

April 8, 2016

Elliott Ferguson
President & CEO
Destination DC
901 7th Street, NW
Suite 400
Washington, DC 20009

Dear Mr. Ferguson:

The annual budget hearing for Destination DC has been scheduled for Monday, April 25, 2016 beginning at 10:00 AM in Room 412 of the John A. Wilson Building. The Committee on Finance & Revenue invites you to present testimony about your Fiscal Year 2017 budget and financial plan. I would like to request the Chairman of the Board of Directors for Destination DC attend as well, and I would also welcome any other board members to attend.

In order to prepare for the hearing, I hereby submit to you the following list of questions, and I request that you answer these questions and return your written responses, in hard copy and by electronic mail, to my office on or before noon on April 22, 2016.

If you feel that I could use additional information outside the scope of the attached questions, please feel free to include an additional written statement. If your office requires clarification of any of the attached questions, please contact Ruth Werner, at (202) 724-8058 or rwerner@dccouncil.us. Thank you in advance for your timely and comprehensive response.

Sincerely,

Jack Evans, Chairman
Committee on Finance and Revenue

Enclosures

Fiscal Year 2017 Budget and Financial Plan Questions
Destination DC

- 1. Please provide budget information showing your proposed FY 2017 budget, including a description of any increases or decreases.**

Destination DC is anticipating an annual budget of \$19.37M in FY17 compared to \$20.77M in FY16. The majority of the year-over-year variance is based on a reduction of funds for Destination DC's marketing allocation, changing from \$4.6M (including the \$1.5M OTA settlement) in FY16 to \$3.1M in FY17. Also, the Air China agreement will be concluded at the end of FY16 and no more grants are expected in FY17. The hotel taxes growth projection is approximately 3.5% year-over-year, per the most recent CFO revenue projection study issued in February.

See attachment #1

- 2. What are Destination DC's plans for marketing and providing public relations support for 2017? In your response please provide a narrative description of involvement on signature events for DC, and please provide a Destination DC activities calendar for 2017. Additionally, please provide a detailed explanation of how Destination DC intends to expend its FY 2017 budget on marketing and providing public relations support.**

In FY2017, Marketing and Communications will continue to leverage the success of the DC Cool campaign to promote Washington, DC as a destination for leisure and business travelers. By introducing #MyDCcool on its social media channels, Destination DC has integrated what visitors and locals love about the city and the personal nature of travel to further inspire consumers. This is a message that will continue to be carried throughout marketing, content, advertising and public relations.

The ROI of Destination DC's advertising has continued to get stronger, generating \$2.65 in taxes for the District for every \$1.00 spent in 2015. Marketing campaigns in FY2016 include promotions for the winter holidays, Date Nights DC, spring and summer – and these seasonal campaigns will continue in FY2017. For winter holidays, spring and summer, campaigns target out-of-market visitation with a primary focus on the northeast corridor (southern Virginia, Philadelphia, New York metro area, Boston) and Chicago, where the bulk of domestic visitors to DC are from. For Date Nights DC, the campaign focuses on the Washington, DC metropolitan area and regional markets to influence overnight visitation during a traditionally slow time of year. With additional funding in FY2016, Destination DC was once again able to film a summer commercial that will air in our top domestic markets this May and June as well as add top media markets Los Angeles and Chicago for print and digital media buys. Consumers will see our television ads on cable stations ranging from Bravo, ESPN and The Travel Channel to CNN, MSNBC and FOX News Channel. In FY2017, if additional funding is received, DDC will be able to continue expanding its reach in these markets.

Convention trade advertising will continue to promote the strong product development that is available for meetings and events throughout the District including the Walter E. Washington Convention Center, Marriott Marquis Washington, DC and other new, renovated and historic hotels. New retail development like CityCenterDC creates a complementary message that encourages business travelers to spend more and stay longer.

The redesigned washington.org, set to launch May 3, features new content, a greater emphasis on DC's diverse neighborhoods and better social media integration in a user-friendly format. The website will continue to be a primary tool to engage leisure and business travelers.

Destination DC's public relations efforts focus on engaging with journalists locally, domestically and internationally to earn positive media coverage. Public relations is heavily relied upon as a means to expand the messaging beyond advertising. To do so, the communications team creates inspiring itineraries for both individual and groups of journalists, aligning writers with the experiences and story angles in which they are interested in covering. Editorially, the team looks at major themes throughout the city to earn coverage. In FY2016, we have used significant anniversaries, including the centennial of the National Park Service and 75th anniversary of the National Gallery of Art, to provide inspiration for media coverage and content. New development, including restaurant and hotel inventory and anticipation for the new Smithsonian National Museum of African American History and Culture, are also draws. In FY2017, the election and Inauguration will be an integral focus, as will IPW in DC when we have an opportunity to showcase the city for more than 500 international journalists. The communications team will continue to promote DC Cool as well as leverage new developments throughout the District while always highlighting the extensive free experiences visitors can have.

Destination DC will provide marketing support in the form of advertising, web content, social media and/or editorial promotion and support for the following signature events:

- Emancipation Day
- National Cherry Blossom Festival
- Passport DC
- DC Jazz Festival
- Independence Day celebrations
- CitiOpen
- AT&T Nation's Football Classic
- National Travel and Tourism Week/National Small Business Week

3. What is new for 2017? What, if anything is being retired?

Convention Sales and Services:

- Develop a crossover report to drive business into specific months in specific years
- Form a housing task force to create a support system for large citywide opportunities
- Local Asset Marketing project focusing on:
 - Emerging Marketing Segments
 - Technology
 - Bio/Pharmaceutical
 - Established Marketing Segments
 - Medical
 - Education

Marketing

During the third quarter of FY2017, Destination DC will host the U.S. Travel Association's IPW 2017. IPW is expected to result in an additional \$1.7 billion in spending and 1 million visitors in the three years following the event. In addition, DDC will pitch and engage the 500 international journalists who participate, creating unique opportunities to feature DC throughout coverage. Promotion surrounding IPW 2017 begins in the third quarter of FY2016 when DDC participates in IPW 2016, culminating with the press conference announcing that DC will be the host of IPW 2017. An IPW DC microsite will also launch at the end of IPW 2016.

In addition to IPW, the 2016 election and 2017 Inauguration of a new U.S. President will have the world focused on the District, and so every opportunity to generate new and repeat visitation to DC through marketing platforms mentioned previously will be significant.

Destination DC will remain an avid supporter and continue to promote the major DC events throughout FY2017 to potential visitors, including the National Cherry Blossom Festival, Passport DC, DC Jazz Festival, Independence Day Celebrations, CitiOpen, Emancipation Day and more.

4. What are your membership rates for 2017?

See Attachment # 2

5. Understanding that the 2016 Cherry Blossom Festival is just now concluding, please provide the Committee with initial numbers of the volume of tourists that came to the District for the Festival. Additionally, please include projected or anticipated revenue connected to the Festival, as well as how this amount compares to previous years.

Although Destination DC is not responsible for tracking the number of people that come into Washington, DC to attend the National Cherry Blossom Festival, it is Destination DC's understanding that visitors and economic estimates during the four-week celebration which took place March 20-April 17, 2016 will become available in the coming months from the National Cherry Blossom Festival. However, Destination DC does monitor hotel occupancy rates and other indicators that tell the story. For the 2015 National Cherry Blossom Festival, Destination DC compared the prior year's festival which ended on April 13, 2014. **The data below is a comparison of the entire festival, 2015 vs. 2014:**

- Hotel occupancy was down 3.0%
- ADR was down 7.7%
- RevPAR was down 10.8%
- Smithsonian (on the Mall) visitation was down 5%.
- Smithsonian (off the Mall) visitation was down 1%.
- NPS (on the Mall) visitation was up 8%.
- NPS (off the Mall) visitation was down 3%.
- Capital Bikeshare saw their highest ridership day to date Saturday, April 11, 2015 with 17,286 rides.

6. How many hotel bookings and festival package requests came to and were handled by Destination DC in 2015 and 2016 to date? How does this compare to the past two years? What is projected for next year?

The National Cherry Blossom Festival package bookings through DDC for 2015 and 2016 (January 1-April 15) are as follows:

There were 189 bookings in 2016, up 1% over 2015 but down 23% over 2014. These bookings represented 364 room nights (up 6.4% over 2015, down 23% over 2014). These requests reflect only those booked through the website, and do not include the many visitors that book directly through hotels, through online travel agents (such as Expedia or Orbitz), or who might drive in for the day or stay with friends and family.

Based on the data available, we cannot make predictions for bookings for future years, as the bookings for the past few years have been within 2-4 weeks of travel to the area.

7. What returns are you seeing in your international marketing efforts? What is projected for next year? Please include detailed information explaining how much of your budget was expended in FY 2015 and FY 2016, to date on international marketing. Additionally, please explain how much of your budget you anticipate utilizing in FY 2017 for international marketing efforts.

Tourism

- Overseas arrivals continue to show a strong positive growth to Washington, DC. In 2014, the District saw a 6.3% increase over 2013 resulting in 1.8 million visitors, which is the highest number of visitors recorded to date. In addition, the direct spending in the city also reports a record high of \$1.8 billion dollars.
- The mid-year overseas arrivals report is forecasting another increase in arrivals to Washington, DC at an estimate of 5% in 2015 vs. 2014. These numbers will be vetted and available in July, 2016.
- The Tourism Budget for international promotions comes from four separate funding sources. These include: Destination DC marketing dollars/Capital Region USA (CRUSA) Cooperative Marketing Program/Metropolitan Washington Airports Authority (MWAA) and Deputy Mayor's Office of Economic Development/Air China

3-year funding. Together, these total an estimated \$1.2 million in 2015 and \$950,000 in 2016.

- The Air China funding will be completed in 2016 lowering the 2017 marketing dollars to \$700,000 combined.

Convention Sales and Services:

The International Convention Sales program is separately funded through Events DC at \$576,000 in FY16. We are now entering into our 6th year of this program. In FY15, the results of room night production were almost 9 times that of the first year of room night production.

Room Night ROI:

FISCAL	HOTEL ONLY	WEWCC	TOTAL ROOM NIGHTS	ECONOMIC IMPACT
FY2011	5,799	-	5,799	\$2,581,236
FY2012	32,686	28,228	60,909	\$35,419,119
FY2013	34,908	2,773	37,681	\$29,649,914
FY2014	24,753	21,260	46,103	\$53,817,734
FY2015	16,807	34,555	51,362	\$25,584,107

8. Please provide a timeline and status update on planning and execution for the upcoming IPW 2017 conference. Is any additional funding necessary? If so, please provide a detailed explanation.

Timeline

January 2016

Project manager engaged. Destination DC member and DC-based destination management company, Linder Global, will provide project management services for IPW. This includes event planning, budget and contractor management and execution and fulfillment of sponsor benefits.

Linder Global is a DC-based woman-owned business, and certified CBE by the DC Department of Small and Local Business Development.

March 2016

RFPs for transportation services and to host the media brunch have been issued. Destination DC members will bid on these services. Responses are due by April 30.

- Transportation providers will move delegates to and from the airports and within the city between events.
- The media brunch is an event for the 500+ journalists attending IPW. They'll gather for an event and meal before exploring the city on media-specific tours.

June 2016

IPW conference in New Orleans. Destination DC will attend with partners and city representatives. DDC will host a client event the evening of Saturday, June 18 to

promote the city to travel buyers. On Wednesday, June 22, DDC will hold a press conference as part of the conference to announce our host city plans for 2017.

Destination DC IPW micro-website will launch to promote DC to future IPW attendees.

Ongoing

Planning for the 2017 IPW conference.

The opening and closing night events will be blockbuster activities, showcasing the best of our city to an engaged, global audience. Venues, partners, entertainment and activities are currently being enlisted. It is anticipated that the opening event will feature the National Mall and Smithsonian, the closing event tentatively to be held at Nationals Park (pending MLB's schedule). Each of these organizations will provide significant in-kind support.

In between, DC's attractions, hotels and restaurants will host the 6,500 IPW delegates for work, tours and entertainment all across the city.

Funding

The overall planned host city budget Destination DC will raise is \$7 million. One half of that, or \$3.5 million, has already been committed and transferred to DDC from the city via Events DC. Thank you.

Sponsors and partners are actively being enlisted. Contracted partners, or those with active contract negotiations underway are below. Amounts listed are for cash contributions. In addition to these commitments, DDC is looking to raise an additional \$1 million.

- Brand USA: \$900,000
- Virginia Tourism Corporation: \$500,000
- Maryland Tourism Corporation: \$500,000
- Metropolitan Washington Airports Authority: \$500,000
- Big Bus Tours: \$100,000

Total: \$2.5 million

Prospects for additional funds

As the carrier with the most international airlift into our airports, United Airlines, (62% of all international flights) is currently reviewing IPW and expected to participate as another major sponsor.

Additional partnership outreach is underway with Marriott, Hilton and Choice Hotels, Union Pay, as well as several of DC's attractions and tourism related businesses.

Strong investment from Washington, DC's corporate community will be essential to IPW's success. However, with our pipeline of prospects, we are optimistic that we will reach our full budget through strong corporate partnerships and are not requesting additional funding at this time.

9. As part of your Performance Oversight pre-hearing responses, you noted a list of challenges Destination DC faces. What, if any, legislative action do you believe the District could or should take to help in addressing these challenges? Please provide an explanation and suggested language.

We request support of the Franchise Tax Abatement for Digestive Disease Week (DDW), a meeting in DC in May every three years (2018-2030). DDW has the following impact on the city:

- 10,000 peak room nights
- 49,400 total room nights
- 15,000 attendees
- \$39M in economic impact

See attachment #3

10. As part of your Performance Oversight pre-hearing responses, you noted a list of items for which, in your opinion, the District could be helpful with regarding upcoming conferences or marketing efforts. For items that would need legislation and/or money budgeted, please provide an explanation and nature of the need.

We would like access to key opinion leaders who can assist in putting our customers in touch with influential individuals and assets in the realm of our four greatest market segments:

- Technology
- Medical
- Education
- Biotech/Pharmaceutical

11. What can, in your opinion, the District do to help prepare for any upcoming conferences or marketing efforts?

As we continue to work to attract new and repeat business to the city, we would encourage the support of the city in the following ways:

- Official invitation letters to potential conventions
- Provide video invitations for potential bids
- Offer welcome letters to the delegates of upcoming meetings and conventions
- Support from DMPED on international convention efforts and liaising with different government agencies to build a business case
- City influence over pole banner placement outside of the Walter E. Washington Convention Center footprint
- Meet-and-greets during high-impact site visits when meeting planners are deciding which host city to select for their meetings/conventions
- Keep Destination DC informed on initiatives surrounding our four greatest market segments (Technology, Medical, Education and Biotech/Pharmaceutical)