

2014-16 Executive Progress Report

Commonwealth of Virginia
Secretary of Commerce and Trade

Virginia Tourism Authority

At A Glance

The Virginia Tourism Authority promotes and develops the tourism and motion picture industries to stimulate Virginia's economy and enhance the quality of life of all Virginians.

Staffing 76 Salaried Employees, 3 Contracted Employees, 0 Authorized, and 42 Wage Employees.

Financials Budget FY 2015, \$20.23 million, 100.00% from the General Fund.

Trends
↑ Social Media Promotion
↑ Mobile-Based Website Visitation
↑ Consumer Inquiries

Key Perf Areas
↑ Industry Partner Referrals
↑ Annual Website Users
↑ Grant Program Leveraging Ratio
↑ Motion Picture Industry Economic Impact

Legend
↑ Increase, ↓ Decrease, → Steady

Productivity
Legend
↑ Improving, ↓ Worsening, → Maintaining

For more information on administrative key, and productivity measures, go to www.vaperforms.virginia.gov

Background and History

Agency Background Statement

The Virginia Tourism Authority (VTA) is a political subdivision of the Commonwealth of Virginia authorized to do business as the Virginia Tourism Corporation (VTC). The agency was established effective July 1, 1999 (§ 2.2-2315 et seq., Code of Virginia). Prior to that date, the state's tourism marketing program was administered by the Division of Tourism within the Virginia Economic Development Partnership Authority. Under the Code of Virginia, the Virginia Tourism Authority was given broad powers to "...stimulate the tourism segment of the economy by promoting, advertising, and marketing the Commonwealth's many tourist attractions and by coordinating other private and public efforts to do the same..." The General Assembly also recognized that the "...film industry is a legitimate and important part of economic development in the Commonwealth."

The VTC has an advisory Board of Directors comprised of 16 members, including the Lieutenant Governor, the Secretary of Commerce and Trade, the Secretary of Finance, the Secretary of Natural Resources, and 12 members appointed by the Governor, subject to confirmation by the General Assembly. The Governor designates the Chairman of the Board and the Board may elect one member to serve as the Vice-Chairman. The President/CEO of the VTA is appointed by the Governor and reports to the Secretary of Commerce and Trade. The Board of Directors serves in an advisory capacity to the President/CEO, who serves as the Board's ex-officio Secretary and Treasurer.

The VTA is headquartered in Richmond. In addition, the Authority operates 11 state Welcome Centers located strategically around the state and the Bell Tower Visitor Center in Richmond to provide information to persons traveling in Virginia.

Major Products and Services

The Virginia Tourism Authority provides the following services:

Advertising: The advertising program develops and promotes the Virginia is for Lovers brand through print, broadcast, Internet and outdoor media in strategic markets that provide the highest potential number of visitors to Virginia. As part of this effort, the VTA partners with, and subsidizes advertising costs for, Virginia destination marketing organizations and tourism businesses to leverage limited resources and achieve the highest rate of return on investment.

Grants: The grants program provides supplemental financial assistance to Virginia destination marketing organizations and tourism businesses. The competitive grants application process is designed to leverage scarce resources, promote the Virginia is for Lovers brand, encourage the creation of partnerships and enhance the development and marketing of Virginia's tourism product. In addition, the VTA works to identify and publicize other grant opportunities available to the state's tourism industry from federal, state and private sources.

Motion Picture Marketing: The VTA works to attract motion picture production to the Commonwealth and to increase the quantity of such productions by Virginia's indigenous motion picture industry. As part of this effort, the VTA helps recruit, train, promote and publicize employment opportunities for a professional workforce within the state capable of staffing motion picture productions. The VTA catalogs and promotes a diverse array of film locations across Virginia and recruits and promotes vendors within the state to supply and equip motion picture productions.

Public Relations: The public relations program develops and disseminates newsworthy announcements, notices and other communications on Virginia's tourism product to the media, the tourism industry and the general public. The VTA generates editorial coverage on the state's travel appeal, tourism assets and agency accomplishments by targeting national, regional, in-state and travel media.

Domestic Sales: The VTA markets the Commonwealth as a premier travel destination to tour operators, select travel agents, meeting planners and sporting event planners. The VTA represents the Commonwealth at trade shows, sales missions and site inspection tours in strategic markets within the United States.

Research: The research program provides data gathering and analysis on the travel and tourism segments of the economy, including domestic and international market share, visitor profiles, economic impact on the state and its localities and the effectiveness of VTA's marketing programs.

Digital Marketing: The digital marketing program manages the administration and content of VTA's consumer Web site, tourism industry Web site, and social media channels. The VTA promotes Virginia's tourism product by developing and implementing digital marketing strategies that utilize technology, electronic communications, content marketing and search engine marketing.

Creative Services: The creative services program provides graphic design and production services, as well as an in-house photography operation, to support the VTA and the Virginia Economic Development Partnership Authority. As part of this effort, the VTA maintains a library of photography and video that promote Virginia destinations, attractions and other tourism assets.

Fulfillment: The fulfillment program provides information to, and responds to inquiries from, consumers seeking information on travel and tourism in Virginia. Telephone and Internet inquiries are answered by a consumer services center and VTA publication requests are processed by a fulfillment house that provides storage, processing, delivery and freight services. In addition, the VTA operates a full-service distribution center to process customized and bulk orders and to manage the mailing needs of the VTA and the Virginia Economic Development Partnership Authority.

Welcome Centers: Virginia's welcome centers are designed to be first-stop destinations for the traveling public, strategically and conveniently located throughout Virginia on major arterial highways. The VTA provides a broad array of services to the visitor, including personal travel counseling, informational publications, transportation maps and lodging reservation assistance. In addition, the welcome center program serves Virginia's tourism industry by promoting a variety of destinations and attractions through advertising opportunities, multi-media informational kiosks, product demonstrations and exhibits and the distribution of travel publications.

State Tourism Plan: The VTA has developed a comprehensive state tourism plan, which provides a thorough assessment of the tourism needs in all nine of Virginia's tourism regions. This plan provides a competitive analysis of the state, including recommendations on increasing visitation through focused product development, promotions, improvements to infrastructure and policies on the state and local level to support tourism economic development.

International Marketing: The international marketing program develops and implements direct sales, marketing, promotions and public relations initiatives to attract foreign visitors and vendors to Virginia from strategic international markets.

Tourism Development Financing: The VTA helps to promote and manage a financing program for qualified tourism-related development projects in Virginia authorized under § 58.1-3851.1 of the Code of Virginia. This program provides a debt financing mechanism for capital projects to compensate for shortfalls in funding. The VTA also manages the newly created Virginia Tourism Growth Fund, which provides funding to attract new tourism and hospitality projects and to expand existing tourism and hospitality projects in the Commonwealth.

Customers

Customer Summary

The Virginia Tourism Authority works with localities, destination marketing organizations, Visitor Centers, tourism and hospitality businesses, and numerous other tourism entities in the Commonwealth. In a sense, these are some of VTA's customers. However, the Authority also works in partnership with many of these organizations to market and promote the Commonwealth as a travel destination.

Customer Table

Predefined Group	User Defined Group	Number Served Annually	Potential Number of Annual Customers	Projected Customer Trend
Local or Regional Government Authorities	Destination marketing organizations	104	104	Stable

Local or Regional Government Authorities	Visitor Centers	122	122	Stable
Wholesale/Retail Trade	Tourism and hospitality businesses	10,497	10,497	Increase
Local or Regional Government Authorities	Localities	324	324	Stable
Tourist	Tourists	36,600,000	999,999,999	Increase
Employer/ Business Owner	Meeting planners, tour buyers, sports rights holders	1,155	1,155	Stable
Employer/ Business Owner	Producers, film makers, production companies, studios	891	891	Increase
Contract Employee	Virginia crew, actors, students, association businesses	929	929	Increase
General Assembly	General Assembly	140	140	Stable
Local or Regional Government Authorities	Grant recipients	535	1,000	Increase
Tourist	Annual consumer visitors to Virginia.org (unique daily users)	7,700,000	999,999,999	Increase
Tourist	Travelers visiting state Welcome Centers	2,300,000	999,999,999	Increase

Finance and Performance Management

Finance

Financial Summary

In FY 2016 the Virginia Tourism Authority will operate with a general fund budget of \$19.9 million. These funds support the marketing, visitor services, Virginia Film Office, partnership marketing, and minimal administrative support functions. The Authority aggressively leverages funding and forms partnerships with industry and government entities to extend the reach of its limited budget.

The Virginia Tourism Authority is not on the books of the State Comptroller, so the only funds reflected are general fund appropriations. However, the Authority does receive about \$1.2 million annually from the Virginia Department of Transportation (about \$1.1 million for operation of the state's 11 Welcome Centers and \$100,000 as a pass-through for the Danville Welcome Center, which is locally operated). These funds, however, are not sufficient to fully fund the Welcome Centers' operations, which total more than \$2.0 million annually.

In addition, the Authority collects more than \$700,000 annually from a variety of other sources, including brochure rack fees at Welcome Centers and rest areas, reimbursement for the Civil War History Mobile program by the Virginia Sesquicentennial of the American Civil War Commission, royalties from the sale of "Virginia is for Lovers" merchandise, and other miscellaneous fees and collections.

Fund Sources

Fund Code	Fund Name	FY 2015	FY 2016
0100	General Fund	\$20,225,218	\$19,917,577

Revenue Summary

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Performance

Performance Highlights

The Virginia Tourism Authority is adding four new performance measures and modifying one performance measure for the FY 2014-16 biennium. The new measures include the number of digital referrals to industry partners (1.6 million in FY 2014), the dollar amount of economic impact generated by the motion picture industry (\$382.5 million in CY 2013), the cost per one thousand media impressions (\$11.25 in FY 2014), and the number of Welcome Center visitors (2.3 million in FY 2014).

In addition, the Authority slightly modified one measure related to the amount leveraged for every grant dollar invested. That amount increased

from \$3.01 in FY 2013 to \$3.45 in FY 2014. The Authority also tracks the number of unique (daily) website users. This information is critical because the Internet is becoming more and more important as a marketing tool. In FY 2014 the VTA had more than 8.5 million unique website users, which was an increase of more than 1.5 million in just two years.

Selected Measures

Measure ID	Measure	Alternative Name	Estimated Trend
320.0001	Number of digital referrals to industry partners	Industry Partner Referrals	Improving
32053607.007.001	Number of annual website user sessions	Annual Website Users	Improving
320.0006	Amount leveraged for every grant dollar invested	Grant Program Leveraging Ratio	Improving
320.0003	Dollar amount of economic impact generated by the motion picture industry	Motion Picture Industry Economic Impact	Improving
320.0004	Cost per one thousand media impressions	Media Impression Cost	Improving
320.0005	Number of Welcome Center visitors	Welcome Center Visitation	Improving

Key Risk Factors

Unpredictable funding levels and the lack of a dedicated, independent stream of funding continues to threaten the health of the Virginia Tourism Authority. An unpredictable budget presents great challenges in long-term planning and marketing and greatly impacts the Authority's ability to continue to grow visitor spending. In recent years, some competitor states have received millions of dollars in additional appropriations to promote tourism and film production. The Authority receives about \$1.1 million annually from the Virginia Department of Transportation to support the operations of Virginia's Welcome Centers. The funds, however, are not sufficient to fully fund the Welcome Centers' operations, which total more than \$2.0 million annually. Therefore, the Authority supplements this funding with revenues from brochure rack fees (about \$400,000) as well as general fund dollars (about \$500,000). A related issue concerns the growing expectations of incentives, especially for film production. Currently 38 states, as well as the District of Columbia and Puerto Rico, offer film incentives. Compared to most other states, Virginia's incentive program is relatively small, but growing. In the 2014 General Assembly Session tax credits were increased from \$5 million per biennium to \$6.5 million per year. An additional \$2.4 million annual appropriation was provided for the Governor's Motion Picture Opportunity Fund. In spite of these additional resources, Virginia still faces tough competition from other states that provide much more incentive funding. For example, Georgia, Massachusetts, and Louisiana have unlimited incentive funds, while Pennsylvania provides \$60 million and Michigan \$50 million. Other risks include general economic uncertainty as well as the perception that tourism is not "economic development."

Agency Statistics

Statistics Summary

The following is a summary of the Virginia Tourism Authority's key statistics:

Domestic Earned Media in FY 2014: Virginia Tourism Authority's National Media Relations department coordinates with news agencies and other media outlets to have stories reported about Virginia's tourism industry. Earned media is the advertising equivalency value assigned to placements made by the National Media Relations department. Total Domestic Earned Media is the value assigned to articles and broadcast news stories that occur within the United States.

International Earned Media in FY 2014: Virginia Tourism Authority's International Marketing and National Media Relations departments and the Capital Region USA representatives coordinate with news agencies and other media outlets to have stories reported about Virginia's tourism industry. The earned media figures reflect rate card advertising costs for the equivalent amount of space. The results of earned media are a collective result from press familiarization tours, desk side pitches, ongoing engagement with local media, press releases, and promotions. Total International Earned Media is the value assigned to articles and broadcast news stories that occur outside of the United States.

Canadian Earned Media in FY 2014: Virginia Tourism Authority's International Marketing and National Media Relations departments and the Authority's Canadian representatives coordinate with news agencies and other media outlets to have stories reported about Virginia's tourism industry. The earned media figures reflect rate card advertising costs for the equivalent amount of space. The results of earned media are a collective result from press familiarization tours, desk side pitches, ongoing engagement with local media, press releases, and promotions that target the Canadian market. Total Canadian Earned Media is the value assigned to articles and broadcast news stories that occur within Canada.

Number of Journalists Hosted for Media Tours in FY 2014: The National Media Relations department hosts journalists who then write articles about the destinations they visited. The value provided from the articles contributes to the overall earned media.

Total Number of Page Likes on Facebook in FY 2014: The total number of people (unique daily users) who have liked the Virginia is for Lovers Facebook Page.

Number of Engaged Users on Facebook in FY 2014: The number of people (unique daily users) who engaged with the Virginia is for Lovers Page. Engagement includes any click or story created.

Total Reach on Facebook in FY 2014: The number of people (unique daily users) who have seen any content associated with the Virginia is for

Lovers Page.

Total Number of Twitter Followers in FY 2014: The total number of people (unique daily users) who follow Virginia is for Lovers on Twitter.

Total Number of YouTube Video Views in FY 2014: The total number of times a video from the Virginia is for Lovers YouTube channel is viewed.

Number of Sweepstakes Entries in FY 2014: The total number of distinct people who have completed the sweepstakes entry form to enter a sweepstakes promotion hosted on Virginia.org.

Number of Sweepstakes Opt-Ins in FY 2014: The total number of distinct people who entered a sweepstakes hosted on Virginia.org and opted-in to receive continued e-mail communications from the Virginia Tourism Authority.

Percentage of Sweepstakes Entrants Who Opted into the eNewsletter in FY 2014: The number of sweepstakes entrants on Virginia.org who opted-in to receive continued e-mail communications divided by the total number of sweepstakes entrants.

Number of Industry Referrals from Virginia.org in FY 2014: Links clicked on by visitors to Virginia.org that connected them to an external website.

Number of Projects Assisted by Virginia Film Office Staff in FY 2014: The total number of film, television, documentary, and commercial projects assisted by Virginia Film Office staff.

Statistics Table

Description	Value
Domestic Earned Media in FY 2014 (in Dollars)	7,719,922
International Earned Media in FY 2014 (in Dollars)	14,020,664
Canadian Earned Media in FY 2014 (in Dollars)	1,443,563
Number of Journalists Hosted for Media Tours in FY 2014	71
Total Number of Page Likes on Facebook in FY 2014	448,877
Number of Engaged Users on Facebook in FY 2014	3,073,038
Total Reach on Facebook in FY 2014	53,161,015
Total Number of Twitter Followers in FY 2014	32,387
Total Number of YouTube Video Views in FY 2014	2,389,045
Number of Sweepstakes Entries in FY 2014	81,162
Number of Sweepstakes Opt-Ins in FY 2014	30,067
Percentage of Sweepstakes Entrants Who Opted into the eNewsletter in FY 2014	37
Number of Industry Referrals from Virginia.org in FY 2014	1,593,390
Number of Projects Assisted by Virginia Film Office Staff in FY 2014	303

Management Discussion

General Information About Ongoing Status of Agency

The Virginia Tourism Authority will execute its overall tourism strategy with advice from the Board of Directors, in cooperation with the private sector tourism industry, and based on research, its Marketing Plan, and the State Tourism Plan. (The State Tourism Plan, or "Drive Tourism", is focused on product development, creative and innovative partnership marketing, and workforce training.) The Authority will continue to identify growth potential and inspire investment from both the public and private sectors in tourism development. It will reinforce its commitment to excellence in marketing, continue advocacy on all levels for public and private tourism investment, and prioritize growth areas to ensure continued visitor spending growth.

Since 1979, the first year that records were kept, the total economic impact of Virginia's film and television industry is \$3.5 billion. Generally speaking, the growth was steady from 1979 through the peak year of 2007 when \$614 million was reported. However, for the 2008 – 2012 period, the economic impact was between \$328 million and \$394 million annually. There are two major reasons for this precipitous drop. One was the recession which affected virtually every business, including the film industry. The second reason was that states began to fully embrace the concept of using film incentives to recruit business. Currently 38 states, as well as the District of Columbia and Puerto Rico, offer film incentives. Compared to most other states, Virginia's incentive program is relatively small, but growing. In the 2014 General Assembly Session tax credits were increased from \$5 million per biennium to \$6.5 million per year. An additional \$2.4 million annual appropriation was provided for the Governor's Motion Picture Opportunity Fund. While the additional resources, along with aggressive marketing by the Virginia Film Office, have begun to reverse the declining economic impact, Virginia still faces tough competition from other states that provide much more incentive funding.

For example, Georgia, Massachusetts, and Louisiana have unlimited incentive funds, while Pennsylvania provides \$60 million and Michigan \$50 million. The Virginia Film Office's plan for strengthening Virginia's film and television industry includes recruiting new business, working with Virginia filmmakers and production companies to strengthen the in-state industry and establishing a workforce development program designed to provide Virginia workers with the opportunity to find jobs and establish careers in film and television production.

Information Technology

The Virginia Tourism Authority relies heavily on technology to market and promote the Commonwealth as a travel destination. The Internet has become the primary tool to reach people and deliver the tourism message nationally and internationally. With the technology of this product changing rapidly, the Authority needs to ensure that it stays on the cutting edge to meet the needs of a technology-savvy user. In 2012, the Authority won the United States Travel Association's prestigious Mercury Award for Best State Travel Website. In order to maintain the superior quality of the website, the Authority must continually upgrade the application software and hardware to meet the Internet and user requirements. The Authority's internal information technology systems are provided and managed by the Virginia Economic Development Partnership per a Memorandum of Understanding dated July 1, 1999 and amended June 16, 2011.

Workforce Development

The Virginia Tourism Authority has been able to retain employees long-term, which has resulted in a stable and high-quality workforce. In recent years, Authority payroll costs have been rising, which reflects the need to be competitive with the private sector in order to attract the best candidates and to retain well-qualified workers. VTA has been recognized as one of the best tourism offices in the United States and has won awards for its efforts. However, having a large number of long-tenured employees will impact the future of the Authority and succession planning is and will continue to be critical.

The Authority encourages continuing professional development, and funds are provided to support these efforts. In 2014 the Authority contracted with Virginia Commonwealth University's Performance Management Group to provide a customized leadership training program for all employees with management responsibilities.

The Authority relies heavily on part-time staff to operate the state Welcome Centers. The funds for this come largely from the Virginia Department of Transportation and the sale of brochure display space and advertising panels. The funding, however, has not kept pace with the cost of operations, which puts additional financial pressure on the Authority.

Physical Plant

The Virginia Tourism Authority's main office is located at 901 East Byrd Street, Richmond, VA 23219. The facility is leased and managed by the Virginia Economic Development Partnership per a Memorandum of Understanding dated July 1, 1999 and amended June 16, 2011. In addition, the Authority operates 11 state Welcome Centers located strategically around the state and the Bell Tower in Capitol Square in Richmond to provide information to people traveling in Virginia. Two welcome centers were acquired by the Authority – the Potomac Gateway Visitor Center in King George County and the Danville Welcome Center. The Danville Welcome Center continues to be operated by the City of Danville through a Memorandum of Agreement. The Potomac Gateway Visitor Center was closed in November 2008 due to budget reductions. In April 2012, the Authority entered into a Concession Agreement with the Dahlgren Heritage Foundation for the operation of the Potomac Gateway property. The agreement allows the Foundation to operate the property as the Dahlgren Heritage Museum. The Dahlgren Heritage Museum serves to not only tell the story of military history at Dahlgren, but also to promote tourism within the Commonwealth.
