

**TOWN OF HILTON HEAD ISLAND
ACCOMMODATIONS TAX ADVISORY COMMITTEE**

Date: April 3, 2014 **Time:** 9:00 a.m.

Members Present: Mike Alsko, *Chairman*; Rob Bender, *Vice-Chairman*; Frank Soule, Trish Heichel, Stewart Brown; Bob Spear

Members Absent: None

Staff Present: Susan Simmons, *Director of Finance*; Brian Hulbert, *Staff Attorney*; Bret Martin, *Deputy Finance Director*; Erica Madhere, *Finance Assistant*

Council Present: Kim Likins

Others Present: Susan Thomas, Charlie Clark, Ray Deal, Bill Miles, Brenda Ciapanna, Representatives from the Hilton Head Island-Bluffton Chamber of Commerce/VCB, Mary Briggs, Kathleen Bateson, and members of the public

Media: None

1. Call to Order:

The meeting was called to order at 9:00 a.m.

2. FOIA Compliance:

Public notification of this meeting has been published, posted, and mailed in compliance with the Freedom of Information Act and the Town of Hilton Head Island requirements.

3. Approval of Minutes:

Mr. Brown moved to approve the Minutes of February 18, 2014. Ms. Heichel seconded the motion. The Motion passed unanimously. (6-0)

4. Chairman's Report:

Chairman Alsko made a brief statement regarding revising the 2015 Application for Accommodations Tax Grants, which will be available in August of this year. He encouraged the Committee to research other municipalities and their Applications in order to be able to streamline the process this upcoming year.

6. Unfinished Business:

None

7. New Business:

a. Hearing regarding the Chamber of Commerce and Visitor & Convention Bureau's proposed 2014-2015 budget of expenditures for the 30% allocation of State Accommodations Tax Funds for the advertising of tourism.

Susan Thomas, Senior Vice-President of the Hilton Head Island-Bluffton Chamber of Commerce and Visitor and Convention Bureau kicked off the presentation by pointing out some highlights of the 2014-2015 budget and marketing plan. The Chamber and VCB have

been engaging with the private sector over the last few years, which led to the creation of the Marketing Council with representatives from all sectors of the local tourism industry. The Marketing Council has had a large impact on the new plans and programs that are being put in place to support the short and long term goals of the VCB. One major goal is to grow group and event business on the island through offering new incentives, and by getting the word out through public relations and social media regarding the Island Renaissance. Earning more group and event business would grow shoulder and off-season business and be a great benefit to the Island.

Secondly, a large on-going effort is the social media strategy and public relations investment. The VCB is working hard at bringing media opportunities to Hilton Head such as the Today Show, CNN, and Money Magazine, all of which would have an enormous marketing impact.

Another major effort has been, and continues to be, increasing air service to Hilton Head Island and we are now seeing huge results due to the new Jet Blue service from Boston and New York City to the Savannah Hilton Head Airport. The VCB has been conducting sales programs and promotions, and also participated in travel shows particularly in Boston. A sign that this effort is being successful is that Jet Blue has already increased the air craft size based on initial demand. The improvements in air service will help growth in all seasons, and there is already great potential in further air service expansion.

Targeting the Affluent Traveler whose annual income is over \$150,000 is another long term goal of the VCB this upcoming year, and the VCB is now looking towards targeting younger / newer travelers that will eventually become an Affluent Traveler, as well. In relation to targeting new travelers, the VCB is also concentrating on the ratio of repeat vs. new visitors. In 2009, there were 70% repeat visitors to the Island and 30% new visitors. In 2013, out of the 2.4 million people that visited during the year, 60% were repeat and 40% were new visitors. The VCB likes the shift in this ratio and the great opportunity it brings to create loyal repeat visitors out of the brand new / younger visitors.

Another goal in the 2014-2015 marketing plan is tourism product development, and packaging. Packaging is a new program being kicked off this year as Hilton Head has so many new, as well as great existing, attractions to offer visitors. Whether they are leisure, corporate or group travelers, the VCB would like to provide easy connections to these attractions during the travel planning phase. Through the VCB's website, connections could be made to the new outdoor adventure park, zip line, jazz corner, shopping and retail, restaurants, cultural attractions, Symphony or Arts Center performances, Gullah tours, etc, as a part of customized packages.

The Marketing Council created by the VCB a few years ago continues to focus on growing the funding that's available for Destination Marketing. Our assets relative to other areas are not as competitive as the Council would like, and the Council feels that more private fund matching is needed. Additionally, on a positive note, Ms. Thomas is happy to report that the growth from State Accommodations Tax funding was extremely respectable over the past year. This increase can be attributed to many reasons such as growth in the marketplace, occupancy and average daily rates, the ATAX Recovery Projects conducted by the Town, as well as the one-time adjustment the Town received earlier in 2013-2014, just to name a few.

The Committee thanked Ms. Thomas and the VCB for providing such a great summary of the upcoming budget and marketing plan and Mr. Alsko opened up the meeting to questions from

the Committee. During the question and answer period, Ms. Thomas spoke about conducting a study comparing Hilton Head Island to other destinations without convention centers. This study is expected to take about four months to complete and can strengthen our competitiveness and lead to more effective research-based marketing. Ms. Thomas also responded to a question from Mr. Brown about cell service on the Island. Although cell service has improved, it is still an issue and will continue to be, both for business and leisure travelers, and will need continuous attention. Mr. Soule asked about the goal ratio of new vs. repeat travelers, how peak season and family travel was in 2013, and where the travelers were coming from. Ms. Thomas responded that the goal is 50% new to 50% repeat visitors; that peak season business grew in 2013, especially in August, and that July and August, 2014 are looking up, as well. There has been an increase in travelers from the Northeast since the recession, plus there has been a lot of growth in visitors from International and Canadian destinations. Ms. Heichel asked for more details about group business, and Ms. Thomas explained it is looking up with a high conversion rate of 1 out of every 5 leads converting. The majority of groups are coming from Atlanta, Charlotte, Tennessee, and Washington DC. The Marriott is the largest hotel on the island, with the Westin being the second largest. Most groups that are coming to the Island can fit into one of the two resorts, however larger groups would have to be split between many locations. The Committee made one final suggestion that the VCB should include a quick narrative of the past year's results to show what was successful and what wasn't.

Ms. Heichel made a motion to recommend to Town Council that they approve the budget as presented and for the Visitor & Convention Bureau to continue as the Town's Destination Marketing Organization. Mr. Soule seconded the motion. The Motion was approved by a vote of 6-0.

b. Discuss process and Application for “Non-recurring” Accommodations Tax Grants.

Mr. Alsko stated that at the meeting on February 18, 2014, the Committee came to a consensus to keep the non-recurring funds separate from the recurring funds, with a separate application, process and timeline. Since that meeting, Mr. Alsko has had the opportunity to more deeply examine this situation and would like the Committee to reconsider the previous consensus and to instead lump the excess non-recurring fund allocation into the next standard application round. He feels this is the appropriate course of action to take for many reasons, but most of all because the timeline would be too pressured to expedite a separate application process, and he does not want to over stress the organizations that would be applying during the peak tourist season. The Committee discussed the scenario proposed by Mr. Alsko. Mr. Bender originally wanted to separate the non-recurring funds and expedite the process, but he also mapped out what the timeline would have to be and came to the same conclusion as Mr. Alsko. Mr. Soule agreed that the application and process for the extra funds should be deferred to the fall as long as the application is revised to make the distinction between recurring and non-recurring funds clear. Ms. Heichel wants to make sure the applicants are well-advised and understand recurring vs. non-recurring funds. Mr. Brown stated his concern that applicants will expect more and more funding each year if they receive extra funds for 2015. If there is one application, he would like to see separation between funds and reserve non-recurring for special projects. Mr. Spear also supports the switch to the standard fall timeline but wants the differentiation of funds to be clear. Mr. Alsko suggested sending out extra announcements ahead of time to educate the organizations. Susan Simmons, Finance Director for the Town of Hilton Head Island, pointed out that the application for non-recurring funds could occur at the same time as the recurring funds, but that the organizations that are applying for both funds could submit two

applications. The non-recurring fund application could still be separate and for special projects not being included in the main grant application. The Committee agreed the application(s) will still need to be revised, and the exact procedure will still need to be determined, but also agreed the process for allocating the excess non-recurring funds should be deferred to the fall.

Mr. Brown made a motion to move the application process for non-recurring funds to the fall and follow the same process and timeline as the standard annual application. Ms. Heichel seconded the motion and the motion passed with a unanimous vote (6-0).

8. Adjournment:

Ms. Heichel moved to adjourn the meeting. Mr. Soule seconded the Motion. The Motion was approved by a vote of 6-0 and the meeting was adjourned at 10:36 a.m.

Approved:

Respectfully submitted:

Mike Alsko, Chairman

Erica Madhere, Secretary