



**CITY OF BEVERLY HILLS
STAFF REPORT**

Meeting Date: November 18, 2008
To: City Council
From: Alison Maxwell, Director Economic Development and Marketing
Subject: Opportunity for City Council Discussion of Sister City Matters and Related Funding Issues
Attachments: None

INTRODUCTION

This item provides City Council with the opportunity to give staff guidance on a number of issues and questions about the mission and funding of Beverly Hills Global Partners, a Sister City organization. The item also requests funding to cover additional expenses incurred by the Conference and Visitors Bureau (CVB) to support the out-bound Shanghai delegation; and, requests Council consideration of funding to support the Sister City in-bound delegation arriving from China. Members of the out-bound Shanghai delegation will also be available to give a verbal report of the trip.

BACKGROUND

The City has funded two organizations that include marketing and tourism development within their mission:

Conference and Visitors Bureau (CVB)

The CVB has been the City's tourism marketing agent for many years. The CVB Mission is:

"...enhancing the economic vitality of Beverly Hills through destination marketing, targeting consumers, trade and media in key markets throughout the US and internationally. The CVB's primary marketing efforts focus on incremental business requiring an overnight stay. In addition, the CVB strives to enhance the overall visitor experience for both hotel guests and day visitors."

Each year the City Council Committee meets with the CVB to review an extensive work program and budget designed to meet this mission. The City contract with the CVB to execute the agreed work program items is approximately \$2.2 million for 2008-2009.

New for 2008/2009 is a roll-out strategy reviewed by the Council Committee to launch Beverly Hills in the China market, leveraging resources through a strategic partnership with LA Inc.

Beverly Hills Global Partners (BHGP)

On December 18, 2007, the City Council supported the development of a new Sister City organization that would be an independent community non-profit agency.

The Beverly Hills Global Partners (BHGP) business plan describes its goals as follows:

“BHSCC is established to act as a proactive ambassador and an effective hub to market and promote Beverly Hills, in its sister cities including the Pudong district of Shanghai, Herzliya, Cannes and Acapulco. BHSCC will leverage the luxury, high-end brand image of Beverly Hills to build profound bi-lateral commercial connections and transactions beneficial for Beverly Hills in tourism, hotel, couture retail, corporate real estate, and entertainment events and promote cultural and educational exchanges, as well as promote friendship and better understanding with its Sister Cities.” *(Note: In the business plan the agency was referred to as Beverly Hills Sister City Committee or BHSCC)*

On September 23, 2008, the City Council approved general funding in the amount of \$35,000 to support BHGP activities. BHGP is using the funds to hire a consultant in Pudong to be responsible for coordination of delegations in furtherance of the sister city relationship; follow-up and implementation of BHGP objectives in promoting friendship, tourism, retail, establishment of corporate headquarters, and further cultural and educational exchanges.

In addition, the City Council approved \$2,500 in reimbursable expenses to sponsor a thank you event for the Chinese hosts while in Shanghai.

From October 28 to November 3, 2008, BHGP Chair, Bruce Cole, led a delegation of City officials and local business and community members to Shanghai, Pudong, China.

A return visit of Chinese dignitaries is planned for December 15, 2008.

DISCUSSION AND ISSUES

In recent weeks a number of Council member questions have arisen relating to the planning and execution of the Sister City, Shanghai outreach mission and its role in tourism development. These questions have focused on the lack of clarity over leadership roles and responsibilities of BHGP and the CVB; the unexpected need for additional City and CVB resources to support the Sister City outreach trip to Shanghai and the impending return visit of China dignitaries in December; and, the ability of BHGP to independently execute its stated objectives.

City Council is asked to provide City staff with direction on the questions and issues outlined below:

Mission, Leadership and Responsibilities

1. What are the City Council priorities for a Sister City organization?

The City has shown its support for BHGP and overall concept of Sister City relationships. BHGP has broad goals that cover three principal areas: 1) Marketing and

Promotions; 2) Commercial connections and transactions to promote tourism and luxury retail; and, 3) education and cultural exchanges.

Does the City align itself with the full range of these goals? And, which goals are priorities for City support?

2. Which agency should lead the tourism marketing strategy and programming for the City?

Clear guidance on this will allow staff, the CVB and BHGP to better provide programming and services without duplication of effort or resources.

a. What is the role of BHGP in influencing the strategic direction and marketing and tourism development programming?

b. Does the City Council have an expectation that the CVB should adjust its budget now, and in the future, to provide resources and support to the Sister City group?

3. Which Agency should Direct Programming for Tourism Development in China?

China is an important upcoming tourism market. The City via the CVB has already approved funding for a cooperative partnership to launch and develop the Beverly Hills product in China in 2009.

The City has also provided funding to BHGP to establish an office in Shanghai and to develop Sister City programming there. The launch program for BHGP was the coordination of a Beverly Hills delegation to Shanghai in October 2008, attended by the Mayor, the Executive Director of the CVB and several local business members.

The trip is reported to have been successful and Beverly Hills was well received. A return Sister City delegation from China has been invited to Beverly Hills in December 2008.

In the course of the program development there was confusion over the coordination and organization of the Shanghai agenda; it was not clear who the responsible party was for overall coordination and organization. In short, it was unclear who Council wanted in the driver's seat for this event, and for marketing to the Chinese market overall.

Moreover, because the program had not been planned and built into 2008-2009 budgets and work plans, both the City and CVB found that they expended considerable unplanned staff time and resources to support the Shanghai trip – see table below.

It is important that the same level of confusion be avoided for the upcoming in-bound visit and that Council give direction on use of additional resources to support the trip.

Who is responsible for planning, coordinating and implementing the reception and itinerary of the arriving delegation from Shanghai in December?

And what level of City and CVB funding and staffing does the City wish to assign to the in-bound China delegation?

In response to a request from BHGP, letters have already been mailed out with the Mayor's signature inviting approximately 25 officials from China to visit Beverly Hills for four nights (December 15 to 19) as part of the Sister City program.

The invite list and structure of the in-bound delegation have been prepared by BHGP. The overall goals of the trip are to showcase the City to these Chinese officials. The CVB is developing a draft itinerary for the visiting dignitaries - just as they do for any group of this type. City staff has done initial research on the costs and logistics of hosting a dinner event at Greystone.

Outlined below is a summary of City resources expended on the October 2008 Shanghai trip and an estimate of resources that may be needed for the December 2008 return visit.

Funding and Resources

Overview of City and CVB Resources for Shanghai Outreach Visit, October 2008.

The City approved and funded BHGP in the amount of \$35,000 for its general program. The City also approved \$2,500 in reimbursable expenses to support an event as part of the Shanghai out reach trip.

The City and CVB expended additional funds and resources to support the outreach trip as outlined below:

Additional Resources	Amount	Use
City Direct Costs	\$3,570	Translation and printing of business cards for Council Members and a Member of Planning Commission; translation and re-printing of City economic development materials; general supplies; gifts for Chinese hosts; FedEx international shipping.
City Staff Time	60 hours	This includes 1) administrative time to coordinate letters, gifts, translations and shipping along with coordination with BHGP, China consultant(s) CVB, and internal departments; 2) Print shop staff time to develop materials; and, 3) Senior staff time to provide direction and structure to the work requests being made to admin staff and the CVB from BHGP.
CVB Direct Costs	\$13,000	Includes travel and accommodations; media transportation allowance, event décor, loop video and posters, translation of materials and small gifts; retainer costs for China coordinator.
CVB Staff Time	65 hours	Event preparations, time attending events, liaising with CVB China rep and BHGP China rep; compiling invitation list, coordinating travel and media RSVPs, translations of power points and assistance on site for event.
Total Additional Direct Costs	\$16,570	
Total Additional Staff Time	125 hours	

The City absorbed the costs outlined above through its existing budgeted resources.

The CVB has a fixed contract for services with the City so has less flexibility to change its programming and priorities mid-year. Additional programming or a substantial change in programming must be approved by the City.

City staff will be working with the CVB on a contract amendment to cover these additional costs.

Other CVB priorities such as furtherance of the business plan for an Independent CVB Business Plan have had to be somewhat rescheduled to accommodate the time to support the Shanghai visit.

Anticipated Expenses for December 2008 In-Bound Shanghai Delegation to Beverly Hills

At the time of writing this report City staff had not received a final agenda/itinerary for the December China in-bound delegation. It has been suggested the City host a dinner event at Greystone and the CVB has developed a draft itinerary for budgetary purposes.

Below is an estimate of costs that might be anticipated for the December China delegation:

Staff Time		
City Staff Time	35 hours	Prepare and mail invites to Chinese delegates; coordination with Wu Pei (BHGP in Shanghai); Coordinate with CVB; develop and coordinate BH invitations to event at Greystone and other events etc.
CVB Staff Time	60 hours	Oversee and manage events, meals etc, liaise with the City and BHGP.
Total Staff Time	95 hours	
Program Estimate		
Dinner at Greystone Mansion	\$18,000	65 people (max indoors at the Mansion). Includes equipment; set up; Park Rangers, all food, beverage and dinner equipment; printing and mailing of invitations; gifts, festive décor; translation services, transportation and contingencies.
General Itinerary	\$53,000	25 Chinese delegates plus 25 accompanying BH related participants attending varying events. Airport transfers; hosted meals and events at various restaurants and locations; spa experiences; other ground transportation; guides; a program coordinator; small welcome gifts.
BH Lodging	\$50,000	25 rooms for four nights
Total Estimate	\$121,000	
Hotel Sponsorship	(\$50,000)	All rooms needed for the trip have been sponsored by the major hotels
Total Program Cost	\$71,000	This is the estimate of what it will require to fully fund this program. <i>This amount could be substantially reduced if A) BHGP/CVB got local businesses to host events; or B) If China delegation funds certain elements of its own costs.</i>

FISCAL IMPACT

City Council is requested to approve an increase in funding for the Conference and Visitors Bureau in the amount of \$13,000 to offset additional direct costs incurred to support the BHGP out-bound Shanghai visit in October.

If Council approves support for the BHGP in-bound delegation from China in December, the following additional funding in the amount of \$71,000 is also requested (this is a maximum amount that could be reduced with sponsorship or if Chinese delegation pays for some of its own costs):

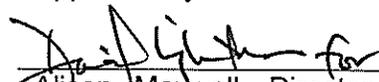
- o Additional CVB direct costs to host the December delegation as \$53,000
- o City additional costs to host an event at Greystone are anticipated to be \$18,000

Funding for all these items is available in 2008-2009 2% TOT marketing budget.

RECOMMENDATIONS

1. Receive report and provide staff with direction on the strategic questions outlined in the report;
2. Approve additional funding for the CVB to reimburse costs incurred for the October 2008 BHGP out-bound delegation to Shanghai in the amount of \$13,000;
3. Approve additional funding in the amount of \$71,000 for combined City and CVB endeavors to support the BHGP Sister City in-bound delegation arriving from China in December 2008; and,
4. Provide the City Manager with the authority to develop contracts and issue purchase orders at his discretion relating to this program up to \$100,000 or other amount as directed by City Council.

Approved by:



Alison Maxwell, Director Economic
Development and Marketing