



---

**Memorandum**

To: Vail Town Council

From: Vail Local Marketing District

Date: October 17, 2017

Subject: Vail Local Marketing District 2018 Operating Plan and Budget

## **I. BACKGROUND**

The Vail Local Marketing District approved the 2018 Operating Plan and Budget at the September 19<sup>th</sup>, 2017 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. To date, 2017 summer results show a mix in sales tax performance, with a decrease in May and increases in June and July as compared to the same time period in 2016.

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**

Budgeted revenue from lodging tax collections is proposed at \$3,200,000 for 2018. The assumptions for this projection are conservative and consistent with the town's expected sales tax revenue for 2018. Proposed budgeted expenditures are \$3,400,000 for 2018 programs. This is a \$350,000 decrease from 2017 budgeted expenditures when \$500,000 of fund balance was utilized. However, this is a \$240,000 increase

from 2016 expenditures. The 2018 ending fund balance is projected to be \$943,733, which is 30% of annual revenues, and within Council's directive of 25% of annual revenues.

The following shifts are recommended from the 2017 budget to the 2018 budget to address recent successes and opportunities and to achieve the outlined marketing objectives:

- 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 decreases 2% by realizing a savings in Search Engine Marketing and increased overall digital media efficiencies
- International budget decreases 6% with the elimination of the Panama market
- Front Range budget decreases 16% with increased digital media efficiencies and elimination of some traditional sources
- Groups and Meetings budget increases slightly to provide additional sales efforts as well as targeted partnerships
- PR budget decreases 26% with savings in fees due to reduced scope and the elimination of Panama
- Research budget decreases 38% to reflect that there is no Burke Brand Research study in 2018, it is every other year
- Web/email marketing/social media increases 13% in order to provide more content and social efforts
- Photography/video decreases 39% since a significant investment was made in 2017 to build the video assets and photo archives
- Branding/production decreases 13% since the new brand marketing was executed in 2016 and production in 2017 so realizing a savings in fees and production costs due to reduced scope of work
- Professional Fees decrease 2% commensurate with the reduction in scope of work at the new budget level
- Event Support decreases 80% with the removal of the US Pro Challenge/Colorado Classic line item that had been carried in the budget the last several years

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 2018.

## **ACTION REQUESTED OF VAIL TOWN COUNCIL**

The Vail Local Marketing District recommends that the Vail Town Council approve the 2018 Operating Plan and budget of \$3,400,000.

# Vail Local Marketing District 2018 Proposed Budget

	2016	2017	Proposed 2018
	Actual	Budget	Budget
<b>Income</b>			
Lodging Tax	3,198,625	3,300,000	3,200,000
Interest Income	1,722	2,000	2,000
<b>Total Income</b>	<b>3,200,347</b>	<b>3,302,000</b>	<b>3,202,000</b>
<b>Expense</b>			
Destination	1,032,293	1,285,500	1,182,548
International	180,704	241,000	235,052
Front Range	247,368	264,000	222,000
Groups and Meetings	700,248	752,965	756,375
Public Relations Expenses	101,693	115,000	85,200
Content/Influencer Strategy	-	-	100,000
Photography / Video	152,180	185,000	112,000
Research	71,966	136,088	84,365
Web Site	45,000	104,000	50,000
Admin Miscellaneous	4,991	7,487	8,000
Email Marketing	6,500	6,500	6,500
Branding	202,289	110,000	98,000
Professional Fees			
Vail App	-	-	35,000
Legal and Accounting	22,000	25,000	25,000
Advertising	50,741	58,000	48,000
Advertising Agent Fees	45,000	45,000	45,000
Marketing Coordination-TOV	90,000	95,000	95,000
Marketing Coordination-VVP	40,000	40,000	40,000
Professional Fees - MYPR	125,589	132,460	124,960
Ft Range Promotion Fees	22,000	22,000	22,000
<b>Total Professional Fees</b>	<b>395,330</b>	<b>417,460</b>	<b>434,960</b>
Special Event Funding			
Special Event Funding	21,250	100,000	-
Pro-Cycling Challenge	-	-	-
Event Liason	-	25,000	25,000
<b>Total Special Events</b>	<b>21,250</b>	<b>125,000</b>	<b>25,000</b>
<b>Total Expense</b>	<b>3,161,811</b>	<b>3,750,000</b>	<b>3,400,000</b>
<b>Net Income</b>	<b>38,536</b>	<b>(448,000)</b>	<b>(198,000)</b>
Beginning Fund Balance	1,552,198	1,590,733	1,142,733
Ending Fund Balance	1,590,733	1,142,733	944,733
%age Fund Balance (25% required)	50%	35%	30%

**RESOLUTION NO. 36  
SERIES OF 2017**

**A RESOLUTION APPROVING THE OPERATING PLAN AND BUDGET OF  
THE VAIL LOCAL MARKETING DISTRICT, FOR ITS FISCAL YEAR  
JANUARY 1, 2018 THROUGH DECEMBER 31, 2018**

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, 2018, and ending on the 31<sup>st</sup> day of December, 2018.

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 17th of October, 2017.

\_\_\_\_\_  
Dave Chapin, Town Mayor

Attested:

\_\_\_\_\_  
Patty McKenny, Town Clerk