



ECONOMIC
DEVELOPMENT

M E M O R A N D U M

To: Bend Economic Development Advisory Board

From: Ben Hemson, Business Advocate

Re: Advocacy Subcommittee Recommendations: Visit Bend Reserve Fund

Date: 11/3/2017

Earlier this year the Bend City Council referred a question to the BEDAB: Should Visit Bend, the City's contracted Destination Marketing Organization (DMO), develop a reserve fund?

Visit Bend currently maintains a 3-month fund designed to aid in winding down operations should their relationship with the City of Bend end. Visit Bend does not currently place other funds in reserve, they submit an annual business plan for review by the BEDAB and then City Council each Spring.

At the BEDAB's Advocacy Subcommittee meeting on Monday, October 30th the group discussed the proposal with Kevney Dugan, Visit Bend Executive Director, and agreed upon the following points for referral to BEDAB:

1. A proposal to create a reserve fund for Visit Bend would have value.
2. Visit Bend should maintain their existing 3-month "wind-down" fund separate from any new reserve fund.
3. The reserve funds should be housed at Visit Bend. There is sufficient oversight to ensure funds are used as directed. Further, the contract between the City of Bend and Visit Bend ensures these funds would be returned to the City should the current agreement end.
4. The mechanics of reserve fund goals and how to fund any reserves should be outlined during the annual Visit Bend business plan review process.

The BEDAB will take up the discussion at their meeting on Monday, November 6th.

Attachment: Visit Bend Reserve Fund Background & Peer DMO Reserve Fund Practices (2 p.)



Visit Bend Reserve Fund Proposal

Current Reserve Fund policy per contract with City of Bend:

The annual budget shall contain a reserve fund in an amount of at least three months of total operating revenue as defined by Contractor's adopted fiscal policies. The reserve fund may be used in the case actual revenues being less than forecast and in support of activities included in the approved Business Plan. In no case will expenditures exceed actual funds payable under this Agreement. If actual collections are lower than projected, payment is due only up to the percentage owed of the actual amount collected. However, nothing in this section precludes Contractor using funds from sources other than the City in Contractor's complete and total discretion.

Current Cash Reserve Fund Policy per Visit Bend's Financial Policies and Procedures:

Cash Reserve Policy: *Visit Bend will maintain a restricted cash reserve fund in a money market account equal to an estimate of three months of operating costs from the previous fiscal year, minus costs associated with marketing and advertising programs. Currently the cash reserve is set at \$65,000. This cash reserve has been established for three primary purposes, all of which requiring a majority vote from the Board of Directors. In all instances, Board approval to spend cash reserve funds must be accompanied by a written plan and specific timeline to replace those funds within a time period and strategy deemed reasonable by a majority vote of the Board of Directors.*

- a. **Unbudgeted marketing or operational opportunities:** *The Board may approve accessing cash reserve funds to participate in special unbudgeted marketing or operational opportunities.*
- b. **Unbudgeted capital expenditures:** *The Board may approve accessing cash reserve funds to finance unbudgeted capital expenditures.*
- c. **Winding Down:** *In the event that Visit Bend is dissolved, the Board of Directors, may approve accessing cash reserve funds to finance a three month phase-out of Visit Bend operations.*

Approximate balance of Current Reserve Fund held in separate account at First Interstate Bank as of October 26, 2017 = \$65,811.

Proposed increase to \$750,000 or 20-25% of budget.

Reserve Fund Practices of Other Destination Marketing Organizations

Ogden

\$1.1 million

Estimated 7 FTE's

25% (3 months) of budget in reserve account for wind down money but no rainy day fund.

BOD majority vote approves use.

Sedona

\$3.8 Million

Estimated 12 FTE's

\$280k or 3 months' worth of obligations in reserve fund but no rainy day fund.

Also have line of credit established they can use if needed.

BOD majority vote approves use.

Park City

\$10.5 million budget

19 FTES

\$500k in rainy day fund + 2.5 month (roughly \$400,000) in reserve fund for wind down money.

BOD majority vote approves use.

Travel Lane County

\$2.6 million in TRT plus other revenue for \$3 million budget.

Estimated 25 FTE's

5% of budget in reserve fund for wind down money.

20% of budget in additional reserve fund for marketing or special projects. (\$600,000)

Funded with dollars when collections are 103% plus of YOY collections.

BOD majority vote approves use.

Tucson

\$9 million budget

Estimate 15+ FTE's

Working towards \$900,000 reserve or 10% of budget. No separation of wind down money vs. marketing rainy day fund.

Board doesn't like that they have it and wants dollars invested in sales and marketing.

Uses private membership or ad revenue dollars to build reserve not public TRT dollars.

BOD majority vote approves use.

Billings

\$2 Million Dollar Budget

5 FTE's

No reserve fund for wind down money. Good cash position.

Reserve fund for projects. Historically funded with \$25,000 per year. Just bumped that to \$50,000 per year with the hopes of growing to \$500,000 by 2027. Recently used some for Air Service Grant.

BOD majority vote approves use.