



Meeting Date: September 10, 2018

Agenda Item No. 5b, 5c

Report No. SEDA-18-02

Status: General Orders

Purpose: Consider initiating request for qualifications for visitor development and destination marketing and consider extension of Visit Stillwater contract until March 31, 2019.

Background Summary: The City recently received the annual report for FY 2017-18 per the City's contract with Visit Stillwater. After review of the report, a number of individual questions from Council and others regarding return on investment (ROI) were asked.

Ability to calculate direct ROI for the Visit Stillwater contract and destination marketing organizations in general is elusive both here in Stillwater and throughout the destination marketing industry. The City expects information that is clear, concise, and easily understood by the general public. The information available is complex, lengthy, and difficult for anyone outside the industry to understand.

Many of the performance measures used within in the industry are very subjective, complex, and can't be directly related to a dollar-spent/dollar-earned comparison. Examples from destination marketing performance metrics within the industry are measurement terms such as "Sales Missions, Familiarization Tours, Gross Impressions, and Number of Impressions". These terms lack a direct relationship to the number of visitors who actually came to town, flew on our airline, spent money downtown, or stayed in a hotel. The numbers are, and have been, easily challenged both inside and outside the industry nationwide.

Visit Stillwater itself reported challenges in obtaining direct numbers from the hospitality industry. Reports to date calculate ROI primarily based on a multiplier of dollars spent on the local destination marketing organization related to projected dollars spent in the community.

Staff and Visit Stillwater both looked at sales tax and hotel room tax as potential measures of ROI. As shown in the attached charts, neither number has moved significantly since the inception of the Visit Stillwater contract. Fluctuations are small enough as to be just as easily attributed to any number of normal economic factors, regardless of efforts to attract visitors.

Over the past several months, staff examined our public/private partnerships (Lake McMurry, Visit Stillwater, Stillwater Area Sports Association, etc.) with the same scrutiny as other contracts for professional services, construction, or materials. With any of these other types of contracts, we went through a competitive process such as a request for proposals, qualifications, and/or bids. We have concluded that the best interests of the City will be served by regularly using a competitive process to contract for each of the services performed through public/private partnerships.

Over the years that the City has contracted with Visit Stillwater (2015-2018), the contract amount has ranged from \$720,000 to \$900,000 annually depending on the year. This is the largest of our public/private partnership agreements and since it is the largest, and direct ROI has been so difficult to measure, staff recommends that we look at this agreement first and issue a formal request for qualifications to provide visitor development and destination marketing services. We hope to receive and review a number of responses to the RFQ, and encourage a response from Visit Stillwater.

The time required to complete the process will involve several steps to include completion and distribution of the RFQ, receipt and evaluation of responses, interviews, and negotiations prior to executing a contract. Due to the time needed to complete the process, staff recommends extending the current contract with Visit Stillwater until March 31, 2019.

Recommendation: Staff recommends that we proceed with development of an RFQ. We will bring the draft to Council for review and approval before it is issued. Staff also recommends that Council extend the current contract with Visit Stillwater through March 31, 2019.

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Reviewed by: Norman McNickle, Patti Osmus, Melissa Reames, Paula Dennison

Submitted by: Norman McNickle, City Manager

Attachments: Hotel Room and Sales Tax Charts