

CITY OF OAKLAND
AGENDA REPORT

OFFICE OF THE CITY CLERK
OAKLAND
2005 OCT 19 PM 6:59

TO: Office of the City Administrator
ATTN: Deborah Edgerly
FROM: Cultural Arts & Marketing Division
DATE: October 25, 2005

RE: **REPORT ON FY 2003-05 PERFORMANCE OF THE OAKLAND CONVENTION & VISITORS BUREAU (OCVB) AND RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO NEGOTIATE AND EXECUTE A TWO-YEAR PROFESSIONAL SERVICES AGREEMENT WITH THE OAKLAND CONVENTION AND VISITORS BUREAU TO PROVIDE VISITOR MARKETING SERVICES IN AN AMOUNT NOT TO EXCEED \$650,000 FOR FISCAL YEAR 2005-06 AND \$650,000 FOR FISCAL YEAR 2006-07 AND PROVIDE A FINANCIAL INCENTIVE SHOULD TRANSIENT OCCUPANCY TAX RECEIPTS EXCEED ANNUAL BUDGETED REVENUES AND OCVB EXCEED ITS ANNUAL CUMULATIVE ECONOMIC VALUE BENCHMARK.**

SUMMARY

This is a report on the performance of the Oakland Convention and Visitors Bureau covering activities from July 1, 2003, to June 30, 2005. This report also includes a Resolution authorizing the City Administrator to enter into a two-year management agreement with the OCVB to provide visitor marketing services during FY 2005-07. The Resolution also provides a financial incentive should Transient Occupancy Tax (TOT) receipts exceed annual budgeted revenues and OCVB exceed its annual cumulative economic value benchmark.

A comprehensive list of achievements was included in the OCVB 2003-04 and 2004-05 Annual Reports. The executive summaries for both the FY 03-04 and FY 04-05 OCVB annual reports are attached as **EXHIBIT A**.

Major FY 2003-04 accomplishments include:

The total economic impact of marketing activity was \$5.1 million, which represents a 16.7 percent decrease from FY 2002-03.

- Convention sales = \$3.1 million
- Event bookings = \$900,000
- Public Relations = \$771,000 in editorial placements
- In-Kind Marketing Support = \$322,000
- Website = 230,530 visitors

Major FY 2004-05 accomplishments include:

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The total economic impact of marketing activity was \$6.1 million, which represented a 17.7 percent increase from FY 2003-04.

- Convention sales = \$4.2 million
- Event bookings = \$1.2 million
- Public Relations = \$576,000 in editorial placements
- In-Kind Marketing Support = \$88,000
- Website = 219,563 visitors

It should be noted that the City of Oakland is the OCVB’s primary source of cash funding. The FY 2004-05 accomplishments represent a nine-to-one return on the City’s investment, which means that for every dollar the City invested in the OCVB, the organization returned \$9.32. Also of note is that this figure reflects only the group business generated by the OCVB and not individual leisure or business travelers attracted by the organization’s marketing efforts.

FISCAL IMPACT

The City’s FY 2005-07 Adopted Policy Budget includes appropriations to the OCVB of \$650,000 during FY 2005-06 and \$650,000 during FY 2006-07. These funds are included in the non-departmental citywide marketing section of the budget (Program Code CE04). The FY 2005-07 funding level of \$650,000 per year is the same as was appropriated for the previous fiscal year, FY 2004-05; however it represents a 27 percent reduction when compared to the funding level for FY 2003-04 and a 35 percent reduction when compared to the funding level for FY 2002-03.

The OCVB’s FY 2005-06 and FY 2006-07 operating budgets are attached as **EXHIBIT B**.

As provided for in the current contract, FY 2005-07 payments to the OCVB will be made on a quarterly basis as specified in a two-year management agreement. The first payment in each fiscal year will provide 40 percent of the annual appropriation. On the first day of each of the next two subsequent quarters, the City shall pay 20 percent of the annual appropriation. If at the beginning of the final quarter of each fiscal year, the OCVB has achieved 75 percent of its annual performance standards, the City shall pay the final 20 percent of the appropriation. If the OCVB has not achieved 75 percent of its annual performance standards, the City Administrator shall negotiate the amount of the final quarterly payment based on work accomplished, pending bookings and other economic and industry conditions.

In addition, if the OCVB exceeds the cumulative economic value benchmark and the City’s Transient Occupancy Tax (TOT) collections exceed the budget projections as outlined below, the City will pay the OCVB incentive premiums, according to the following schedule:

	FY 2005-06	FY 2006-07
Budgeted TOT estimate (TOT Baseline 1)	\$9,817,126	\$10,013,469
For FY 05-06, 40 cents on each TOT dollar of collections between \$9,817,127 and		

\$10,817,126. For FY 06-07, 40 cents on each TOT dollar of collections between \$10,013,470 and \$11,013,469.		
Maximum incentive for Step 1:	\$400,000	\$400,000
For FY 05-06, 50 cents on each TOT dollar of collections between \$10,817,127 and \$11,817,126. For FY 06-07, 50 cents on each TOT dollar of collections between \$11,013,470 and \$12,013,469.		
Maximum incentive for Step 2:	\$500,000	\$500,000
Total Possible Incentive (not to exceed):	\$900,000	\$900,000

An incentive clause included in the last two-year contract with the OCVB was not exercised because TOT did not exceed budgeted revenues and/or the OCVB did not exceed each of its economic value benchmarks. The previous contract provided for an incentive payment equal to 50 percent of any TOT over the budgeted revenues if OCVB exceeded each of the economic value benchmarks. Moving forward, the FY 2005-07 OCVB contract would be adjusted to provide an incentive payment if the TOT exceeds annual budgeted revenues and the OCVB exceeds the cumulative (overall) economic value benchmark. The cumulative economic value benchmark will be based on revenue generation as established in the scope of services and detailed in performance reports provided by the OCVB.

This incentive provides additional motivation for the OCVB to aggressively pursue more tourism business for Oakland. This will lead to an increase in the overall tourism marketing effort, enhance Oakland's position nationally in the tourism market, and add to the economic vitality of Oakland. The incentive payment will be used to enhance the OCVB's marketing activities as detailed in the scope of services.

The incentive payment will be made as follows: 50 percent of the estimated incentive amount will be paid at the end of the first quarter (September 30) following the close of the fiscal year ending June 30. The remaining 50 percent will be paid by December 31 of the same year, following the completion of OCVB's year-end audit.

The additional TOT revenues beyond budgeted revenues are currently unallocated and will not affect the City's baseline or the City's annual allocation to the OCVB.

BACKGROUND

On November 4, 2003, the Oakland City Council authorized the City Manager to execute a two-year agreement with the OCVB to provide visitor marketing services during FY 2003-05. The resolution authorized City funding in the amount of \$900,000 for FY 2003-04 and \$650,000 for FY 2004-05.

The OCVB markets and sells Oakland as a convention and leisure travel destination. The OCVB is charged with performing destination marketing activities that encourage visitors to stay overnight in Oakland hotels, shop at retail stores, dine at local restaurants and visit Oakland attractions and cultural venues. By attracting visitors, the OCVB generates revenue for the City of Oakland in the form of TOT collected by local hotels and, to a lesser degree, sales tax generated by visitors' expenditures.

The two-year professional services agreement (authorized by Oakland City Council Resolution 78187 C.M.S.) between the City and the OCVB for FY 2003-05 set specific quantitative performance standards for the organization.

This report reviews the OCVB's activities from July 1, 2003, through June 30, 2005, relative to achieving these performance standards.

KEY ISSUES AND IMPACTS

Achievement of FY 2003-05 Performance Standards (Benchmarks)

The tourism industry is making a slow and uneven recovery from the economic slump and the September 11 terrorist attacks. PKF Hospitality Research notes in *Trends in the Hotel Industry* that not all properties are enjoying the recent recovery. The report states that "the force that is rising the tide is the newer hotels." The company's *Hotel Outlook*, a lodging industry forecast model, projects a continuation of strong growth for the U.S. lodging industry in 2005. "By year-end hotel RevPAR¹ in the 51 largest U.S. markets is forecast to rise 9.0 percent, the result of a 3.4 percent gain in occupancy and a 5.5 percent bump in average daily rates." However, this increased demand will still be significantly lower than the record levels of 1999 and 2000.

For the 12-month period ending June 30, 2004, OCVB activities generated a total economic value of over \$5.07 million or 85 percent of its annual performance standard.

For the 12-month period ending June 30, 2005, OCVB activities generated a total economic value of over \$6.06 million or 101 percent of its annual performance standard.

The major accomplishments that contributed to these totals are outlined below. A matrix referencing OCVB's actual performance is attached as **EXHIBIT C**.

The OCVB's FY 2004-05 performance of \$6.06 million represents a 17.7 percent increase over the FY 2003-04 performance level of \$5.07 million.

Convention Sales & Services

In FY 2003-04, the OCVB booked 46 conventions or groups into Oakland hotels generating 8,798 hotel room-nights and more than \$3,088,000 in visitor expenditures. This dollar amount represents 77 percent of the OCVB's annual goal in the booked room-nights category. An additional 27 events

¹ REVPAR = revenue per available room

without overnight guestroom usage were booked into Oakland meeting venues with expenditures estimated at \$896,175 or 80 percent of the annual goal in definite no-guestroom meetings booked.

OCVB sales staff generated 232 group leads for hotels and meeting venues representing business that would generate 19,748 room-nights for Oakland hotels. The OCVB met 78 percent of its FY 2003-04 annual goal in this category. The OCVB assisted 111 groups that met in Oakland representing 106 percent of their FY 2003-04 quantitative goal.

In FY 2004-05, the OCVB booked 30 conventions or groups into Oakland hotels generating 11,879 hotel room-nights and more than \$4,169,000 in visitor expenditures. This dollar amount represents 104 percent of the OCVB's annual goal in the booked room-nights category. An additional 22 events without overnight guestroom usage were booked into Oakland meeting venues with expenditures estimated at \$1,228,190 or 109 percent of the annual goal in definite no-guestroom meetings booked. OCVB sales staff generated 249 group leads for hotels and meeting venues representing business that would generate 45,777 room-nights for Oakland hotels. The OCVB met 105 percent of its FY 2004-05 annual goal in this category.

The OCVB assisted 112 groups that met in Oakland representing 106 percent of the annual quantitative goal.

An external factor that helped the OCVB exceed its convention bookings for FY 2004-05 was the hotel workers strike in San Francisco. These displaced groups and meetings were a source of business that is not projected to carry over into FY 2005-07. Therefore, the new benchmarks have been adjusted to reflect achievable results.

Tourism

In FY 2003-04, the OCVB fulfilled 57,621 inquiries made by telephone, mail, or walk-in visitors. The OCVB website also logged more than 230,500 visitors.

In FY 2004-05, the OCVB fulfilled 48,033 inquiries made by telephone, mail, or walk-in visitors. The OCVB website also logged more than 219,500 visitors.

The professional service agreement does not specify quantitative or economic value benchmarks in the Tourism category.

Public Relations

In FY 2003-04, OCVB public relations activity generated coverage of Oakland in 105 articles with a paid-advertising-equivalency of \$770,896. These placements included feature articles in *New York Times*, *VIA*, *Sunset*, *Black Enterprise Magazine*, *Meeting Professional* and many others. The OCVB met 106% of this goal.

In FY 2004-05, OCVB public relations activity generated coverage of Oakland in 126 articles with a paid-advertising-equivalency of \$576,321. These placements included feature articles in *USA Today*,

Chicago Tribune, Sunset, Alaska Airlines Magazine, New York Times, Physician's Travel & Meeting Guide, The Charlotte Observer, Meeting Professional, and many others. This dollar amount represents 80 percent of the OCVB's annual public relations goal of \$725,000.

It should be noted that, given the 27 percent funding reduction for FY 2004-05, the OCVB was unable to retain a public relations firm. Without an outside firm, all media coverage is generated by in-house staff. Pro-active story pitching is a second priority as OCVB staff focus on the core business of booking overnight groups which generate direct revenue for the City of Oakland.

Financial/Reporting

The OCVB is conducting an annual financial audit as outlined in the professional services agreement. The audit will be completed by December 31, 2005.

During FY 2003-04, the OCVB received \$321,897 in in-kind donations from the Oakland tourism industry. These donations were primarily in the form of support for the OCVB's "A Taste of Oakland" event as well as complimentary accommodations, meals and attraction admissions for travel writers and meeting planners. This level of in-kind support represented 208 percent of the \$155,000 annual goal.

During FY 2004-05, the OCVB received \$88,853 in in-kind donations from the Oakland tourism industry. These donations were primarily in the form of complimentary accommodations, meals and attraction admissions for travel writers and meeting planners. This level of in-kind support represents 57 percent of the \$155,000 annual goal.

It should be noted that the FY 2004-05 total for in-kind donations was greatly impacted by the discontinuation of "A Taste of Oakland," which in past years generated more than \$260,000 in in-kind support.

Proposed FY 2005-07 Performance Standards (Benchmarks)

The annual benchmarks proposed for FY 2005-07 are found in **EXHIBIT D**. These proposed benchmarks reflect current and projected economic conditions, industry standards and reduced City funding for the OCVB. The proposed benchmarks focus on the dollar value of the OCVB's economic impact, which represents revenue for the City of Oakland and local businesses. Based on the achievement of these performance standards, the OCVB's annual total economic impact would represent an \$8.36 return for every \$1.00 the City allocates to the organization during FY 2005-07.

Proposed FY 2005-07 Scope of Services

The FY 2005-07 Scope of Services calls for the OCVB to provide a full complement of visitor marketing services for the City of Oakland including group sales, group services, leisure travel promotion, media relations, and visitor request fulfillment. The proposed FY 2005-07 Scope of Services for the OCVB is attached as **EXHIBIT E**.

SUSTAINABLE OPPORTUNITIES

Economic:

The direct economic opportunities associated with the OCVB's performance include the TOT and sales tax revenues generated for the City of Oakland by visitor expenditures. By attracting visitors, the OCVB's marketing activities indirectly provide entry-level to executive-level employment opportunities for Oakland residents at hotels, restaurants, attractions, and other service industry sectors. The OCVB subscribes to the City's Living Wage Ordinance.

Environmental:

With the exception of the annual Destination Oakland Visitors Guide, which is funded 100% by private dollar advertising support, all materials printed by the OCVB that are paid for with City funds are produced on recycled paper. The OCVB staff actively recycles waste. With more than 219,000 visits to the OCVB website, large numbers of visitors are viewing travel planning information electronically thereby reducing the need to produce larger quantities of paper brochures. An Oakland hotel has the distinction of being the first lodging business in Alameda County to earn the Alameda County's Green Business Program certification.

Social Equity:

The TOT revenues generated by the OCVB's performance are part of the City's General Fund budget which supports vital community services. The OCVB subscribes to the City's Equal Benefits Ordinance.

DISABILITY AND SENIOR CITIZEN ACCESS

This report does not impact disability or senior citizen access. The OCVB is located at 463 11th Street, on the street level. The office is open to the public and accessible to both senior citizens and persons with disabilities.

RECOMMENDATION AND RATIONALE

Staff recommends that Council accept this performance report for FY 2003-05. Staff further recommends that Council approve the attached Resolution authorizing the City Administrator to enter into a two-year agreement with the OCVB to provide visitor marketing services for FY 2005-07 in an amount not to exceed \$650,000 for Fiscal Year 2005-07 and \$650,000 for FY 2006-07, and provide an incentive payment should TOT receipts exceed annual budgeted revenues and OCVB exceed its cumulative economic value benchmark.

Since opening six years ago, the OCVB has generated \$31 million in bookings, leads, TOT and media coverage and provided the City with an average return of over \$7 for every \$1 invested. The OCVB will continue to market Oakland as a travel destination thereby increasing travel expenditures and

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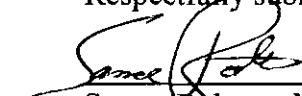
Community and Economic Development Committee
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strengthening the local economy. The OCVB will continue to provide the City with a healthy return on investment and position Oakland's tourism industry to grow as the economy recovers.

ACTION REQUESTED OF THE CITY COUNCIL

Staff requests that Council accept this performance report for FY 2003-05 and approve a Resolution authorizing the City Administrator to enter into a two-year agreement with the OCVB to provide visitor marketing services for FY 2005-07 in an amount not to exceed \$650,000 for FY 2005-06 and \$650,000 for FY 2006-07, and provide an incentive payment should TOT receipts exceed annual budgeted revenues and OCVB exceed its cumulative economic value benchmark.

Respectfully submitted,



Samee Roberts, Manager
Cultural Arts & Marketing Division
Office of the City Administrator

APPROVED AND FORWARDED TO THE
COMMUNITY AND ECONOMIC DEVELOPMENT COMMITTEE:



OFFICE OF THE CITY ADMINISTRATOR

OAKLAND CITY COUNCIL



RESOLUTION No. _____ C. M. S.

INTRODUCED BY COUNCILMEMBER _____

RESOLUTION AUTHORIZING THE CITY ADMINISTRATOR TO NEGOTIATE AND EXECUTE A TWO-YEAR PROFESSIONAL SERVICES AGREEMENT WITH THE OAKLAND CONVENTION AND VISITORS BUREAU TO PROVIDE VISITOR MARKETING SERVICES IN AN AMOUNT NOT TO EXCEED \$650,000 FOR FISCAL YEAR 2005-06 AND \$650,000 FOR FISCAL YEAR 2006-07 AND PROVIDE A FINANCIAL INCENTIVE SHOULD TRANSIENT OCCUPANCY TAX (TOT) RECEIPTS EXCEED ANNUAL BUDGETED REVENUES AND OCVB EXCEED ITS ANNUAL CUMULATIVE ECONOMIC VALUE BENCHMARK.

WHEREAS, the City of Oakland has requested that the Oakland Convention and Visitors Bureau perform visitor marketing functions in accordance with terms and conditions set forth in an Agreement; and,

WHEREAS, the visitor marketing functions will assist the City in achieving its overall marketing strategy; and,

WHEREAS, the Oakland Convention and Visitors Bureau will effectively and efficiently market Oakland as an overnight leisure and convention destination, thereby increasing Transient Occupancy Tax revenues, increasing revenues for the local hospitality industry, and increasing employment opportunities for Oakland residents; and,

WHEREAS, funding in the amount of \$650,000 has been appropriated in the FY 2005-06 non-departmental citywide budget and \$650,000 has been appropriated in the FY 2006-07 non-departmental citywide budget; and,

WHEREAS, if the OCVB exceeds the cumulative economic value benchmark of \$5,437,108 and the City's TOT collections exceed budget projections of \$9,817,126 for FY 2005-06, the City will pay the OCVB an incentive equal to 40 percent of TOT collections between \$9,817,127 and \$10,817,126 and 50 percent of TOT collections between \$10,817,127 and \$11,817,126.

WHEREAS, if the OCVB exceeds the cumulative economic value benchmark of \$5,437,108 and the City's TOT collections exceed budget projections of \$10,013,469 for FY 2006-07, the City will pay the OCVB an incentive equal to 40 percent of TOT collections between \$10,013,470 and \$11,013,469 and 50 percent of TOT collections between \$11,013,470 and \$12,013,469.

WHEREAS, these additional revenues beyond budgeted revenues are currently unallocated and will not affect the City's baseline; and,

WHEREAS, the City Council finds that this contract is for services of a professional nature and that services under this contract will be temporary; and,

WHEREAS, the City Council finds that this agreement shall not result in the loss of employment or salary by any person having permanent status in the competitive service; and

WHEREAS, payment to the Oakland Convention and Visitors Bureau will be in quarterly payments each fiscal year tied to the OCVB's successful achievement of detailed performance standards; now, therefore, be it

RESOLVED: that the Oakland City Council hereby authorizes the City Administrator to enter into a management agreement with the Oakland Convention and Visitors Bureau to perform visitor marketing services for the term beginning July 1, 2005, and ending June 30, 2007, in an amount not to exceed \$650,000 in FY 2005-06 and \$650,000 in FY 2006-07; and be it

FURTHER RESOLVED: that the Oakland City Council hereby authorizes payment of an incentive, if the OCVB exceeds the cumulative total economic value benchmark and the City's TOT collections exceed budget projections; and be it

FURTHER RESOLVED: that the City Administrator is hereby authorized to approve any subsequent amendments to said Agreement, or extensions of said Agreement, or to otherwise modify said Agreement, with the exception of those amendments, extensions, or modifications related to an increase in compensation or allocation of additional funds; and be it

FURTHER RESOLVED: that a copy of said Agreement shall be approved as to form and legality by the Office of the City Attorney and a copy will be filed in the Office of the City Clerk.

IN COUNCIL, OAKLAND, CALIFORNIA, _____, 2005 _____
PASSED BY THE FOLLOWING VOTE:

AYES – BROOKS, BRUNNER, CHANG, KERNIGHAN, NADEL, REID, QUAN, AND
PRESIDENT DE LA FUENTE

NOES -

ABSENT -

ABSTENTION -

Attest: _____

LATONDA SIMMONS
City Clerk and Clerk of the Council
of the City of Oakland, California

EXHIBIT A

Annual Report Summaries
FY 03-04
FY 04-05



TO: Mayor Jerry Brown, Members of City Council, Deborah Edgerly, City Manager, Samee Roberts, Marketing Manager, City of Oakland, Oakland International Airport

CC: V. Toni Adams, Chair of the Board, OCVB Board of Directors

FROM: Manette Belliveau, Executive Director

DATE: September 1, 2004

RE: 2003/04 Annual Report

EXECUTIVE SUMMARY

While the travel industry continues to suffer from the affects of a stubborn economy, the war in Iraq, and ongoing security and travel alerts, the Oakland Convention & Visitors Bureau (OCVB) is working aggressively to maintain a strong presence for Oakland in the industry.

Although room occupancies have remained flat, average room rates declined in 2003/04 in response to a softened demand and increase in supply throughout the Bay Area. Short-term bookings are the trend, providing meeting planners more negotiating power for this available space. As the economy recovers, business travel should rebound, which will increase occupancies and average rates.

Air travel to Oakland remains strong and continues to grow at the Oakland International Airport reaching 13.5 million passengers in 2003. The OCVB will continue to work in partnership with OAK as the airport of choice for the S.F. Bay Area. With 75% of our overnight bookings coming from out of state, this relationship with OAK is a critical component to our marketing strategy.

ECONOMIC IMPACT & RETURN ON INVESTMENT

City investment = \$900,000 Return = \$5,077,066 or 564%

Five-to-one return on investment

For every dollar invested in tourism, the OCVB returned \$5.60 to Oakland

MAJOR ACCOMPLISHMENTS

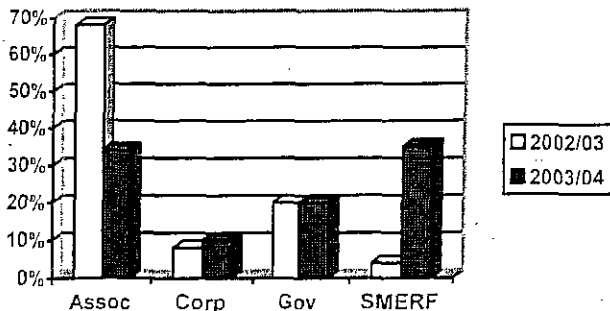
\$3.1 Million Conventions/Groups Booked
\$ 900,000 in Event Bookings
\$ 800,000 in Editorial Placements
\$ 300,000 in industry contributions

\$5.1 Million Total Impact

- Awarded Best Direct Mail Campaign, Visitor Industry News, CA Travel & Tourism Commission
- Awarded Finalist for Best Niche Marketing Program for Hometown Host, CA Travel & Tourism Commission
- 105 Editorial Placements - circulation 45 million
- Hosted the S.F. Bay Area Tour & Travel Member Program
- Booked the Public Relations Society of America and the Society of American Travel Writers Annual Conference in Oakland, June, 2004
- Booked 2,405 room nights through the Hometown Host program
- Conducted the Oakland tour program, numerous site visits and press visits.

CONVENTION/GROUP SALES

This year, we experienced a major shift in market segment bookings from predominantly Association to a more even balance between Association, Government and SMERFS (Social, Military, Education, Religious, Fraternal, Ethnic and Sports). The primary shift came from the Social market segment or reunions business as a result of our Hometown Host program. Corporate bookings increased by 2% and Government remained flat. The loss of Association business is a result of a more competitive marketplace than existed a few years ago.



PUBLIC RELATIONS

The OCVB's public relations program continues to result in a diverse collection of positive images and stories about Oakland in newspapers, magazines, books and electronic media. Unlike paid advertising, travel articles inspire more people to take action and visit the places they have read about. Travel stories are generally positive in nature and have the ability to eradicate negative perceptions that may exist.

MEDIA EXPOSURE

- 105 travel articles
- \$770,896 paid advertising equivalency
- 44,252,494 circulation

FINANCE

In response to a 10% reduction in our budget, we are leaner, more focused and engaged with industry partners to bring business to Oakland.

- Audit conducted with no negative findings
- Industry partners contributed \$321,897 in goods and services
- Raised \$99,311 in cooperative marketing support
- Netted \$14,716 from Taste of Oakland

As we enter fiscal year 2004/05 we face an additional 27% budget cut. This will require further streamlining of programs in order to reach our goals and ensure the City a positive return on investment.

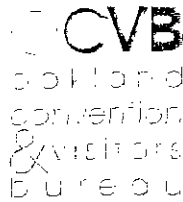
CHALLENGES

The OCVB met 85% of the established goals for this year. Our major challenge is the increased competition from other destinations with larger budgets and newer facilities. Within California, Oakland still suffers from a negative image related to a high crime rate, however, we see this perception diminishing somewhat on a national level.

LOOKING AHEAD

We are optimistic that the economy will recover and that the travel industry will once again thrive accordingly. As we enter this new fiscal year, our plan is to focus on group and convention business that will provide the highest return on investment for our local economy.

We have a talented and committed staff that will work aggressively to bring the business to Oakland. While we don't know what the year ahead will bring, we believe the prospects are bright.



TO: Mayor Jerry Brown, Members of City Council, Deborah Edgerly, City Administrator, Samee Roberts, Marketing Manager, City of Oakland, Oakland International Airport

CC: Dave Dunn, Chair of the Board, OCVB Board of Directors

FROM: Manette Belliveau, Executive Director

DATE: September 1, 2005

RE: 2004/05 Annual Report

EXECUTIVE SUMMARY

As the Oakland Convention & Visitors Bureau (OCVB) begins its seventh year of marketing and promoting the City of Oakland, we are excited about the prospects ahead.

We have all seen economic and socially turbulent times these past few years but throughout this turmoil the OCVB has maintained its steady position and place. The OCVB is the force that continues to market Oakland, bring visitors, book conventions, contribute to our economy, assist travel writers, develop story ideas and enhance awareness about Oakland. Tourism is on the rise and visitor spending is starting to increase.

As a result of the dramatic budget cuts sustained the past few years, some difficult choices were made regarding which markets to pursue and which markets to reduce. We remain focused on generating overnight group business, while reducing our marketing and public relations efforts. To sustain a healthy tourism market for the future, we need to add these market elements back into our overall plan as soon as the funding level permits. Overnight business provides the single largest return on the City's investment in the form of transient occupancy tax, jobs and overall economic impact.

Air travel to Oakland is steady and continues to grow at the Oakland International Airport (OAK) reaching 14 million passengers in 2004. OCVB and OAK work collectively in marketing Oakland to attract business and leisure travelers to the City. With approximately 70% of our overnight bookings from out-of-state, this relationship is a critical component to our overall marketing strategy. Most recently, we have added a new partnership with Southwest Airlines as our preferred airline thereby, enhancing our marketing position and offsetting air travel costs.

ECONOMIC IMPACT & RETURN ON INVESTMENT

City investment = \$650,000 Return = \$6,062,894 or 932%*

Nine-to-one return on investment

For every dollar invested in tourism, the OCVB returned \$9.32 to Oakland

*The return on investment reflects only a small portion of the actual economic impact that OCVB marketing programs generate for the City of Oakland, since we are unable to measure individual leisure or business travelers. This market represents over 60% of our current occupancy in Oakland.

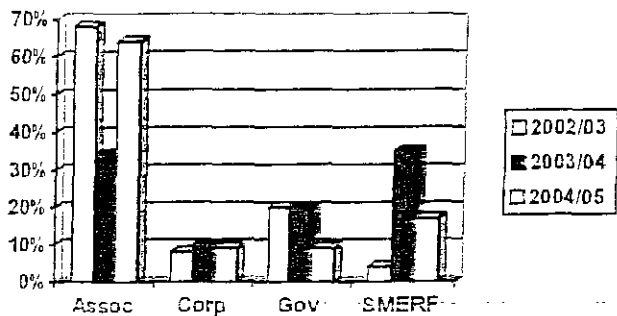
MAJOR ACCOMPLISHMENTS	2004/05	2003/04
Performance Measures		
Conventions/Groups Booked	\$4.2 Million	\$3 Million
Event Bookings	\$1.2 Million	\$900,000
Editorial Placements	\$ 576,000	\$771,000
In-Kind	\$ 88,000	\$321,000
Total Impact	\$6.1 Million	\$5.7 Million

- OCVB website was honored as the American Advertising Federation's Silver Regional ADDY award winner in June 2005
- Recognized as a Finalist for Best Web Site - CA Travel & Tourism Commission
- 126 Editorial Placements - circulation 19 million
- Served 219,563 visitors on the website, plus 48,033 individual visitor requests
- Produced 249 qualified group leads
- Ended the year with over 45,000 tentative room nights on the books
- Booked the following industry conferences: Western Association of Convention & Visitor Bureaus, Meeting Planners International, California Hispanic Chamber of Commerce

CONVENTION/GROUP SALES

This year, we experienced a major shift in market segment bookings resulting in an increase of 30% in Association business, a decline of 11% in government and a decline of 18% in SMERFES (Social, Military, Education, Religious, Fraternal, Ethnic and Sports). The reunion and religious markets remain strong representing 100% of the SMERFES business and corporate bookings remain flat. OCVB's Hometown Host program has been the catalyst in driving reunion business. The decline in government bookings is a result of state and federal budget cuts this past year, and we expect this market segment to continue to decline since federal per diem has been lowered to \$89 from \$100 for 2006.

It is important for the OCVB to track these market segments and trends in order to shift our sales approach and develop new target markets as others diminish. In the coming year we will target more corporate, reunion, religious and sporting events to balance the business base.



With travel spending on the rise it is important that Oakland remain competitive and not lose business to the surrounding communities with larger marketing budgets and newer larger facilities.

PUBLIC RELATIONS

The OCVB's public relations program was impacted negatively by the 35% reduction in funding. This is the first time in five years that Oakland did not realize double digit increases in media exposure. Instead, we experienced a drop of \$195,000 in media coverage and 26 million less readership. Unlike paid advertising, travel articles inspire more people to take action and visit the places they have read about. Travel stories are generally positive in nature and have the ability to eradicate negative perceptions that may exist.

Moving ahead, we will concentrate article placement in specific trade publications, travel magazines, newspapers and electronic media to compliment our marketing strategy

MEDIA EXPOSURE

- 126 travel articles
- \$576,321 paid advertising equivalency
- 19.3 million circulation

FINANCE

This past year proved to be the most challenging of all for the OCVB. In addition to a 35% reduction in our budget, we faced a lawsuit against the previous bureau dating back twelve years that required an additional expenditure of \$30,000 in legal fees and an unexpected levy on our account of \$132,000. The case is still pending appeal.

- Audit – will be completed by 9/26/05
- Budget balanced with the exception of legal fees indicated above

CHALLENGES

- Limited resources proved to be our biggest challenge this past year
- Negative impressions of Oakland seem to be diminishing; however with a limited PR effort, Oakland's exposure has diminished as well
- Increased competition is a major concern. Surrounding Bay Area cities have stepped up their sales and marketing efforts with offices in Washington, D.C. and Chicago, Illinois and aggressively compete for Oakland's business

LOOKING AHEAD

- Stay focused on our goal to increase transient occupancy tax in Oakland by booking overnight business
- Identify new revenue streams and marketing partners to augment our budget.
- Expand our marketing reach through new forms of technology
- Strengthen our brand
- Increase our sales, marketing and public relations efforts as funding permits

EXHIBIT B

**Operating Budget
FY 05-07**

Proposed Budget					
Approved 6/30/05					
		6/9/2005 6/9/2005			
	Budget	Draft	Draft		
	2004/05	2005/06	2006/07	2004/05 Budget Notes	
REVENUE					
City of Oakland	\$ 650,000	\$ 650,000	\$ 650,000	City Contract not confirmed for 2005/06/07	
Private Dollar Support					
OAK	\$ 40,000	\$ 40,000	\$ 40,000		
Co-op Marketing Support	\$ 26,000	\$ 30,000	\$ 31,000	Forecasted - Not confirmed	
Misc Income	\$ 1,100	\$ 1,000	\$ 1,100		
Total Revenue	\$ 717,100	\$ 721,000	\$ 722,100		
EXPENSES					
OPERATIONAL EXPENSES					
Administrative Comp.					
Wages/Salaries	\$ 311,506	\$ 86,767	\$ 90,238		
Payroll Taxes	\$ 26,470	\$ 6,500	\$ 6,768		
Workers Comp.	\$ 7,800	\$ 2,187	\$ 2,295		
Health Insurance	\$ 23,278	\$ 6,851	\$ 7,467		
Retirement	\$ 9,345	\$ 2,603	\$ 2,773		
Total Admin. Comp	\$ 378,399	\$ 104,908	\$ 109,541	27% Administrative	
Operational Expenses					
Rent & Storage	\$ 34,000	\$ 33,000	\$ 34,000		
Telephone	\$ 16,500	\$ 15,500	\$ 15,500		
Office Supplies	\$ 11,500	\$ 9,000	\$ 9,000		
Equipment Leases	\$ 11,000	\$ 11,000	\$ 11,000		
Equipment Maint.	\$ 2,000	\$ 2,000	\$ 2,000		
Equipment Purchase	\$ 5,000	\$ 5,000	\$ 2,500		
Insurance	\$ 3,800	\$ 4,000	\$ 4,200		
Legal	\$ 11,534	\$ 4,000	\$ 4,000	see notation below	
Recruitment	\$ -	-	-		
Prof. Staff Dev.	\$ -	-	-		
Parking	\$ 5,500	\$ 9,000	\$ 9,000		
Misc. Expenses	\$ 500	\$ 500	\$ 500	pds	
Professional Services	\$ 4,300	\$ 4,300	\$ 4,400		
Audit & Taxes	\$ 8,500	\$ 8,700	\$ 8,800		
Operational Expenses	\$ 114,134	\$ 106,000	\$ 104,900	Primary savings legal	
TOTAL OPERATING EXPENSES		\$ 210,908	\$ 214,441		

SALES AND MARKETING

Sales & Marketing Comp.

Wages/Salaries	\$ 234,593	\$ 243,976
Payroll Taxes	\$ 19,575	\$ 20,298
Workers Comp.	\$ 5,913	\$ 6,205
Health Insurance	\$ 18,522	\$ 20,189
Retirement	\$ 7,037	\$ 7,497
Total Sales/Mktg Comp	\$ 285,640	\$ 298,165

Marketing Expenses

Advertising & Promotions	\$ 90,295	\$ 102,737	\$ 90,218	pds	10k pds
Collateral/Promotional Material	\$ 15,400	\$ 17,000	\$ 17,000		
Fulfillment	\$ 5,000	\$ 4,000	\$ 4,000		
Trade Show-Convention - Bids	\$ 25,000	\$ 26,250	\$ 26,250	pds	
Trade Show - Tour & Tvl - Bids	\$ 12,500	\$ 13,225	\$ 13,225	pds	
Trade Association Memberships	\$ 8,500	\$ 8,840	\$ 9,200		
Conferences	\$ 4,400	\$ 5,600	\$ 4,600	pds	
Website	\$ 4,500	\$ 4,500	\$ 4,500		
Conv/Media Supplies	\$ 1,500	\$ 1,200	\$ 1,200		
Media Relations/PR	\$ 6,000	\$ 6,000	\$ 6,000	pds	Manage in-house
Fams/Site Visits	\$ 4,000	\$ 3,000	\$ 3,000	pds	
Client Enter/Meetings/Events	\$ 5,835	\$ 5,000	\$ 2,701	pds	
Auto/Travel	\$ 1,100	\$ 1,100	\$ 1,100		
Postage	\$ 25,000	\$ 20,000	\$ 20,000		
Printing	\$ 8,000	\$ 6,000	\$ 6,500		
Marketing Expenses	\$ 217,030	\$ 224,452	\$ 209,494		

TOTAL SALES & MARKETING \$ 217,030 \$ 507,992 \$ 507,459

Total Expenses \$ 851,029 \$ 716,900 \$ 718,900

Adjustments

REVENUE OVER EXPENSES \$ - \$ - \$ -

EXPENSES OVER REVENUE \$ (133,929) \$ - \$ - Pantazis Levy

2005/06/07 Budget Notes

Funding level has been flat for three consecutive years, therefore this budget does not allow for unexpected expenditures.

There is an incentive built into the City Contract with the OCVB that could potentially increase funds for marketing that the OCVB will strive to reach. In order to remain competitive and not lose market share, we must realize an increase in marketing dollars soon.

Pantazis Lawsuit - Funds have already been levied, however there is one more hearing with workers comp board pending. We do not foresee any additional expenses associated with this case.

Certain expenses have remained flat or decreased the last few years due to the increased use of electronic communication.

pds represents line items projected to be funded by private dollar support.

73% of revenue allocated to direct sales/marketing and marketing support positions.

2005/06ocvbbudgettocity

EXHIBIT C

OCVB Actual Performance versus Performance Benchmarks

**OAKLAND CONVENTION & VISITORS BUREAU
FY 2003-2005 PERFORMANCE STANDARDS (BENCHMARKS) VERSUS ACTUAL PERFORMANCE**

FY 2003-04

Category	Performance Measure	Annual Economic Value Benchmark	Actual Economic Value Performance	Actual as a Percentage of Benchmark
Convention Sales & Services	Definite Room Nights Booked	\$4,000,000	\$3,088,098	77%
	Booked Events and Meetings, Number of Room Nights and Economic Value	\$1,120,000	\$896,175	80%
	Category Economic Value Total	\$5,120,000	\$3,984,273	78%
Public Relations	Number of Editorial Placements/Paid Advertising Equivalency	\$725,000	\$770,896	106%
Finance	In-Kind Contributions	\$155,000	\$321,897	208%
	ANNUAL TOTAL OCVB ECONOMIC IMPACT GOAL	\$6,000,000	\$5,077,066	85.0%

FY 2004-05

Category	Performance Measure	Annual Economic Value Benchmark	Actual Economic Value Performance	Actual as a Percentage of Benchmark
Convention Sales & Services	Definite Room Nights Booked	\$4,000,000	\$4,169,529	104%
	Booked Events and Meetings, Number of Room Nights and Economic Value	\$1,120,000	\$1,228,191	109%
	Category Economic Value Total	\$5,120,000	\$5,397,720	105%
Public Relations	Number of Editorial Placements/Paid Advertising Equivalency	\$750,000	\$576,321	80%
Finance	In-Kind Contributions	\$155,000	\$88,853	57%
	ANNUAL TOTAL OCVB ECONOMIC IMPACT GOAL	\$6,000,000	\$6,062,894	101%

EXHIBIT D

OCVB 05-07 Performance Benchmarks

**OAKLAND CONVENTION & VISITORS BUREAU
FY 2005-07 PERFORMANCE STANDARDS (BENCHMARKS)**

Category	Performance Measure	Annual Economic Value Benchmark	Category Total
Convention Sales & Service	Definite Room Nights Booked	\$4,072,108	
	Events/Meetings Booked – Economic Value	\$800,000	\$4,872,108
Public Relations	Editorial Placements – Paid-Advertising-Equivalency	\$500,000	\$500,000
Finance	In-Kind Contributions	\$65,000	\$65,000
Annual Total			\$5,437,108

EXHIBIT E

FY 05-07 Scope of Services

EXHIBIT E

OAKLAND CONVENTION AND VISITORS BUREAU FY 2005-07 SCOPE OF SERVICES

OCVB will provide the following services on behalf of the City:

A. SCOPE OF SERVICES

1. Convention Services: For all conventions in the City of Oakland, OCVB will provide services that include, but are not limited to: distribution of informational brochures, media assistance, program planning and site inspection.
2. Convention and Group Sales/Marketing: Through proven sales and marketing techniques, OCVB will pursue associations, companies, groups and other organizations who have the potential to host meetings and tours in our City. These techniques will attract regional, state and national conventions, trade shows, and meetings to Oakland hotel properties and meeting facilities. OCVB will project an image of the City of Oakland as an ideal location to hold conventions, trade shows, meetings and conferences, and as an exciting place to visit.

The achievement of numerical quota, as noted in the economic value benchmarks in **EXHIBIT D**.

3. Awareness and Image Enhancement: OCVB through maintaining memberships in travel and convention industry organizations will represent and further the interests of the City of Oakland. OCVB will conduct a program to attract travelers to utilize Oakland hotels, motels, restaurants, and related hospitality firms.
4. Community and Media Relations: OCVB will create awareness in the local community about the significant role of the tourism industry in Oakland's economy. Contractor will advise Contract Administrator of all major articles that result from OCVB's media relations activities and will provide Contract Administrator with advance notification of pre-planned media trips and familiarization tours. OCVB shall distribute news and feature releases for use by local, regional, and national media. OCVB shall also work with visiting travel writers, both domestic and international, and assist them in any reasonable manner to provide the greatest amount of coverage for Oakland.

5. Presentations and Memberships: OCVB shall create and maintain presentations and exhibits necessary for the promotion of the City of Oakland as a convention and visitor destination.

OCVB shall maintain membership in and/or liaison with consumer, trade, professional and service groups and organizations, locally, regionally and nationally. A roster of professional memberships shall be included in the Marketing Plan.

6. Marketing Support: OCVB shall provide marketing support services to local contacts to secure future conventions in Oakland including information for City of Oakland employees and other interested Oakland citizens attending conventions outside the City of Oakland.
7. Marketing Plan: OCVB staff shall draft a marketing plan which is reviewed by OCVB's Marketing Committee. As a member of the Marketing Committee, the Contract Administrator shall review the marketing plan and provide comments prior to final approval by the OCVB Board. The marketing plan will then be reviewed and approved by the OCVB Board of Directors.
8. Visitor Information Fulfillment: The OCVB will respond to inquiries by mail, telephone, Internet, e-mail and in-person regarding Oakland hotel, motel and meeting facilities, area attractions, restaurants and other general visitor information in Oakland.
9. Collaborative Marketing: As the destination marketing arm of Oakland, the OCVB is a key element in the City's external marketing strategy. It is essential that the OCVB be a cooperative player with other marketing entities in Oakland including the City's Cultural Arts and Marketing Department. OCVB may be called upon to represent the City of Oakland at important conferences and/or meetings. The Contract Administrator will gauge the success of the OCVB's collaborative marketing activities by surveying the potential marketing partners and gathering their comments.
10. Benchmarks: A complete list of Economic Value Benchmarks is attached in **EXHIBIT D**. These will form the benchmark against which OCVB's performance during the contract period will be evaluated. Payment will be based on the successful attainment of this economic value benchmark as outlined in Section 4 of the Professional Services Agreement.
11. Incentive: If the OCVB exceeds the cumulative economic value benchmark and the City's annual Transient Occupancy Tax (TOT) collections exceed the budget projections as outlined below, the City will pay the OCVB incentive premiums, according to the following schedule:

	FY 2005-06	FY 2006-07
Budgeted TOT estimate (TOT Baseline 1)	\$9,817,126	\$10,013,469
For FY 05-06, 40 cents on each TOT dollar of collections between \$9,817,127 and \$10,817,126. For FY 06-07, 40 cents on each TOT dollar of collections between \$10,013,470 and \$11,013,469.		
Maximum incentive for Step 1:	\$400,000	\$400,000
For FY 05-06, 50 cents on each TOT dollar of collections between \$10,817,127 and \$11,817,126. For FY 06-07, 50 cents on each TOT dollar of collections between \$11,013,470 and \$12,013,469.		
Maximum incentive for Step 2:	\$500,000	\$500,000
Total Possible Incentive (not to exceed):	\$900,000	\$900,000

The incentive payment will be made as follows: 50 percent of the estimated incentive amount will be paid at the end of the first quarter (September 30) following the close of the fiscal year ending June 30. The remaining 50 percent will be paid by December 31 of the same year, following the completion of OCVB's year-end audit.

B. PERFORMANCE MEASUREMENT DATABASE

In order to properly measure the performance of OCVB and the attainment of the goals and objectives stated herein, OCVB shall maintain the following database of information. This information shall be included in all reports submitted by OCVB.

1. A Marketing Plan for FY 05-06 shall be submitted to the Contract Administrator within 45 days of execution of this agreement and prior to final approval by the OCVB Board. As a member of the OCVB Marketing Committee, the Contract Administrator shall review the plans and provide comments and/or approval to OCVB within 10 business days.
2. Achievement Statistics, by month and year:
 - (i) The number of Convention and Meeting/Conference leads for Oakland including: Date of Event, Site of Event, Event Duration, Name of Event, Delegate Attendance, Total Booked Room Nights, Lead Conversion Rate, and Number of Firm Bookings.
 - (ii) A list of and examples of advertising done to promote and market Oakland. When a display advertisement appears

identically in multiple publications, one copy of the ad shall be accompanied by publication titles, placement dates, and estimated circulations.

- (iii) The number of visitors, tourists, and members of the general public to whom promotional material is provided.
- (iv) The OCVB will track the success of its media relations program by calculating the paid-advertising-equivalency of editorial coverage generated by print, broadcast, web, and television.
- (v) The number of conventions, meetings, conferences, group tours and trade shows held in the City of Oakland that OCVB was responsible for, which OCVB (1) originally reported as a firm booking or for which OCVB (2) provided Convention Services. Information should include: Date of Event, Site of Event, Event Duration, Event Sponsor, Delegate Attendance, Total Estimated Room Nights Picked-Up, Nature of Bureau Involvement (i.e., firm booking or Convention Services).
- (vi) An estimate of visitor spending that is generated in association with conventions, trade shows, and meetings/conferences held in Oakland that OCVB was responsible for booking. The estimate shall be based on the number of room nights times 1.05 delegates per room and multiplied by a per day estimate of delegate spending in Oakland. (A per delegate daily expenditure of \$381.00 will be used for all meetings and conventions.) These expenditures are based on a survey performed by the International Association of Convention and Visitors Bureaus dated 2004. For special events and meetings booked without room nights as a result of an OCVB lead the number of attendees will be multiplied by \$85.67 per day.
- (vii) An estimate of Transient Occupancy Tax revenue generated by OCVB activity in Oakland during each fiscal year that this Agreement is in force.

C. REPORTING AND MONITORING

OCVB's performance will be evaluated by the City at the end of each fiscal year. Such evaluations will be based upon OCVB's effectiveness in accomplishing the program performance goals and standards.

1. Bi-monthly Activity Reports: Bi-monthly activity reports shall be prepared and submitted to the Contract Administrator within 20 working days following the conclusion of the two-month period the report covers. Reports shall include:
 - (i) Quantification of the objectives met and a list of constraints or problems which significantly hindered attainment of Agreement program performance goals and standards.
 - (ii) A monthly financial statement of expenses and revenues will be submitted with the activity report. This statement will compare by budget line items the costs incurred to date with the budget and show percentage of budget expended and show percentage of revenues received. This statement will separate City-funded expenses and revenue from non-City expenses and revenue.
 - (iii) OCVB shall submit with its reports a copy of each brochure, news article, advertisement, and other literature published as a result of OCVB performance under this Agreement. In the case of promotions through television and/or radio, the report shall include identification of the station, the topic under discussion, and the date, time and program, which carried the information. The report shall document what objectives have been met in relationship to the services described in this Agreement.
2. Annual Reports: An annual report shall be prepared and submitted to the Contractor Administrator by the 90th day following the end of each fiscal year. This report shall include a detailed summary of objectives and performance standards achieved during the fiscal year. In addition to this annual report, results from an independent financial audit shall be submitted to the Contractor Administrator by the 120th day following the end of each fiscal year. The Contract Administrator shall submit the annual report to the Community & Economic Development Committee within 30 days from the date it is received from OCVB.