

Budget & Finance Committee Meeting
2011 Proposed Budget
November 23, 2010

Present: C. Simmons, D. Stoltzfus, S. Bowser, M. Rondinelli, B. Troop, J. Wall, C. Barrett

Absent: C. Shellhammer

3-4pm

- Budget Brief and Proposed 2011 Budget was emailed to committee on 11/22/10. Committee met via conference call.

PA Dutch CVB 2011 Budget Brief

Revenues

*The revenue assumptions are predicated on a model of **conservatism**.*

- We are recommending an increase in the Hotel Tax revenue projection to \$2,266,000. We feel that the tax (for 2010) will come in around \$2,200,000. The proposed 2011 budget represents a 3% increase. The 2011 actual Hotel Tax revenue may give us additional upside but we don't recommend pushing it too much.
- Two of the larger revenue categories (Member Dues @ \$615,300 and *Map & Overnight Getaway Guide* @ \$645,000) are budgeted to be at or near 2010 actual forecasted levels. We do not recommend a member dues increase for 2011.
- The matching funds grant line item has been adjusted to reflect the new funding stream granted by DCED and is expected to again change in 2011-12 FY. Note that we've **lost an additional \$110,000 in state funding** for the upcoming year. **We do, however, project an increase in 2011 revenues of \$180,729.00.**
- We are requesting a carry forward of \$70,000 in 2010 surplus funds to add to 2011 revenues. As you may recall, the board authorized staff to spend an additional \$150,000 on media during 2010. By a combination of revenue overages and expense savings we were able to absorb the approved \$150,000 in media expenses without tapping the reserve, and we project an additional revenue overage of \$96,000 at the end of FY 2010. We do want to utilize \$70,000 of that overage for 2011 while returning the balance to reserves....or approximately \$26,000.
- We recommend continuing to review our options to enhance interest income payments over the course of the year.
- Our media co-op and partnership opportunities continue to grow geometrically. This year media co-ops will grow an **additional \$173,000**. In 2010 media co-ops accounted for an additional \$392,030 in revenue. This year we will raise an additional \$565,500 in media co-op revenue and spend \$1,131,000. Media co-ops allow us to continue to maintain our electronic media spending levels and grow them. All told we will be placing approximately \$2,516,000 in media between all categories.

Expenses

- Expenses are budgeted to **increase \$276,199** compared to 2010 forecast. The lion's share of this increase is the media co-op match which will **increase \$346,940.00**. Again, this allows us to have

considerable clout in the media markets. I should note that additional members have approached us asking to place their media. This won't add cost but does continue to improve our position.

- The budget maintains our electronic media spending at 2010 levels. If tests continue as we anticipate, the Lancaster County Originals (LCO) campaign will continue during 2011.
- Strategic additions have been made in both Meeting & Convention and Tour & Travel sales and advertising efforts. We will maintain a "boots on the ground" approach to achieve sales objectives. We should note that expenses have been budgeted to enhance our efforts in selling the LCCC, which -- when deployed -- will ultimately enhance our overall position as a meeting and convention destination. We do need to improve the LCCC website and will now have the ability to view space available in the building with the addition of new software system.
- A 3.0% staff salary increase is budgeted for January 2011 deployment. As you know, the staff did not receive an increase in 2010.
- Salary and wages are projected to increase 4.2%. We would note that a portion of the increase is due to funding a salary at 100% after a maternity leave in 2010. We **do not** recommend an additional sales position at this time. We would like to keep the matter open for continuing evaluation and discussion. If we find the right person we would like to have the ability to bring that person in for consideration. Thus far we haven't found the right person.
- The medical benefits program will maintain an HRA model in which the CVB plans on taking risk in conjunction with the employee premium sharing plan to control costs. We did **increase** employee premium share participation 5% across the board for every employee. Overall, our medical premium costs are only 2.57% greater than 2010.
- Each expense will be thoroughly reviewed after each accounting period with department managers.
- Use of the marketing agency will continue to be minimized as it was in previous years.
- A contingency plan will be developed to compensate for any drop-off in primary revenue categories which are identified as the hotel tax, membership dues and our *Map & Overnight Getaway Guide (MOGG)*. We will provide a month-to-month forecast of these items for board review and operate accordingly based upon their counsel.
- This proposed budget is austere in the sense that we haven't added any large scale initiatives, but it does afford us the ability to accomplish strategic objectives such as new product development (through media placement) and member and organizational sustainability as we discussed at our last board meeting.
- Finally, we would note that we are at zero-budget with the infusion of the 2010 overage. We project that our net income will come in negative for 2011. As you know, we changed our method of financial presentation in 2010. Since we are a non-profit, depreciation expense is not as strong of a concern as it would be in a for-profit entity. Our accounting firm approved this change and although we are accrual based from an accounting standpoint our main concern is cash flow based upon operating income and associated expense

Committee Discussion

- Chris requested that \$70,000 of the excess funds from 2010 be carried forward into 2011 due to continued increase in the Member Advertising COOP program.
- Michelle Rondinelli began the discussion on when the excess funds would be used to help stimulate new product development. The committee suggested that between \$150,000 and \$200,000 be spent in 2011 on new product development, utilizing any excess funds from 2010 (above and beyond the original \$70,000 requested), with the balance to be taken from the restricted fund balance now held at HomeTowne Heritage Bank.