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**Memorandum**

To: Vail Town Council

From: Vail Local Marketing District Advisory Council

Date: November 1, 2016

Subject: Vail Local Marketing District 2017 Operating Plan and Budget

## **I. BACKGROUND**

The Vail Local Marketing District approved the 2017 Operating Plan and Budget at the September 20, 2016 meeting and no changes have been made since then.

The mission of the Vail Local Marketing District is to market and promote Vail to attract overnight destination guests primarily during the May – October time frame, creating economic vitality by increasing both the visitor base and sales tax revenues. Results to date show an increase in sales tax collected, room nights and event attendance over the summer of 2015.

The overarching goal is to strengthen Vail's position as a year-round destination that appeals to a broad audience by elevating the summer brand position.

The marketing objectives outlined in the VLMD operating plan are:

Continue the momentum and build on the powerful leadership position of the year-round Vail brand in order to:

- Increase May – October occupancy
- Increase sales tax revenue
- Increase group occupancy
- Optimize visitor mix
- Monitor net promoter score (due to new methodology)
- Increase consideration percentage as measured by Burke

## **II. BUDGET DETAIL**

Revenue from lodging tax collections is estimated at \$3,300,000 for 2017. The assumptions for this projection are consistent with the town's expected sales tax revenue for 2017. Regarding expenditures, the attached budget proposal includes \$3,750,000 for 2017 programs. The ending fund balance currently projected of \$1,055,738 is 32% of annual revenues, Council directive is 25% of annual revenues.

The following shifts are recommended from the 2016 forecast to the 2017 budget to address recent successes and opportunities and to achieve the outlined marketing objectives:

- An additional \$500,000 expenditure is recommended in order to:
  - Keep Vail in the leadership position and maintain our competitive edge among other mountain destinations
  - Increase our ability to be in market longer and during key timeframes
  - Allow us to reach more of our audience nationally, within destination markets and in the Front Range
  - Increase the momentum for reaching annual and 5-year goals
- Destination budget increases 13% to allow for more national digital efforts and traditional efforts in Dallas and Chicago with targeted audiences
- International budget increases 3% to add additional events in Mexico which have proven successful this summer as well as to add the Panama market
- Front Range budget increases 18% to allow for more traditional efforts to focus on increased population in the target audiences
- Groups and Meetings budget increases 7% to provide additional sales efforts as well as targeted partnerships
- PR budget increases 10% to maintain a prominent presence regionally, nationally and internationally and add influencer initiatives
- Research budget increases 46% to reflect that the Burke Brand Research study will be scheduled in 2017
- Web/email marketing increases 8% in order to provide more focus on targeted efforts
- Photography/video increases 33% to build the archives with new and exciting still shots, video opportunities as well as aerial shoots
- Branding decreases 15% since the new brand marketing was executed in 2016
- Professional Fees increase 9% commensurate with the additional scope of work at the new budget level
- Event Marketing increases 4% for additional marketing support and a full time event liaison specialist

The budgetary changes outlined above reflect the goal of shifting dollars to optimize the visitor mix of destination, front range and international travelers; to drive revenue by focusing on the core audience while broadening and increasing relevancy with a younger demographic; to maximize off peak, mid-week and shoulder seasons and to increase awareness of Vail as a group and meeting destination and drive quality leads to the lodging community through additional outreach and programs in 2017.

### **III. ACTION REQUESTED OF TOWN COUNCIL**

VLMD recommends that Town Council approve the 2017 Operating Plan and budget of \$3,750,000.

# Vail Local Marketing District 2017 Proposed Budget

	2015 Actual	2016 Budget	2016 Forecast	2017 Proposed
<b>Income</b>				
Lodging Tax	3,228,044	3,030,500	3,200,000	3,300,000
Interest Income	515	2,000	2,000	2,000
<b>Total Income</b>	<b>3,228,559</b>	<b>3,032,500</b>	<b>3,202,000</b>	<b>3,302,000</b>
<b>Expense</b>				
Destination	1,055,337	1,119,000	1,062,000	1,285,500
International	235,187	220,000	220,000	241,000
Front Range	284,052	225,000	225,000	264,000
Groups and Meetings	550,636	702,500	702,500	752,965
Public Relations Expenses	88,522	103,000	103,000	115,000
Photography / Video	108,500	124,000	124,000	185,000
Research	167,343	74,000	74,000	136,088
Web Site	45,000	95,000	95,000	104,000
Admin Miscellaneous	3,300	7,500	7,500	7,487
Email Marketing	26,515	6,500	6,500	6,500
Branding	92,286	110,000	110,000	110,000
Professional Fees				
Legal and Accounting	22,000	22,000	22,000	25,000
Advertising	-	-	57,000	58,000
Advertising Agent Fees	49,815	45,000	45,000	45,000
Marketing Coordination-TOV	90,000	90,000	90,000	95,000
Marketing Coordination-VVP	40,000	40,000	40,000	40,000
Professional Fees - MYPR	124,960	124,960	124,960	132,460
Ft Range Promotion Fees	22,000	22,000	22,000	22,000
<b>Total Professional Fees</b>	<b>348,775</b>	<b>343,960</b>	<b>400,960</b>	<b>417,460</b>
Special Event Funding				
Team Shiffrin	17,500	-	-	-
Special Event Funding	-	-	100,000	100,000
Pro-Cycling Challenge	-	100,000	-	-
Event Liason	15,000	20,000	20,000	25,000
<b>Total Special Events</b>	<b>32,500</b>	<b>120,000</b>	<b>120,000</b>	<b>125,000</b>
<b>Total Expense</b>	<b>3,037,954</b>	<b>3,250,460</b>	<b>3,250,460</b>	<b>3,750,000</b>
<b>Net Income</b>	<b>190,605</b>	<b>(217,960)</b>	<b>(48,460)</b>	<b>(448,000)</b>
Beginning Fund Balance	1,361,593	996,093	1,552,198	1,503,738
Ending Fund Balance	<b>1,552,198</b>	<b>778,133</b>	<b>1,503,738</b>	<b>1,055,738</b>
%age Fund Balance (25% required)	<b>48%</b>	<b>26%</b>	<b>47%</b>	<b>32%</b>

**RESOLUTION NO. 32  
SERIES OF 2016**

**A RESOLUTION APPROVING THE OPERATING PLAN AND BUDGET OF  
THE VAIL LOCAL MARKETING DISTRICT, FOR ITS FISCAL YEAR  
JANUARY 1, 2017 THROUGH DECEMBER 31, 2017**

WHEREAS, the Town of Vail (the “Town”), in the County of Eagle and State of Colorado is a home rule municipal corporation duly organized and existing under the laws of the State of Colorado and the Town Charter (the “Charter”); and

WHEREAS, the members of the Town Council of the Town (the “Council”) have been duly elected and qualified; and

WHEREAS, C.R.S. §29-25-110 requires the Council’s annual approval of the operating plan the Vail Local Marketing District (the “VLMD”).

NOW THEREFORE, BE IT RESOLVED BY THE TOWN COUNCIL OF THE TOWN OF VAIL, COLORADO THAT:

Section 1. The Council approves the operating plan and budget of the VLMD for marketing related expenditures beginning on the first day of January, 2017, and ending on the 31<sup>st</sup> day of December, 2017.

Section 2. This Resolution shall take effect immediately upon its passage.

INTRODUCED, PASSED AND ADOPTED at a regular meeting of the Town Council of the Town of Vail held this 1st day of November, 2016.

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Dave Chapin, Town Mayor

Attested:

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Patty McKenny, Town Clerk