



## AGENDA REPORT

**Meeting Date:** May 27, 2009  
**Item Number:** E-1  
**To:** Honorable Mayor & City Council  
**From:** Mahdi Aluzri, Assistant City Manager, Economic Sustainability  
Alison Maxwell, Director Economic Development and Marketing  
**Subject:** PRESENTATION BY BEVERLY HILLS CONFERENCE AND  
VISITORS BUREAU  
**Attachments:** 1. 2009-2010 Work Plan Outline and Budget

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### INTRODUCTION

This item seeks Council approval of the Beverly Hills Conference and Visitors Bureau (CVB) 2009-2010 budget and work plan and the roll-over of unspent funds contracted to the CVB in fiscal year 2008-2009 to assist with the transition process.

### DISCUSSION

As one of several approaches to sustaining the City's vision that "*Beverly Hills is known internationally for its alluring and distinctive hotels, retail stores, restaurants, entertainment industry, and unique headquarter businesses,*" the City commits 2% of the Transient Occupancy Tax (or TOT) to support marketing and certain special events within the City. In 1994, the City increased the TOT by 2% from 12% to 14% with the support of the hospitality industry in order to create a defined level of revenue to fund visitor marketing programs. As such, this funding source is often referred to as the 2% TOT for Marketing, or just the "2% TOT".

The principal marketing programs funded from the 2% TOT are those provided by the Beverly Hills Conference and Visitors Bureau (CVB). Over the years, as budget has allowed, other programs have been funded from 2% TOT including the Holiday Program, Rodeo Drive Walk of Style sponsorship, and this year support of the Sister City China program. The underlying focus of the 2% TOT is to fund core marketing programs that attract visitors to Beverly Hills, to stay in the hotels and continue their spending through shopping and dining. This focus has extended as revenue has grown to support programs that enhance the visitor experience and grow the brand perception of Beverly Hills.

## **CVB Fiscal Year 2009-2010 Program**

In April 2009, City Council received a progress report from the CVB, outlining its programs and achievements from July 2008 – April 2009.

Below is a summary of the CVB's ongoing 2009-2010 program of work along with new programs and notable changes. The work program and budget have been reviewed by the CVB interim Board of Directors and with Council Ad Hoc for CVB transition.

### **New work programs for 2009-2010**

*Complete CVB Transition to Independent Nonprofit.* In August 2008, following a review of the Program Audit conducted of the Chamber of Commerce, the City Council directed that the CVB separate from the Chamber and incorporate as an independent nonprofit organization. From September 2008 to January 2009, the CVB, with City support, focused on researching and developing an applicable model for an independent Beverly Hills CVB. To guide the organization in its formation and transition, an interim board of directors was formed. This board has overseen the completion and filing of incorporation papers, elected officers, and has formed working committees to achieve several important management tasks, such as: developing bylaws, finance and human resources issues, office space, and, importantly, strategic planning. Outlined in the attached CVB report is a timeline of work completed to date and a transition timetable for 2009-2010.

As with the development of any new business there will be transition costs to establish a new organization, re-organize staffing and services, and, locate and prepare separate office space, including tenant improvements. An amount of \$42,000 for transition costs has been identified in the Policy and Management, Tourism and Marketing account (TOT) program for 2009-2010. This will be held in the City program and purchase order and transmitted to the CVB as and when approved transition costs are incurred. \$65,000 for transition costs was also identified in the current 2008-2009 budget and the balance will be rolled over to the new fiscal.

*Development of a marketing strategic plan:* Critical to the future of the marketing programs for Beverly Hills is the development of an overarching strategic plan that defines the marketing mission, strategy and tactics, and metrics for the CVB. It was a fundamental recommendation of the Program Audit conducted in 2008 that the visitor marketing program should have an overarching strategy to guide it. Funding in the amount of \$100,000 for this important element has been identified in un-programmed FY 2008-2009 2% TOT and will be carried forward to 2009-2010, thus augmenting the more restricted revenues anticipated for next year. This amount was discussed with the City Council Ad Hoc Committee and reported to Council in February 2009.

### **Core On-Going Programming**

The CVB's interim board of directors recommends that the CVB continue with core on-going programming in 2009-2010, while the transition and strategic planning process take place in parallel.

The CVB's primary mission is to enhance the economic vitality of the City through destination marketing, targeting consumers, trade and media representatives in key markets in the United States and internationally. A major portion of the work program focuses on advertising, public relations and media campaigns to maintain and raise the profile of Beverly Hills as a destination. For 2009-2010 these include the following:

- **Advertising**

This represents a coordinated paid media campaign run in a variety of publications and on-line formats focusing primarily on generating overnight stays. The paid media buy is

modest for a city such as Beverly Hills with such international reach, yet it provides pivotal brand support to the overall marketing program.

Other CVBs with similar budgets focus much less of their revenue on paid media. However, the City's leading hotels have always felt that it was important for a City like Beverly Hills to maintain an advertising presence, promoting the overall brand and destination in a way that the individual hotels cannot.

Theme and direction of the marketing and advertising campaigns are developed as part of an overall strategy created in close coordination with the CVB's Marketing Task Force comprised of hotel Directors of Marketing along with key business stakeholders including the hotels, retailers and restaurants who participate in the Visitor Marketing Committee; and, the City.

- **Public Relations**

As any good marketing expert will attest, some the best value for the investment is great PR. Without many millions of dollars, an advertising/paid media campaign cannot on its own maintain the brand and drive visitors to the destination. Editorials, special features, highlighted columns and other nonpaid media provide excellent brand support and independent testimony to the exciting and unique offerings of a destination. The hard costs of PR are relatively small compared to advertising - the real investment comes from creative and well qualified PR staff. The CVB has had real success in keeping Beverly Hills continually in the news from the Wall Street Journal to Vanity Fair, from the Los Angeles Times to key travel trade publications. The challenge with getting good PR is ensuring that you have unique product and stories that the media wish to tell.

This kind of coverage is invaluable to a City like Beverly Hills and works to leverage the investment in paid media.

- **Sales Missions/Trade Shows**

Critical to keeping Beverly Hills in the forefront of the tourist/visitor marketing world is ensuring that we have consistent and on-going relationships with businesses that organize, book and promote destinations. This is done through conducting sales missions in key markets and through participation in professional and trade arenas. The investment in staff time and resources in these programs often returns immediate results and often creates relationships that build over time and eventually translate to future bookings. Trade missions and the public relations programs are integrated and together produce excellent media, post event and hard bookings at hotels.

- **Familiarization Trips**

Throughout the year, the CVB staff work with a variety of meeting, event and media organizers and special groups to showcase Beverly Hills. These programs are very time intensive, but they offer the opportunity to highlight all that is special about Beverly Hills in a very personal and targeted fashion.

- **International Marketing**

The CVB undertakes independent research in a variety of ways to help understand travel trends and to provide important base visitor data (i.e. visitor demographics, trip behavior, economic impact) for Beverly Hills. This data along with other industry research informs all the CVB's strategies but in particular allows the CVB to be strategic in its investment of resources in the global context. The CVB has traditionally focused on the UK, Mexico and Japan, and in the past year efforts have expanded to include China (via a dedicated Beijing representative in coordination with LA Inc.), Australia and Korea.

## **COMMITTEE REVIEW**

The new Council Ad Hoc Committee for CVB Establishment (Council Members Brucker and Brien) met on April 13, 2009 and members of the Committee attended the new CVB Interim Board meetings. However, no formal meeting of the Ad Hoc has been held on the CVB work program and the Ad Hoc Committee members will provide comments at the City Council meeting.

## **FISCAL IMPACT**

### **Core Program Funding – Fiscal Year History**

2004 - 2005	\$1,741,359
2005 - 2006	\$1,856,434
2006 - 2007	\$1,921,409
2007 - 2008	\$2,036,000
2008 - 2009	\$2,158,160
2009 - 2010	\$2,158,160

The core program budget remains the same for 2009-2010 at \$2,158,160. In addition to core funding, certain additional programs and costs have been budgeted as outlined below for the transition, and special projects such as the Marketing Strategic Plan.

### **Transition and 2008-2009 Roll Over**

In the City's Tourism and Marketing Budget for 2009-2010, \$42,000 has been identified to assist with transition costs. It is also anticipated that there will be program and transition costs encumbered in the CVB contract from 2008-2009 that will be rolled over to 2009-2010. This spreads certain costs over two-years and augments the more restricted 2009-2010 Tourism and Marketing funds.

### **Strategic Plan**

The Strategic Plan is outline above is budgeted at \$100,000 and one-time funds have been appropriated in 2008-2009 for that purpose.

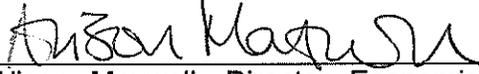
The total CVB agreement for 2009-2010 will be \$2,300,160. Funds in the amount of \$2,200,160 for the CVB program of work have been budgeted in the Tourism and Marketing Program account 0101311 for fiscal year 2009-2010 as part of the Policy and Management budget. Funds in the amount of \$100,000 have already been identified in the 2008-2009 Tourism and Marketing 010311 account, and will be utilized in 2009-2010. In addition, unspent funds encumbered in the CVB agreement for 2008-2009 will be rolled over at the close of the fiscal year.

## **RECOMMENDATION**

Staff recommends that City Council:

1. Approve the work program and budget outline for the BHCVB as attached to this document.
2. Direct staff to work with the City attorney's office to develop an agreement with the CVB for funding in the total amount \$2,300,160 and, to return to City Council on the Consent Agenda for formal approval of such an agreement; and

3. Approve roll-over of unspent funds contracted to the CVB in 2008-2009 in to the 2009-2010 agreement, for the purposes of transition costs and development of the new organization.

Approved by: 	Approved by: 
Mahdi Aluzri, Assistant City Manager Economic Sustainability	Alison Maxwell, Director Economic Development and Marketing

# **Attachment 1**

2009-2010 Work Plan Outline and Budget



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## Beverly Hills Conference & Visitors Bureau

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### TIMELINE (as of May 15, 2009)

<b><u>TASK</u></b>	<b><u>TARGET COMPLETION DATE</u></b>
Research Best Practices	Initial Meetings Completed
Council Liaison Meetings	Initial Meetings Completed
Initial Interim Board Meeting	March 11, 2009
Attorney Secured	March 23, 2009
New Organization Incorporated	April 2, 2009
Council Liaison Meeting (new liaisons)	April 13, 2009
City Council Transition Update	April 21, 2009
Interim Board Meeting	April 23, 2009
Review of Potential Office Space	May 8, 2009
Interim Board Meeting	May 14, 2009
Bylaws/Governing Documents	May 2009
Establish Independent Accounts & Services (i.e. bank, insurance, payroll)	May 2009
Letter of Intent – Office Space	May 2009
Organizational/HR Review	May 2009
City Council Funding Request	May 27, 2009
Contract Approval by Council	June 2009
Interim Board Meeting	June 25, 2009
End of Fiscal Year	June 30, 2009
Interim Board Meeting	July 23, 2009
Board Development	Summer 2009
Strategic Plan RFP	Summer 2009
Future Board Meetings	Second Thursday of Month
Launch of Strategic Planning	September 2009
Move to New Offices (TBD)	January 2010

**Exhibit A**  
**Scope of Service and Budget**  
**Beverly Hills Conference and Visitors Bureau**

Fiscal Year: July 1, 2009 – June 30, 2010

The City shall provide funding to support the activities and programs outlined in this Scope of Services. Additional services and funding may be added to this scope or budget in accordance with the terms outlined in Section 1 of this Agreement.

- a. Mission
- b. Scope of Work
  - i. Product Development
  - ii. Branding
  - iii. Consumer Programs
  - iv. Trade Programs
  - v. Media Programs
  - vi. International Representation
  - vii. Special Programs
- c. Goals
- d. Core Strategies and Tactics

**Contents:**

<b>I. Conference &amp; Visitors Bureau</b>
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**a. Mission**

Beverly Hills Conference & Visitors Bureau is dedicated to enhancing the economic vitality of Beverly Hills through destination marketing. Efforts target consumers, trade and media in key markets throughout the US and internationally. The CVB's primary marketing focus is 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.

**b. Scope of Work**

**i. Product Development**

The CVB will continue to develop product and explore opportunities to expand and improve existing product ranging from themed itineraries and packaging to sightseeing options and partnerships.

**ii. Branding**

Following the brandprint established for Beverly Hills, the CVB will continue to serve as the destination brand steward in conjunction with the City. A primary focus for 09/10 will be the development of an overarching strategic plan for the City of Beverly Hills. In addition, the CVB will continue to leverage *Love, Beverly Hills xx*.

**iii. Consumer Programs**

Advertising

For 09/10, the CVB will focus on the *Love, Beverly Hills xx* brand advertising as well as the Breakfast in Beverly Hills tactical advertising. A media plan will be developed in conjunction with the CVB's marketing task force and approved by the CVB Board of Directors.

Website

The CVB website will be a priority for FY 09/10 and beyond. The CVB will go through a formal RFP process at the start of the next fiscal year to begin the process.

Collateral and Fulfillment

The CVB produces several collateral pieces including Beverly's "little brown book", a VIP brochure, walking maps and one-sheets. Efforts will continue to reduce print pieces and drive visitors to the website, ensuring up-to-date information at all times and reducing the rising costs associated with development, production, storage and shipping.

#### Visitor Services

In 09/10, the CVB will review visitor services and develop a comprehensive plan for a Visitor Center as part of the CVB's overall operations.

#### Research

To supplement findings from the 2008 Tourism Impact Study and to fine-tune marketing efforts, the CVB will continue to rely on additional research such as visitor profiles, luxury surveys and country updates.

### **iv. Trade Programs**

#### Sales Missions

BHCVB will continue to conduct its annual sales mission to New York in conjunction with industry partners. In addition, the CVB has budgeted to participate in the California state tourism missions to the United Kingdom, Australia and China.

#### Trade Shows

The U.S. Travel Association's annual Pow Wow is the premiere international marketplace and allows the CVB to conduct business with trade and media from all over the world. In 2010, Pow Wow will take place in San Francisco, and the CVB will again participate with partners. In addition, the CVB will be represented at trade shows in the UK, China, Japan and Mexico.

#### Local Sales Calls and Outreach

To complement international outreach, BHCVB conducts local sales calls on Los Angeles-based wholesalers and receptive operators. The sales calls take place to the CVB's top 10 accounts on a quarterly basis. In addition, the CVB leverages events (i.e. Lighting Ceremony, Breakfast in Beverly Hills) to showcase Beverly Hills to local partners.

#### Familiarization Trips

BHCVB will continue to conduct familiarization trips to showcase Beverly Hills to targeted trade partners, with the ultimate goal of expanding Beverly Hills product and generating bookings.

### **v. Media Programs**

#### Public Relations

The CVB will continue to pitch story ideas, generate newsworthy communications, and conduct desk side briefings for media to highlight Beverly Hills and position the destination top-of-mind. PR

efforts in 09/10 will build upon last year's success with social networking and partnerships.

#### Sales Missions, Trade Shows and Sales Calls

In addition to the focus on travel trade, all sales missions and trade shows both domestically and internationally feature a media component in which BHCVB participates.

#### Familiarization Trips

With the ultimate goal of securing positive coverage in key outlets, BHCVB will continue to showcase Beverly Hills through destination visits from leading media.

### **vi. International Representation**

In 08/09, the CVB contracted with California state tourism for representation in the UK and Japan, and with LA Inc. for representation in China. For 09/10, the state will offer a menu of services available for purchase rather than a buy-in for general representation. These services range from sales mission to media events to consumer promotions and will allow the CVB to select the best opportunities for each market. For China, the CVB's Board of Directors will review whether general representation or a fee for projects makes the most sense in the coming year.

### **vii. Special Programs**

Beverly Hills will continue to partner with area CVBs as part of a westside partnership and leverage other special programs as they arise.

### **c. Goals**

- i. Continue to brand Beverly Hills
- ii. Increase tourism revenue in Beverly Hills
- iii. Increase visitor arrivals
- iv. Increase length of stay for day visitors
- v. Maintain visitor satisfaction

### **d. Core Strategies and Tactics**

- i. Market overall destination experience/provide foundation
- ii. Focus on incremental business
- iii. Drive overnight stays
- iv. Target leisure market
- v. Leverage tactical offers during "need" periods
- vi. Provide consistent messaging as the cornerstone of all efforts:
  - Walkable
  - Accessible

- Safe
  - Various Price Points
  - Variety of Experiences
  - Celebrity Glamour/Feel like a Star
  - Luxury Capital
- vii. Differentiate Beverly Hills from competition through branding/unique selling points
  - viii. Pursue partnerships and cooperative marketing opportunities
  - ix. Utilize ongoing research to fine-tune efforts



Beverly Hills Conference & Visitors Bureau

Ongoing Programs Budget 09-10

CVB		08-09 Budget	09-10 Budget
City Funding		\$2,158,160	\$2,158,160
Expenses			
	<b>Marketing Programs</b>		
	1 Advertising	\$566,878	\$560,000
	2 Public Relations	\$100,000	\$100,000
	3 Domestic Marketing	\$110,000	\$110,000
	4 International Marketing	\$200,000	\$200,000
	5 Familiarizations	\$7,000	\$12,000
	6 Website	\$75,000	\$85,000
	7 Special Programs	\$21,200	\$20,000
	<b>Marketing Support</b>		
	8 Library/Visual Aids	\$1,000	\$1,000
	9 Fulfillment	\$21,000	\$20,000
	10 Collateral	\$57,880	\$50,000
	11 Merchandise	\$5,150	\$7,500
	12 Research	\$5,000	\$3,000
	<b>In-Market Services</b>		
	13 Ambassador/Visitor Services	\$54,033	\$56,238
	14 Holiday Programs	\$1,000	\$1,000
	<b>Other</b>		
	15 Prof Dev/Training	\$5,000	\$5,000
	16 Dues	\$6,180	\$6,000
	17 Community Relations/Corp Exp	\$5,000	\$5,000
	18 Contingency	\$515	\$500
	<b>Operations</b>		
	19 Salaries, Taxes & Benefits	\$479,739	\$498,918
	20 Crossover, Taxes & Benefits	\$312,733	\$16,250
	21 New Staff Salaries, Taxes & Benefits	\$0	\$196,625
	22 Professional Services	\$1,500	\$3,000
	23 Temporary Services	\$1,030	\$1,000
	24 Insurance	\$9,888	\$12,000
	25 Rent	\$37,080	\$86,281
	26 Telephone	\$12,360	\$15,000
	27 Utilities	\$8,240	\$10,000
	28 Audit	\$800	\$12,000
	29 Office Supplies	\$11,330	\$8,000
	30 Copier/Postage Machine Leases	\$7,210	\$10,000
	31 Computer/Telephone Leases	\$19,261	\$35,000
	32 Postage and Delivery	\$12,154	\$10,000
	33 Database	\$3,000	\$1,847
<b>TOTAL</b>		<b>\$2,158,160</b>	<b>\$2,158,160</b>

\$0

NOTES:

- 1) Rent based on 6 months at Chamber (1,331 sf: 140 sf at \$5 for front, 1,020 sf at \$4 for offices, 171 sf at \$3.50 for storage/etc.) and 6 months in new space of 1,500 sf at \$5)
- 2) Crossover reflects shared costs with the Chamber for receptionist and flat fee for office manager for 6 months
- 3) Additional Staff reflects 3 new positions: director of administration (hired by July 1), marketing manager (hired by September 1) and visitor services coordinator (hired in January)

## BHCVB Budget Line Items

	ITEM	DESCRIPTION
1	Advertising	Advertising costs including media buy, creative development and agency fees. Focus in 09/10 on continuation of <i>Love, Beverly Hills</i> xx branding campaign and Breakfast in Beverly Hills tactical campaign.
2	Public Relations	All expenses associated with PR programs including pitching, events, social networking and media familiarization trips.
3	Domestic Marketing	Annual New York Sales Mission along with sales calls and promotions within the US.
4	International Marketing	Participation in Pow Wow; international sales missions, trade shows and sales calls; representation; outreach to US-based divisions of international trade partners.
5	Familiarizations	Costs associated with hosting top trade and media to showcase Beverly Hills. Supported by in-kind contributions from business partners.
6	Website	Redesign and relaunch of CVB website; search engine optimization; monthly maintenance fees; e-communications. The website will be a major focus in 09/10.
7	Special Programs	Westside CVB Partnership initiatives and other ad hoc special programs.
8	Library/Visual Aids	Maintenance of images, publications, CDs.
9	Fulfillment	Costs associated with mail house for visitor and trade inquiries.
10	Collateral	Beverly Hills collateral including Beverly's "little brown book", VIP Insider Advantage brochure, walking maps, and market specific one-sheets. Continue strategy of reducing collateral and driving consumers to website.
11	Merchandise	Beverly Hills promotional items for sales missions, fairs, VIP groups, etc.
12	Research	To supplement findings from the 2008 Tourism Impact Study, the CVB uses additional research such as visitor profiles, luxury surveys and country updates to fine-tune marketing efforts.
13	Ambassador/Visitor Services	Salary, payroll taxes/benefits, and expenses for City Greeter along with general costs for visitor services related activities.
14	Holiday Programs	Holiday marketing costs to support citywide program.
15	Professional Development/Training	Training, industry conferences and WACVB Board of Directors expenses.
16	Dues	Association Dues: TIA, CalTIA, IACVB, WACVB, PROST
17	Community Relations/Corporate Expenses	Committee and task force expenses; costs related to client entertainment; monthly expenses for CVB staff (parking, mileage, etc.)
18	Contingency	Unanticipated costs associated with CVB programs.
19	Salaries, Taxes & Benefits	Salaries, payroll taxes and benefits for CVB Executive Director, Business Development Director, Communications Manager, Marketing Coordinator and independently contracted Project Coordinator.
20	Crossover	CVB's share of Chamber receptionist and office manager for six

		months.
21	New Staff Salaries, Taxes & Benefits	Salaries, payroll taxes and benefits for newly created positions including Director of Administration, Marketing Manager and Visitor Services Coordinator.
22	Professional Services	ADP, Legal, Accounting and other services to support independent CVB.
23	Temporary Service	Temporary administrative support staff.
24	Insurance	Liability insurance associated with travel and off-site work related activities as well as for Board of Directors.
25	Office Rent	Assumes six months rent at Chamber during transition and six months rent for separate space to house Visitor Center and CVB.
26	Telephone	800 number, on-hold messaging, and overall monthly telephone expenses. Assumes six months at Chamber and six month in separate space.
27	Utilities	Utility costs assuming six months at Chamber and six months separately.
28	Audit	CVB annual audit.
29	Office Supplies	Office supplies and materials to support CVB programming.
30	Copier/Postage Machine Leases	Equipment leases and maintenance.
31	Computer/Telephone Leases	Equipment leases and maintenance.
32	Postage & Delivery	Mailing costs and shipping of materials.
33	Database	Database expenses and maintenance.



Beverly Hills Conference & Visitors Bureau

**Transition Budget**

Research/Documents	\$300
Legal Fees	\$5,000
Furniture/Improvements	\$100,000
Misc Costs	\$1,700
Strategic Plan	\$100,000
<b>TOTAL</b>	<b>\$207,000</b>