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**Reno-Sparks Convention & Visitors Authority
Board of Directors Meeting Minutes
December 7, 2017**

The Regular Meeting of the Board of Directors of the Reno-Sparks Convention & Visitors Authority met at 9:00 a.m., December 7, 2017 at the Reno-Sparks Convention and Visitors Authority, 4001 S. Virginia Street, Reno, NV. The meeting was properly noticed and posted in compliance with the Nevada Open Meeting Law.

A. OPENING CEREMONIES

Call to Order

Vice-Chairman Ed Lawson called the meeting to order at 9:02 a.m.

Pledge of Allegiance led by Mr. John Vineyard

Board Members Present:

Nat Carasali
Lee Dillard
John Farahi
Councilman Ed Lawson
Commissioner Bob Lucey.....via telephone (9:00 a.m. to 9:22 a.m.)
Rick Murdock
Mayor Hillary Schieve.....via telephone (9:05 a.m., present at 9:15 a.m.)
Vick Wowo

Board Members Absent:

Bill Wood

RSCVA Executive Staff Present:

Phil DeLone, President/Chief Executive Officer
Robert Chisel, Director of Finance
Jennifer Cunningham, Executive Vice President
Esther Isaac, Director of Marketing
Art Jimenez, Executive Director Tourism Sales
Ben Kennedy, Legal Counsel
Mike Larragueta, Vice President of Sales
Molly Rezac, Legal Counsel

B. COMMENTS FROM THE FLOOR BY THE PUBLIC

None

C. APPROVAL OF THE AGENDA

MOTION: Member Vick Wowo made a motion to approve the December 7, 2017 Agenda. Seconded by Member Nat Carasali. Vice-Chairman Lawson was informed that Item H was being removed from the Agenda.

AMENDED MOTION: Member Vick Wowo made a motion to approve the December 7, 2017 Agenda with Item H (Human Resources) removed. Seconded by Member Nat Carasali. **Motion carried unanimously.**

D. APPROVAL OF MINUTES OF NOVEMBER 15, 2017 BOARD OF DIRECTORS' RETREAT MEETING

MOTION: Member Rick Murdock made a motion to approve the Minutes of November 15, 2017 Board of Directors' Retreat meeting. Seconded by Member Nat Carasali. **Motion carried unanimously.**

E. PRESENTATIONS – DISCUSSION AND POSSIBLE ACTION

E1. Appointment of Board Member Pursuant to NRS 244A.601(1)(d)(6) Representing Gaming Establishments

Legal Counsel Ben Kennedy instructed the Board Members to refer to their Board materials saying he regretted to inform them this was Member John Farahi's last Board Meeting. Ms. Virginia Valentine with the NRA submitted a letter nominating Mr. Mark Sterbens with Marnell Gaming and submitted an email nominating Mr. Anthony Marnell with Marnell Gaming for the open position. This appointment would be effective following this December 7, 2017 meeting and is open for discussion by the entire Board, but could be voted upon by the elected officials only. No discussion ensued.

MOTION: Commissioner Bob Lucey made a motion to appoint Mr. Mark Sterbens for the seat vacated by Member John Farahi. Seconded by Councilman Ed Lawson. **Motion carried unanimously by majority vote. Mayor Hillary Schieve was absent.**

E2. Reno-Sparks Convention and Visitors Authority Staff Updates

President/CEO Phil DeLone thanked everyone for participating in the November 15th Strategic Long-Range Planning Session. From that session, on December 22nd, responses to the RFP seeking a third-party to conduct the economic feasibility study for expanding the RSCC are due. A recommendation is anticipated to be made in January to the Board. On December 5th, 15 representatives from professional management companies across the United States visited all 4 RSCVA facilities for an all-day site inspection and fact-finding mission. Those bids are due January 10th and ideally a recommendation for the Board's consideration will be made in January. Also due on December 22nd are the bids from the RFP previously issued for professional governmental affairs representation in anticipation and preparation for the 2019 Nevada Legislative Session. It is also anticipated those recommendations will also be shared with the Board in January.

Mayor Schieve joined the meeting via teleconference – 9:05 a.m.

Phil DeLone introduced Mr. Ed Coffee who joined the RSCVA Sales Team. He will be based in Las Vegas and has extensive prior experience as Director with Hilton Corporation and the Riviera.

F. FINANCE DIVISION

F1. Approval to Purchase Sync Scoring and Management System from Brunswick for the National Bowling Stadium (NBS) in an Amount Not to Exceed \$369,165

Director of Finance Robert Chisel explained the Sync Scoring and Management System is a software program that would be utilized by the NBS to replace the old Becker system which has reached the end of its life and no longer interfaces with the USBC. This new system is needed to conduct the tournament taking place in March 2018 for the USBC women's tournament as well as future tournaments. The software interfaces with other bowling centers and USBC scoring and monitoring of handicap and other associated statistics for bowlers. It would include 78 scoring table consoles, server sync system, installation and training.

Discussion was had by the Board regarding funding for the system. Was it considered a capital improvement and should it be funded by the \$2 Surcharge collected by the City of Reno? Robert Chisel explained that by Nevada Statute funds were for improving and maintenance of publicly-owned facilities. This would be considered an operation, much like the Wi-Fi system at the Convention Center. The \$369,165 included installation, training, and everything associated with it. It is a final number and there is no service maintenance contract. There is a warranty and like other software systems, will come with upgrades.

MOTION: Member Nat Carasali made a motion to approve the purchase of the Sync Scoring and Management System from Brunswick for the National Bowling Stadium in an amount not to exceed \$369,165. Seconded by Member Vick Wowo. **Motion carried unanimously**

Commissioner Bob Lucey vacated the meeting – 9:22 a.m.

F2. Presentation of the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year Ended June 30, 2017

Director of Finance Robert Chisel introduced Pamela Truss and Felicia O'Carroll with Eide Bailly, the RSCVA's external auditors, who conducted the audit of the financial statements ending Fiscal Year June 30, 2017. Highlights included a new report called the Popular Annual Financial Report, the Comprehensive Annual Financial Report (CAFR) with an introductory section discussing transmittal letters, awards, organizational charts, official tools, the Board of Directors, and the RSCVA Executive Team. The CAFR is designed to document in summary format the financial condition and position of the RSCVA and is utilized by financial experts to examine an agency, authority, or company to see how it is doing.

In the financial section is an auditor's report called an MD&A, known as the Management Discussion and Analysis. This is a narrative of the financial report as opposed to numbers. Financial statements as with all government accounting are different than private accounting. It contains government-wide financial statements and reflect the organization as a whole and is on a full-accrual basis. The first couple financial statements will be referred to as government-wide and include depreciation and amortization. They include a general fund, a capital fund, a debt fund and a propriety fund. The propriety fund is the internal service fund.

In the audit, the RSCVA received what is considered the highest level in accordance to applicable financial reporting – an unmodified opinion or clean opinion. There was one finding in the audit. It was a transaction that was misapplied to Fiscal Year 2018 instead of 2017 for \$64,000. It was for the Wi-Fi project at the Convention Center. The Wi-Fi project is still undergoing but it was posted to the wrong year.

For 2017, the strategic financial policies the Board adopted and adjusted were on-target. Revenues overall were \$44 million. Expenditures were \$41.5 million, leaving approximately \$2.5 million in excess revenue over expenditures. The main increase was due to the tourism surcharge implementation in 2016 and 2017 and occupancy rates going up.

Mr. Chisel explained different components of the report. Room tax distribution: The RSCVA does not get all the room tax. It only receives 68% and then the remainder is divided between Incline Village/Crystal Bay Visitors Authority and other local governments in Nevada. The governmental funds and expenditures increased primarily in marketing. The RSCVA's general fund balance went up about \$3.5 million. About \$2 million of that was associated with the surcharge. Long-term debt continues to decline as it is paid down and defeased.

Member Lee Dillard asked about the contract with our current external auditors. Mr. Chisel said the contract with Eide Bailly is a three-year contract through 2019. Normally, a bid for external auditors go out every 3 or 4 years to examine what other auditors are out there. Currently, Eide Bailly does the State of Nevada, City of Sparks and Washoe County.

MOTION: Mayor Hillary Schieve made a motion to approve the Comprehensive Annual Financial Report (CAFR) for the Fiscal Year ended June 30, 2017, and the Auditor's required communications letter. Seconded by Member Rick Murdock. **Motion carried unanimously.**

G. SALES AND MARKETING

G1. Marketing Update

Wendy Hummer, Owner and President of EXL Media, shared the marketing results from May through October 2017 in the San Francisco, Los Angeles, and Seattle markets. San Francisco secured 74% additional media value, Los Angeles 57% additional media value, Seattle 55% and overall nationwide 7%. Since October 8th,

nothing has been expended but additional value is still increasing and growing. The website launch produced a 6% increase in San Francisco (a market the RSCVA has been in for years), a 400% and 500% increase respectively in Los Angeles and Seattle. Nationally 7%. Media mix which includes radio broadcast and digital such as Pandora, video, social media, etc. drove almost 2 million visits to the website. The Innovate Buy, which was unique, included bringing a well-known band called "Cold War Kids" to the region. That campaign produced 570 broadcast radio spots, 2.6 million engagements, and 12 million total digital impressions.

Michael Thomas, Partner with Noble Studios was the RSCVA's prior Executive Director of Marketing from 2007 to 2010. The new www.VisitRenoTahoe.com site and rebranding of the RSCVA has completely transformed the message of Reno Tahoe. Taking the site from 11,000 pages to 2,000 pages has honed the site into a much more highly effective site and is about increasing the awareness of the destination versus sheer numbers. Google Analytics is used as a verifier, as mentioned by EXL Media, to track that traffic is building for this destination. The most important aspect is the "heads in beds" and 85% of all referrals they are tracking are going to lodging partners whether that be a "book now" or a general click out to a referral property. The main focus is creating a site that is a personalized experience. One where it anticipates the needs of the user. Technology on the site is smart enough to know if the user is in a fly market, a drive market, and shows the user distinct booking opportunities. This is done through IP detection and other third-party plug-ins. Why personalization? Because the conversion rate increases, the destination engagement increases by the number of pages visited, and they have seen anywhere between 30% to 50% engagement just by providing a more relevant paid media organic experience. Mr. Thomas also announced that the www.VisitRenoTahoe.com site just received notification it received the Gold MarCom award which is a very significant designation within the industry. About 6,000 entries from around the world are judged by an international third-party panel and on behalf of the entire destination Reno Tahoe received it in the Travel & Destination category.

Christina Erny, Senior Digital Marketing and Engagement Manager with the RSCVA, discussed the Social Influencer Digital Market. Digital Influencers, for those that are not aware of their role, are people who have established credibility in a specific industry, like travel for example, with a large audience. They often have a following of thousands to millions on social media. They are not necessarily in Hollywood or model, but they are people that the general public can connect with and they build a following based on their authenticity in their particular field. Many major companies are now utilizing influencer marketing to promote their products. The product here is Reno Tahoe – the destination. The RSCVA started utilizing influence marketing long before the trend started, back in 2014. It is highly effective because 3 out of 4 people rely on social media to make their decisions and 8.5 out of every 10 people trust what their peers say over traditional advertising. How this works is an influencer will visit the Reno Tahoe destination. They may take a couple of photos. Or the company they represent such as North Face, REI, or Facebook may be doing a photo shoot. The influencer may post that photo on their site or be seen on a website and mention Reno Tahoe. Their followers will then see them, the Reno Tahoe brand, and see a face they connect with in the destination. From those conversations, more people are clicking to more pages – 58% more pages to the VisitRenoTahoe website. That produces more interest and more people book the destination.

Esther Isaac, Director of Marketing with the RSCVA, said 2 years ago a relationship was formed with BVK Marketing out of Milwaukee. The results are incredible and were seen in the launch in May of this year. A baseline was done in April of 2017 and then another survey was done in October of 2017 through EMC. It was comprised of providing images to respondents in the Bay Area, Los Angeles, and Seattle of the campaign, video, and radio. The target market, as a reminder, is adults 29-50 with a household income of \$75,000 or more. "Ambition" is the brand. The destination brand continues to be highly rated in all 3 markets particularly in the Bay Area, which the RSCVA has been in for many years now. Over 2,200 were surveyed. Approximately 650 of those were in the advertising market. Everything from visiting the website, to signing up for the e-newsletter, to following Reno Tahoe was tracked. The ads received an exceedingly high rating at 65%. The newer markets such as Los Angeles outranked most areas. Millennials and Gen-Xers tended to have the highest rankings. Expectations were not anticipated to be significant in the first 6 months. In April 2018 another survey will be conducted.

Sara LaBlatt with EMC Research talked about visual video and radio. The highest recall was the visual ads, followed by radio and then digital video.

G2. Convention and Tourism Sales Update.

Convention Sales: Vice President of Sales Mike Larragueta said he and Art Jimenez have made some strategic shifts in order to achieve the goal in the Five-Year Strategic Plan related to convention and tourism sales. The first was to reduce the industry-association sponsorships. Through negotiations they have been able to get that number down to a contracted amount of \$330,000 and the good news is the \$330,000 contract will expire December 31st. They also increased representation in new markets pursuing the trade segment with a new trade show manager, Ed Coffee in Las Vegas. They also recognized the importance of hiring a local corporate and community sales manager, Morgan Edwards. Finally, they brought in a customer service and customer satisfaction director, Jennifer Powers.

The sales team has also expanded from the 4 regional offices to adding the Sacramento Bay Area office, Atlanta to oversee the Southeast, and most recently the Las Vegas office. All three are performing well and the next area of growth will be Chicago. With the leadership, airlift and hiring the right people, Mr. Larragueta is confident in the current team and future growth

The September Scorecard was very successful both in sales on the tourism side and group sales. Six of the major segments related to tourism sales and 5 of those met or exceeded prior year actuals and goals. The only segment that was slightly down was travel wholesaler which was less than 1%. International Domestic Receptive Operators (accounts such as Southwest and American Airline Vacation packages that consolidate rooms with airline seats) are up 23.5% for the month. On-Line Travel Agents (OTAs) such as Expedia and Priceline are up 11.7% from the prior year. Travel agents, which are direct bookings through websites, call centers, and GDS (Global Distribution Systems) aka business travel is up 39% from the prior year. Group tour is up 5.9% and golf production is up 9.6%. Sports segment is up 11.6%.

Overall Produced Room Nights is up 12.3% to prior year (September 2016 to September 2017) for 30,212 room nights with Net Produced Room Nights the same due to no cancelations within the month. True Produced Convention Room Nights was up 22.5% to prior year at 22,895. Overall Q1 for Fiscal Year 2017 Convention Sales Room Nights was at 95% to goal producing 44,655 room nights to a goal of 47,031. The forecast for Q2 is 103,000 room nights which is 149% to goal. Q1 actual and Q2 forecast combined is 149% to goal which will exceed the annual target of 260,000 room nights. Tourism sales in Q1 exceeded the goal of 205,000 room nights, achieving an actual number of 226,000.

Mr. Larragueta displayed slides indicating upcoming shows that Board Members could attend in either convention sales or trade shows to meet the policy Chairman Bob Lucey put in place for each Board Member. Shows starting as early as January at the PCMA in Nashville and ending with a UK sales mission in London

Secondary sports is new focus. Primarily on gymnastics, eSports, and karate. These would fill the off-season market and have less reliance on weekend inventory. The sales team is also focusing on filling the NBS and Livestock Events Center by driving incremental bowling and equestrian events in that direction as well.

As it relates to convention sales media buying, instead of sponsorships that packaged the media buys, now the RSCVA is going direct by buying direct, negotiating direct, and putting the brand in places more relevant to drive corporate commission and sports room nights. The focus is now more on digital instead of print and the sales team will continue web and email campaign through third parties. The monthly newsletters initiated by Phil DeLone will continue and finally the RSCVA will expand its media presence on CNET, which is the number one lead-generating tool in the industry. Sales is asking to increase its events and signature events within its regional offices with some of the monies that were allocated in sponsorships previously rescinded. Mr. Larragueta feels due to the competitive market the focus on doing events to draw quality meeting planners to come and engage and talk to our people, establish relationships and hear about Reno Tahoe is key.

Tourism Sales: Executive Director of Tourism Sales Art Jimenez said the priority is to grow the destination awareness among sellers of travel including travel wholesalers, receptive operators, call center agents, and travel agents. A big part of this is tourism reporting. Currently for Q1, tourism sales has reported 226,000

room nights which is 110% ahead of the goal. The Monthly Tourism Marketing Report self-reported properties went from 8 to 11 properties. Also, a third-party validation company called Travel Click can now validate additional GDS bookings. That went from 18 to 25 properties. Tourism sales continues to work with the hotel DOS partners. The DOS partners love this benchmarking tool because it shows them where they stand in the market for each of the 7 categories. MailPound is another tool. They have a network of 55,000 travel agents throughout the U.S. and Canada. It is a two-fold program that increases destination awareness, but also allows travel agents to One Click Social Share. Basically, agents can go onto the website where they have already registered, take a video or collateral piece and send it off directly through email or social share with one click to their entire database of customers. To keep the agents engaged, every month a weekly campaign is run providing them with an opportunity to win Amazon gift cards.

The biggest area of change has been partnership marketing. These are only with key travel partners focusing on top origination markets both domestically and internationally and at the same time, expanding consumer and travel reach. One thing implemented is an RFP process for these partners requiring they match the funding one-to-one. It is more than exceeding that and the funding is an added-value media. Instituted production goals are now a formula and show that for every dollar spent how many room nights are needed back from each partner. Those targets can be held and measured to the program and tied back to the economic impact to the region. Currently 10 campaigns are being run and it is more than exceeding the one-to-one match for funding. It is actually 2-1/2 times or \$300,000 in added-value media right now. To meet the ROI, 13,000 room nights were needed to break even. To date, 39,000 have been generated. Just these campaigns year-to-date have generated 90,000 visitors, which is a revenue of \$30 million to the destination, which does not include the economic impact trickle effect.

Tourism is also going back into sales missions after not being in the market for 15 years. It has been reaching into the Northwest, the Pacific Northwest, and Southern California. Also in alignment with Price Travel, Priceline, and Best Day Travel a sales mission into Mexico has been conducted. Also, a couple of FAMs were hosted over the summer which included golf tour operators from mainland China and the Volaris FAM that coincided with the Fall-Winter Co-Op currently running in Mexico.

G3. Approval to Enter into Agreement to On-board PHG Consulting Group to Open China Office Representation in Beijing, Shanghai, Chengdu, and Shenzhen in an Amount Not to Exceed \$144,000

Mr. Jimenez said China is part of the 5-Year Strategic Plan and a Board priority. Last year alone, 2.6 million Chinese visited the U.S. and by 2020 that number is expected to grow to 5 million. Statistically 3 million Chinese will spend more than 19 million Canadian and 19 million Mexican visitors. Just a couple years ago, there were 304,000 college students from mainland China. Now there are more than 350,000.

Ctrip: The largest online travel agency (OTA) in China is Ctrip. They are far bigger than Priceline and Expedia, but they are an actual travel agency. There is a large percentage of population in China that is not digital savvy and they still want to use a travel agency. Ctrip will open 6,500 brick and mortar travel agencies in China over the next 18 months to accommodate potential travelers not comfortable with booking travel online.

WeChat: WeChat is the Facebook of China. They have 938 million monthly users. The development and building of a website in Chinese by partnering through the RFP process with an ad agency in China is key. That becomes a very important part of the program. The social media drives traffic to the website.

Air flight: Finally, about 49,000 weekly airline flights come from China into the west coast. They are already coming here landing into the Pacific Northwest, the Bay Area, Los Angeles, and Las Vegas. Teaming with a consulting group that already has relationships with the airlines because they work both ways with China bringing visitors from America to China and vice versa is another deciding factor.

Taking everything into consideration and reviewing all the proposals, 6 expert vendors were evaluated based on a gap analysis for 38 points. Some of those points included payment solutions to partner training, stakeholder engagement, social media, and their number of U.S. clients. A well-established and respected

company that could represent Reno Tahoe in China was vetted. PHG Consulting Group, which is a subsidiary of Preferred Hospitality Group was selected on the following criteria:

- They scored highest on the evaluation score
- They took time to visit Reno Tahoe
- They had the most comprehensive proposal
- Reno Tahoe is their only destination in the U.S.

Paul Cohen, Vice President of Destination Marketing, representing PHG Consulting Group, part of the Preferred Hospitality Group, spoke next. PHG is a billion-dollar company with 32 offices around the world owned by the Ueberroth family. Peter Ueberroth headed up the 1984 Olympics and was the U.S. Commissioner of Baseball. PHG has 5 offices in China: Beijing, Shanghai, Shenzhen, Chengdu, and Zhengzhou. The average Chinese traveler spends \$7,200 when they travel to the U.S. By the end of 2017, over 3 million Chinese will have traveled to the U.S. and it will continue to grow. The middle class of China, which is approximately 300 million, is very strong and travel year round. They want to see the world. They want to see something different and unique. That does not necessarily mean Las Vegas or the Statute of Liberty. They want to see anything.

The Chinese watch American television. The families all want their children to go to Harvard or MIT on the East Coast, or Stanford or Berkeley on the West Coast. There are basically two types of Chinese tourists: the middle class and upper class. The escorted and tour groups and then the luxury side. They want to buy things that are genuine and authentic. Things they cannot find at home. Because Chinese tax is so high, there is a large percentage of luxury spend. They will go to the high-end stores and believe in spending money when they travel.

Until about 5 years ago, travel was difficult for Chinese due to the inability or difficulty to obtain Visas. That has now been changed and the policies have eased giving them the ability to obtain 10-year Visas. Now they come back for several trips. The \$7,200 is really the amount they spend once here in the U.S. because a round-trip ticket from China is \$600-\$800. When questioned by the Mayor if Las Vegas is competition to Reno Tahoe, Mr. Cohen said no because for several years the Chinese government banned Chinese officials from traveling there.

China Union Pay: This is the American Express, Mastercard or Visa of China. Many American cities are trying to attract the Chinese market yet they are not working with China Union Pay. China Union Pay is the largest payment brand in the world and while many of the hotels have acceptance for it, the shops whether it is in downtown Virginia City, down along Lake Tahoe, or anywhere here in Reno, if they don't accept China Union Pay, the Chinese will not be able to spend money because they typically do not carry any other type of credit cards. The PHG has an established relationship with China Union Pay, AliPay which is actually in San Francisco now and can assist in making the easy transition to this region.

Product Development: The Chinese look for something that makes them feel welcome, that is unique, and is authentic. The hotels needs things like hot pots in their rooms for water, congee for breakfast, and the luxury market needs bigger rooms with slippers and toothbrushes (because they do not bring their own). Three things needs were identified as key for this region: #1 is the proximity to San Francisco (this assists in creating package tours), #2 is the history of the region (such as taking in Virginia City, having mock gun fights and events along the river in Reno – even bull riding like Vice President Lawson suggested), and #3 is creating the luxury side (such as pro-golf events just for the Chinese, or Bowling Congress, or a Bowling month for the Chinese). The Chinese are very political and appreciate press, photos, and events with mayors, celebrities, etc. Developing a product that includes anything along those lines will bring them. They would welcome meeting our mayor and having her visit as that is considered an honor and would promote our destination even more.

Reporting: PHG's reporting is very strong. Every other month the RSCVA will receive a report on what is happening in the China Market as well as what is going on within the competitive set.

Vice-Chairman Lawson asked Mr. Robert Chisel if there was anything else required on the presentation or if a vote could be taken on this agenda item. Mr. Chisel indicated staff was just asking for approval of the authorization to sign the agreement with the vendor for the contract.

MOTION: Member John Farahi made a motion to sign the contract agreement to on-board PHG Consulting Group to open China office representation in Beijing, Shanghai, Chengdu, and Shenzhen, in an amount not to exceed \$144,000 annually. Seconded by Member Rick Murdock.

Discussion: Member Rick Murdock asked Paul Cohen if there were any additional or hidden costs. Mr. Art Jimenez said the only additional costs might be for representation at trade shows in China if Reno Tahoe wanted its own section outside the PHG booth, or could not secure complimentary airfare tickets. For clarification, once the programming starts and is launched, there may be some marketing costs associated with promoting WeChat on Baidu (which is Google in China), however, the \$144,000 per year is for all the representation and the full proposal is available for review.

Motion carried unanimously.

H. HUMAN RESOURCES

Item pulled from the agenda.

I. BOARD MEMBER COMMENTS REGARDING ITEMS FOR FUTURE MEETINGS

None.

J. COMMENTS FROM THE FLOOR BY THE PUBLIC

None

K. ADJOURNMENT

Meeting adjourned at 11:50 a.m.