

Tourist Development Council:

AN OPERATIONAL REVIEW OF TDC CONTRACT ADMINISTRATION

(Project No. 2007-M-02)



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Executive Summary

Report Highlights . . .

Our review of the Palm Beach County Tourist Development Council found that:

- ☑ *The role of TDC is not well understood, even among the principal tourism development agencies*
 - ☑ *TDC is generally effective at monitoring contract activities, but its oversight could be made even more relevant*
 - ☑ *The contract tourism agencies create annual marketing plans without the benefit of an overall strategic plan to provide guidance*
 - ☑ *In its current form, the Tourist Development Plan does not function as a true strategic plan*
 - ☑ *TDC Administration provides limited guidance in the development of program performance measures*
 - ☑ *There is no single “best” way to structure tourism development programs; numerous organizational models exist in the US*
 - ☑ *It is difficult to determine how effective TDC is at maximizing the county’s annual investments in tourism promotion.*
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Promoting tourism is significant work in a community that depends on its tourist economy to the extent that Palm Beach County does. Tourism conservatively accounts for some \$2.83 billion of the area’s economy.¹ For many years, the Board of County Commissioners (BCC) has actively supported and promoted the county’s tourism industry by funding a variety of niche organizations to market the county as an attractive place to vacation, hold conventions and other events, and experience the arts and cultural pursuits. For the past twenty-five years, Florida’s Local Option Tourist Development Act has been instrumental in that effort by providing for a dedicated local funding source commonly referred to as the “bed tax.” In 1982, Palm Beach County enacted its first tourist tax, and created a Tourist Development Plan (the Plan) for spending the revenues generated by the tax. In the current year, that amounts to an estimated \$26 million.

At the outset of the program in 1982, the BCC established a Tourist Development Council (TDC) to implement the Plan through an Executive Director and outside private, non-profit tourism organizations, acting under contract to the county. That service delivery arrangement continues to the present. The TDC Executive Director and his staff (TDC Administration) provide contract oversight of the agencies funded by the bed tax, and act as liaison between the funded agencies and the TDC Board, county administration, and BCC.

At the request of the BCC, the Management and Program Analysis Section (MPA) of the county’s Office of Financial Management and Budget conducted an operational review of the effectiveness of TDC Administration’s contract oversight responsibilities. MPA manager William Brown III was the lead consultant assigned to the project. This report contains the results of that review, in the form of findings and recommendations.

The study focused on contract obligations imposed both on the contract agencies and on TDC itself, and examined the practices employed by TDC Administration in carrying out the oversight duties stipulated in those contracts between the agencies and the county. To aid in the analysis, the major requirements of each contract were categorized according to four evaluation criteria devised specifically for this project: 1) reporting, 2) financial accountability, 3) performance accountability, and 4) operational oversight. Examining the business operations and service delivery plans of the contracted tourism development agencies themselves was outside the scope of the assignment, so no conclusions have been drawn concerning performance at that level.

The principal conclusion drawn from the study is that TDC Administration is generally fairly good at monitoring the four tourism development agencies for

¹ *City Tourism Impact: The Economic Impact of Travel & Tourism in Palm Beach County, Florida*, prepared by Global Insight, Inc., September 2005, pg. 4.

conformity with their contract obligations. In some instances, that oversight duty is dependent on self-monitoring and reporting by the contract agencies themselves; the small size of the TDC staff limits its capacity to directly and independently verify contract performance in every instance. On balance, the study team found that TDC Administration is generally effective in its oversight duties, but that its tendency to be a reactive force has also limited its contributions somewhat in three respects: 1) in formulating integrated tourism development strategies among the contract agencies, 2) in promoting program performance measures that give better insight into the efficiency and effectiveness of programs of the tourism agencies, and 3) in issuing guidelines to the contract agencies addressing key business practices.

To address the study team's findings, five specific recommendations have been offered:

- That TDC refine its mission statement and develop operational objectives that more fully define and better communicate its purpose;
- That TDC Administration issue guidelines that set standards for financial accountability and program evaluation;
- That TDC develop an overall, integrated strategy to guide annual planning and delivery of tourism development activities under its authority;
- That TDC Administration take a more active role in development of tourism agencies' performance measures;
- That TDC Administration conduct structured annual reviews of tourism development agencies' operating procedures.

Tourist Development Council: An Operational Review

An evaluation of the organizational roles, responsibilities, and contractual relationships of the Tourist Development Council

The purpose of this report is to provide the Board of County Commissioners, county administration and management of the Tourist Development Council (TDC Administration) an assessment of the effectiveness of TDC Administration’s oversight of county tourism development programs. References to TDC Administration throughout this report are to the staff operations of the department, and not to the TDC Board.

PROGRAM AGENCIES
1 Convention and Visitors Bureau
2 Cultural Council
3 Film & TV Commission
4 Sports Commission

The study focused on the practices employed by TDC Administration to provide oversight over the formulation and implementation of tourism development programs funded by Palm Beach County government. These programs are carried out by a group of four non-profit agencies (tourism development agencies), acting under contract to the Board of County

Commissioners. Specifically, the study team was asked to do the following:

- Examine the contractual obligations of the tourism development agencies;
- Report on the methods and procedures employed by TDC Administration to monitor compliance by the tourism development agencies with their contractual obligations;
- Identify operational practices and conditions which impede the monitoring process;
- Document the ways and means by which TDC Administration ensures the financial and performance accountability of the four tourism development agencies.

The methodology of the operational review was designed around the active participation of all of the principal parties involved, including the TDC Executive Director and the senior executive officers of each of the four tourism

development agencies. Beyond that, the study team was requested to survey similar tourism promotion programs around the country to identify prevailing practices in other communities.

To understand what obligations each of the four tourism development agencies is under in respect of its work on behalf of the Board of County Commissioners, we examined all of the agreements between the county and the tourism development agencies covering the current fiscal year period.

To learn what methods and procedures TDC Administration uses to monitor compliance by the tourism development agencies and to identify operational practices which impede the monitoring process, we interviewed the TDC Executive Director and staff, the TDC Board (except Commissioner Addie Greene and Mami Kisner, who were unavailable at the time of our interviews) and the management at each of the tourism development agencies. The major requirements of each contract were categorized according to a system of four evaluation criteria which the study team devised specifically for this assignment: 1) reporting, 2) financial accountability, 3) performance accountability, and 4) operational oversight. We were particularly interested in understanding the extent to which TDC Administration sets goals and measures progress toward meeting those goals for each of the tourism development agencies. The study team also wanted to review any guidelines issued by TDC Administration for evaluating programs of the tourism development agencies, however TDC Administration has not issued any such guidelines. Table 1 on the following page summarizes the methods and procedures stipulated in tourism agency contracts allowing for TDC oversight and interaction with the four tourism agencies.

To understand how TDC Administration goes about ensuring the financial and performance accountability of the tourism development agencies, we reviewed numerous reports prepared by or for TDC Administration, covering a range of financial and performance indicators. The study team wanted to examine any policy guidelines issued by TDC Administration addressing financial accountability practices as a basis for assessing how well it was meeting a financial accountability oversight duty. However, no guidelines of that sort have been issued. Various recent reports by the Internal Auditor and County Clerk & Comptroller on issues related to contract performance and accountability were reviewed for background and additional insights. The study team also reviewed the principal roles and responsibilities of the employees of the Tourist Development Council.

To understand the organizational relationships that exist between TDC and the tourism development agencies—and among the four tourism development agencies—senior executives of TDC and of each of the tourism development agencies were interviewed concerning their views of those relationships. Responses from the individual tourism development agencies were compared against each other to identify common themes, and were compared against TDC Administration's perspectives on the same range of issues described by the tourism development agencies. In this manner, the principal parties themselves identified the issues they believe most directly affect their working relationships, both favorably and unfavorably.

Finally, to learn how other similar agencies around the nation approach tourism promotion and to contrast their practices and organizational structures with what exists in Palm Beach County, we surveyed tourism departments in Florida and elsewhere.

Examining the individual business operations and service delivery plans of the tourism development agencies themselves was outside the scope of this assignment, so we have drawn no conclusions about performance at that level.

TABLE 1

**Methods and Procedures Specified in Agency Contracts
For Guiding TDC Monitoring Activities**

Reporting

1. Economic impact of activities or events report
2. Tourism marketing or audience survey report
3. Semi-annual County Administrator’s performance report
4. Small Business Enterprise use report
5. Annual independent financial audit
6. A narrative report describing upcoming events

Financial Accountability

1. TDC input into the development of tourism agency’s annual budget
2. TDC ongoing monitoring of the tourism agency’s budget
3. TDC ongoing monitoring of tourism agency’s Marketing Plan
4. TDC monitoring of Convention Center rate structure deviations and revenue generation
5. TDC review and authorization of agency invoices
6. TDC review and approval of contracts
7. TDC review or audit of documents, papers, records, etc.

Performance Accountability

1. TDC review of agency performance to contractual obligations
2. TDC input into the development of tourism agency’s performance measures and objectives
3. TDC review and monitoring of agency performance measures and objectives accomplishment
4. TDC input into the development of tourism agency’s contractor and grantee evaluation criteria
5. TDC review and monitoring of an agency’s contractor and grantee performance

Oversight

1. TDC input into the development of tourism agency’s operating guidelines, policies, and procedures
2. TDC input into operational direction and guidance of the tourism development agencies
3. TDC input into the development of tourism agency’s Marketing Plan
4. TDC staff interaction with tourism development agencies to insure agency activities conform to agency’s Annual Marketing Plan
5. TDC Strategic Planning with the tourism development agencies
6. TDC coordination of tourism agency’s activities to the benefit of tourism promotion and rate of return on tourism activities
7. TDC provision of managerial, administrative and policy making oversight to the tourism development agencies
8. TDC participation in the tourism development agencies board meetings

Factual Profile

TOURIST DEVELOPMENT PLANNING AND GOVERNANCE

Florida's Local Option Tourist Development Act (Chap. 125.0104, F.S.) authorizes counties, by referendum, to impose a tax of up to five percent on rentals of tourist accommodations. The Tourist Development Tax is in addition to sales tax, and is commonly referred to as the "bed tax." In 1982, Palm Beach County adopted Ordinance No. 82-15, enacting a two percent tourist tax, along with a Tourist Development Plan for spending the revenues from the tax.² Seventy percent of the revenues were reserved for promoting Palm Beach County tourism (referred to as Category A), and thirty percent of the revenues were designated to fund arts and cultural activities that promote tourism (Category B). Since 1982, the county's tourist development tax ordinance has been amended several times and, in late 2006, the bed tax was raised to its current level of five percent. The fourth cent, enacted in 1994, was designated to pay the debt service on bonds issued to finance the construction of either a professional sports franchise facility or convention center; the fifth cent is for expansion of related facilities.

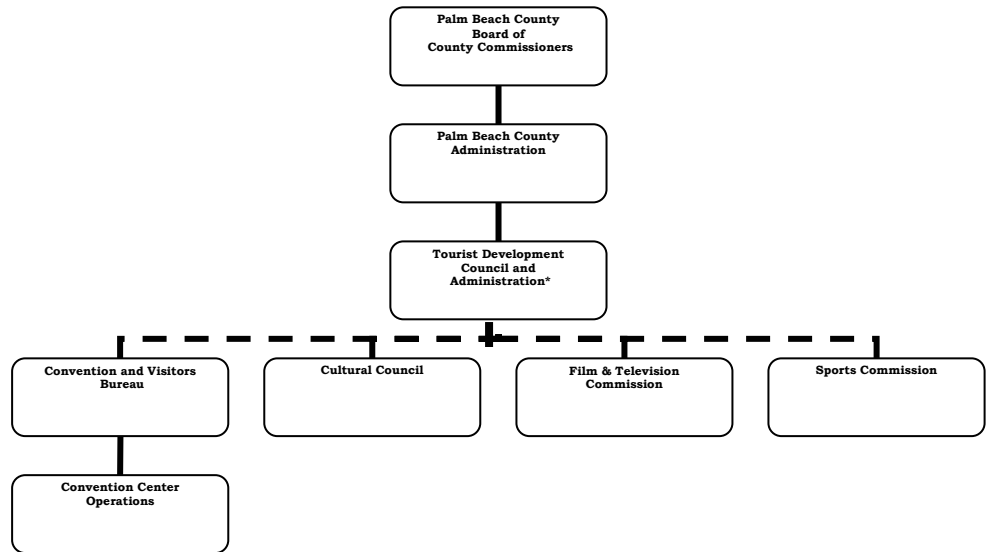
As required by the Local Option Tourist Development Act, the Board of County Commissioners established an advisory body, to be called the Tourist Development Council (TDC Board), and appointed its initial members. By resolution, the Board of County Commissioners also established that the TDC Board would administer the Tourist Development Plan contained in the ordinance through an Executive Director and outside contractors. The function of the nine-member TDC Board is to prepare and submit to the Board of County Commissioners a plan for local tourism development, including the approximate cost or expense allocation for specific projects or special uses. The roles and responsibilities of all of the parties are specified in the annual bilateral agreements between the TDC and the four tourism development agencies funded through the bed tax. Each of those non-profit tourism development agencies took part in this study. The four tourism development agencies are Discover Palm Beach County, Inc. (operating as the Palm Beach County Convention and Visitors Bureau, CVB), the Palm Beach County Cultural Council (Cultural Council), the Palm Beach County Film and Television Commission, Inc. (Film & TV Commission), and the Palm Beach County Sports Commission, Inc. (Sports Commission). Each of the tourism development agencies is governed by its own board of directors.

TDC has a staff of four county employees, the Executive Director, a Financial Analyst III, an Administrative Assistant, and a Secretary. The existing table of organization is shown in Figure 1 on page 7. The principal roles and responsibilities of individual TDC employees are described later in this section of the report.

² The ordinance was codified in the Palm Beach County Code at Chapter 17, Article III, *Tourist Development Tax*, §§17-111 et seq

FIGURE 1

Tourist Development Council Organization Chart



The relationship between TDC, a county department, and the four tourism development agencies (including the Convention Center) is defined through the annual master agreements the county maintains with each of the tourism agencies. At the time of report publication, operation of the convention center was under the direction of CVB, an arrangement that will end on October 1, 2007, when the county assumes direct control of the facility.

The specific marketing activities undertaken on behalf of the Board of County Commissioners’ tourism promotion funding each year are largely under the control and preferences of the individual grantees, the four tourism development agencies. All of the principal parties consulted for this study indicated that there is some degree of interaction which accompanies the planning process, but that the plans which emerge from that process are those of the four individual tourism development agencies; no overall tourism development or marketing plan forms the basis for an integrated set of policies to guide the individual grantees. Similarly, TDC Administration does not set, nor require tourism development agencies to develop, performance measures that indicate whether tourism agency program objectives are being achieved.

Recent Developments in Governance

Earlier this year, shortly before the MPA Section began this assignment, the TDC Board created several new advisory committees to address perceived deficiencies in the delivery of tourism promotion services funded by the county. To bring better oversight to financial accountability business practices, the TDC Board created a new Audit and Finance Committee. To bring more cohesiveness to the marketing of tourism, the TDC Board created a Joint Marketing Committee, and

a new Special Projects Committee was formed with representatives of all four tourism development agencies to advise the TDC Board on extraordinary promotion opportunities. At the time that field work for this study was underway, these new committees were in the process of being formed, holding first meetings and developing mission statements.

The Joint Marketing Committee was formed for the purpose of developing co-marketing initiatives. Its membership consists of the chief marketing officer of each of the tourism development agencies. The senior executive officers of all four tourism development agencies are also members, but are not normally expected to meet unless a high profile issues requires their attention. The TDC Executive Director will be the committee chair. The committee will initially be scheduled to meet every two months, but can meet as often as deemed necessary. At the time of publication of this report, the committee had met one time. According to the TDC Executive Director, the mission of the Joint Marketing Committee is the following:

The TDC Marketing Committee will meet periodically to discuss common promotional opportunities that all or several of the TDC agencies may work on together. The committee will also determine what marketing resources can be shared between the agencies to maximize effort and lower costs. The committee may also meet to address any unusual marketing problems that may occur, such as the aftermath of a hurricane, economic downturn, airline problems or a major flood or beach event.

The Audit and Finance Committee was established to provide a layer of pre-approval for financial information concerning the four funded agencies. Committee members include the TDC Executive Director and Financial Analyst III, three TDC Board members and the Deputy County Administrator. The county's Internal Auditor will augment the membership when audits are being reviewed. To date, the committee has met one time. The TDC Executive Director described the purpose of the new Audit and Finance Committee as evaluating changes in financial systems and controls, the overall condition of financial records, the adequacy of resources committed to accounting and financial controls, major financial risks faced by the organization and the appropriateness of related controls intended to minimize those risks. The following are the core finance functions of the committee:

- Insures adequate funds are available for the overall organization
- Safeguards organizational assets
- Drafts organizational fiscal policies
- Anticipates financial problems
- Ensures the board receives accurate and complete information
- Helps the rest of the board understand financial statements and the general financial situation of the organization
- Review financial statements

The principal audit focus of the committee includes the following:

- Review annual audits and management letters and staff responses to audit comments
- Changes in accounting policies
- Methods used to account for unusual or particularly significant transactions
- Management estimates or judgments that have had a significant effect on financial statements
- The reasonableness of those estimates and judgments
- Significant transactions with related parties
- Review any control weaknesses detected in the prior year's audit, and determine whether all practical steps have been taken to overcome them
- Assess whether appropriate assistance is being provided to auditors by the organization's staff.

The Special Projects Committee will meet as deemed necessary to review applications for special projects' and events' funding not associated with the four county-funded tourism development agencies that offer the prospect of generating tourism room nights, or of generating national publicity for the county. The committee will make recommendations concerning such projects or events. As of the publication of this report, the committee had met 6 times.

THE FORMAL MISSION AND RESPONSIBILITIES OF TDC

TDC's adopted mission statement, as described in the FY 2007 Annual Budget book, is the following:

“To promote the tourism industry in Palm Beach County and use tourism development tax dollars to generate the maximum return.”

In the FY 2007 Annual Budget, TDC describes its services as “oversees the functional operations of four (publicly funded organizations).” How it accomplishes that task—and its broader mission generally—is not further described, and the only measure of performance given for TDC is “bed tax revenues.”

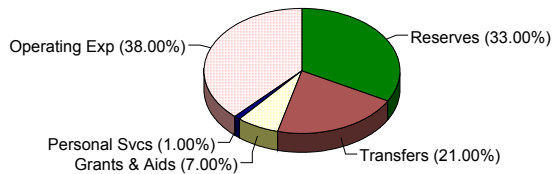
The TDC Executive Director provided the study team with a listing of the principal activities carried on by individual staff members in support of TDC's organic oversight function. As would be expected, the two professional staff positions have the majority of interaction with the tourism development agencies, and share all of the substantive oversight tasks. Table 2 summarizes the division of responsibilities among TDC staff.

TABLE 2

Principal Substantive Oversight Tasks Performed by Staff of the Tourist Development Council Administration

Executive Director	Financial Analyst
1. Reviews/proposes specific revisions to each contract agency’s guidelines, policies and procedures	1. Assists in development of tourism development agencies’ annual budgets; reviews/approves the same
2. Reviews/recommends re; grant applications	2. Reviews financial performance of tourism development agencies monthly
3. Reviews impact on tourism by contract agency	3. Reviews operational performance of tourism development agencies semi-annually
4. Consults in creation of tourism development agencies’ annual marketing plans; reviews/modifies as needed	4. Reviews the annual audits of tourism development agencies prepared by external auditors
5. Monitors operation/activities of tourism development agencies to ensure compliance with agencies’ own marketing plans and contract performance	5. Reviews purchase invoices/authorizes payments consistent with annual marketing plans and budget
	6. Reviews purchase activity for conformity with county purchasing guidelines

HOW TOURIST DEVELOPMENT TAX PROCEEDS ARE USED



The tourism tax is presently forecast to raise nearly \$26.0 million in fiscal year 2007. Together with prior year carryover funds, the total operating budget of TDC for FY 2007 is an estimated \$54.0 million.³ These funds have been allocated as shown in the chart at left, to cover personal services, operating expenses, tourism promotion grants, transfers and reserves. Of the total annual budget, the four tourism development agencies will share \$14.26 million; the

individual grants to each of the four tourism development agencies are shown on Table 3 on the following page, together with pertinent information about the respective grantees. An additional \$8 million is budgeted for convention center debt service, special projects and beach re-nourishment.

The distribution of programming funds among the four tourism development agencies is set by policy of the Board of County Commissioners, reflecting the relative priorities for the missions of the four funded agencies. Under established policy, each of the agencies is awarded a budgeted amount based upon a pre-set percentage allocation of the tax proceeds anticipated for the upcoming year, rather than on the specific programming plans of the contracted agencies for the new year.

³ Mid-year budget assumptions have revised the original FY 2007 revenue forecast upward from \$23.9 million (8.8%); total budget appropriation estimates were increased from \$47.8 million (12.9%).

TABLE 3

**Tourism Development Agency Missions and Program Funding
(Fiscal Year 2007 Budget)**

Agency	Agency Mission	Budget	Allocation Percent
Convention and Visitors Bureau	The mission of the Palm Beach Convention & Visitors Bureau is to increase the direct and indirect economic impact of every type of visitor to Palm Beach County by promoting tourism and filling the Convention Center with high value business resulting in job creation and enhanced quality of life for Palm Beach County residents.	\$ 8,809,182	62%
Cultural Council	The mission of the Palm Beach County Cultural Council is to enhance the quality of life by creating a cultural destination through support, education and promotion of arts and culture within Palm Beach County.	\$ 3,670,316	26%
Film and Television Commission	The Palm Beach County Film & Television Commission's mission is to generate a positive impact on business tourism and the economy in Palm Beach County through the growth of the film, television and still photography industry by attracting on location production and providing services to both the visiting and the indigenous production community.	\$ 639,167	4%
Sports Commission	The Palm Beach County Sports Commission is a private, non-profit organization committed to enhancing the quality of life through sport. Contracted by Palm Beach County to: a) promote and market Palm Beach County to bring sporting events and activities to the County, b) enhance economic impact, c) maximize utilization of our facilities, d) stimulate bed tax revenues primarily in the off-season, and e) foster and support grassroots sports development.	\$ 1,141,369	8%
		\$14,260,034	100%

Sources: (1) Palm Beach County FY 2007 Annual Budget; (2) Annual marketing plans of tourism development agencies; (3) personal communication from James A. Stuber.

Findings and Recommendations

The preceding sections of the report focused on relevant portions of the TDC mission statement, viz., the operational roles and responsibilities of TDC “to promote the tourism industry in Palm Beach County,” and TDC’s oversight responsibilities via its contractual obligations with the tourism development agencies to “use tourism development tax dollars to generate the maximum return.”

This part of the report is divided into two sections—Study Findings and Observations, and Recommendations. As appropriate, analyses of the issues are included in both of these sections.

STUDY FINDINGS & OBSERVATIONS

As said earlier, the study team devised a system of four evaluation criteria by which to assess how the contractual obligations of the tourism development agencies are monitored by TDC Administration to ensure compliance with those obligations. The four categories are: 1) reporting, 2) financial accountability, 3) performance accountability, and 4) operational oversight. Throughout this section of the report, verbatim contract provisions relating to each of the four evaluation criteria are reprinted in the left margin to acquaint readers with the specific obligations imposed on the tourism development agencies, which also form the basis for contract performance oversight by TDC Administration.

The following specific findings and observations describe the study team’s conclusions and are the bases for recommendations that follow later in the next section of the report. The consultant’s findings were arrived at independently by following the study methodology described earlier in this report. However, they are frequently supported by a high degree of consensus among senior executives of the four tourism development agencies whose input was extensive.

The role of TDC is not well understood, even among the principal tourism development agencies; this may be partly because TDC Administration does not use its full authority in some aspects of its dealings with those agencies

There are Reporting Requirements in every Agency’s Contract

“...agency shall provide certain reports to TDC on a regular basis. These reports shall consist of (1) monthly...summary of duties... performed pursuant to this Agreement (2) semi-annual reports (3) any other reports...requested by TDC’s Executive Director that relate to the duties and responsibilities of the agency under this Agreement.”

—*Film and TV Commission contract, 9/12/2006, section 5, pg 6*

By design, the individual tourism development agencies took an active part in this project, as did the TDC Executive Director and his staff. The project consultant wanted to know how the principal parties regarded their basic working relationships with each other, and where each saw opportunities for improvement. What we found was a considerable degree of consensus on many issues. On the foundational question of how effectively TDC Administration defines its role through its actions, there was some ambivalence. In part, the tourism development agencies expressed some resistance to TDC Administration acting beyond a purely reactive monitoring role. Some outright questioned the value of TDC. The study consultant encountered a range of viewpoints among the four tourism development agencies, questioning whether TDC should serve merely as a

high-level monitor of their marketing plans and financial oversight, or whether it should be more strategically involved; whether it should have more of a legislative role, versus that of collaborator, partner and enabler; whether its biggest value should be as a clearinghouse for information and referrals. TDC is not currently viewed as a policy- or strategy-oriented, coordinating force for tourism development in the county. A common theme was heard that there is a need to determine ways to stay ahead of the competition—to set Palm Beach County apart—in an industry competing to attract a finite number of events and travelers.

In practice, TDC operates largely as a monitoring and administrative entity. While some aspects of the TDC:agency contracts are thoroughly monitored, the study found others that were less well realized. As discussed below, these include 1) TDC Administration input into the *development* of evaluation criteria for tourism agency: contractor and tourism agency:grantee contracts, 2) TDC Administration participation in the *monitoring* and *evaluation* of the contractors and grantees themselves, and 3) TDC Administration *verification* that agency contract requirements for a host of procedural conditions are met.⁴

Agency Contracts Assume Broad Policy and Procedure Guidance by TDC

"In accordance with guidelines, policies and procedures adopted... by TDC, agency shall solicit, receive and review applications for grants for cooperative marketing activities."
—*Sports Commission contract, 9/12/2006, section 1, pg 8*

"Agency in consultation ...TDC, shall develop evaluation criteria, monitor and evaluate the performance of all ...contractors."
—*CVB contract, 9/12/2006, section 4, pg 9*

Not all promotion programming is carried out directly by the four tourism development agencies. These agencies also sub-contract individual activities and events to other contractors. The acting director of CVB reported that TDC Administration does not provide input into development of contractor evaluation criteria, but that TDC management approves the contract requests-for-proposals, which include evaluation criteria. Also, the TDC Executive Director sees agency contracts through his attendance at agency board meetings and through the monthly agency head meetings he conducts. In these ways, TDC Administration fulfills its responsibility for monitoring contractors, if somewhat indirectly. However, this approach makes it difficult for TDC Administration to verify the accuracy of the contractor's performance and its contribution to the TDC mission. The evaluation criteria for agency contractors does not focus on either customer satisfaction or the efficiency of services

(rate of return) provided by tourism agency contractors.

TDC Administration's input into the development of evaluation criteria used for grantees is limited. The Cultural Council's Executive Director indicated that her agency uses a global definition of evaluation criteria for grantees. All grantee contracts require quarterly reporting on performance and program achievement. The quarterly evaluation of the grantees is not provided to TDC. However, at the monthly agency head meetings with the TDC Executive Director, the Cultural Council's report includes any grantees that are under-performing. In this manner, TDC Administration monitors grantee performance, to the extent that the tourism development agencies voluntarily share such information. Also, annually the Cultural Council reviews the

⁴ Principal among the issues cited by the tourism development agencies were requirements for number of quotes, number of mailings, amount of advertising, and use of vendor lists.

grantees' final report to gauge whether the grantee actually accomplished what it had indicated in its application. At this point, audience survey data are also presented and reviewed by the TDC Executive Director. The Cultural Council's director indicated that the TDC Executive Director is most involved during the analysis of grantee audience survey results.

Agencies Have a Duty to Keep TDC Administration Well Informed and to Open Themselves to Examination

"...agency shall continuously keep the Executive Director of TDC fully informed as to all activities of...agency so as to enable the Executive Director to effectively provide overall direction and guidance...."

—*Film and TV Commission contract, 9/12/2006, section 2, pg 6*

"...agency shall maintain and preserve the records, books, documents, papers and financial information pertaining to the work performed....Agency agrees that County...shall have access to and the right to examine any pertinent books, documents, papers and records...."

—*Cultural Council contract, 9/12/2006, section 36, pg 24*

"At least once a year, ...agency and TDC shall review the guidelines, policies and procedures to determine if they are consistent with the County's objective and will accomplish their intended purpose."

—*Cultural Council contract, 9/12/2006, section 3, pg 5*

TDC Administration obtains verbal assurances that the agencies are following contract requirements. TDC Administration may conduct spot checks to confirm, but agencies are not required to physically prove every contract requirement prior to purchasing materials or contracting services. For high cost, major bids and contracts, TDC Administration physically verifies that contract requirements are satisfied. TDC Administration reviews the annual Small Business Enterprise report for required contract compliance; however it is difficult to verify the report's accuracy. To monitor for contract adherence, activities such as checking the number of ads placed by the agency, the use of vendor lists, etc. may be too onerous for the time involved and the small staff size at TDC; however, these requirements are featured in the tourism agency contracts, and TDC's steps to verify and monitor contract compliance lack a high degree of certainty. Because of the small staff size at TDC, the Executive Director relies heavily on professionally-managed agencies.

TDC Administration is generally effective at monitoring activities of the tourism development agencies, but monitoring could be improved if it issued internal guidelines covering key business practices and it conducted annual reviews of tourism development agencies' operating procedures, as required by their contracts

The majority of interaction between TDC Administration and the four tourism development agencies indicates that, in practice, TDC operates largely as a monitoring and administrative entity. It receives a variety of activity reports from the tourism development agencies on matters ranging from performance reports, financial audits, and monthly narratives describing upcoming events, to marketing and economic impact reports and various operating statistics. Agency head meetings are convened each month and provide a face-to-face forum for reviewing current events and activities. Our study found that TDC staff regularly review payment invoices submitted by the tourism development agencies for supporting documentation and for consistency with the agencies' respective marketing plans and conformity with their county contracts and state statute. The staff Financial Analyst conducts other standard pre-audit steps by reviewing invoices against budget availability and year-to-date expenditures for the appropriate accounts. Because of the potential for abuse, travel and entertainment expenses are said by TDC management to receive added scrutiny prior to their approval. A travel and entertainment policy is incorporated into each tourism development agency's contract.

In similar fashion, payroll records of the tourism development agencies are reviewed by TDC staff before payroll reimbursements can be authorized. For grant reimbursements, grantee invoices are checked by TDC staff to ensure that requested amounts and invoiced services are in line with what is contemplated by the agencies' marketing plans.

The study consultant reviewed samples of procurement transactions and found that supporting documentation is maintained on file with the originating tourism development agencies, and not with TDC. TDC Administration has access to such documentation at all times, made easier because all of the parties are located together in the same building in downtown West Palm Beach.

TDC staff provides budget development guidance and ongoing budget monitoring to the funded agencies. Budget development guidance includes budget inputs for salary and benefits, along with input into new staff positions that are requested by the funded agencies. Also, during the budget development process, the estimated tourist tax revenues are provided to each agency so that they have an estimate of the amount of bed tax funding the County will provide each agency. Once each funded agency receives the bed tax revenue projections, detailed line item budgets are prepared by the agencies. Each funded agency submits its line item budget for TDC Administration review. Any line items that vary significantly from previous years require an explanation.

Budget reviews are largely concerned with whether the agencies' budgets fall within bed tax estimates supplied to them. There are some ties between the annual budget, the marketing plan and performance, but TDC Administration's limited input into the tourism development agencies' budgeting process does not formally guide the alignment of budgets to marketing plan outcomes or to overarching tourism objectives. Budgets are monitored regularly, resulting in weekly reports prepared by TDC staff and submitted to each tourism agency. The weekly report is a year-to-date summary of expenditures, revenues and purchase orders. The agencies are expected to use these reports in their own self-monitoring efforts to make sure their accounting numbers align with the county's records, and to alert TDC Administration to discrepancies.

Each of the tourism development agencies is responsible for annually contracting an independent audit firm to review the agency's finances. The individual audit results are presented to the agency's governing board and submitted to the Executive Director of TDC, who may request clarification on, or response to, audit findings. Historically, the audit reports have not been formally presented to the TDC Board.

Together, these actions comprise the heart of TDC Administration's monitoring of the tourism development agencies' financial accountability to the county throughout the year, and they generally provide a reasonable assurance that the money invested in tourism promotion was spent as intended. Table 4 summarizes the study team's assessment of TDC oversight functions, expressed in terms of the system of four evaluation criteria described earlier in this report.

TABLE 4

The Level of Effort Expended by TDC Administration on Oversight Activities is Good, But the Relevance of Its Efforts Could Be Improved

Evaluation Criteria	Frequency			Relevance		
	Low	Mod	High	Low	Mod	High
Reporting			•		•	
Financial Accountability			•		•	
Performance Accountability		•		•		
Operational Oversight		•			•	

Key: Mod = moderate

The TDC Executive Director indicated that, in lieu of direct input into policy and procedure development, he reviews policy and procedure changes during annual contract reviews, especially pertaining to new staff positions. In three important respects, the study team believes that additional actions on the part of TDC management would make its oversight more robust and effective:

- **Issue internal guidelines** to set standards in matters of 1) financial practices and controls, 2) use and selection of outside contractors, and 3) program evaluation and reporting. TDC Administration monitors for some of these conditions; at the time of publication of this report, however, TDC Administration had issued no Policy and Procedure Memoranda providing guidance for the handling of these operational areas.⁵

Performance Reports are Required in every Agency's Contract, as are Annual Performance Reviews by TDC Administration

"...agency shall provide monthly reports to TDC on attainment of the performance measures attached hereto..."
—Film and TV Commission contract, 9/12/2006, section 1, pg 5

"The Executive Director of TDC will prepare...an annual evaluation of the...agency performance of its duties under this Agreement."
—Film and TV Commission contract, 9/12/2006, section 6, pg 12

Clear guidelines on financial accountability are key in any program that spends more than \$14 million of public funds annually through third parties. The TDC Executive Director has acknowledged that annual financial audits by independent audit firms failed to uncover lax controls and financial improprieties in the past, notably at CVB. A well-crafted set of guidelines on financial practices would set standards, convey expectations, define monitoring actions to be taken by TDC staff, and specify sanctions for violations.⁶

In the case of outside contractors, TDC staff is involved in the approval of individual requests for proposals, as more

⁵ Purchasing guidelines and salary policy are included in each tourism development agency's contract. Other exhibits to those contracts include: moving expense policy; travel and entertainment policy; and Small Business Enterprise policy.

⁶ Recent action of the TDC Board to establish an Audit and Finance Committee is further recognition of the need for a clear financial management policy which can, among other things, guide the work of external auditors hired by the individual tourism development agencies, and help ensure that annual audit reports all address key baseline issues in a consistent fashion.

fully described in an earlier finding. But here, too, issuing guidelines can minimize the effort involved in after-the-fact review. Among valuable elements that we believe should be included are the existing county requirements concerning sole source selections and rotation of contractors, as well as the participation on consultant selection panels of appropriate county staff with relevant subject matter expertise.

The purpose for issuing guidelines on program evaluation is so that the parties will know in advance how their annual work programs will be evaluated. To accomplish that, such guidelines must minimally specify 1) the creation and use of meaningful goals and targets for all significant programs in the agencies' marketing plans, 2) what types of data are to be reported and on what schedule, 3) how data validation and accuracy are to be assured, and 4) how the annual marketing plan and overall strategic plan have been advanced by each program, all in order to document how well individual programs met the target expectations set for them. Performance measures already exist as part of each tourism development agency's annual contract; what is lacking are TDC guidelines required to bring a degree of consistency to the process and to increase the relevance of the data reported, thereby improving evaluation across programs and agencies.

- Measure results. Measuring and monitoring outcomes of expended funds is the only way to determine whether those funds were efficiently used and whether their use in a particular manner led to an effective result. Measuring results is an integral part of program planning, about which more is written in the three findings which follow below.
- Conduct annual reviews of agencies' operating policies and procedures. Three of the four tourism development agencies have their own internal written operating guidelines containing policies and procedures.⁷ TDC Administration has little to no input into the development of the tourism development agencies' operating guidelines, policies and procedures. One of the agencies observed that TDC Administration does not develop guidelines for use at the operational level of the contract agency because that responsibility is regarded as the prerogative of the contract agency's governing board. The TDC Executive Director does review policy and procedure *changes* during the annual review of agencies' contracts with the county. Broadening that annual review by establishing a formalized examination of all of the tourism development agencies' policies and procedures for consistency with state, county, and TDC Board guidelines would serve a helpful verification purpose.

⁷ Except for CVB, all of the tourism development agencies provided the project consultant copies of their policy and procedure manuals; CVB supplied its employee handbook. Included in each operating manual are chapters on financial accountability, though each of the three affected agencies has somewhat different rules on the subject. The Film and TV Commission's manual outlines extensive financial policies and procedures, with provisions devoted the agency's checking account, in-kind contributions, expenditure approval process, payment eligibility, periodic reporting, and even contains a flow diagram of its financial processes. The Sports Commission's operations manual has four sections devoted to finance. The Cultural Council's manual contains a chapter devoted to a code of ethical conduct.

The tourism development agencies have their own views on TDC oversight, and they see it somewhat differently. The agencies are resistant when TDC Administration moves beyond a purely monitoring, reactive, administrative role. We believe that this resistance stems, in part, from a perception that TDC Administration adds little value in the role of proactive, managing leader. This contributes to the ambiguity with which the tourism development agencies view the role of TDC, as discussed in the preceding finding.⁸

The reporting required of tourism development agencies by their agreements with TDC is a case in point. As the tourism development agencies see it, there is a general disconnect between the reporting requirements of their contracts and the formal use of that information by TDC. Often the review of reported information is by consent agenda at monthly meetings of the TDC Board. This causes the tourism development agencies to regard much of what they report to TDC as “for informational purposes only,” without any substantive impact on the formulation of future tourism programs. The TDC Executive Director indicated that the reports are reviewed and acted on “as required.” Both viewpoints may be equally true; still the perception remains.

The tourism development agencies are required to create annual marketing plans, but these annual plans are not connected to a well-defined countywide tourism strategy

Agencies Are Required by Their Contracts to Prepare Annual Marketing Plans

“...agency shall develop...a specific, detailed annual Marketing Plan...and will submit such...Marketing Plan to TDC...for review, modification and adoption”
 —CVB contract, 9/12/2006, section 1, pg 2

The TDC Executive Director describes marketing plan development as a bottom-up process originating with the tourism agencies and their respective boards, followed by review by TDC management and adoption by the TDC Board. In this manner, marketing plans are developed without the strategic guidance of the county’s tourism priorities, except in the most informal and indirect way. Independent development of four marketing plans is not likely to place much emphasis on cohesion and coordination among tourism agencies.

The tourism development agencies reported that although TDC Administration has not adopted a formal, structured approach for input into marketing planning, it has on occasion offered marketing direction, such as increasing trade show attendance and cold call telemarketing. The TDC Executive Director also indicated that informal marketing input does take place. He cited conversations between TDC Executive Director and the tourism development agency directors on developing a Glades area marketing project, or of expanding into specific service areas, such as recommending that the Film and TV Commission broaden its focus to include still photography and fashion photography. The TDC Executive Director has supported the Sports Commission’s promotion of a Glades area fishing tournament on Lake Okeechobee, and an extreme water sport such as kite surfing off the county’s

⁸ The smaller tourism development agencies expressed the opinion that the ratio of oversight to support coming from TDC has not been proportionately applied. The belief is that CVB—because of its size—gets more support from TDC, while the other, smaller agencies receive more “oversight.” This may be impossible to verify, but it is of value to TDC management to be aware of this commonly-held view.

beaches. These may be worthwhile marketing ideas to pursue, but it is not clear that they constitute strategic direction.

The TDC Executive Director observed that, during the year, he is more involved in the marketing plans of the agencies when opportunities for inter-agency cooperation arise as, for example, when the Film and Television Commission or the Sports Commission stages an event and the Convention and Visitors Bureau is involved in holding a block of rooms for the event’s participants. TDC Administration’s suggestions are not always enthusiastically received. The tourism development agencies indicated to the consultant that they are often left with too little planning time and manpower to accommodate these impromptu suggestions as they arise. The consulting team could not determine the frequency of these occurrences, but it is a scenario that could be mitigated with annual TDC strategic planning and buy-in from the agency heads.

In its current form, the Tourist Development Plan does not function as a true strategic plan guiding overall tourism development in the county

The Tourist Development Plan is a requirement of Florida’s Local Option Tourist Development Act (the Act) as a condition for imposing a Tourist Development Tax and expending the proceeds thereof. According to the Act, the Tourist Development Plan (the Plan) serves to define the public purposes for which the tax is to be levied.⁹ The Plan establishes broad categories of allowable spending on tourism promotion and related activities and sets the proportions of spending that will be devoted to each of those categories. In so doing, the Plan meets the threshold requirements of the Act, but it falls well short of serving as a usable framework to plan concrete goals, set targets of achievement, and measure success on an on-going basis. For those purposes, organizations turn to strategic plans.

A strategic plan helps an organization gain focus, integrate programs and allocate resources to most effectively advance overall goals.

To manage their programs effectively, agency executives must ensure consistent, high-caliber planning efforts that yield useful information for decision making. Plans must define goals, set priorities, evaluate risks to their successful achievement, identify opportunities for even greater achievements, assign responsibility for desired outcomes, and devise reliable means for evaluating the results of the organization’s efforts. These are the things that strategic plans can do well. Rather than focusing exclusively on the efforts expended in activities or on outputs, a strategic plan stresses the benefits, or outcomes, of the efforts. A sound strategic planning process includes these essential elements:

- Defining a clear, purposeful mission
- Analyzing the external environment to identify opportunities and threats that could affect the mission
- Formulating goals consistent with the mission, including outcome goals, and establishing priorities among them
- Establishing actions necessary to achieve goals

⁹ Chap. 125.0104, Florida Statutes

- Defining quantified targets for goals, including targets for desired results, or outcomes
- Measuring the results of operations
- Comparing results to targets to evaluate and report performance
- Explaining under-performance and the actions planned to meet goals
- Revising the plan in light of performance results and changing circumstances.¹⁰

A unified strategic plan helps organizations gain focus, integrate diverse programs, and allocate resources to activities that most effectively advance overall goals. Strategic planning is a long-term, future-oriented process of assessment, goal setting, and decision making that maps an explicit path between the present and a vision of the future. It provides a context and equips policymakers and managers with a framework for taking day-to-day actions.

Strategic planning processes generally include long- and short-term components. Commonly, these involve 5-year goals and use associated performance plans to set 1-year goals and targets that, in turn, lead to achieving the long-term goals. Strategic planning is fundamentally dynamic. It is not a one-time project, but an iterative process to be refined as performance is measured, targets are reset, and changes in the external environment re-evaluated as either potential threats or new opportunities for the organization.

From comments made to the study team in the course of interviews with the affected parties, the perception apparently exists that the current bottom-up marketing process is preferred by the parties. But senior executives at the tourism development agencies indicated to the study team their desire for TDC Administration to be involved at the strategic planning level. The TDC Board has recently established a joint marketing committee, which TDC management believes will enhance cooperation among the tourism development agencies. In addition, the TDC Board has recently announced that it will undertake a strategic planning process later this year. Because of diversity of purpose it is important to have a unifying strategy, along with a competent process of setting targets and tracking progress to reveal whether a program is truly successful. Strategic planning improves an organization's ability to anticipate and accommodate the future by identifying issues, opportunities and problems well in advance. Beyond that, proper planning focuses attention on results and yields information needed to guide resource allocation and to report success. The perception exists among the tourism development agencies that there is an untapped benefit to such planning and to closer inter-agency coordination.

TDC Administration provides limited coordination and guidance for the development and monitoring of funded agency performance measures and objectives statements

It is vital to set targets for outcomes even when diversity of purpose and external factors can affect success.

¹⁰ Source: *Technology, Trade and Commerce Agency: Its Strategic Planning is Fragmented and Incomplete*, (report no. 2001-115), published by the California State Auditor, Bureau of State Audits, December 2001, p. 14.

The tourism development agencies create performance measures and objectives statements based upon their annual marketing plans or on requirements they associate with their county contracts. There is not a consistent, coordinated approach to developing performance measures or setting performance targets. Indeed, some directors of the tourism development agencies indicated that some of the performance measures associated with their contracts were not regarded as meaningful to use at the operational level.

Each agency governing board reviews and approves its proposed performance measures and program objectives before they are reviewed by TDC Administration. The TDC Executive Director indicated that he reviews each agency's annual performance measures submission, using historical trend analysis and his knowledge of the tourism environment to determine if the targets seem attainable. (It is unclear what such an historical trend analysis could be based on, inasmuch as performance data for most programs have not historically been reported, as discussed below.) Based on his review, the TDC Executive Director will recommend approval or revision of the performance targets. Agency directors indicated that input from TDC Administration into the objectives statements and performance measures reported in the annual county budget mostly concerns questions about specific events, such as whether the event will be returning in the next year, and whether there are any new events planned. TDC Administration informally monitors program objectives and performance measures by reviewing agency reports throughout the year (the semi-annual reports, the annual budget, and the marketing plan, via the monthly TDC Board meetings).

The TDC Executive Director identified "estimated hotel room nights generated" as the primary industry standard for tourism development success. Most other tourism agency performance measures indicate a level of agency activity, such as, 1) advertising inquiries, 2) Convention Center rental revenues, 3) production days, 4) producer inquiries, 5) bids submitted or assisted, 6) media/trade shows and promotions, 7) leads from advertising, and other similar statistics. These statistics may provide good information, but they do little to indicate the efficiency (return on investment) of the agency's tourism efforts or the benefits (outcome) of those efforts on local tourism. TDC Administration does not require the tourism development agencies to report the efficiency of their expenditures on tourism promotion or to relate expenditures in a specific program to increases in tourism results. Moreover, except for the Film & TV Commission, none of the tourism development agencies has performance measures and targets which completely agree with their stated program objectives for the year.¹¹ Thus, performance data are collected and reported for things other than the objectives to which the individual agencies have committed themselves. Performance accountability only becomes meaningful when program objectives each have their own performance measures with related targets, the targets which are set challenge the agency, and causal links can be established that relate the actions of the agency with the outcomes observed.

¹¹ Several program objectives of CVB have related performance measures, several do not. None of the published program objectives of the Sports Commission or Cultural Council has such measures.

There is not a definitive “best” way to structure a tourism development organization; our research indicates that tourism development can be performed using a variety of organizational structures

The study team researched various publicly-funded tourism agencies around the nation to identify alternative structures and organizational characteristics for promoting local tourism. That research found that:

- Three of seven counties surveyed have a separate, TDC-like department that provides oversight and administrative services; two of the three entities operate as county departments, the third operates as a section of the county’s Revenue Division. In the other four counties, the elected governing board provides funding directly to outside providers of tourism development programs.
- Four of five counties operate their convention centers as county departments.
- Most of the surveyed counties utilize at least some non-profit organizations to promote county tourism.
- Among the surveyed counties, we did not find a widespread practice of formalized monitoring and oversight of financial and performance accountability. The most extensive operational, procedural oversight seems to occur where the funded agencies, such as visitor bureaus or convention centers, operate as county departments.

The full research results are included as an appendix to this report, and provide the reader additional insights.

It is difficult to determine how effective TDC is at the task of using tax dollars to “generate the maximum return” as required by its mission statement

In previous findings, we have described a number of ways in which the planning process involving programs under the authority of TDC is limited. The absence of a true strategic plan with all of the elements required of such a plan, the absence of guidelines for the development of meaningful performance goals for all significant programs, together with related targets, reduces performance accountability within TDC and to its stakeholders such as the Board of County Commissioners.

TDC itself does not have any goals or performance measures which directly further its mission to “generate the maximum return” for the tax dollars it invests in tourism development.¹²

In the context of this issue, there are four relevant considerations to examine regarding the expenditure of public funds on tourism promotion initiatives. The

¹² The sole performance measure listed for TDC in the 2007 Annual Budget is “bed tax revenues.” This is an important statistic and valuable indicator of the overall strength of the local tourism economy. However, tax receipts are based on a variety of factors outside the control of TDC—lodging room rates, for instance—and so cannot serve as a *direct* measure of TDC’s performance. A direct measurement of TDC would be defined in terms of the activities that TDC controls or performs.

first, asks the question, “Was the money spent as intended?” As we said in an earlier finding, the level of effort by TDC Administration devoted to the oversight of spending by the funded agencies is sufficient to give a reasonable degree of assurance on this question. Monitoring activities directed at spending are numerous and frequent.

The second addresses the question, “Was the money spent efficiently?” In other words, while the funds may have been spent for their intended purposes, could *less* money have been spent to achieve the *same* result? Monitoring activities alone cannot answer this question. It requires the existence of one or more performance measures to track efficiency. At present, the question cannot be answered.

“Was the money spent effectively?” Was the hoped-for outcome achieved? Like the question above, this one cannot be answered without performance measures for each major program that sets a specific outcome, defines legitimate measurement criteria, and collects and reports valid data relating to the agency’s performance in respect of that outcome. Such measures are largely missing, however, so the question remains unanswered for most TDC-funded initiatives.

Finally, “Could the money have been spent on some alternative that would have produced an even greater benefit?” Here, too, we are left without a way to answer the question. What’s needed are efficiency and effectiveness measures *across* all of the agencies’ programs that would permit cross-program comparisons.

Recommendations

To manage the county-funded tourism program more effectively, TDC Administration should take the following actions.

It is recommended that TDC refine its mission statement and develop organizational objectives that more fully define and better communicate its purpose

TDC should clarify its mission statement, developing organizational objectives that communicate ways in which it will carry out the mission. TDC management must evaluate its major staff activities to determine how much each activity contributes to the TDC’s ability to accomplish its mission, provide effective oversight, and perform in a leadership role as enabler of tourism promotion. Activities that do not add significant value should be modified.

Comments the study team received from all of the principal involved parties indicate that there is a range of views about the appropriate role for TDC to play. Whether TDC is a leader in the formulation of tourism promotion strategies or merely a facilitator for others’ strategies is a matter for the TDC Board and county policymakers to determine. But as it stands, the existing mission statement and program services description for TDC appear to contemplate an organizational role that is proactive, rather than reactive; a role that involves *shaping* tourism promotion results, not just *reviewing* them once they are

reported. Accepting the mission of TDC to maximize the benefit received from public investments in tourism promotion, it is unclear how TDC Administration can fulfill that charge without defining the types of activities with the highest probabilities for greatest economic returns, and without overseeing a performance reporting regime that results in reliable decision-making information about the success of those efforts.

It is recommended that TDC Administration issue guidelines that set standards for financial accountability and performance evaluation at the program level

At the time of publication of this report, there were no PPMs covering key operational practices targeted at the multi-million dollar tourism programs of Palm Beach County. At a minimum, there is a need for written guidelines that address 1) financial practices, and 2) performance evaluation and reporting at the program level. To be effective, the guidelines must be mandatory, not voluntary.

Guidelines are needed to ensure that appropriate financial controls are in place at each of the tourism development agencies, and that the controls constitute adequate safeguards for the public funds these agencies receive to carry out their tourism programming. This includes, but is not necessarily limited to, guidelines incorporating minimum accounting standards for separation of duties among staff who have financial responsibilities, number and types of sign-offs required; special rules as needed to cover special circumstances, such as entertainment and travel; restrictions on commingling public and private funds; requirements for filing written responses to audit management letter comments, including the form, content, timing and distribution of such responses; limitations on sole source contract selections; periodic rotation of auditors; and participation on contractor and consultant selection panels of appropriate individuals with relevant subject matter expertise and without conflicts of interest. It is important that these be guidelines, however, and not detailed procedures; each of the tourism development agencies should prepare its own operational procedures, consistent with its staff size and other resources. The guidelines would serve only to prompt the agencies to ensure that their own rules address these issues in some workable manner. In drafting these guidelines, TDC Administration should consult with the County Attorney's Office to avoid creating unintentional third party contract liabilities.

In order that the tourism development agencies know in advance how their annual work programs will be evaluated, there is a need for TDC Administration to issue guidelines that will form the basis for meaningful performance assessments. It is not enough for the parties to merely assert benefits in some generalized or nebulous terms. The key personnel at TDC and each of the agencies all have established credentials in their fields and can be expected to articulate how the programs they conduct will contribute to the overall mission of promoting tourism in the community to the maximum extent. For every major program proposed by any of the four tourism development agencies in their respective marketing plans, whether the programs will be provided by the agencies themselves or by sub-contractors, TDC guidelines should specify the use of efficiency and effectiveness measures and require that specific goals be

identified for each measure, together with quantifiable targets which the programs are intended to achieve. Beyond that, the guidelines would address standards of data accuracy and data collection and validation methods, in addition to the reporting schedule, which is already addressed in the agencies' annual contracts.

It is recommended that TDC develop an overall, integrated strategy to guide the annual planning and delivery of tourism development activities under its authority

TDC Administration can take a significant leadership role here, working collaboratively with the TDC Board, the four tourism development agencies and other affected and interested parties. The TDC Executive Director is charged with communicating the global strategic course of action defined by the TDC Board to achieve the goals and objectives of the statutory Tourist Development Plan. More than any other device, a strategic plan would supply the means by which the TDC mission to “promote the tourism industry...and use tourism development tax dollars to generate the maximum return” can be achieved. Once adopted, the strategic plan for tourism development should serve as an input into the formulation of each of the tourism development agencies' required marketing plans.

As a county-funded initiative, the tourism development and promotion activities carried out by the tourism development agencies *should* be influenced by the direction that the county (acting through the TDC Board) wants to pursue. Moreover, TDC Administration should incorporate into its monitoring of the agencies' marketing plans, a check for the strategic focus developed in annual strategic planning workshops. Finally, the coordination of activities across events should be a regular topic of review at monthly agency head meetings and at agency and TDC Board meetings.

Some amount of strategic planning already occurs at the level of the individual tourism development agencies, so the process would not be unfamiliar to some of the participants. The planning framework already in use at the agency level could be adapted for use by TDC Administration. Nevertheless, this will not be an instantaneous process; it is detailed work, requiring wide-ranging consultations with interested and affected parties, and involving much thought. The process should include all the elements identified earlier in this report and discussed in connection with the finding on this subject at pages 19-20.

It is recommended that TDC Administration take a more active role in development of tourism agencies' performance measures

As the county department responsible for successful implementation of the Tourist Development Plan, TDC has the implicit duty to guide the tourism development agencies' county-required performance programs, particularly to ensure that each program is well aligned with the overall direction articulated by a strategic plan, should one be created. TDC Administration should be actively involved in the development of each agency's performance measures and objectives statements. The annual agreements between TDC and the four tourism development agencies fully allow this level of guidance and oversight;

such involvement would not constitute operational interference with the tourism development agencies.

TDC Administration and the tourism development agencies should begin by refining the statistics that are currently being tracked, wherever possible converting them into efficiency performance measures (rate of return, cost per output achieved, or cost per room night, for example), and into outcome performance measures, including customer satisfaction ratings. To the greatest practicable extent, these should be developed so that they are equally applicable to all tourism events. By focusing measurement *only* on the industry standard hotel night stays generated by an event or promotion (the so-called “heads in beds”), a limited picture of success is achieved.

Routinely measuring customer satisfaction would provide an additional dimension that would give TDC Administration valuable insight into whether, 1) the visitors are likely to return to Palm Beach County, 2) they will recommend the area or the event to others, 3) the event they attended was well run and organized, 4) event facilities were convenient, clean, and so on. These customer satisfaction indicators are examples of customer input that is applicable across the board. Customer satisfaction is the ideal outcome companion to tourism development and promotion inputs. The same value applies to “internal” customers as well. Surveying the partners, contractors, grantees, and other industry stakeholders that tourism development agencies work with offers still more valuable performance feedback about the tourism program. TDC Administration can then integrate the customer satisfaction responses into strategic planning, marketing plan development and resource allocation/budget preparation.

It is recommended that TDC Administration conduct structured annual reviews of tourism development agencies’ operating procedures

The county’s contracts with each of the four tourism development agencies envision that TDC Administration will conduct a review jointly with the affected agency in order to determine if agency policies and procedures are consistent with the county’s objectives and will accomplish their intended purpose. TDC management has simplified this somewhat to reviewing only the *changes* an agency has made to its policies and procedures during the year. The better practice would be to conduct a structured review resulting in a written compliance report. This becomes all the more necessary once TDC Administration issues the internal guidelines on financial accountability recommended above. If the small size of the TDC staff makes this prohibitive, TDC Administration should consider incorporating into the financial guidelines a requirement that annual audits contain a certification by the independent auditor that the auditee is in compliance with all the relevant internal guidelines, as required by their contracts.

The annual reviews would also be a good time to conduct structured assessments of the performance results of each tourism development agency, comparing intended targets for each major program in an agency’s marketing plan with the results achieved. In that manner, the annual reports prepared by TDC Administration would serve a particularly useful purpose in helping shape the

agency marketing plans for the next contract period, by showing which programs were successful and which were less so. That sort of formalized performance assessment is needed before the Tourist Development Council is in a position to represent how effectively it accomplishes its mission to leverage tax investments to the maximum benefit of the local tourism economy.

Appendix

VARIOUS TOURIST DEVELOPMENT COUNCILS

The study team researched various publicly-funded tourism development agencies to identify alternative government structures and organizational characteristics for promoting tourism. The entities were researched via government websites, and utilized both electronic and telephone interviews. The research serves to illustrate the myriad of different ways public agencies within Florida and in other parts of the country promote tourism through tourist tax funding.

This type of research is often useful to provide a point of reference for the operational discussions and analysis being performed. Each of the government organizations researched provides their organizational and operational insight into the tourism promotion industry. The tourism development research is summarized as follows:

- Three of seven agencies have a separate TDC-like department that provides oversight and administrative services. Of these three entities, two operate as an agency department CVB (the other operates as a section of the counties Revenue division). The four agencies that do not have a TDC-like department have funding provided directly by the authorizing elected governing board.
- Four of five counties indicated that their convention centers are operated as county departments.
- The majority of agencies utilize at least some non-profit organizations to promote local tourism.
- The research indicates that there is not a widespread practice of formalized, periodic, monitoring and oversight of financial and performance accountability among the tourism development entities researched. The most extensive operational, procedural oversight occurs where funded agencies (such as the CVB or the Convention Center) operate as county departments.

The table which begins on the following page outlines the research results. The research indicates that tourism development can be performed using a variety of organizational structures. The footnotes provide insight into the nuances of the information displayed in the table.