



Mayor Timothy M Keller

CITY OF ALBUQUERQUE
Albuquerque, New Mexico
Office of the Mayor

INTER-OFFICE MEMORANDUM

June 10, 2020

TO: Pat Davis, President, City Council**FROM:** Timothy M. Keller, Mayor **SUBJECT:** Visit Albuquerque Eighth Supplemental Agreement

The City of Albuquerque entered into a contract with Visit Albuquerque for destination marketing and group sales and services following a Request for Proposals (RFP) process in 2016. The original agreement allowed for the contract to be extended through 2021.

Given the reduced Lodgers' Tax revenue, diminished prospects for an RFP on the normal timeline, disruption in the business travel and tourism industries, and the economic uncertainty created by the COVID-19 health pandemic, the City has determined that the following substantive changes are necessary in this Eighth Supplemental Agreement:

Adjust Total Contract Amount to Reflect Revenue Uncertainty

The Eighth Supplemental Agreement decreases the total amount available for FY21 to 75% of FY20's Total Available Amount to reflect decreasing Lodgers' Tax revenue. However, it also adds language that allows for the total amount available to increase if revenue exceeds projections. The following table shows the appropriation for FY20 as well as the fiscal years included in the Eighth Supplemental Agreement:

<u>Fiscal Year</u>	<u>Estimated Growth Rate</u>	<u>Lodgers' Tax</u>	<u>Hospitality Fee</u>	<u>Base Contract Amount</u>	<u>Incentive Funding</u>	<u>Total Amount Available</u>
2020	-	\$4,622,000	\$924,000	\$5,546,000	\$292,000	\$5,838,000
2021	-	\$3,467,000	\$693,000	\$4,160,000	\$219,000	\$4,379,000
2022				TBD		

Extend Term for Two Years

Rather than extending the term of the Agreement for one year (through June 30, 2021), the City has determined it is necessary to extend the term for two years (through June 30, 2022). The intent is to conduct an RFP in 2022 when the destination marketing and group sales industry is more certain.


Create a Task Force to Adjust Key Performance Indicators Throughout the Term

The Original Agreement with Visit Albuquerque makes available incentive pay of 5% if the targets established for each Key Performance Indicator are met. However, the COVID-19 health pandemic has made it difficult to establish reasonable targets in advance. Therefore, the Eighth Supplemental Agreement introduces a seven-member Task Force (made up of two members from the Visit Albuquerque Board, two members from the Lodgers' Tax Advisory Board, two members from the Greater Albuquerque Hotel & Lodging Association, and one member designated by the Mayor). This Task Force will work in collaboration with Visit Albuquerque to set targets for each Key Performance Indicator.

Staff is available to review this material with you at your convenience.

TITLE/SUBJECT: Visit Albuquerque Eighth Supplemental Agreement

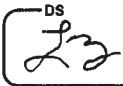

Approved:

 6/12/2020

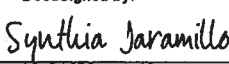
Sarita Nair Date
Chief Administrative Officer

Approved as to Legal Form:

DocuSigned by:
Esteban A Aguilar Jr. 6/11/2020 | 3:52 PM MDT
7064D99DB846F4DD...

Esteban A. Aguilar, Jr. Date
City Attorney
 

Recommended:

DocuSigned by:
 6/11/2020 | 11:25 AM MDT
6C9BA6EB403940B...

Synthia Jaramillo Date
Economic Development Director

Cover Analysis

1. What is it?

A Supplemental Agreement to extend the Visit Albuquerque contract for destination marketing and group sales and services for two additional years.

2. What will this piece of legislation do?

This EC informs the City Council of the substantive changes made to the Visit Albuquerque contract given the reduced Lodgers' Tax revenue, the recent disruption to the business travel and tourism industries, and general economic uncertainty.

3. Why is this project needed?

The City desires to continue to market itself as a destination for tourism.

4. How much will it cost and what is the funding source?

This Supplemental Agreement makes a total of \$4,379,000 of Lodgers' Tax and Hospitality Fee revenue available (5% of which is reserved for incentive funding).

5. Is there a revenue source associate with this Plan? If so, what level of income is projected?

Yes. Lodgers' Tax revenue. This Supplemental Agreement allows for the contract amount to fluctuate in response to changes in Lodgers' Tax revenue.

EIGHTH SUPPLEMENTAL AGREEMENT

THIS EIGHTH SUPPLEMENTAL AGREEMENT is made and entered into this _____ day of _____, _____, by and between the City of Albuquerque, New Mexico, a municipal corporation (hereinafter referred to as the "City"), and Albuquerque Convention and Visitors Bureau, Inc., a New Mexico nonprofit corporation, whose address is 20 First Plaza Suite 601, Albuquerque, NM 87102 d/b/a Visit Albuquerque (hereinafter referred to as the "Contractor").

RECITALS

WHEREAS, the City and Contractor entered into an Agreement, dated February 25, 2016, hereinafter referred to as the "Original Agreement", whereby the Contractor agreed to render certain professional services to the City; and

WHEREAS, the City has determined that it is necessary to extend the term of the Agreement for two years given the reduced Lodgers' Tax revenue, diminished prospects for an RFP on the normal timeline, disruption in the business travel and tourism industries, and the economic uncertainty created by the COVID-19 health pandemic; and

WHEREAS, the City has determined that it would like to add items to the Scope of Services of the Agreement; and

WHEREAS, the City has determined that adjustments are needed in the Performance Measures section to clarify and add flexibility to the targets for FY21 given the emergence of an unexpected global health pandemic; and

WHEREAS, the Contractor is agreeable to the changes.

NOW, THEREFORE, in consideration of the premises and mutual obligations herein, the parties hereto do mutually agree as follows:

1. Section 1. of the Original Agreement is hereby amended to add the following one new Subsection:

1. F. The Contractor shall provide City departments with full access to its online Media Library content of photography, videography and digital content ("Content"). The Contractor grants to the City the right and license to reproduce, display, transmit, distribute and create derivative works of the Content through all media now known or hereinafter developed in connection with any marketing, public relations or promotional activities of the City, without additional compensation, royalties, or remuneration of any type. Contractor warrants that it has obtained from all persons and entities whose copyrights, trademarks or other proprietary rights are included in the Content such written and signed permissions and consents, including those related to publicity, privacy, and any intellectual property rights, as are or may be reasonably necessary for the City to exercise the rights

granted under this Agreement.

2. Section 2. A. of the Original Agreement is hereby deleted and replaced with the following new Section 2. A.:

2. A. Key Performance Indicators (KPIs). The KPIs are those critical measures the City will use to determine incentive compensation. See Section 13. Given the unpredictable business climate due to the public health emergency caused by the COVID-19 pandemic, targets for each KPI will be developed jointly between a new City-appointed task force that is representative of the tourism and lodging industry (hereinafter referred to as the "Task Force") and the Contractor. Exhibit A to this Eighth Supplemental Agreement includes proposed KPIs. Changes to the proposed KPIs shall be mutually agreed upon by Contractor and the Task Force, and shall be included as Exhibit A.1 hereto. The Contractor and the Task Force will also finalize the required reporting, and the related schedule, included in Exhibit B hereto.

The Contractor and Task Force will closely monitor the KPIs and modify, if necessary, the targets during bi-monthly (or on a revised schedule as needed) KPI reviews. The updated targets shall be added to this agreement as Exhibit A.2 hereto.

The Task Force will be comprised of seven members as follows:

- Two members from the Visit Albuquerque Board ("VABQ"): (VABQ Chair and an additional member selected by VABQ)
- Two members from the Lodgers Tax Advisory Board ("LTAB"): (LTAB Chair and a hotelier selected by LTAB)
- Two members from the Greater Albuquerque Hotel & Lodging Association ("GAHLA"): (GAHLA Chair and an additional member selected by GAHLA)
- One member designated by the Mayor. This member will serve as Chair of the Task Force

3. Section 2. B. of the Original Agreement is hereby deleted and replaced with the following new Section 2. B.:

2. B. Reporting. The City requires the Contractor to report progress toward all KPIs on a monthly, quarterly, or annual basis, as indicated in Exhibit A hereto. In addition, the City requires the Contractor to report the additional information included in Exhibit B hereto on at least a quarterly or annual basis as identified. These measures are not used to determine incentive compensation. A final annual report shall be produced and submitted to the City by the Contractor within ninety (90) days after the close of each fiscal year and shall include an analysis of the effectiveness of the various programs.

4. Subsection 10. C. (b) of the Original Agreement is hereby deleted and replaced with the following new Subsection 10. C. (b):

10. C. (b). Annual Financial Audit Report. The Contractor shall have an independent CPA complete a full audit of its financial statements and the KPI data. The audit shall validate that City and Contractor's partner funds are separated. The Contractor shall pay for all services rendered by the CPA. The Statement of Work for the full audit should be coauthored by the Contractor and the City. All reports and documentation (financial statements, compliance and management letters, internal control documentation and opinion letters) from the CPA shall be submitted to the City by the Contractor one hundred twenty (120) days after the end of each fiscal year after being accepted by the Contractor's Board of Directors.

5. Section 10 of the Original Agreement is hereby amended to include the following one new Subsection:

10. E. Organizational Chart. The Contractor shall provide or make available for inspection, upon the City's request and to be kept confidential except as required by law, an organizational chart to include key personnel and salaries.

6. Section 12. of the Original Agreement is hereby deleted and replaced with the following new Section 12.:

12. Basic Term. The term of this Agreement (the "Term") shall commence on July 1, 2020, and continue until midnight on June 30, 2022.

7. Subsection 13 A. of the Original Agreement is deleted and replaced with the following new Subsection 13. A.:

13A. Compensation. For performing the Services specified in Section 1. of this Eighth Supplemental Agreement, for fiscal year 2021, the City agrees to pay the Contractor the Base Contract Amount as specified in Table A below.

Except as provided herein, beginning in fiscal year 2022, it is anticipated that the Base Contract Amount, and corresponding Total Amount Available, will grow in proportion to the year over year growth rate of each fund, as calculated on a quarterly basis and relative to the Contractor's final fiscal year 2021 compensation/allocation. However, due to the economic uncertainties caused by the business travel and tourism industry disruptions as a result of the COVID-19 pandemic, it is possible that the Base Contract Amount, and corresponding Total Amount Available, for fiscal year 2022, may decrease. The estimated growth rates, or estimated decrease, will be determined by the City's Office of Management and Budget (OMB). OMB will provide the Contractor a preliminary Base Contract Amount by April 1, 2021. The funding figure will be communicated to the Contractor by May 31, 2021, or the date the final budget is approved by City Council preceding the beginning of fiscal year 2022.

Should fiscal year 2021 quarterly revenue growth exceed quarterly projections resulting in a future excess marketing fund balance, the City may request and review proposals from the Contractor for use of those monies prior to making those monies available for other uses. The Contractor shall also be allowed to submit proposals to the City for the use of additional excess marketing funds in fiscal year 2022. Those proposals will be handled on a quarterly case-by-case basis through amendments to this Agreement.

If the Contractor meets the targets set by the Task Force for the Key Performance Indicators for fiscal year 2021 and fiscal year 2022, and if sufficient revenues that are not allocated for marketing funds have been collected in excess of the Base Contract Amount for the applicable fiscal year, the City shall additionally pay Contractor an incentive amount not to exceed the lesser of the available collected excess revenues or five percent (5%) of the Total Amount Available, to be accrued to the June (12th monthly) payment. The amount of Incentive Funding paid is directly proportional to the number of Key Performance Indicator targets met, as adjusted by the Task Force. If Contractor achieves 4 out of 5 measures, for instance, then only 4/5, i.e., eighty percent (80%), of the maximum possible incentive payment will be made.

TABLE A

<u>Fiscal Year</u>	<u>Estimated Growth Rate</u>	<u>Lodgers' Tax</u>	<u>Hospitality Fee</u>	<u>Base Contract Amount</u>	<u>Incentive Funding</u>	<u>Total Amount Available</u>
2021	-	\$3,467,000	\$693,000	\$4,160,000	\$219,000	\$4,379,000
2022	TBD					

8. Except as herein expressly amended, the terms and conditions of the Original Agreement shall remain unchanged and shall continue in full force and effect unless there is a conflict between the terms and conditions of the Original Agreement and this Supplemental Agreement, in which event, the terms and conditions of the Supplemental Agreement shall control.

9. This Agreement shall not become effective or binding until approved by the City's Chief Administrative Officer.

IN WITNESS WHEREOF, the City and the Contractor have executed this Supplemental Agreement as of the date first above written.

CITY OF ALBUQUERQUE

Approved By:



Sarita Nair,
Chief Administrative Officer

Date: _____

CONTRACTOR: Albuquerque
Convention and Visitors Bureau, Inc.

By: _____

Title: _____

Date: _____

Synthia Jaramillo, Director
Economic Development Department

Date: _____

Jennifer Bradley
Chief Procurement Officer

Date: _____

[illegible]

Exhibit B: Required Reporting

Note: Bolded metrics are Key Performance Indicators

#	Metrics	FY18 ¹	FY19	FY20	FY21			
					Q1	Q2	Q3	Q4
Productivity Metrics								
1	Number of Leads per Sales Manager (annual)							
2	Number of Bookings per Sales Manager (annual)							
3	Number of Booked Room Nights per Sales Manager (annual)							
4	Cost Per Booking: (VA direct + indirect operating costs) /number of bookings (annual)							
5	Cost per Lead: (VA direct + indirect operating costs) /number of leads (annual)							
6	Booking Ratio: number of bookings/(number of bookings + number of lost opportunities)							
Lead Metrics								
7	Number of Leads							
8	Number of Client Contacts per Tradeshow Attended/Exhibited by Visit Albuquerque Sales Staff							
9	Lead Room Nights (Estimate)							
10	Lost Opportunity Ratio: number of lost opportunities/(number of bookings + number of lost opportunities)							
11	Return on Investment: direct spending generated by the VA effort/total VA meeting, convention, and sports costs							
Meeting Planner Satisfaction Indicators (post event)								
12	Meeting Planner's overall satisfaction with Albuquerque as a destination (1-10)							
13	'Visit Albuquerque' staff were responsive to our needs and effectively positioned Albuquerque as a host site (1-10)							
14	Meeting Planner likely to return and/or recommend to other Planners (1-10)							
Economic Indicators								
15	Repeat Business: Room nights from repeat business/total room nights booked							
16	Number of overnight paid accommodation visitors [or trips]							
17	Value of staying paid accommodation visitor spend							
18	Lodgers Tax Collections							
19	L&H Employment (+ % increase/decrease)							
20	Room night demand							
21	Albuquerque Sunport passenger data							

¹ Historic data for new measures may not be available

#	Metrics	FY18 ¹	FY19	FY20	FY21			
					Q1	Q2	Q3	Q4
22	'Visit Albuquerque' spend on tourism per staying visitor							
Financial Metrics								
23	Marketing and Sales Expense Ratio: Total Marketing and Sales Expenditures/Total Expenditures (Partner and City)							
24	Percentage of Partner Revenue							
25	Percentage of Partner Expense							
26	Net Income (Loss)							
27	Percentage of VA Revenue Received from the City Spent on Strategies for Marketing the City of Albuquerque							
Citywide Event Metrics								
28	Number of Citywide Definite Booked Events							
29	Number of New Citywide Definite Booked Events							
30	Number of Total Citywide Definite Booked Room Nights							
31	Number of Total Citywide Definite Event Attendees							
32	Direct Spend from Total Citywide Definite Booked Events							
33	Direct Spend from New Citywide Definite Booked Events							
Non-Citywide Event Metrics								
34	Number of Total Non-Citywide Definite Booked Events							
35	Number of New Non-Citywide Booked Events							
36	Number of Total Non-Citywide Definite Events Booked Room Nights							
37	Number of Total Non-Citywide Definite Event Attendees							
38	Direct Spend from Total Non-Citywide Definite Events							
39	Direct Spend from New Non-Citywide Definite Booked Events							
Sports Event Metrics								
40	Number of Total Booked Events for Sports Events (Citywide and Non-Citywide)							
41	Number of Total Booked Room Nights for Sports Events							
42	Number of Total Sports Event Attendees							
43	Direct Spend from Number of Total Sports Events							
44	Number of Total Non-Citywide Definite Events Booked Room Nights							
Meeting and Group Marketing Effort Metrics								
45	Number of Meeting Planners Hosted on Familiarization Trips and Site Visits							
46	Cost of Group Marketing and Sales Effort per Room Night (with meeting incentive funding in the calculation) (reported annually)							

#	Metrics	FY18 ¹	FY19	FY20	FY21			
					Q1	Q2	Q3	Q4
47	Cost of Group Marketing and Sales Effort per Room Night (without meeting incentive funding in the calculation)							
48	One-Year Comparative Business Occurring							
49	Citywide Impact Report: Equivalent Number of Citywide Events (using 400 room nights on peak to determine average number of events)							
Destination Marketing Metrics								
50	Number of Positive National and International Travel Articles Generated for Albuquerque							
51	Impressions and Publicity Value							
52	Positive Quality Media Coverage							
53	Advertising Impressions							
54	Media Placement Performance (annual)							
55	Website User Sessions							
56	Number of Social Followers							
57	Social Media Engagement							
58	Visitors Guide Inquiry Fulfillment, Online and Print							
59	Number of Group Tours							
61	Travelers Entering Visitor Centers or Connecting with VA via Live Chat							
60	Number of Hospitality Employees Trained through Albuquerque Concierge Excellence							
Revenue Indicators								
62	City Rooms Sold Growth							
63	City Rooms Sold Percent Change Relative to Comparison Set							
Lost Opportunities Metrics								
64	Lost Business: Number of Events (Convention Center, Non-Convention Center, and Sporting Events) that Chose Not to Book Albuquerque After Initially Considering the Destination							
65	Lost Room Nights (Estimate)							
66	Lost Attendance (Estimate)							
67	Lost Attendee Spending (Estimate)							
Cancellation Metrics								
68	Number of Cancellations of Definite Bookings							
69	Cancelled Room Nights (Estimate)							
70	Cancelled Attendance (Estimate)							
71	Cancelled Attendee Spending (Estimate)							
Post-Event Measures								
72	Room Night Pick-Up for Citywide events							

FISCAL IMPACT ANALYSISTITLE: **Visit ABQ 8th Supplemental Agreement**

R: O:

FUND: 220/221

DEPT: 2510000/2514000

- ☒ No measurable fiscal impact is anticipated, i.e., no impact on fund balance over and above existing appropriations.
- ☐ (If Applicable) The estimated fiscal impact (defined as impact over and above existing appropriations) of this legislation is as follows:

	2021	Fiscal Years 2022	2023	Total
Base Salary/Wages				-
Fringe Benefits at	-	-	-	-
Subtotal Personnel	-	-	-	-
Operating Expenses		-		-
F220 - Contract Expense	3,648,770	3,648,770	-	7,297,540
F221 - Contract Expense	730,230	730,230		
Indirect Costs	-	-	-	-
Total Expenses	\$ 4,379,000	\$ 4,379,000	\$ -	\$ 8,758,000
<input checked="" type="checkbox"/> Estimated revenues not affected				
<input type="checkbox"/> Estimated revenue impact				
Revenue from program				0
Amount of Grant			-	
City Cash Match				
City Inkind Match				
City IDOH	-	-	-	-
Total Revenue	\$ -	\$ -	\$ -	\$ -

These estimates do not include any adjustment for inflation.

* Range if not easily quantifiable.

Number of Positions created 0 0

COMMENTS: The COVID-19 pandemic has caused a reduction in Lodgers' Tax revenue and a disruption in the business travel and tourism industries. The eighth supplemental will address these effects by extending the service terms to two years, adding items to the Scope of Service, and adjusting Performance Measures and compensation. The Base Contract amount is \$4,160,000 of which \$3,467,000 will come from Fund 220 Lodgers' Tax and \$693,000 from Fund 221 Hospitality Tax. In addition to the Base Contract amount, \$219,000 for Incentives is included of which \$182,518 will come from Fund 220 and \$36,482 from Fund 221.

COMMENTS ON NON-MONETARY IMPACTS TO COMMUNITY/CITY GOVERNMENT:

PREPARED BY:

DocuSigned by:

Gladys Santana 6/11/2020 | 10:37 AM MDT
FISCAL ANALYST

APPROVED:

DocuSigned by:

Synthia Jaramillo 6/11/2020 | 11:25 AM MDT
DIRECTOR

REVIEWED BY:

DocuSigned by:

Jayne Aranda 6/11/2020 | 1:11 PM MDT
EXECUTIVE BUDGET ANALYST

DocuSigned by:

Barbara Lozano 6/11/2020 | 1:11 PM MDT
BUDGET OFFICER

DocuSigned by:

Christina Boerner 6/11/2020 | 1:26 PM MDT
CITY ECONOMIST