00
Banners - along Washington Street 12 banners 4 X annually	\$ 12,000.00
Staff - management level	\$ 60,000.00
1. Reports directly to Pres/CEO	
2. Assists local business org. in developing tourism products	
3. Recommend/implement regional advertising/marketing programs	
Total	\$ 302,000.00