City of Tucson
Independent Audit and Performance Commission

September 15, 2011

Subject: ***Third Report to Mayor and Council: City of Tucson Contract with Metropolitan Tucson Convention and Visitors Bureau***

Honorable Mayor and Council:

Attached is the third and final report from the City's Independent Audit and Performance Commission (IAPC) pertaining to its review of the City's contract with the Metropolitan Tucson Convention and Visitors Bureau (MTCVB). The report, prepared by an IAPC Subcommittee, was approved by the full Commission at its September 8, 2011 meeting.

The IAPC was asked to comment on a performance audit report prepared by Marshall Murdaugh Marketing for Pima County which reviewed the functions and practices of the MTCVB. That report was issued to the Pima County Board of Supervisors in July 2011. The IAPC comments emphasize particular issues in the report that may be of greater interest to the Mayor and Council based on the IAPC's review of the MTCVB. The Marshall Murdaugh performance audit report is available at: http://www.pima.gov/Administration/MTCVB_audit/bd-mtcvb.audit.report_20110712090644.pdf

It should be noted that the IAPC MTCVB review process was open to the public whereas the Pima County process was not. Also, the IAPC review focused on contract compliance and performance while the Marshall Murdaugh report utilized knowledge of industry best practices as a standard of comparison to measure MTCVB performance.

Commission members continue to appreciate the opportunity to provide the Mayor and Council with review of relevant issues.

Respectfully Submitted,

Michael McDonald
IAPC Chair

c: Richard Miranda, City Manager
Marie Nemerguth, Budget and Internal Audit Program Director

Attachment:
City of Tucson Contract with Metropolitan Tucson Convention and Visitors Bureau Final Report – September 8, 2011

City of Tucson
Independent Audit and Performance Commission

City of Tucson Contract with Metropolitan Tucson Convention and Visitors Bureau
Final Report – September 8, 2011

In December 2010, Mayor and Council requested that the City's Independent Audit and Performance Commission (IAPC) review the City's dealings with the Metropolitan Tucson Convention and Visitors Bureau (MTCVB). The Commission was requested to:

- Review and audit a period of three years (2008 to present), and include a review of the financial paperwork and other materials submitted to the City by the MTCVB under the Master Operating Agreement to determine if the terms of this agreement have been met.
- Review the findings and any recommendations generated by the audit being conducted by the Pima County Board of Supervisors, when that audit is made available.
- Review other peer cities' visitors bureau budgets, responsibilities and functions for comparison.
- Consult experts in the field of tourism and tourism marketing for this review and audit.
- Report back to the Mayor and Council within ninety days with an update.

The IAPC discussed the Council's request at its January 2011 meeting and established a Subcommittee to conduct the review. To date, that Subcommittee has met January 13th, January 18th, February 7th, March 21st, April 21st (special meeting to obtain stakeholder input), April 28th, May 17th, and August, 24th. The full IAPC voted on Subcommittee reports at the April 6th, June 21st, and September 8th Commission meetings. Previous reports are available on the City's website: http://cms3.tucsonaz.gov/clerks/boards?run=annualreport&board=96

Current Report to Council

The Commission has reviewed Pima County's Performance Audit report of MTCVB, prepared by Marshall Murdaugh Marketing, as modified by the County's MTCVB Audit Committee (see page 3 of the report for listing of the County's Committee members). The report, *An Initiative to Support Long Range Tourism Industry Success for Metropolitan Tucson and its Convention & Visitors Bureau*, was issued July 12, 2011 and is available at: http://www.pima.gov/Administration/MTCVB_audit/bd-mtcvb.audit.report_20110712090644.pdf The Performance Audit provides a detailed report on the MTCVB and contains recommendations developed with industry best practices in mind.

The following are areas of the report the Commission would like to emphasize for Mayor and Council.

Key Observations (Performance Audit page 8-9): The key observations of the Performance Audit summarize its findings. While all the observations are important, the Commission would like to draw Mayor and Council attention to the following:

1. The audit identifies serious challenges to the community's tourism success:
   - *"New funding requirements to produce much needed destination marketing."*
   - *"A plan to bring back Tucson's meeting and convention industry through new infrastructure and service rehabilitation at the convention center and a new headquarters hotel."*
   - *"Galvanizing interests in new tourism master plan for downtown revitalization."*

2. Unlike the overwhelmingly supportive MTCVB input the Commission received from stakeholders at its public input meeting, via emails, and mail surveys, (see the Commission's July 21, 2011 report to Council), the Performance Audit's key observations contain the following:

   "*There is a perception with.... other principal stakeholders that the MTCVB views itself with an apparent sense of entitlement... that reports only to its board. This 'we-they" viewpoint is at odds with the reality that CVBs are an integral part of a community's public –private partnership"* and "*there are currents of stakeholder and partner concern with the MTCVB...."*

   Pima County is in the process of collecting stakeholder input via a third party online survey that should provide additional clarity on this issue (*Performance Audit page 73).* E-mail survey notifications have been sent to approximately 2000 individuals. Survey results are expected to be available by early October. The IAPC suggests Mayor and Council review the survey results when available.

Government Oversight through Performance Agreements (Performance Audit page 23):
The Performance Audit contains the following recommendation: *"To provide a more manageable and efficient agreement process for all parties, all government entities should form a joint committee to develop one standardized model agreement format that can be applied for each jurisdiction."* The Mayor and Council may want to consider a standardized general agreement, but one that provides for some of the specialized concerns or areas of interest to the City, as mentioned in earlier Council meetings.

Tucson Convention Center/Convention Hotel (Performance Audit pages 64-65):
The Performance Audit notes that *"Metro Tucson is a minimal participant in the national multi-billion dollar convention industry, due primarily to the condition of the convention center and its inability to host prime meetings...."* and *"the limited number of meeting rooms,...rehabilitation requirements and service, along with staff support needs, are all impediments that have eroded Tucson's ability to be chosen as a site for future regional and national conventions."*

The report finds the recent movement of the Convention Center under the administrative purview of the City Parks and Recreation Department to be a *"clear message that the Convention Center ceases to be a viable economic development engine and instead will soon be relegated to serving as merely a community center."* Additionally, the Performance Audit states *"private management of the facility should also be seriously considered as a viable way to reduce operational costs and enhance service."*

As mentioned previously, the report revives the downtown convention hotel issue: *"In tandem with the convention center need for revitalization is the requirement for a new headquarters hotel that helps assure the success for the meeting facility."*

Implementing the Recommendations (Performance Audit pages 79-84):
A high level blueprint for implementation of the report's recommendations is provided here.

Measurement Methodology Issues (Performance Audit pages 23-34):
The Performance Audit raises several issues during its analysis of the Convention Bureau's reporting methodologies. The Audit states that *"The MTCVB has in place a number of performance productivity measures that are tracked and reported to government and its CVB partners, including goal setting for future deliverables. However, this reporting has been inconsistent, and much of it missing from both the CVBs Annual Report and its Marketing Plan, despite the fact that they collectively comprise the most significant accomplishments of the CVB." (Performance Audit page 24)*

The Performance Audit distinguishes between performance indicators which refer to the performance of the tourism industry as a whole and performance measures which quantify staff accomplishments. The report indicates that *"The MTCVB's primary focus should be centered on fundamentally clarifying…Performance Measures that quantify staff accomplishments such as conventions booked, media publicity generated and film productions assisted, all with attendant economic impacts derived from these deliverables." (Performance Audit page 25)*

The Performance Audit also indicates that measures need to be reviewed and revised to accurately reflect the contributions that the MTCVB's website has made to regional tourism *(Audit Report page 29)*. It also recommends that *"performance measures should rely on third party independent validation and research support as required. Reputable organizations, with experience in survey techniques, should be engaged." (Performance Audit page 25)*

Comparative Reports: Since Mayor and Council may like to see Marshall Murdaugh Marketing reports on other Convention and Visitor Bureaus for comparative purposes, the following online report links are provided:

http://www2.co.fresno.ca.us/0110a/Questys_Agenda/MG139313/AS139314/AS139321/AI139375/DO139376/DO_139376.PDF 2007 - Fresno, California

http://doorcountymarketing.com/images/DOORFINALPLAN.pdf 2006 - Door County, Wisconsin

Acknowledgements

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