

Mayor and Council Communication

DATE: 04/25/23

M&C FILE NUMBER: M&C 23-0330

LOG NAME: 25FWCVB2023CONTRACT

SUBJECT

(ALL) Authorize Execution of a Professional Services Agreement with the Fort Worth Convention and Visitors Bureau d/b/a Visit Fort Worth, in the Amount of \$16,650,908.00 for Fiscal Year 2023, to Market and Promote Fort Worth for a Term of Five Years with Two One-Year Renewal Options, Reallocate Appropriations in the Fiscal Year 2023 Adopted Budget of the Culture and Tourism Fund, and Adopt Appropriation Ordinances in the General Fund and Culture and Tourism Fund and Amend the Fiscal Year 2023 Adopted Budgets

RECOMMENDATION:

It is recommended that the City Council:

1. Authorize the execution of a Professional Services Agreement with the Fort Worth Convention and Visitors Bureau d/b/a Visit Fort Worth to market and promote Fort Worth as a premier business and leisure destination for the benefit of Fort Worth's hospitality industry and the local economy for a term of five years with two one-year renewal options in the amount of \$16,650,908.00 for Fiscal Year 2023 from Culture and Tourism Funds;
2. Adopt appropriation ordinance reallocating appropriations in the Non-Departmental Department of the General Fund by decreasing the General Operating & Maintenance category in the amount of \$120,000.00 and increasing the Economic Development Department Transfers and Other category by the same amount;
3. Adopt appropriation ordinance adjusting estimated receipts and appropriations in the Culture and Tourism Fund by 1) increasing Transfers from the General Fund in the amount of \$120,000.00, 2) increasing General Operating & Maintenance category in the amount of \$3,320,000.00 and 3) decreasing the Transfers & Other category in the amount of \$3,200,000.00 for purpose of funding the Herd Capital Expense, Motion Picture, Film and Television Marketing Fund, Event Trust Fund Application Account and National Public Relations Marketing Fund;
4. Amend M&C 22-0984 by decreasing estimated receipts and appropriations in the Culture and Tourism Fund by reducing the use of fund balance in the amount of \$136,000.00 and reducing the contribution to fund balance by the same amount for the purpose of correcting a technical error; and
5. Amend the Fiscal Year 2023 Adopted Budget.

DISCUSSION:

The purpose of this Mayor and Council Communication (M&C) is to authorize execution of a new agreement with the Fort Worth Convention and Visitors Bureau d/b/a Visit Fort Worth (CVB) to provide promotional and marketing services funded by Municipal Hotel Occupancy Tax (HOT) revenues, and adjust the General and Culture and Tourism Funds Fiscal Year (FY) 2023 operating budgets accordingly to cover new contract stipulations.

State law authorizes a city to contract with another entity to manage and supervise programs or activities funded with revenue from the HOT. In accordance with this authority, the City and the CVB have entered into a series of agreements for CVB to perform professional services for the City for HOT-funded marketing programs and activities. The current agreement (City Secretary Contract (CSC) No. 44949) will expire on September 30, 2023, however the agreement authorized by this M&C will be effective retroactive to October 1, 2022 and supersede CSC #44949.

Over the course of the last few months, staff and members of the CVB Board of Directors have been negotiating a new contract. Changes from previous agreements include revision of the marketing provisions to reflect the growing importance of social media and digital publications in the marketing process and clarification in funding provisions to more clearly delineate the three-part structure of the CVB funding. Key provisions of the proposed new agreement include the following:

1. General Marketing and Promotions/ Increase to FY2023 Base Funding - CVB base funding is paid in 12 monthly equal installments based on budget projections of hotel occupancy tax (HOT) revenues in the fiscal year and subject to a yearly "true-up" process. At the conclusion of FY2022 HOT 7% revenues exceeded budget expectations and a true up of \$1.6M was paid to CVB in January of 2023 from available Culture and Tourism fund balance. A base funding increase of \$573,467.00 for FY2023 was previously appropriated in M&C 23-0221, March 21, 2023 as a direct result of the budget amendment to increase in anticipated HOT 7% collections during the current fiscal year. By increasing monthly payments to CVB for the remainder of FY2023, the potential true-up amount owed in January of 2024 is minimized in advance. As such, the FY2023 base contract amount increases from \$10,834,345.00 to \$11,407,812.00 with the execution of the new agreement. Base funding is subject to annual appropriation by the City Council during the budget process. However, the calculation for base funding remains unchanged in the new contract.

2. National Public Relations Marketing Fund (NPRMF)- In addition to the annual base funding calculation, through the Economic Development Department, the City will allocate \$120,000.00 per fiscal year from Non-Departmental General Fund beginning in FY2023 for CVB to maintain funds available for the purpose of expanding its contract for national public relations support to include stories that support Fort Worth's economic development agenda. Any unused NPRMF will carry over to the following fiscal year for the same purpose, will supplement the total funding to be contributed by the City during that fiscal year, and funding in subsequent years will be based on the annual CVB and City funds availability.

3. Fort Worth Herd Operations & Capital - In 2009, CVB assumed responsibility for management of the promotional and marketing program known as the Fort Worth Herd (Herd). The new agreement maintains the previously appropriated funding of \$1,033,096.00 for Fiscal Year 2023. The City may increase funding annually based upon CVB's budget submissions and available funds to the support the Herd. Herd funding is separate and apart from CVB Base and Special Public Facility Fund (SPFF) funding. With execution of the new agreement, the City may also allocate up to \$50,000.00 beginning in FY2023 for the Herd Capital Expense for the next four years of funding. Funding shall be a dollar for dollar match with the Friends of the Herd fundraising.

4. Special Public Facilities Funds (SPFF) - CVB maintains two funds to assist in attracting, maintaining and retaining tourism and convention business in Fort Worth - the Fort Worth Convention Center Public Facilities Fund and the Will Rogers Memorial Center Public Facilities Fund (collectively, SPFFs). The contract calls for the City to allocate up to the amount of \$480,000.00 per fiscal year for the Fort Worth Convention Center SPFF, up to the amount of \$210,000.00 per fiscal year for the Will Rogers Memorial Center SPFF and up to the amount of \$100,000.00 per fiscal year for the Sports SPFF. Funding for the SPFFs is subject to annual appropriation by the City Council during the budget process.

5. Sports Marketing Fund (SMF) - CVB maintains funds available for the purpose of promoting and marketing the sports tourism industry in the City. With execution of the new agreement, the SMF annual up to amount increases from \$100,000.00 to \$200,000.00 and an additional appropriation for FY2023 of \$100,000.00 was previously approved in M&C 22-0984, on November 11, 2022. Any unused SMF will carry over to the following fiscal year for the same purpose, will supplement the total funding to be contributed by the City during that fiscal year, and funding in subsequent years will be based on the annual CVB and City funds availability.

6. Motion Picture, Film and Television Marketing Fund (FMF) - CVB maintains funds available for the purpose of promoting and marketing the City to the motion picture, film, and television industry to raise national awareness of the City. With execution of the new agreement, the City will make an allocation of up to \$150,000.00 in FY2023. Any unused FMF will carry over to the following fiscal year for the same purpose. Funding in subsequent years will be based on the annual CVB and City funds availability.

7. Event Trust Fund Application Account- In FY2023, the City will loan CVB \$3,000,000.00 for the creation of a revolving account to be used for CVB's Event Trust Fund (ETF) applications. The funds can be used by CVB exclusively for ETF applications. If any ETF reimbursements are received from the State, they shall be re-deposited in the revolving account. The loan is repayable, at the City's option, upon the termination of this agreement. CVB will report monthly on the account disbursements and receipts.

8. Marketing Plan - On a yearly basis, the CVB will develop and submit to the City a Marketing Plan that will include the services to be performed by CVB in the upcoming fiscal year and include measurable performance criteria. The Marketing Plan will be consistent with CVB's mission to market and promote Fort Worth as a premier business and leisure destination, so as to enrich Fort Worth's hospitality industry and the community's economy. In furtherance of that mission, the primary responsibilities of CVB are to promote conventions, trade shows, meetings and long-term equestrian events at the City's public facilities with the intent to maximize facility revenues, hotel occupancy tax, sales tax and use of the City's public facilities. The Marketing Plan will provide the instruments to evaluate the services provided under the contract.

9. **Budget Plan** - On a yearly basis, CVB will be required to submit to the City, for consideration and approval, a proposed written budget plan indicating the following: (i) the proposed funding for the General (Base) Funding including the NPRMF, the SPFF, Herd operations and capital, SMF and FMF, (ii) the projected available HOT collections for the ensuing fiscal year and any amounts available in CVB reserve funds available for the NPRMF, SPFF, SMF and FMF.

10. **Board of Directors** - The contract terms allow for the City Manager to serve as an ex-officio non-voting member of the CVB Executive Committee and City Manager, Assistant City Manager and the Director of Public Events to serve as ex-officio non-voting members of the CVB Board of Directors. In addition, the contract calls for two (2) Council Members or appointees to serve as voting members on the CVB's Board of Directors with at least one of these individuals also serving on the CVB Executive Committee.

11. **Term** - The initial term of the contract will be for five years beginning on October 1, 2022 and expiring on September 30, 2027, with the option to extend the contract for two additional one-year periods.

12. **Termination** - The contract will include a provision allowing either party to terminate the Agreement with a 90 day notice.

The action in this M&C will amend the Fiscal Year 2023 Adopted Budget as approved in connection with Ordinance 25773-09-2022, Section 1. General Fund, as listed on page 3, and Section 2. Special Revenue Funds, as listed on page 7.

Fund / Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
General Fund				
Revenues				
Non-Departmental				
Use of Fund Balance		M&C 23-0135	\$2,124,106.00	\$2,124,106.00
Total Revenues	0.00		\$2,124,106.00	\$2,124,106.00
General Fund				
Expenditures				
Non-Departmental				
Separation Pay	\$370,000.00			\$370,000.00
Employee Recruitment and Retention Fund	\$8,060,037.00			\$8,060,037.00
Fire Contingency Overtime Fund	\$4,767,575.00			\$4,767,575.00
Contractual Services	\$4,000,000.00			\$4,000,000.00
	\$3,465,149.00	This M&C	(\$120,000.00)	
		M&C 23-0006	(\$125,000.00)	
		M&C 23-0059	(\$300,000.00)	
		M&C 23-0192	(\$405,066.00)	
				\$2,515,083.00
Tuition and Reimbursement	\$172,478.00			\$172,478.00
Training Initiative	\$250,000.00			\$250,000.00
Transfer to General Capital Fund (PayGo)- IT Capital	\$3,617,007.00			\$3,617,007.00
Transfer to General Capital Fund (PayGo)- Community Partnerships	\$750,000.00			\$750,000.00
Transfer to IT Refresh Capital	\$1,201,099.00			\$1,201,099.00
Transfer to Municipal Golf (Operating Subsidy)	\$320,000.00			\$320,000.00
Transfer to General Capital Fund		M&C 23-0135	\$2,124,106.00	\$2,124,106.00
Total Expenditures	\$26,973,345.00		\$1,174,040.00	\$28,147,385.00

Fund / Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
General Fund				
Revenues				
Economic Development	\$1,138,106.00			\$1,138,106.00
Total Revenues	\$1,138,106.00			\$1,138,106.00
General Fund				
Expenditures				
Economic Development	\$38,513,321.00	M&C 23-0095	\$683,897.00	\$39,197,218.00
Subsidy to Culture and Tourism (380 Agreement)	\$2,927,456.00			\$2,927,456.00
Transfer to PIDs	\$326,791.00			\$326,791.00
Transfer to Economic Incentive Fund	\$2,000,000.00			\$2,000,000.00
Transfer to Culture and Tourism Fund		This M&C	\$120,000.00	\$120,000.00
Total Expenditures	\$43,767,568.00		\$803,897.00	\$44,571,465.00

Fund / Department Budget Category	FY2023 Adopted Budget	Authority	Budget Adjustment	Revised FY2023 Budget
Culture and Tourism Fund				
Revenues				
Culture and Tourism	\$46,366,717.00	M&C 23-0221	\$2,596,047.00	\$48,962,764.00
Transfers from General		This M&C	\$120,000.00	\$120,000.00
Use of Fund Balance		M&C 22-0984	\$136,000.00	\$136,000.00
		This M&C	(\$136,000.00)	(\$136,000.00)
Total Revenues	\$46,366,717.00		\$2,716,047.00	\$49,082,764.00
Expenditures				
Culture and Tourism	\$42,431,499.00	This M&C	\$3,200,000.00	\$45,631,499.00
		This M&C	\$120,000.00	\$120,000.00
		M&C 22-0984	\$136,000.00	\$136,000.00
		M&C 23-0221	\$573,467.00	\$573,467.00
Transfer to General Fund	\$943,581.00			\$943,581.00
Transfer to Capital Fund	\$500,000.00			\$500,000.00
Transfer to VERF	\$179,155.00			\$179,155.00
Transfer to IT Refresh Capital	\$44,054.00			\$44,054.00
Transfer to Debt Fund	\$798,907.00			\$798,907.00
Contribution to Fund Balance /Net Position	\$1,469,521.00	This M&C	(\$3,200,000.00)	(\$1,730,479.00)
		This M&C	(\$136,000.00)	(\$136,000.00)
		M&C 23-0221	\$2,022,580.00	\$2,022,580.00

Total Expenditures

\$46,366,717.00

\$2,716,047.00

\$49,082,764.00

Budget is available in Contribution to Fund Balance and Other Contractual Services and funding is available from HOT revenues and transfers from the General Fund, in the Culture and Tourism Fund, for the professional services agreement with CVB. Funding is available in the General Fund Non-Departmental for a transfer from the Economic Development Department to the Culture and Tourism Fund for the same. Future funding in subsequent fiscal years will be based on availability and is subject to annual appropriation by the City Council during the budget process.

FISCAL INFORMATION / CERTIFICATION:

The Director of Finance certifies that funds are currently available in the Culture & Tourism and General Funds and that upon approval of the above recommendations and adoption of the attached appropriation ordinance, funds will be available in the Culture & Tourism Fund to support the above recommendations and execution of the agreement. Prior to an expenditure being incurred, the Public Events Department has the responsibility of verifying the availability of funds. Future funding in subsequent fiscal years will be based on availability and is subject to annual appropriation by the City Council during the budget process.

Submitted for City Manager's Office by: William Johnson 5806

Originating Business Unit Head: Michael Crum 2501

Additional Information Contact: Andrea Wright 2502

Expedited