

February 20, 2003

The Honorable Bill Purcell, Mayor  
Metropolitan Government of Nashville and Davidson County  
Metropolitan Courthouse  
Nashville, TN 37201

Teresa Evetts Horton, Executive Director  
Members of the Metropolitan Convention Center Commission  
601 Commerce Street  
Nashville, TN 37203

**Report of Internal Audit Section**

Dear Mayor Purcell, Ms. Horton and Commission Members:

We have recently completed a performance audit of the Nashville Convention Center and the Nashville Convention & Visitors Bureau. According to the *Government Auditing Standards* issued by the Comptroller General of the United States, “a performance audit is an objective and systematic examination of evidence for the purpose of providing an independent assessment of the performance of a government organization, program, activity, or function in order to provide information to improve public accountability and facilitate decision making by parties with responsibility to oversee or initiate corrective action.” A performance audit is different than a financial statement audit, which is limited to auditing financial statements and controls, without reviewing operations and performance. In performing this audit, we retained KPMG to work under our direction. Their final report dated February 2003, *Performance Audit of the Nashville Convention Center and the Nashville Convention & Visitors Bureau*, accompanies this letter and is hereby submitted to you.

## **Background**

### Convention Center

The Nashville Convention Center (NCC) was opened in January 1987 and markets to trade shows, conventions, corporate meetings, consumer shows, and food and beverage functions.

The NCC contains approximately 166,700 square feet of rentable space including its main exhibit hall containing 118,700 square feet. NCC is connected via an underground walkway to the Gaylord Entertainment Center (GEC) which contains additional exhibit and meeting space and has a seating capacity of approximately 20,000. The NCC is also connected to the Renaissance Hotel which contains 673 sleeping rooms, various meeting rooms and an 18,000 square foot ballroom which services convention and tradeshow groups that utilize the NCC. NCC's operating revenues for the fiscal year ending June 30, 2002 were approximately \$3.8 million, and the net operating loss, excluding depreciation, was \$1.4 million.

The Metropolitan Convention Center Commission (MCCC) is the governing body of the NCC and is charged with the responsibility of managing, operating and promoting the NCC and reporting results to the Metropolitan Council.

The NCC is unique among its peers in that it serves as the secondary facility in the market. In terms of square footage of exhibit and meeting/ballroom space the Opryland Hotel is the primary facility in the market. The Opryland Hotel contains approximately 289,000 square feet of exhibit space and 192,000 square feet of meeting/ballroom space.

### Convention & Visitors Bureau

The Nashville Convention & Visitors Bureau (CVB) is an affiliate organization of the Nashville Area Chamber of Commerce (Chamber). The CVB operates under a contract with the Metropolitan Government of Nashville and Davidson County (Metro) to establish Nashville as an international meeting and leisure destination. The mission of the CVB is to market Nashville as a destination. It does not market any particular facility or attraction but promotes Nashville as a premier destination for both tourism and conventions.

The Metropolitan Tourism and Convention Commission (Commission) has the responsibility for monitoring and evaluating service agreements relating to the direct promotion of tourism and tourist related activities for Metro. Currently, the only service agreement relates to the hotel/motel tax contract. The CVB is the current contract holder and receives the vast majority of its funding from the hotel/motel tax collections passed through to it by the contract. The CVB receives two-fifths of the Metro hotel/motel tax proceeds, which totaled \$7.3 million for the fiscal year ending June 30, 2002.

Additional background information on the NCC and on the CVB is contained in the attached KPMG report.

### **Objectives, Scope and Methodology**

The NCC and CVB audits were performed by KPMG's Convention, Sports and Entertainment Practice under our direction. The audits included jointly designed tests and procedures and utilized KPMG's specialized industry experience and knowledge. The scope of work for the audits focused specifically on the operations of the NCC and the CVB and included analysis of various issues and aspects of their operations.

For the NCC, the audit addressed several areas of the operation including: commission structure, organizational structure, staffing levels, mission statement, marketing efforts, rental rate structure, major contractual agreements, facility utilization, financial results, and capital improvement planning.

For the CVB, the audit focused on governance, organizational structure, staffing levels, marketing efforts, stakeholder communication, the amount of funding, the allocation of resources, and tourism and convention booking activity.

The primary objective in each case was to gain an understanding of and information about the NCC's and CVB's organization and operations. This information served as a basis for the peer comparison and benchmarking analysis, which, taken together, provided the basis for KPMG's recommendations.

The methodology employed throughout the audit was one of objectively reviewing various forms of documentation including policies and procedures, mission statements, financial information, and various other data and reports maintained by the NCC and CVB and by central Metro departments. Management, administrative and operational personnel from the NCC and CVB were interviewed. Stakeholders in the community including business and community leaders, hoteliers, restaurateurs, tour operators, attraction owners and management, music industry representatives, educational institution representatives and other local stakeholders were also interviewed.

We performed the audit procedures in accordance with generally accepted government auditing standards.

### **Findings**

The operations of the NCC and the CVB are complex and somewhat inter-dependent. Both are significantly impacted by external influences including the economy and significant events such as those of September 11, 2001. The KPMG report addresses these complex issues and includes detailed information on analysis performed as well as detailed findings. The KPMG report should be reviewed in its entirety to gain a complete understanding of the audit process and the resulting findings and recommendations.

#### **Convention Center**

Following is a summary of some of the more significant findings for the NCC included in the KPMG report.

- Overall, the NCC is a well-operated facility. The facility hosts a variety of events and compares favorably with its peers, especially in terms of the total number of events, which is particularly notable given that the Convention Center is the secondary facility in Nashville.
- Most of the peer facilities serve as the primary convention center in their market. The performance indicators for the NCC are particularly positive given the direct competition from the Gaylord Opryland Resort and Convention Center (Opryland Hotel) and a larger amount of exhibit and meeting/ballroom space in Nashville than in the peer cities.
- The mission statement of the NCC focuses on generating economic impact to Nashville and the surrounding region and its booking policy supports that mission through its prioritization of events.
- Although the NCC's mission statement does not emphasize financial operating results, the MCCC has a strong focus on the financial performance of the facility. This focus on financial results may influence decisions contrary to the NCC's mission.

- The majority of stand-alone convention centers typically realize an operating deficit. The operating loss at the NCC is one of the lowest among peer facilities. The NCC's operating results compare particularly favorably when considering that, unlike the situation at the NCC where the Renaissance Hotel gets the revenue from ballroom rental, peer convention centers' revenues include ballroom rental.
- There is a difference in perception between facility management teams at the NCC and the GEC regarding the ability to book activity at the GEC in the long-term to jointly market the facilities. This miscommunication may be impacting marketing and booking efforts at both facilities. Jointly hosting events helps to more fully utilize both facilities and maximize economic impact.
- The NCC operates an independent accounting and facility management software system that does not electronically interface with the Metro accounting system. The NCC does not reconcile internally prepared financial statements to the annual audited financial statements of Metro. Significant differences exist between the internal statements and Metro's audited Comprehensive Annual Financial Report (CAFR). In each of the last three years, the NCC net loss reported in Metro's CAFR was larger than the net loss reported to the MCCC based on NCC prepared financial statements.
- Although aesthetic improvements could be made, there do not appear to be any inherent physical or structural limitations that challenge the marketability of the NCC facility as it currently exists. This, in addition to the conclusions noted above, indicate that the current facility is serving Nashville well.

#### Convention & Visitors Bureau

Following is an overview of some of the more significant findings for the CVB included in the KPMG report.

- Overall and as compared to peer cities, the CVB is effectively executing its mission to market Nashville as a premier destination.
- The CVB is an affiliate of the Chamber and its Executive Vice-President reports to both the President of the Chamber and to the Commission. This dual oversight structure does not appear to be the most efficient way to govern the CVB. This structure creates inefficiencies and an overall lack of accountability and strategic guidance for the organization. The current governance structure of the CVB does not allow for effective oversight or timely input on the CVB's operations.

- The CVB and the tourism and meetings industry in Nashville do not use a consistent methodology to estimate the economic impact of events.
- The CVB produces numerous reports that summarize various components of its operations and that contain data that the CVB could use to better communicate its results and performance to stakeholders.
- The CVB does not appear to be maximizing the generation of private dollars compared to its peers. The most common private source of funding for peers, other than membership dues, is advertising.

#### **Recommendations to the Metropolitan Convention Center Commission**

The KPMG report contains numerous recommendations for several areas of the NCC. All of the recommendations should be reviewed in their entirety by the Commission and considered for implementation. Listed below are key recommendations related to the most significant findings and issues.

- The MCCC should evaluate its focus to ensure that it is consistent with the mission statement and operating objectives of the facility - maximizing events at the facility to generate economic impact to the region - even if they do not result in a financial profit to the facility.
- The miscommunication regarding the GEC's availability for scheduling events in advance should be clarified in order for the NCC and the GEC to most effectively work together to maximize the usage of both facilities and to maximize economic impact.
- The NCC should evaluate, refine, and improve its system for tracking lost business to provide the tools necessary to better understand whether the reasons for lost business are controllable or non-controllable factors.
- The NCC should eliminate its duplicate accounting system and work with the Finance Department to modify the reporting and other tools available in Metro's central accounting system (FASTnet) to meet the NCC's needs.
- The NCC should reconcile the past three years of internally prepared statements of operations to the Metro CAFR and report the amount and nature of past differences to the Commission.

During this audit no analysis was conducted relative to the operational or financial feasibility of a new or expanded convention center. However, several observations were made regarding the issues that should be addressed if Metro were to consider expansion or construction relative to the Convention Center.

- Before considering expansion, the NCC should assess whether it has the capacity to increase the use of the existing facility by accessing additional convention and tradeshow events that the current facility can accommodate.
- Expanding the NCC or constructing a new facility would create a greater competitive environment with the Opryland Hotel. In order to fundamentally change the mix of business in the Nashville market, any expanded or new facility would need to be significantly larger than the Opryland Hotel.
- Nashville's current infrastructure would be challenged to adequately accommodate a major expansion or new facility, particularly when compared to the attributes offered in markets that have significantly larger convention facilities. In addition, it is likely that a new convention hotel would need to be built in conjunction with any new or expanded space.
- Prior to considering expansion or construction of additional space, Metro should conduct a comprehensive cost/benefit analysis. This analysis should include an estimate of the incremental new economic benefits to the community compared to the anticipated capital cost and on-going operating expenses. The analysis should also include an evaluation of the impact of necessary infrastructure improvements, including a new convention hotel. It is unlikely that the Nashville market can adequately support three convention facilities; consequently, Metro would need to consider the costs of discontinuing use of the existing facility as well as the impact on the attached Renaissance Hotel.

### **Recommendations to the Mayor**

The KPMG report contains numerous recommendations for several operational areas of the CVB. All of the recommendations should be reviewed in their entirety and considered for implementation. Listed below are key recommendations related to the most significant findings and issues.

Key recommendations for the CVB include:

- Metro should create a Board of Directors (Board) as a single governing body that is exclusively responsible for the overall conduct and operation of the CVB. In addition, the Board should be charged with monitoring the CVB's use of revenue from the hotel/motel tax.
- Major duties of the Board should include: (1) Ensuring the development of a well-defined mission statement, (2) Developing performance measures for the CVB, (3) Monitoring achievement of the performance measures, (4) Hiring, in conjunction with the Mayor, the Executive Director of the CVB, and (5) Establishing committees to advise the leadership of the CVB on all major areas of operations, strategic planning and financial matters.
- The Board should substantially improve the level of oversight and accountability of the CVB. Under the Board, the CVB could continue to contract with the Chamber for administrative services but should obtain its own appropriate designation as a non-profit organization.
- The CVB should take the lead in developing a consistent methodology to estimate the economic impact of events. The CVB should work to create a consensus with Metro and industry representatives on the approach to monitor and document reported economic impact and more actively communicate the information to stakeholders and the community.
- The CVB should improve and increase communication with the community and stakeholders regarding its activity and performance. To help accomplish this, the CVB should develop a convention calendar that includes contact information for groups coming to the city. Additionally, the CVB should conduct monthly or bi-monthly informational forums open to all stakeholders and the public.
- Most peer CVBs outsource their publications and advertising sales. The Nashville CVB should explore the merits of outsourcing its publications by completing a cost/benefit analysis to determine if it could realize additional revenue from advertising.

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Mayor Purcell, Teresa Horton  
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Mayor Purcell's and the NCC's responses to the audit recommendations are attached to this report.

We greatly appreciate the cooperation and help of the Metro Convention Center Commission, the NCC management and staff, the CVB management and staff, and of all stakeholders who participated throughout the course of this audit.

This report is intended for the information of the management of the Metropolitan Government of Nashville and Davidson County. This restriction is not intended to limit the distribution of this report, which is a matter of public record.

Internal Audit Section

Kim McDoniel  
Internal Audit Manager

Copy: Karl F. Dean, Director of Law  
David L. Manning, Director of Finance  
Eugene Nolan, Associate Director of Finance  
Mike Neal, Nashville Area Chamber of Commerce  
Butch Spyridon, Nashville Convention & Visitors Bureau  
Members of the Metropolitan Tourism and Convention Commission  
Metropolitan Council Audit Committee  
Richard V. Norment, Director of County Audit  
KPMG, Independent Public Accountant

*February 19, 2003*

*Kim McDoniel, Auditing Manager  
Metro Department of Finance Internal Audit  
222 3<sup>rd</sup> Avenue North, Suite 401  
Nashville, TN 37201*

*Dear Ms. McDoniel:*

*This letter serves as acknowledgement of receipt of the Performance Audit of the Nashville Convention Center, as performed by the firm of KPMG, under the direction of Internal Audit of the Department of Finance.*

*Overall, it appears from this audit, that the NCC is fulfilling its mission of generating economic impact for the city of Nashville and the region. Policies established and approved by the Metropolitan Convention Center Commission are supportive of that mission.*

*As a result of the audit, meetings will be held with NCC management staff and the MCCC to discuss the findings, and focus on the long-term success of the facility within the hospitality industry of Nashville. This will be accomplished by:*

- continuing to evaluate the focus on the mission*
- improving on internal reporting systems i.e. lost business, financials, etc.*
- engaging in conversation with the Department of Finance regarding our facility management accounting software and the potential for downloading that information into Fastnet*

*Further, the Chairman of the Metropolitan Convention Center Commission Tom Lee, will meet with the Chairman of the Metropolitan Sports Authority for purposes of clarifying availability of space within the Gaylord Entertainment Center, in conjunction with the booking of the Nashville Convention Center exhibition space.*

*Thank you for your continued support of the Nashville Convention Center.*

*Sincerely,*

*Teresa Evetts Horton  
Executive Director*

*hh*

February 20, 2003

Ms. Kim McDoniel  
Internal Audit Manager  
Metropolitan Government of Nashville and  
Davidson County  
222 3<sup>rd</sup> Avenue North, Suite 401  
Nashville, TN 37201

Dear Ms. McDoniel:

I have reviewed the Internal Audit Report on the Convention Center and Convention & Visitors Bureau along with the accompanying KPMG *Performance Audit of the Nashville Convention Center and the Nashville Convention & Visitors Bureau*, and I am in basic agreement with the related recommendations. Nashville has a long history as a tourist and convention destination, and Nashville's visitors are an integral part of our city's spirit and economy.

I will work with the Metropolitan Council, the Department of Law, the Chamber of Commerce, stakeholders and others to address the recommendations related to the CVB. An accountable CVB with a well-articulated mission and clear performance goals is critical to Nashville maintaining and expanding its share of tourists and convention and trade show visitors.

Sincerely,

Bill Purcell  
Mayor

BP:dt

Copy: Karl F. Dean, Department of Law  
David L. Manning, Department of Finance  
Mike Neal, Nashville Area Chamber of Commerce  
Butch Spyridon, Nashville Convention & Visitors Bureau  
Metropolitan Council Audit Committee  
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# Performance Audit of the Nashville Convention Center and the Nashville Convention & Visitors Bureau



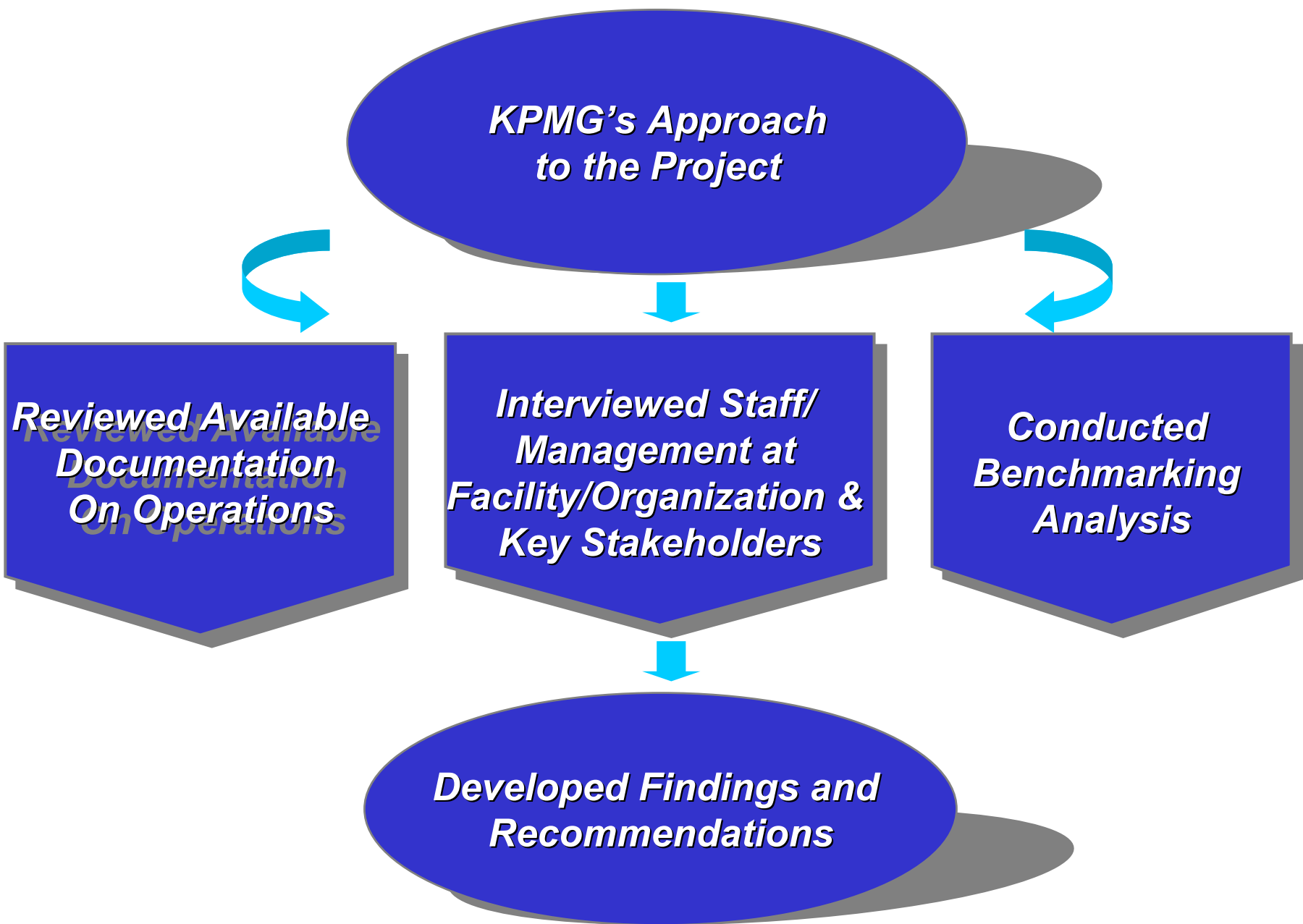
**Presentation**  
**February 2003**

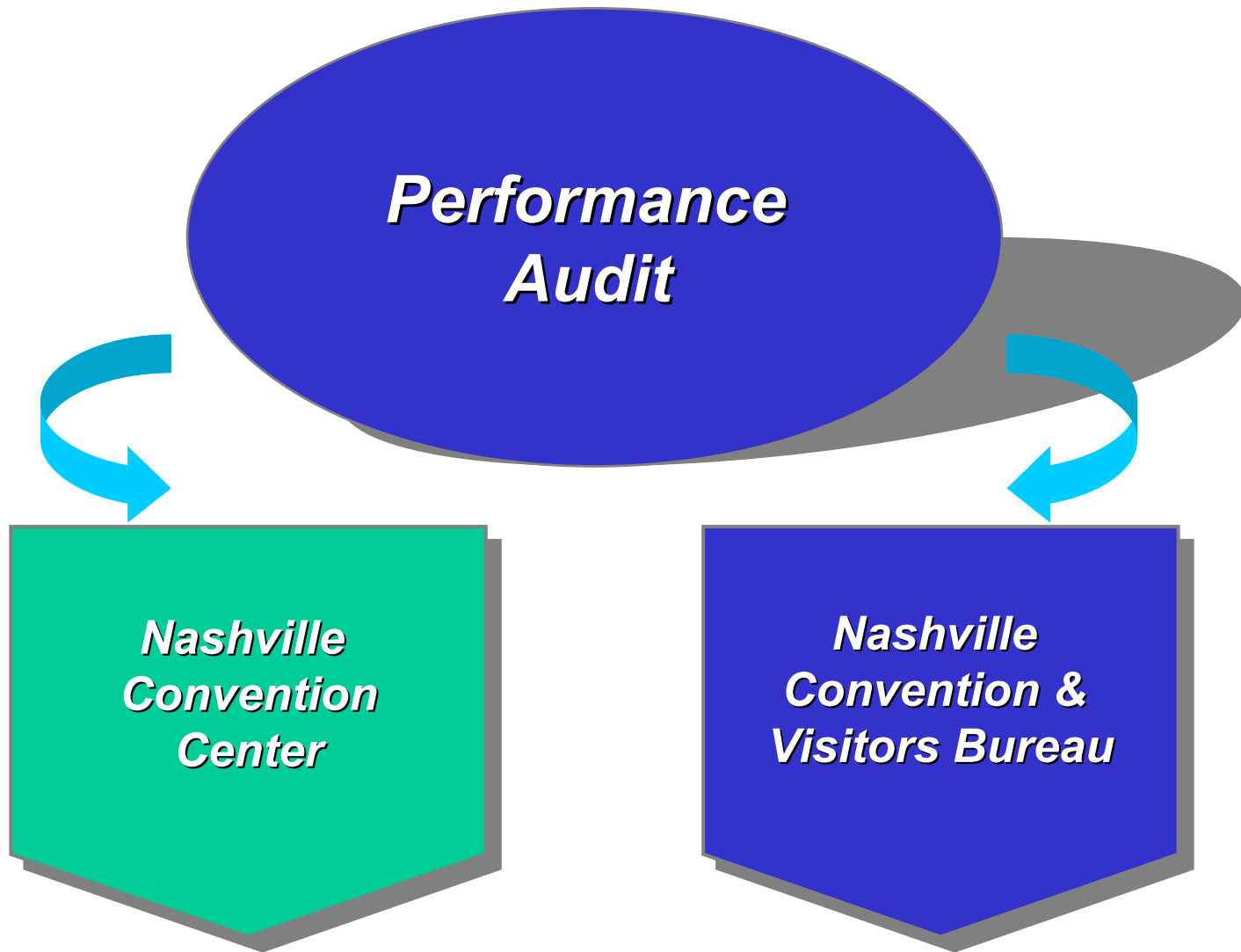
# Outline of the Presentation

- Purpose of the Performance Audit
- Approach to the Project
- Nashville Convention Center (NCC)
  - Description of the Facility
  - Scope of the Audit
  - Operations Assessment
  - Key Recommendations
- Nashville Convention & Visitors Bureau (Nashville CVB)
  - Overview of the Organization
  - Scope of the Audit
  - Key Findings
  - Key Recommendations

# Purpose of the Performance Audit

- KPMG LLP's Convention, Sports and Entertainment Practice was retained by the Internal Audit Section of the Finance Department of Metro to conduct a performance audit of several entities including:
  - the NCC which Metro owns and operates
  - the Nashville CVB which is largely funded by a portion of the 5% hotel/motel tax and plays an integral role in marketing the City as a destination
- Both audits included jointly designed tests and procedures and utilized KPMG's specialized industry experience and knowledge







# Description of the NCC

- Opened in January of 1987, the facility hosts a variety of events including conventions, trade shows, corporate meetings and consumer shows
- Convention Center contains more than 190,000 s.f. of rentable space
  - Exhibit hall - 118,675 s.f.
  - Meeting rooms – 30,000 s.f.
  - Lobbies – 41,000 s.f.
- Facility is connected to the GEC via a climate controlled walkway
- Facility is connected to the Renaissance Nashville Hotel which offers various meeting/ballroom space including an 18,000 s.f. ballroom
- The NCC is a Metro enterprise fund governed by the Metropolitan Convention Center Commission

# Review and Analysis of NCC Operations in the Following Areas Served as the Basis for the Findings and Recommendations of the Performance Audit

- Commission structure
- Organizational structure and staffing levels
- Mission statement and booking policy
- Marketing efforts
- Facility rental rates
- Utilization
- Financial performance
- Economic impact
- Major third party contracts
- Capital improvement planning

# Analyzing Peer Facilities Offered a Frame of Reference for Key Performance Indicators

Peer facilities were chosen based on one or more of the following criteria:

- Located in markets similar in size to Nashville
- Offer similar components to the NCC in terms of exhibit and meeting/ballroom square footage
- Host similar event activity and/or
- Availability of information (i.e. privately owned and operated facilities are not required to disclose any information relative to their business operations)

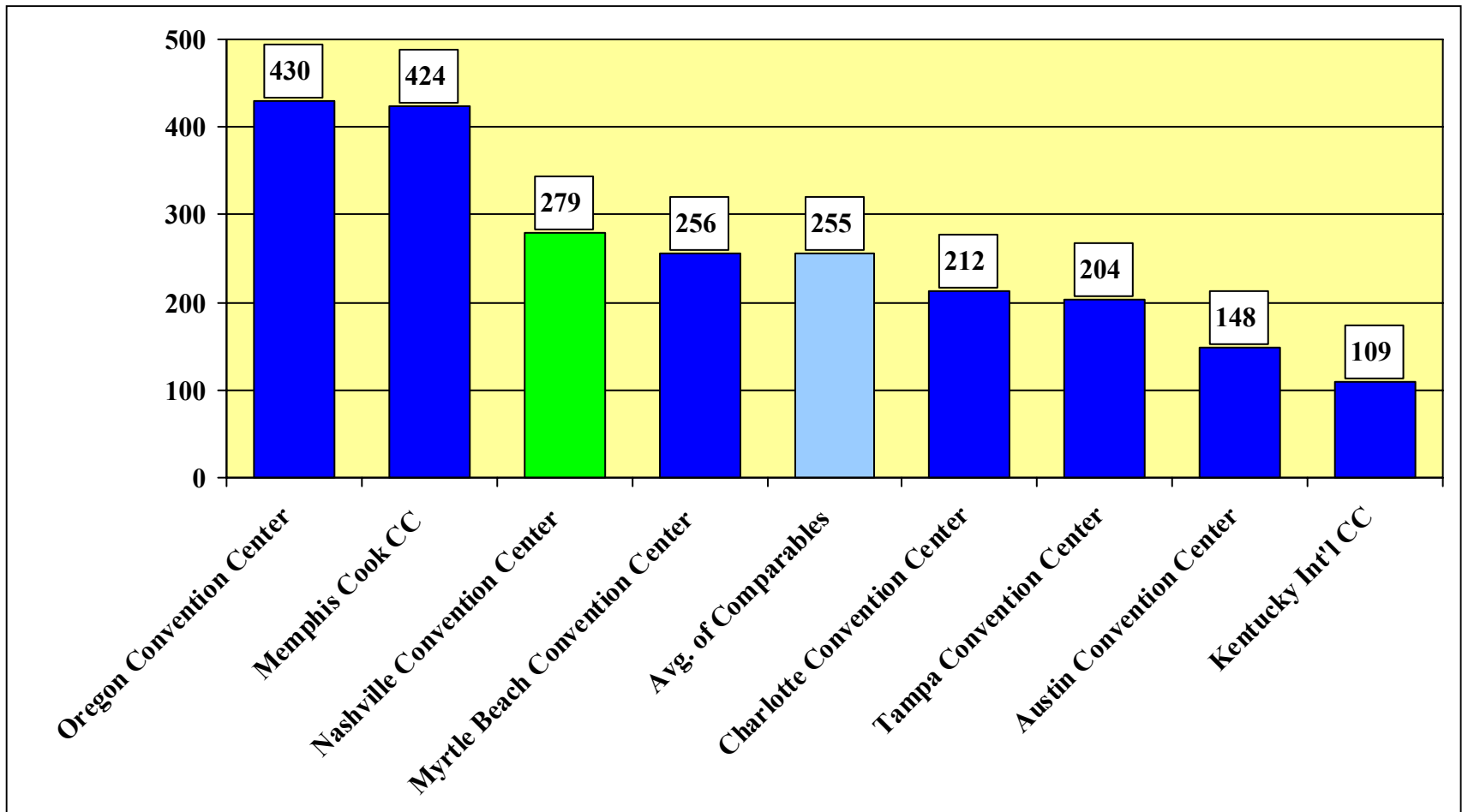
# Key Characteristics for the Peer Facilities Used in the Benchmarking Analysis

Facility	Nashville Convention Center	Charlotte Convention Center	Tampa Convention Center	Kentucky International Convention Center	Oregon Convention Center	Austin Convention Center	Memphis Cook Convention Center	Myrtle Beach Convention Center	Average of Comparables
Location	Nashville, TN	Charlotte, NC	Tampa, FL	Louisville, KY	Portland, OR	Austin, TX	Memphis, TN	Myrtle Beach, SC	
<b>Number of Hotel Rooms</b>	<b>32,400</b>	22,700	19,500	14,200	17,500	17,500	20,500	30,000	<b>20,300</b>
<b>Building Program</b>									
Exhibit Space (SF)	<b>118,700</b>	280,000	200,000	191,000	150,000	126,000	125,000	100,800	<b>167,500</b>
Meeting/Ballroom Space (SF)	<b>48,000</b>	92,200	79,400	95,200	53,200	49,400	38,700	31,300	<b>62,800</b>
Breakout Rooms	<b>25</b>	45	36	50	28	29	21	17	<b>32</b>
<b>Market Characteristics</b>									
MSA Population	<b>1,249,900</b>	1,524,600	2,420,500	1,031,400	1,948,300	1,280,000	1,145,200	200,600	<b>1,364,400</b>
DMA Population	<b>2,265,000</b>	2,447,100	3,744,000	1,549,800	2,786,300	1,403,800	1,775,300	651,100	<b>2,051,100</b>
Median Household EBI	<b>\$44,300</b>	\$40,800	\$34,400	\$39,100	\$43,000	\$43,400	\$37,800	\$31,100	<b>\$38,500</b>

Notes: Building program for Nashville Convention Center includes the ballroom space at the Renaissance Nashville Hotel which is connected. Because 2001 data was used in the comparative analysis, building programs shown above for the convention facilities in Austin and Memphis are prior to expansions which occurred in May 2002 and January 2003, respectively.

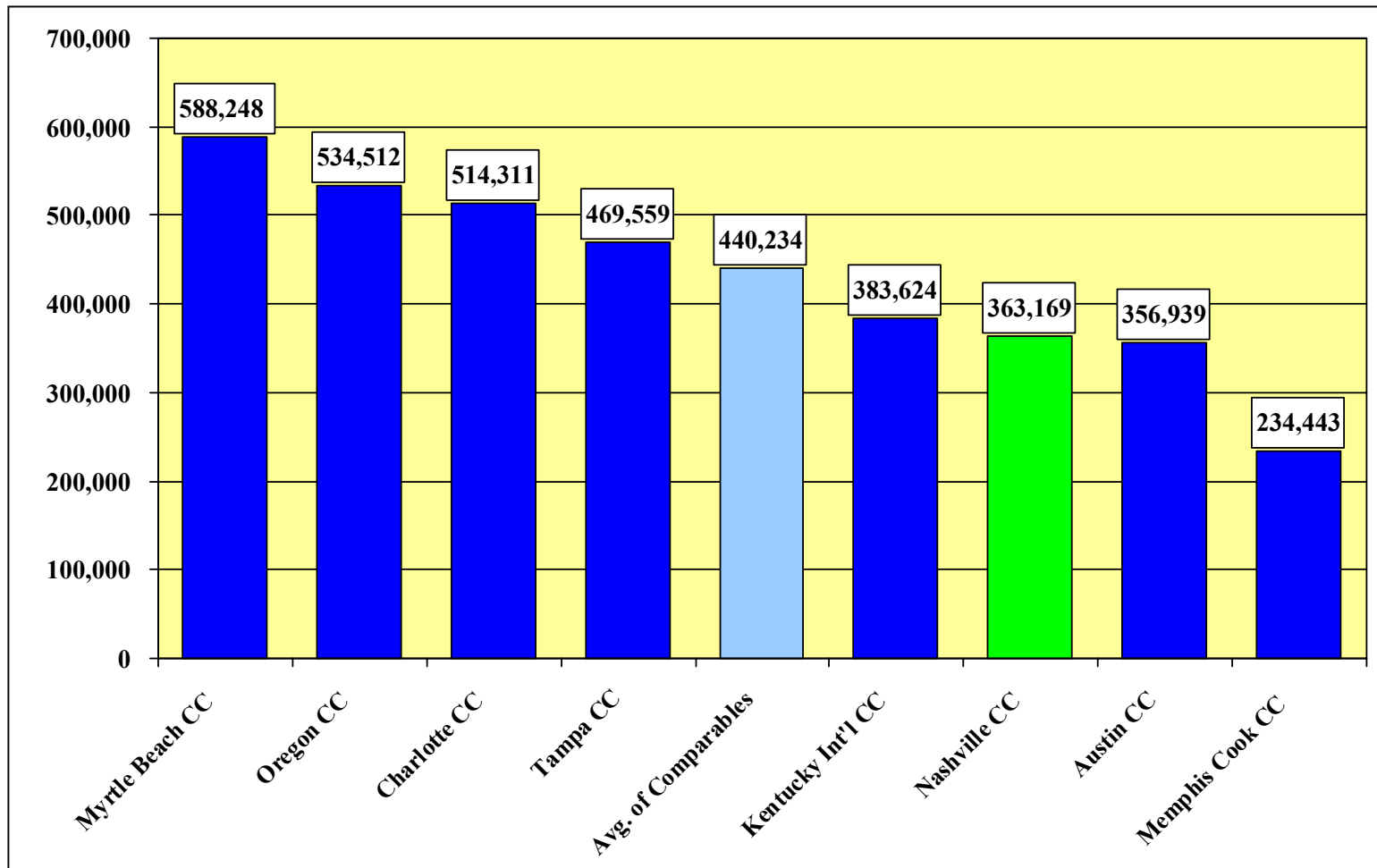
The NCC is unique among its peers because it serves as the secondary convention facility in the market. The Gaylord Opryland Resort and Convention Center (Opryland Hotel) offers 289,000 s.f. of exhibit and 192,000 s.f. of meeting and ballroom space.

# Comparable Facilities Analysis – Number of Events



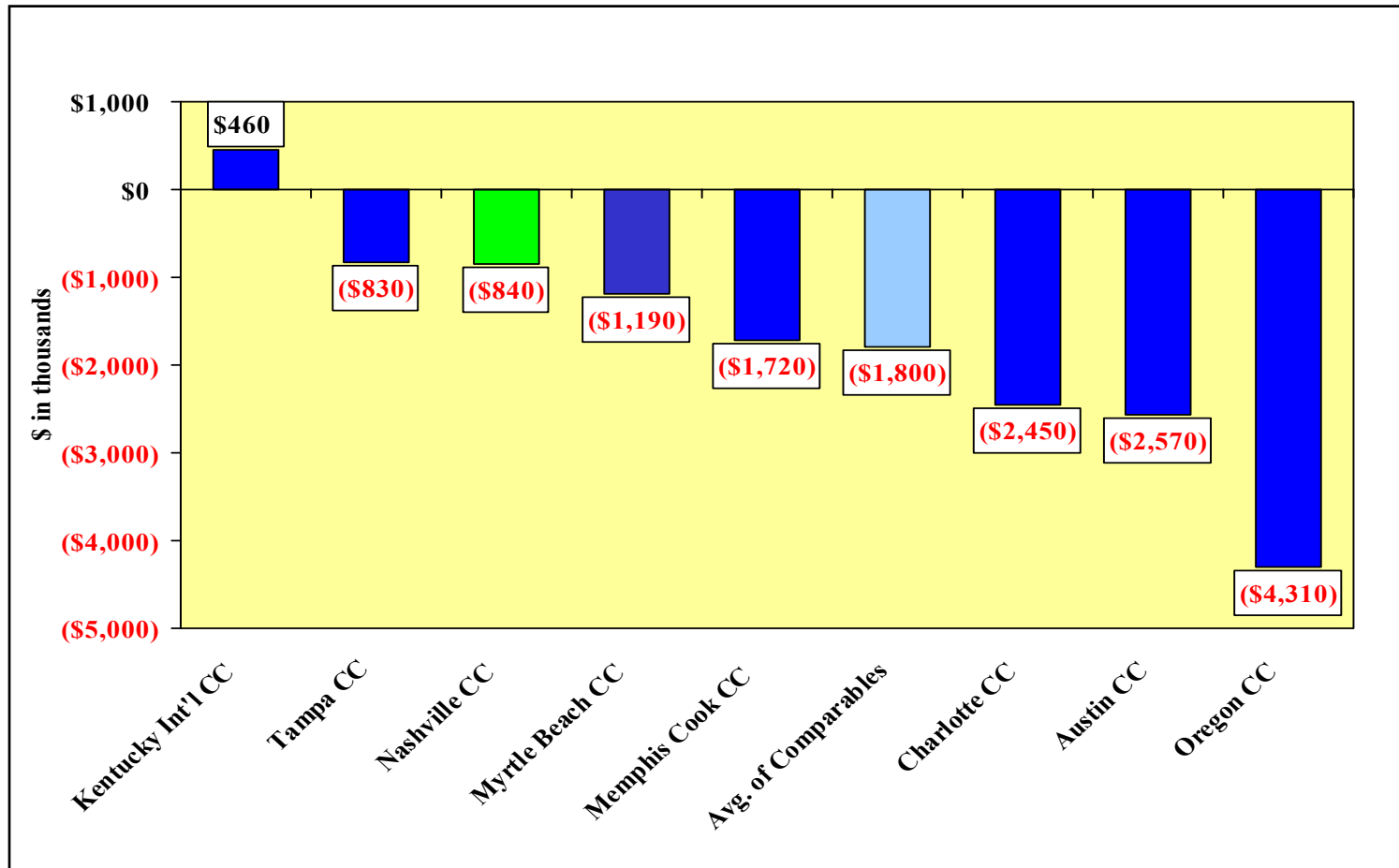
The NCC compares favorably to peer facilities in terms of number of events.

# Comparable Facilities Analysis – Total Attendance



Five of the seven peer facilities had higher total attendance than the NCC.

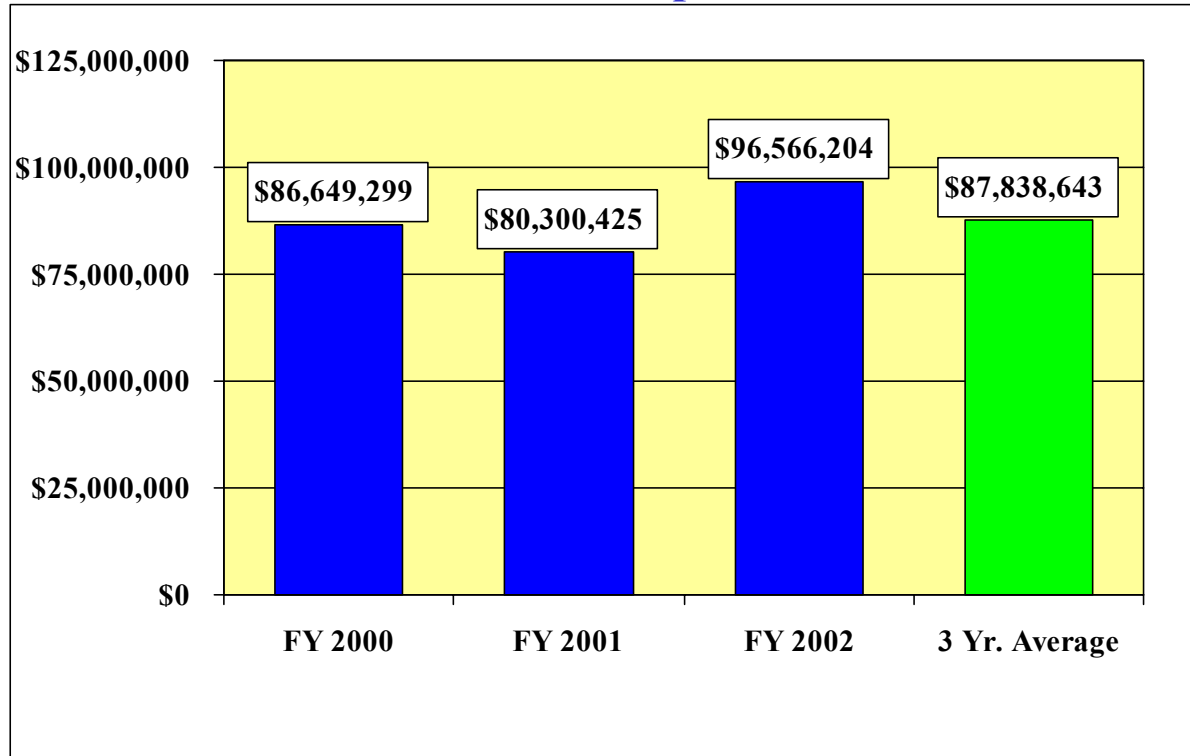
# Comparable Facilities Analysis – Financial Performance



The majority of stand-alone convention centers typically realize an operating deficit, few realize an operating profit. The NCC's deficit compares favorably with peer facilities, particularly since it does not realize revenues from the ballroom.

# Economic Impact Is One of the Primary Reasons That Convention Centers Are Developed

## Historical Economic Impact at the NCC



Source: NCC management

Based on spending information from the International Association of Convention and Visitors Bureau (IACVB), these estimates prepared by facility management may be conservative.



# NCC Operations Assessment

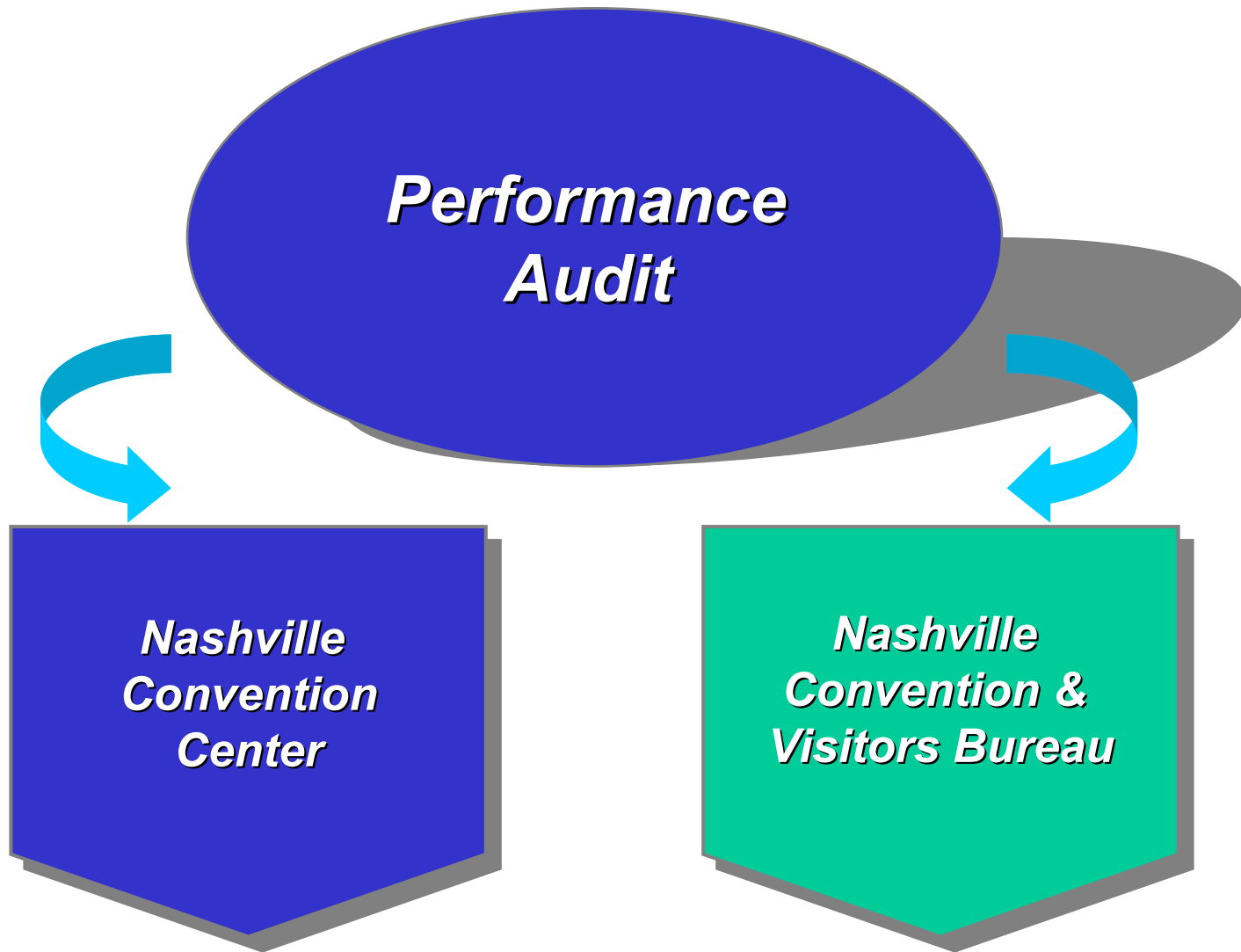
- Overall, the NCC is a well-operated facility. The facility hosts a variety of events and compares favorably with its peers, especially in terms of the total number of events.
- The performance indicators for the NCC are particularly positive given the direct competition from the Opryland Hotel and a larger amount of exhibit and meeting/ballroom space in the Nashville market than in the peer cities.
- The mission statement of the NCC focuses on generating economic impact to Nashville and the surrounding region, which is supported by the booking policy's prioritization of events. The MCCC also focuses on the NCC's financial performance.
- The operating loss at the NCC is one of the lowest among peers, which compares particularly favorably when considering that the Renaissance Hotel owns and receives the revenue from the ballroom, unlike the peer facilities that include ballrooms.
- Although aesthetic improvements could be made, there do not appear to be any physical or structural limitations that limit the marketability of the NCC.

# Summary of Key Recommendations

- The MCCC should evaluate its focus to ensure consistency with the mission statement and operating objectives to maximize events at the facility that generate economic impact to the region, even if the events do not result in a financial profit to the NCC.
- The NCC should evaluate, refine, and improve its system for tracking lost business to provide the tools necessary to better understand whether the reasons for lost business are controllable or non-controllable factors.

# Although No Specific Facility Analysis Was Done, We Noted Several Matters That Metro Should Consider If Evaluating Expansion or Construction

- Expanding the NCC or constructing a new facility would create greater competition with the Opryland Hotel. An expanded or new facility would need to be significantly larger than the Opryland Hotel in order to change the mix of business in Nashville.
- Nashville's current infrastructure would be challenged to adequately accommodate a major expansion or new facility and it is likely that a new convention hotel would need to be built in conjunction with any new or expanded space.
- Prior to considering expansion or construction of additional space, Metro should conduct a comprehensive cost/benefit analysis that would include an estimate of the incremental new economic benefits to the community compared to the anticipated capital cost and on-going operating expenses.
- It is unlikely that the Nashville market can adequately support three convention facilities. Consequently, Metro would need to consider the costs of discontinuing use of the existing facility as well as the impact on the attached Renaissance Hotel.



# Overview of the Nashville CVB

- The Nashville CVB is an affiliate organization of the Nashville Area Chamber of Commerce which is a 501(c)(6) organization.
- It receives the vast majority of its funding from two-fifths of the Metro hotel/motel tax proceeds - \$7.3 million for FY 2002 - which is administered through a contract with Metro.
- The Nashville CVB's mission is to maximize the economic contribution of the convention and tourism industry to the community by developing and marketing Nashville as a premier destination.
- Consequently it markets Nashville's two primary convention facilities – the Opryland Hotel and the NCC – as well as other hotel properties.
- The Nashville CVB has 40 full-time and 14 part-time budgeted positions (47 full-time equivalents) and its annual budget was approximately \$8 million in FY 2002.

# Review and Analysis of the Following Served as the Basis for the Findings and Recommendations of the Nashville CVB Performance Audit

- Market characteristics
- Governance
- Mission statement
- Organizational structure and staffing levels
- Marketing and promotional efforts
- Client satisfaction
- Hotel inventory and related characteristics
- Financial information
- Tourism and convention booking activity

# Comparing the Nashville CVB to other CVBs Offers a Frame of Reference for Key Performance Indicators

It is important to recognize that there are market attributes that a CVB does not control such as hotel supply and accessibility that impact the achievable performance levels of any CVB.

Based on input from the Nashville CVB management and additional research which considered factors such as lost business, geography, meeting facility(s) size and the organization's annual budget, the following CVBs represent the competitive set used in this analysis:

- Atlanta Convention & Visitors Bureau
- Charlotte Convention & Visitors Bureau
- Dallas Convention & Visitors Bureau
- Denver Metro Convention & Visitors Bureau
- Greater Minneapolis Convention & Visitors Bureau
- Indianapolis Convention & Visitors Bureau
- Orlando Convention & Visitors Bureau
- San Antonio Convention & Visitors Bureau
- Tampa Bay Convention & Visitors Bureau
- New Orleans Metropolitan Convention & Visitors Bureau

# Total Space at Primary Convention Facilities in the Competitive Set's Marketplace

Location	MSA Population	Exhibit Space	Ballroom/ Meeting Space	Total
<b>Cities with Multiple Convention Facilities</b>				
Atlanta/College Park, GA	4,198,700	1,622,000	379,748	2,001,748
Orlando, FL	1,676,100	1,282,038	433,850	1,715,888
Dallas/Ft. Worth, TX	3,582,300	975,726	170,967	1,146,693
Minneapolis/St. Paul, MN	3,001,200	620,341	157,518	777,859
<b>Nashville, TN</b>	<b>1,249,900</b>	<b>407,647</b>	<b>239,689</b>	<b>647,336</b>
<b>Cities with Only One Convention Facility</b>				
New Orleans, LA	1,341,700	1,069,237	339,173	1,408,410
San Antonio, TX	1,612,400	440,000	206,509	646,509
Indianapolis, IN	1,624,500	303,851	136,805	440,656
Denver, CO	2,145,800	292,000	100,000	392,000
Charlotte, NC	1,524,600	280,000	92,242	372,242
Tampa, FL	2,420,500	200,000	79,355	279,355

Nashville has a smaller population than all of the cities in the competitive set. Five of the 10 cities in the competitive set have less total convention space than Nashville.



# Competitive CVB Set – Cost of Visiting

CVB Location	Average Food Costs	Average Daily Travel Costs	Average Hotel Costs	Total Cost
New Orleans, LA	\$70	\$305	\$166	\$541
Atlanta, GA	\$73	\$290	\$153	\$516
Denver, CO	\$71	\$267	\$138	\$476
Indianapolis, IN	\$73	\$259	\$135	\$467
Minneapolis, MN	\$56	\$253	\$137	\$445
Dallas, TX	\$56	\$254	\$130	\$440
San Antonio, TX	\$55	\$238	\$129	\$422
Orlando, FL	\$48	\$241	\$133	\$422
Tampa, FL	\$60	\$236	\$114	\$409
<b>Nashville, TN</b>	<b>\$54</b>	<b>\$231</b>	<b>\$120</b>	<b>\$406</b>
Charlotte, NC	\$54	\$217	\$104	\$375

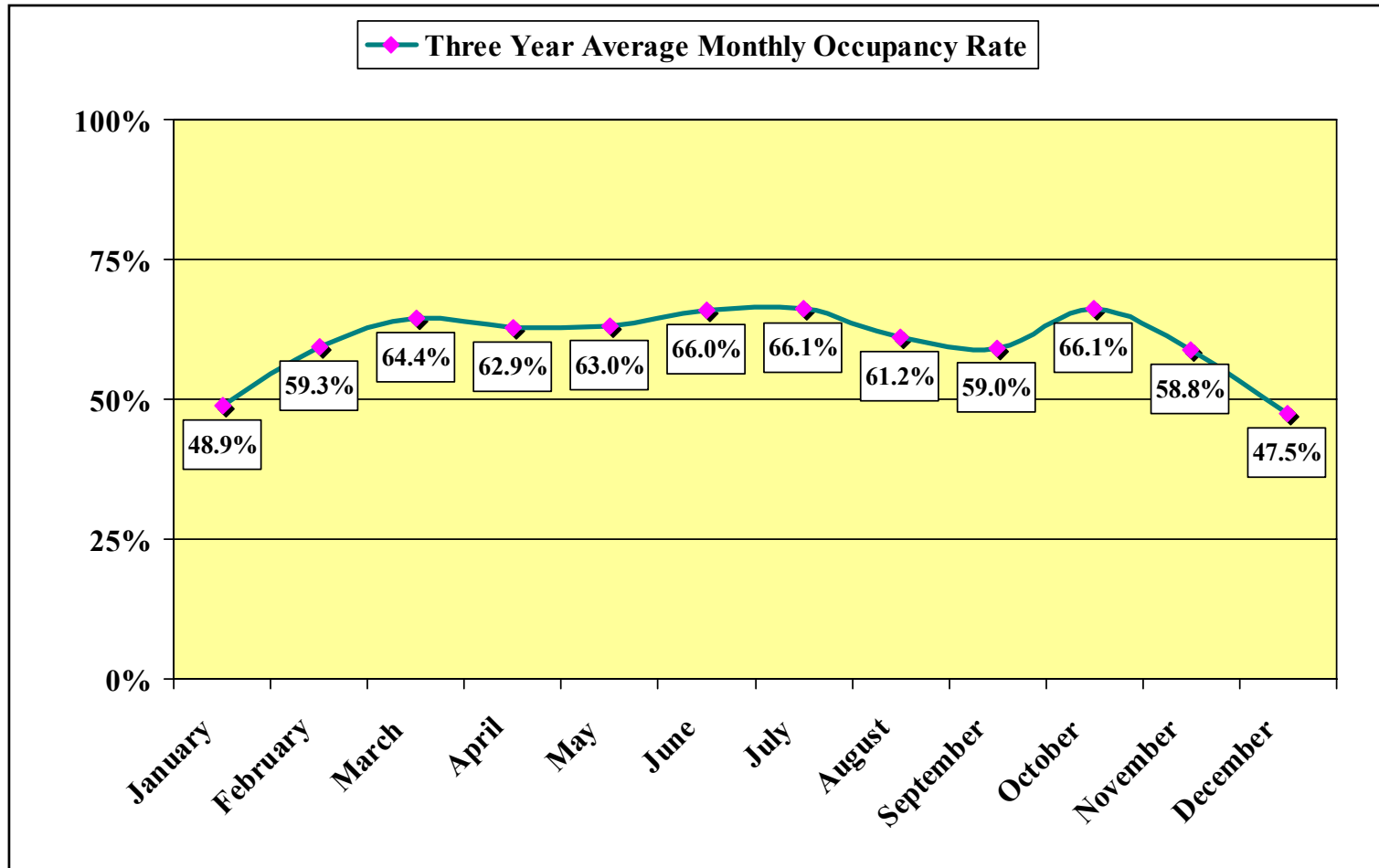
Source: 2002 Corporate Travel Index

Nashville's affordability as a destination is a strong marketing tool for many groups.

# Governance of the Nashville CVB

- Essentially, the CVB is governed by two separate entities:
  - The Nashville Area Chamber of Commerce, its parent organization, which distributes the hotel/motel tax funding and has ultimate authority over the Nashville CVB staff
  - The Metropolitan Tourism and Convention Commission which is responsible for providing recommendations, advice and assistance to the Mayor concerning service agreements (i.e. Metro hotel/motel tax contract) related to direct promotion of tourism and tourist related activities within Metro including the Nashville CVB
- Most CVBs, including those in the competitive set, have a governing body, typically a Board of Directors, that determines the direction and performance of the organization

# Throughout the Year, Nashville Experiences Relatively Similar Demand for Hotel Rooms

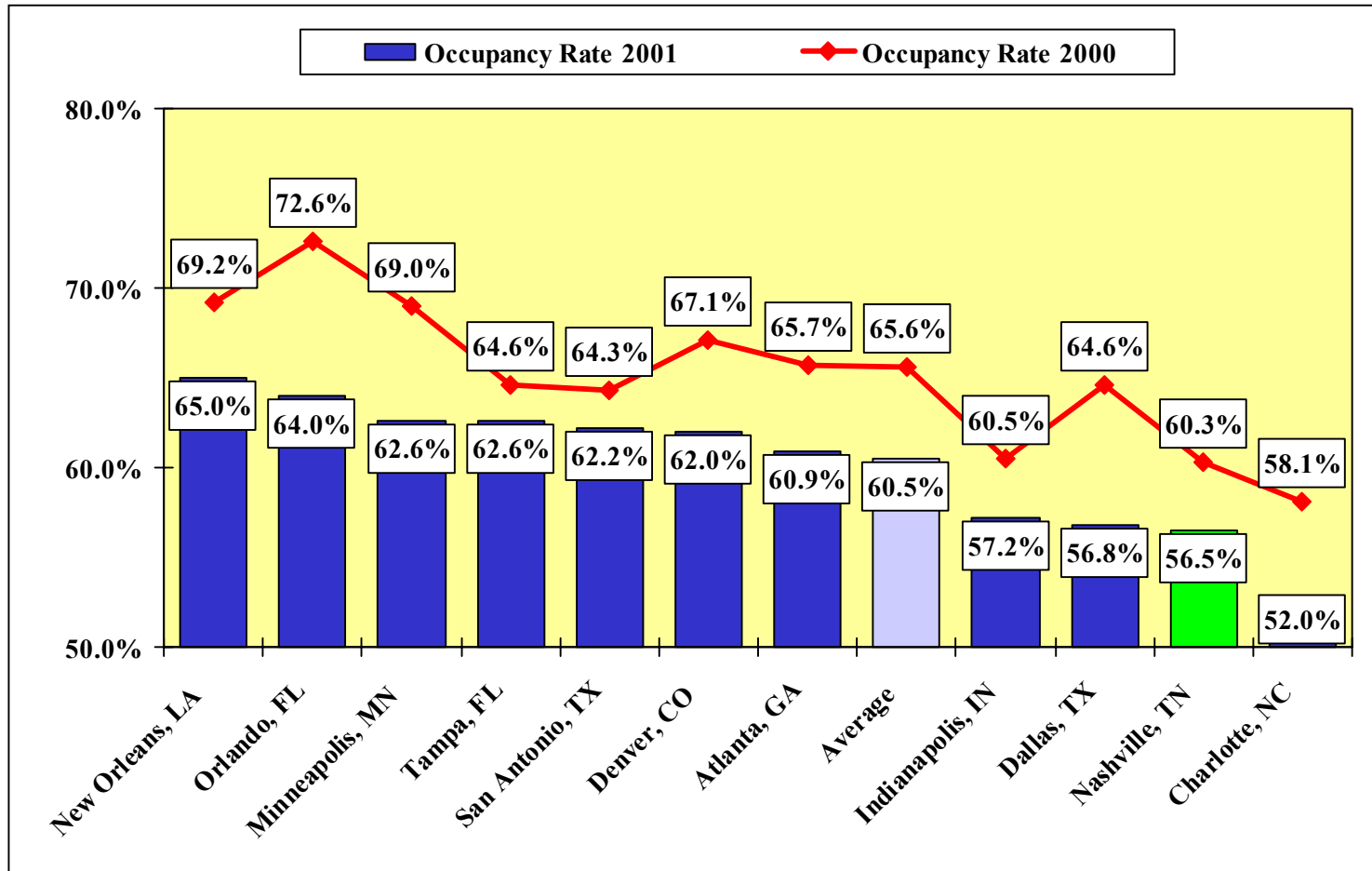


# Competitive CVB Set - Hotel Supply and Committable Room Block

CVB Location	Total Hotel Supply	Committable Rooms	% Committable
Orlando, FL	106,083	40,000	38%
Atlanta, GA	89,000	45,000	51%
Dallas, TX	63,000	16,318	26%
Denver, CO	36,246	12,000	33%
New Orleans, LA	34,000	21,000	62%
<b>Nashville, TN</b>	<b>32,400</b>	<b>12,830</b>	<b>40%</b>
Minneapolis, MN	30,000	18,000	60%
San Antonio, TX	27,500	10,000	36%
Charlotte, NC	22,661	15,000	66%
Indianapolis, IN	21,028	12,000	57%
Tampa, FL	19,512	17,000	87%
<b>Median</b>	<b>32,000</b>	<b>16,659</b>	<b>54%</b>

Although the total hotel supply in Nashville is similar to that of the median, the committable room block is 23% below the median of the competitive set.

# Competitive CVB Set - Occupancy Rates



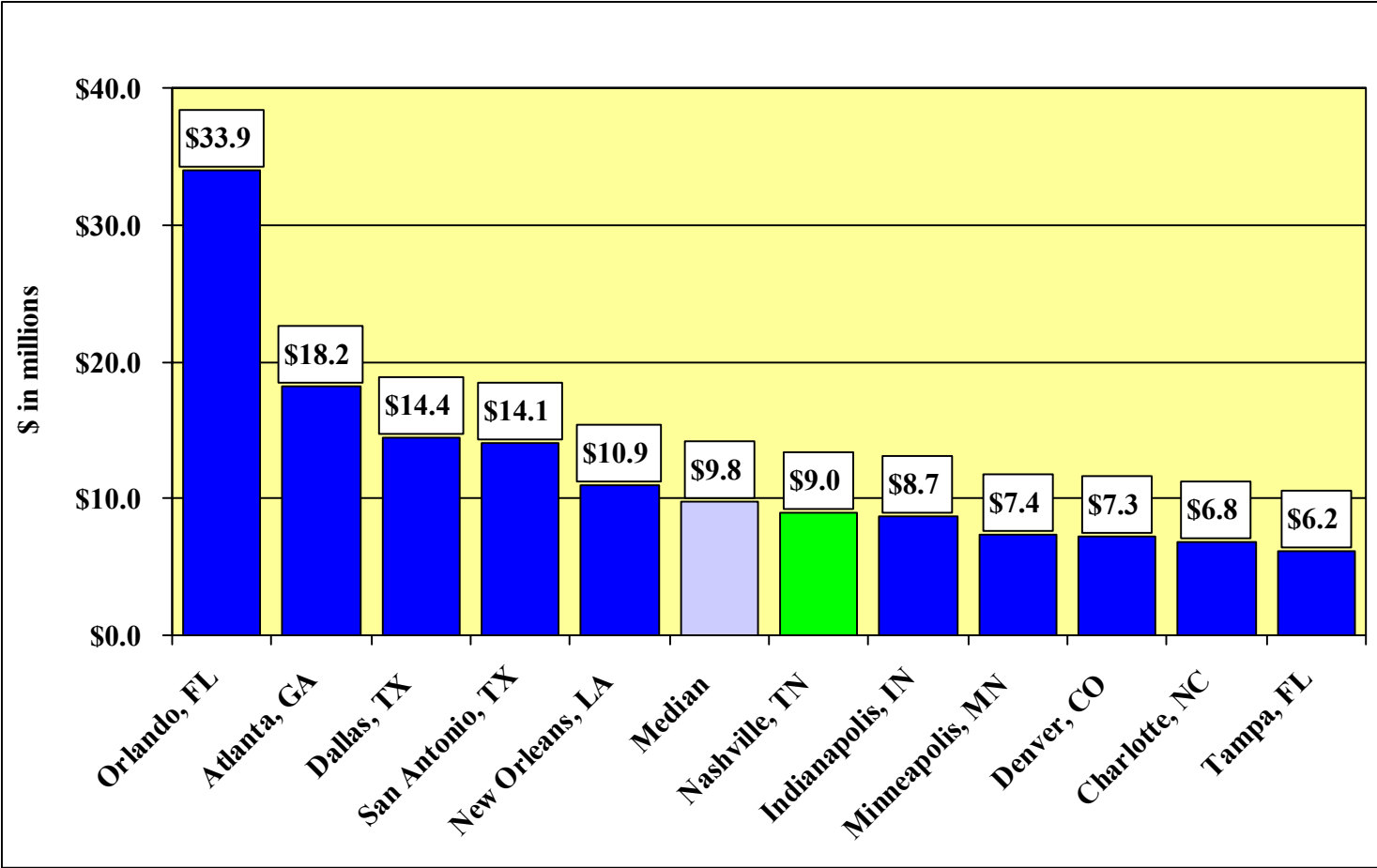
Although Nashville's occupancy rate was below the average of the competitive set, it experienced one of the lower declines between 2000 and 2001.

# Summary of Historical and Budgeted Revenues and Expenses for the Nashville CVB

	FY 2000	FY 2001	FY 2002	Budget FY 2003
<b>Revenues:</b>				
Metro Hotel Tax Contract	\$ 7,881,999	\$ 7,927,941	\$ 7,293,154	\$ 7,691,000
Other Revenues	1,119,274	886,089	719,072	675,000
<b>Total Revenues</b>	9,001,273	8,814,030	8,012,226	8,366,000
<b>Total Expenses</b>	8,880,940	8,943,090	7,977,621	8,366,000
<b>Net Income (Loss)</b>	\$120,333	(\$129,060)	\$34,605	\$0

The current budget for FY 2003 is approximately \$8.4 million. CVBs typically receive the majority of private funds through membership dues. However, the Nashville CVB is not a membership organization. Based on available information, revenue derived from membership fees ranged from approximately \$250,000 to \$1.6 million for CVBs in the competitive set.

# Competitive CVB Set - Total CVB Funding



Based on the competitive set, it appears that the Nashville CVB's funding is consistent with other similar CVBs.

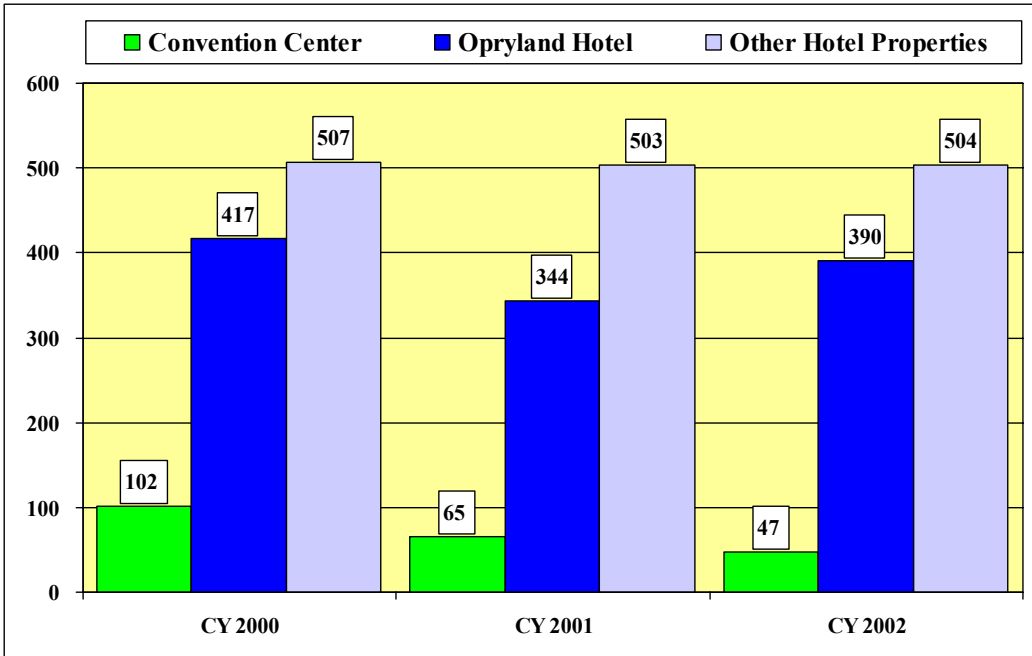
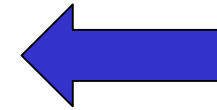
# Competitive CVB Set - Comparison of CVB Budget to Total Hotel Supply

CVB Location	Budget	Total Hotel Supply	Budget to Hotel Supply
Orlando, FL	\$33,900,000	106,083	\$320
Atlanta, GA	\$18,200,000	89,000	\$204
Dallas, TX	\$14,400,000	63,000	\$229
San Antonio, TX	\$14,100,000	27,500	\$513
New Orleans, LA	\$10,900,000	34,000	\$321
<b>Nashville, TN</b>	<b>\$9,000,000</b>	<b>32,400</b>	<b>\$278</b>
Indianapolis, IN	\$8,700,000	21,028	\$414
Minneapolis, MN	\$7,400,000	30,000	\$247
Denver, CO	\$7,300,000	36,246	\$201
Charlotte, NC	\$6,800,000	22,661	\$300
Tampa, FL	\$6,200,000	19,512	\$318
<b>Median of Comps</b>	<b>\$9,800,000</b>	<b>32,000</b>	<b>\$309</b>

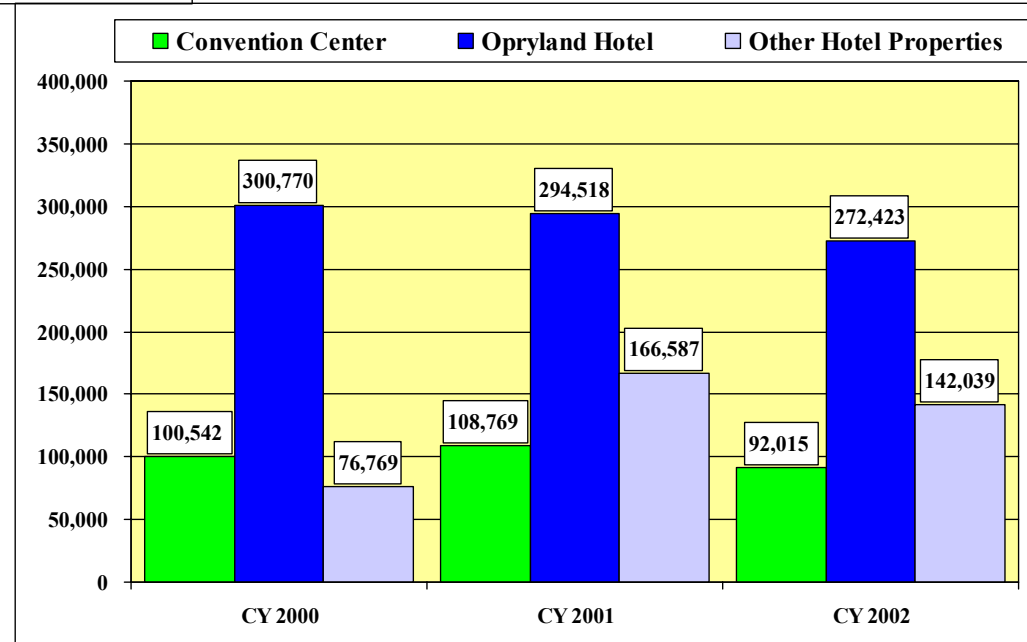
Nashville's ratio of \$278 per hotel room is \$31 below the median of the competitive set. Thus, Nashville has to stretch its dollars further to fill hotel rooms.



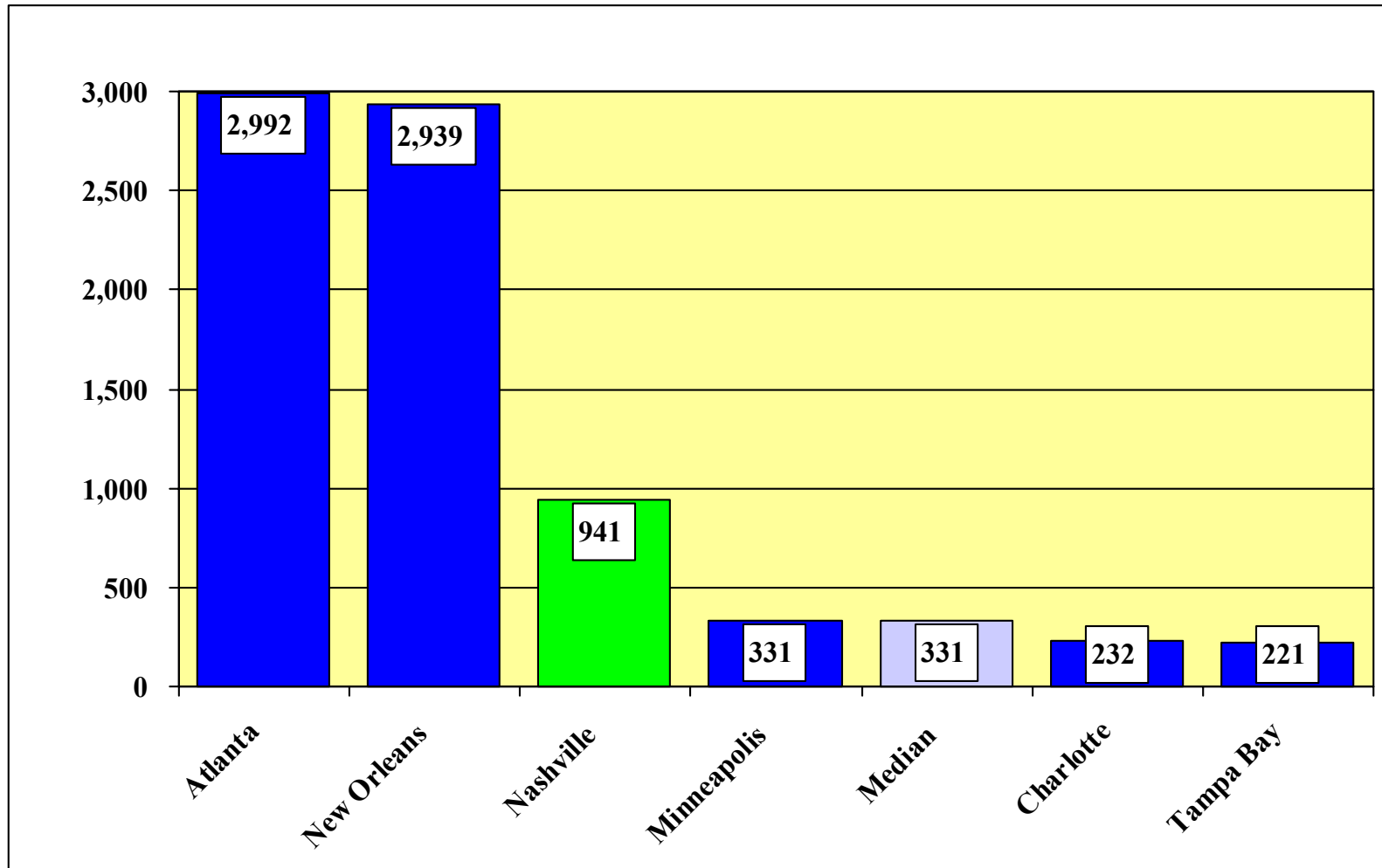
## Number of Conventions in Nashville by Location that Involved the Nashville CVB



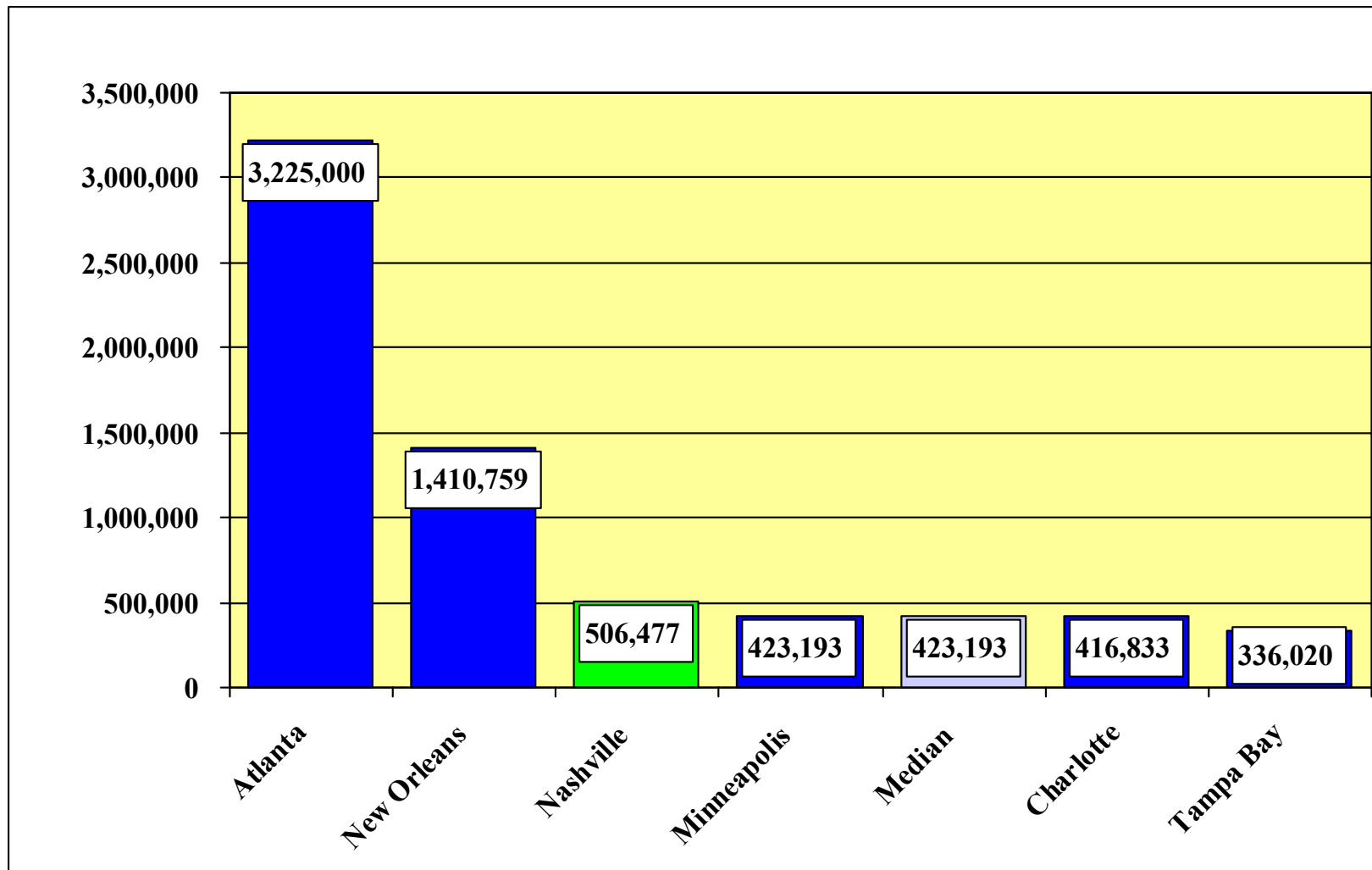
## Number of Attendees at Conventions in Nashville by Location that Involved the Nashville CVB



# Competitive CVB Set - Number of Conventions That Involved the CVB



# Competitive CVB Set - Total Attendance at Conventions That Involved the CVB



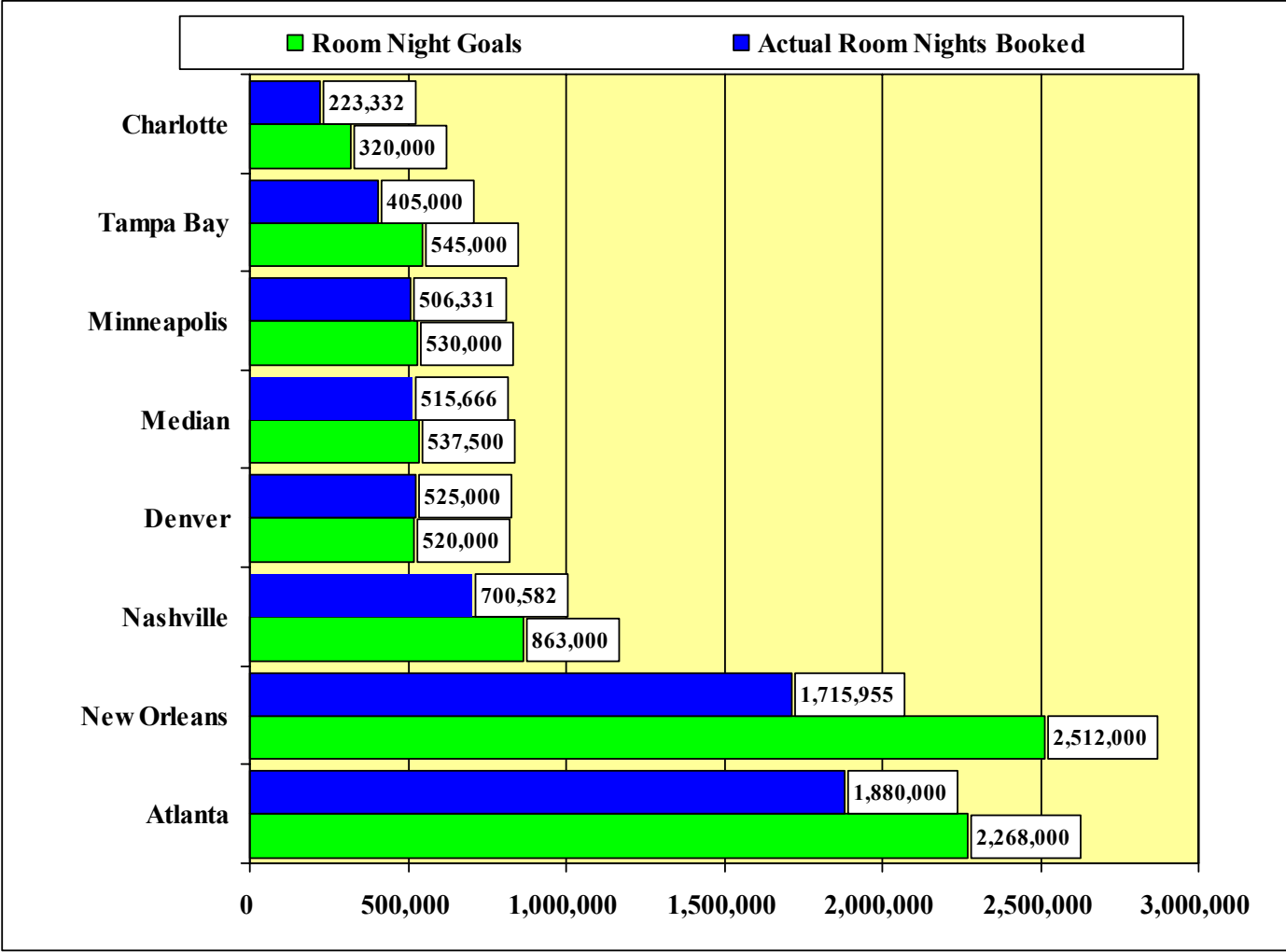
# Summary of Historical Room Nights Generated from Tourism Sales and Convention Sales by the Nashville CVB

Year	Tourism Sales		Convention Sales		Total Room Nights	% Change
	Room Nights	% of Total	Room Nights	% of Total		
FY 1998	141,346	26%	410,307	74%	551,653	-
FY 1999	151,293	22%	549,163	78%	700,456	27%
FY 2000	176,624	23%	586,111	77%	762,735	9%
FY 2001	237,702	27%	637,832	73%	875,534	15%
FY 2002	230,036	33%	470,546	67%	700,582	-20%

Over the last five fiscal years, room nights generated from tourism sales have ranged from 22% to 33% of the total room nights book by the Nashville CVB.

In aggregate, the total number of rooms booked by the Nashville CVB increased in three of the last four fiscal years.

# Competitive CVB Set - Actual Room Nights Booked Compared to Room Night Goals



# Competitive CVB Set - Actual Room Nights Booked Compared to the Total Potential Supply in the Market

CVB	Actual Room Nights Booked	Total Hotel Supply	Total Potential Room Nights	% of Actual Room Nights Booked
Charlotte	223,332	22,661	8,271,265	3%
Denver	525,000	36,246	13,229,790	4%
Minneapolis	506,331	30,000	10,950,000	5%
Tampa Bay	405,000	19,512	7,121,880	6%
Atlanta	1,880,000	89,000	32,485,000	6%
<b>Nashville</b>	<b>700,582</b>	<b>32,400</b>	<b>11,826,000</b>	<b>6%</b>
New Orleans	1,715,955	34,000	12,410,000	14%
<b>Median</b>	<b>515,666</b>	<b>32,000</b>	<b>11,680,000</b>	<b>5%</b>

Note: Information on the other competitive CVBs previously analyzed was not available.

The actual room nights booked by the Nashville CVB represented approximately 6% of the total potential room nights, which compares favorably with that of the competitive set and is slightly higher than the median.

The room nights booked by the Nashville CVB relative to its hotel supply are consistent with other CVBs in the competitive set.

## Competitive CVB Set - Actual Room Nights Booked Compared to the Total CVB Budget

CVB	Actual Room Nights Booked	Total CVB Budget	Ratio of CVB Budget to Actual Room Nights Booked
New Orleans	1,715,955	\$10,900,000	\$6
Atlanta	1,880,000	\$18,200,000	\$10
<b>Nashville</b>	<b>700,582</b>	<b>\$9,000,000</b>	<b>\$13</b>
Denver	525,000	\$7,300,000	\$14
Minneapolis	506,331	\$7,400,000	\$15
Tampa Bay	405,000	\$6,200,000	\$15
Charlotte	223,332	\$6,800,000	\$30
<b>Median</b>	<b>515,666</b>	<b>7,350,000</b>	<b>\$14</b>

Note: Information on the other competitive CVBs previously analyzed was not available.

On average, it costs the Nashville CVB approximately \$13 per room night booked which is consistent with the median for the competitive set.

## Competitive CVB Set - Actual Room Nights Booked Compared to the Total FTEs

CVB	Actual Room Nights		Total FTEs	Actual Room Nights
	Booked			Booked Per FTE
Charlotte	223,332		44.0	5,076
Minneapolis	506,331		54.0	9,377
Denver	525,000		55.0	9,545
Tampa Bay	405,000		42.0	9,643
<b>Nashville</b>	<b>700,582</b>		<b>47.0</b>	<b>14,906</b>
New Orleans	1,715,955		79.0	21,721
Atlanta	1,880,000		84.0	22,381
<b>Median</b>	<b>515,666</b>		<b>54.5</b>	<b>9,594</b>

Note: Information on the other competitive CVBs previously analyzed was not available.

On average, there are approximately 14,900 room nights booked per FTE at the Nashville CVB. Based on the information, it appears that the CVB is very efficient in terms of the number of room nights it is involved in booking relative to the number of FTEs in the organization.



# Summary of Key Findings

- Overall and relative to peer cities' budgets, the CVB is effectively executing its mission to market Nashville as a premier destination.
- The CVB is an affiliate of the Chamber and its Executive Vice-President reports to both the President of the Chamber and to the Tourism Commission. This dual oversight structure does not appear to be the most efficient way to govern the CVB. This structure creates inefficiencies and an overall lack of accountability and strategic guidance for the organization. The current governance structure of the CVB does not allow for effective oversight or timely input on the CVB's operations.
- The CVB and the tourism and meetings industry in Nashville do not use a consistent methodology to estimate the economic impact of events.
- The CVB produces numerous reports that summarize various components of its operations and that contain data that the CVB could use to better communicate its results and performance to stakeholders.

# Summary of Key Recommendations

- Metro should create a Board of Directors (Board) as a single governing body that is exclusively responsible for the overall conduct and operation of the CVB. In addition, the Board should be charged with monitoring the CVB's use of revenue from the hotel/motel tax.
- Major duties of the Board should include: (1) Ensuring the development of a well-defined mission statement, (2) Developing performance measures for the CVB, (3) Monitoring achievement of the performance measures, (4) Hiring, in conjunction with the Mayor, the Executive Director of the CVB, and (5) Establishing committees to advise the leadership of the CVB on all major areas of operations, strategic planning and financial matters.
- The Board should substantially improve the level of oversight and accountability of the CVB. Under the Board, the CVB could continue to contract with the Chamber for certain administrative services but should obtain its own appropriate designation as a non-profit organization.

# Summary of Key Recommendations

- The CVB should take the lead in developing a consistent methodology to estimate the economic impact of events. The CVB should work to create a consensus with Metro and industry representatives on the approach to monitor and document reported economic impact and more actively communicate the information to stakeholders and the community.
- The CVB should improve and increase communication with the community and stakeholders regarding its activity and performance. To help accomplish this, the CVB should develop a convention calendar that includes contact information for groups coming to the city. Additionally, the CVB should conduct monthly or bi-monthly informational forums open to all stakeholders and the public.
- Most peer CVBs outsource their publications and advertising sales. The Nashville CVB should explore the merits of outsourcing its publications by completing a cost/benefit analysis to determine if it could realize additional revenue from advertising.

**In Order to Have a Better Understanding of the Context and Information Used to Develop These Recommendations, It Is Important to Read the Full Audit Report Which Can Be Found at**

**[WWW.NASHVILLE.GOV](http://WWW.NASHVILLE.GOV)**



## **MEDIA ADVISORY**

*Office Of The Mayor*

Metropolitan Government of Nashville and Davidson County  
107 Metropolitan Courthouse, Nashville, TN 37201  
Phone: (615) 862-6000 • Fax: (615) 862-6040

FOR IMMEDIATE RELEASE  
February 25, 2002

For further information, contact:  
Ava Philson, 862-6010

### **Purcell announces plans to boost tourism**

Mayor Bill Purcell today committed to boosting Nashville's tourism marketing funds next year, naming a director of tourism for Metro, and conducting a cost/benefit study of expansion or relocation of the convention center.

Purcell announced the steps at the Mayor's Travel and Tourism Summit following a presentation of performance audits and industry views to civic and business leaders at the Country Music Hall of Fame.

"I will promise now to do whatever a mayor can do to make 2003 the year we all look to as the start of what I hope will be the strongest period of shared success in our history," Purcell said.

The performance audit of the Nashville Convention and Visitors Bureau by KPMG presented at the Summit gave the organization good marks for its efforts, but recommended the creation of a new Metro board to oversee CVB operations and improve accountability.

Purcell said he would use the creation of a new Tourism Commission to provide \$2 million in one-time marketing funds that would be matched by the industry. The additional funds would represent a 50 percent increase in funds available to the CVB for the promotion of Nashville's attractions and expansion of outreach.

The mayor said he will establish a Working Group on Tourism to work through the details of the creation of the Tourism Commission. He said he wants the commission to be staffed by a new Director of Tourism.

The CVB audit was conducted in conjunction with an audit of the Nashville Convention Center. The convention center audit recommended a comprehensive cost/benefit analysis prior to considering any expansion or construction of additional space.

"Nashville's current infrastructure would be challenged to adequately accommodate a major expansion or new facility," the audit said, "and it is likely that a new convention hotel would need to be built in conjunction with any new or expanded space."

Mayor Purcell said he would accept the audit recommendations as the first steps toward boosting Nashville's travel and tourism industry for the future. He said the new Tourism Commission will lead the study of the convention center.

Purcell called for the Travel and Tourism Summit last August in response to economic concerns voiced within the industry. Following Purcell's lead, owners and operators within the industry worked to develop information and priorities to be brought to the Summit.

Sandra Fulton, former Tennessee Commissioner of Tourism and former chairman of the Travel Industry Assn. of America, now a member of the Metro Tourism and Convention Commission, chaired the Summit.

"The Mayor called for a Summit to examine the challenges, as well as the opportunities, that exist in this city regarding our ability to take advantage of the potential economic impact deliverable by this business sector," Fulton said.

The Summit included the presentation of a report gathered from the insights of more than 200 industry professionals through a series of focus groups and a day long meeting hosted January 21 by the Nashville Convention and Visitors Bureau.

Purcell promised to continue to focus on improvements to downtown Nashville and said he would look at the creation of tax incentives to promote downtown residential developments. He said a Downtown Traffic Plan and Streetscape Plan will be released in the next month. He also reiterated his desire for the construction of an Arts High School beside the Bicentennial Mall on Jefferson Street.

"This is a partnership involving the whole city," Purcell said. "Nashville is Music City, USA. It is the home of the Grand Ole Opry and the Ryman, Gaylord's Opryland Hotel and the Hermitage, the Titans, and the Predators and the Sounds, Fan Fair and the Country Music Marathon, Fort Negley and the Frist, the Country Music Hall of Fame and Tootsie's Orchid Lounge."

"Nashville is the safest and friendliest big city in the world," Purcell concluded, "and we are going to be telling people all about these and other attractions in the years ahead because Nashville has a lot to offer and they need to know it."

###



**Performance Audit of the Nashville Convention  
Center and the Nashville Convention &  
Visitors Bureau**

Final Report  
February 2003



**Performance Audit of the Nashville Convention Center and the  
Nashville Convention & Visitors Bureau**

<b>1</b>	<b>Report Letter</b>	<b>1</b>
<b>2</b>	<b>Introduction</b>	<b>3</b>
<b>3</b>	<b>Performance Audit of the Nashville Convention Center</b>	<b>6</b>
<b>4</b>	<b>Performance Audit of the Nashville Convention &amp; Visitors Bureau</b>	<b>48</b>





February 2003

Ms. Kim McDoniel  
Audit Manager  
Metropolitan Government of Nashville and Davidson County  
222 3<sup>rd</sup> Avenue North, Suite 401  
Nashville, Tennessee 37201

Dear Ms. McDoniel:

Per our agreement dated September 3<sup>rd</sup>, 2002, we have completed our performance audit of the Nashville Convention Center (Convention Center) and the Nashville Convention & Visitors Bureau (Nashville CVB). The report presented herein includes the summary of findings and principal conclusions from our procedures related to these respective entities.

The accompanying report was prepared for use by the Metropolitan Government of Nashville and Davidson County (Metro) for its consideration of plans to improve the overall efficiency of operations of the Convention Center and the Nashville CVB. Notwithstanding these limitations, it is understood that this document is subject to public information laws and, as such, can be made available to the public. Neither this report, nor any portion thereof, may be used for any other purpose without the prior written consent of KPMG LLP.

The findings contained in the report reflect analysis of primary and secondary sources of information. We have utilized sources that are deemed to be reliable but cannot guarantee their accuracy. Moreover, estimates and analysis regarding the project are based on trends and assumptions and, therefore, there will usually be differences between the estimated and actual results because events and circumstances frequently do not occur as expected, and those differences may be material. We have no obligation, unless subsequently engaged, to update this report or revise this analysis as presented due to events or conditions occurring after the date of this report.

We have enjoyed working on this engagement and our relationship with Metro and look forward to the opportunity to provide you with continued service.

Sincerely,

**KPMG LLP**



**Performance Audit of the Nashville Convention Center and the  
Nashville Convention & Visitors Bureau**

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## Introduction

The Metropolitan Government of Nashville and Davidson County (Metro) currently owns several public assembly facilities including the Nashville Municipal Auditorium (NMA), Greer Stadium, the Nashville Convention Center (Convention Center) and the Tennessee State Fairgrounds. In addition, Metro, through its component unit, the Metro Sports Authority, also owns the Gaylord Entertainment Center (GEC) and the Nashville Coliseum.

Like many governmentally owned and operated facilities, the issues associated with market opportunities, competition regionally and nationally, changing economics of various touring products, age of facilities and user needs/requirements dictate an ever evolving set of operating conditions and approaches. When these market concerns are coupled with financial obligations for operations, capital debt and on-going need for improvements and repairs to facilities, many organizations and business models are stressed.

KPMG LLP was retained by the Internal Audit Section of the Finance Department of Metro to conduct a performance audit of several of its public assembly facilities including the GEC, the NMA and the Convention Center. Largely funded by a portion of the 5% hotel/motel tax, the Nashville Convention & Visitors Bureau (Nashville CVB) plays an integral role in marketing the City as a destination. Because this organization has significant interaction with Metro's public assembly facilities, particularly the Convention Center, it is also included in the analysis. For these entities, the focus is both on their individual performance in key areas as well as their interaction with one another, particularly with respect to marketing efforts.

Metro owns the GEC, the NMA and the Convention Center either directly or through the Metro Sports Authority. While the NMA and the Convention Center are operated through municipal management, the GEC is privately operated by Powers Management LLC under an operating and management agreement with the Metro Sports Authority.

This analysis focuses specifically on the operations of the Convention Center and the Nashville CVB. For the Convention Center, this analysis addresses aspects such as commission structure, organizational structure and staffing levels, mission statement, marketing efforts, rate structures, major contractual arrangements, utilization, financial operating results, and capital improvement planning. For the Nashville CVB, areas such as staffing levels, the marketing plan, the amount of funding, and allocation of resources (i.e. personnel and financial) are analyzed. This information will serve as the basis for the benchmarking analysis and ultimately the recommendations.



Although studies have been conducted relative to expansion of the Convention Center, it is important to recognize that this analysis does not specifically address the issue of expansion but focuses on understanding the operations at the facility as it currently exists.

The operations of the Convention Center and the Nashville CVB are complex. Due to the varying nature of these facilities and specific issues being addressed, each entity is presented as a separate section of the report.

Each section in the report includes a review and analysis of the current operations of the facility or organization that provides a basis for the key findings and recommendations. In addition, several operating characteristics appropriate for each specific entity are compared to other facilities or organizations that operate in a similar market and/or have a similar function in order to provide perspective in key areas of operation. For the Convention Center, aspects such as staffing levels, utilization and financial performance are benchmarked whereas for the Nashville CVB, factors such as staffing levels, hotel occupancy rates and budget allocation are compared. This benchmarking analysis, along with other methods used to analyze the individual entity's activity and performance, allows for a thorough overview and assessment of each organization.

Because it is important to give the reader a clear understanding of the process used to assess operations of these entities, there may be some redundancy in wording among different sections of the report.



**Performance Audit of the Nashville Convention Center and the  
Nashville Convention & Visitors Bureau**

<b>1</b>	<b>Report Letter</b>	<b>1</b>
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## **Performance Audit of the Nashville Convention Center**

This section of the report outlines the operating components of the Convention Center. In this section of the report, a detailed analysis and review of the current operations of the Convention Center was conducted to provide a basis for the performance audit as well as the recommendations. The overview of current operations summarizes the following:

- Summary of key conclusions and recommendations
- Description of facility
- Commission structure
- Organizational structure and staffing levels
- Mission statement and booking policy
- Marketing efforts
- Facility rental rates
- Utilization
- Financial performance
- Economic impact
- Major third party contracts
- Capital improvement planning

As part of the evaluation, various operating characteristics for the Convention Center such as staffing levels, utilization and financial performance are compared to other facilities that operate in a similar market and/or have a similar function in order to provide context in key areas of operations.

An analysis of comparable facilities in other markets is a useful step in measuring the overall performance of the Convention Center. Analyzing peer facilities can offer a good frame of reference for certain performance indicators such as the number of events and attendance at those events as well as financial performance.

For purposes of this analysis, profiled facilities were chosen based on one or more of the following criteria:

- Located in markets similar in size to Nashville;
- Offer similar components to the Convention Center in terms of exhibit and meeting/ballroom square footage;
- Host similar event activity; and
- Availability of information (i.e. privately owned and operated facilities are not required to disclose any information relative to their business operations).



Based on this criterion, the following facilities were chosen to profile:

- Charlotte Convention Center in North Carolina
- Tampa Convention Center in Florida
- Kentucky International Convention Center in Louisville
- Oregon Convention Center in Portland
- Austin Convention Center in Texas
- Memphis Cook Convention Center in Tennessee
- Myrtle Beach Convention Center in South Carolina

The table that follows summarizes various facility and market characteristics for the profiled facilities listed above. It is important to understand the market size and building programs of these facilities.

### Select Facility and Market Characteristics for Peer Facilities

Facility	Nashville Convention Center	Charlotte Convention Center	Tampa Convention Center	Kentucky International Convention Center	Oregon Convention Center	Austin Convention Center	Memphis Cook Convention Center	Myrtle Beach Convention Center	Average of Comparables
Location	Nashville, TN	Charlotte, NC	Tampa, FL	Louisville, KY	Portland, OR	Austin, TX	Memphis, TN	Myrtle Beach, SC	
<i>Facility Characteristics</i>									
Owner	Metro Nashville	Charlotte Auditorium-Coliseum-Convention Center Authority	City of Tampa	State of Kentucky	Metro, a Tri-County Regional Government	City of Austin	City of Memphis and Shelby County	City of Myrtle Beach	
Operator	Metro Nashville	Charlotte Auditorium-Coliseum-Convention Center Authority	City of Tampa	Kentucky State Fair Board	Metropolitan Exposition-Recreation Commission	City of Austin	SMG	City of Myrtle Beach	
<b>Number of Hotel Rooms</b>	<b>32,400</b>	22,700	19,500	14,200	17,500	17,500	20,500	30,000	<b>20,300</b>
<i>Building Program</i>									
Exhibit Space (SF)	<b>118,700</b>	280,000	200,000	191,000	150,000	126,000	125,000	100,800	<b>167,500</b>
Meeting/Ballroom Space (SF)	<b>48,000</b>	92,200	79,400	95,200	53,200	49,400	38,700	31,300	<b>62,800</b>
Breakout Rooms	<b>25</b>	45	36	50	28	29	21	17	<b>32</b>
<i>Market Characteristics</i>									
MSA Population	<b>1,249,900</b>	1,524,600	2,420,500	1,031,400	1,948,300	1,280,000	1,145,200	200,600	<b>1,364,400</b>
DMA Population	<b>2,265,000</b>	2,447,100	3,744,000	1,549,800	2,786,300	1,403,800	1,775,300	651,100	<b>2,051,100</b>
Median Household EBI	<b>\$44,300</b>	\$40,800	\$34,400	\$39,100	\$43,000	\$43,400	\$37,800	\$31,100	<b>\$38,500</b>

Notes: MSA denotes Metropolitan Statistical Area.

DMA denotes Designated Market Area which is commonly known as the media market.

Median Household EBI denotes Median Household Effective Buying Income.

Numbers are rounded to the nearest hundred.

Sorted in descending order by exhibit space.

In order to be consistent, the building program for the Austin Convention Center reflects the square footage prior to the expansion, which opened in May 2002. The expanded center now includes 246,100 square feet of exhibit space, 66,700 square feet of ballroom space and 54,700 square feet of meeting space, which provides 47 breakout rooms.

Building program shown for the Nashville Convention Center includes the ballroom space at the Renaissance Nashville Hotel, which is connected to the Convention Center. However, this figure excludes the meeting space at the Renaissance Nashville Hotel.

Memphis Cook Convention Center is owned jointly by the City of Memphis and Shelby County. The building program does not represent expansion which occurred in 2003.

The average for the comparable facilities does not include Nashville Convention Center data.

Sources: 2001 Sales and Marketing Management Survey of Buying Power; Individual facility management.



Like the Convention Center, all the peer facilities are publicly owned and the majority are publicly operated. The Memphis Cook Convention Center is operated by SMG, a private management company. The Charlotte Convention Center is operated by the City of Charlotte's Auditorium-Coliseum-Convention Center Authority.

Profiled peer facilities offer an average of approximately 167,500 square feet of exhibit space and 62,800 square feet of meeting/ballroom space with 32 breakout rooms. The average market size as measured by the Metropolitan Statistical Area (MSA) is nearly 1.4 million people while the average media market or Designated Market Area (DMA) is approximately 2.1 million people. The median household Effective Buying Income (EBI) for the profiled markets averages nearly \$38,500, which is less than that of the EBI of the Nashville MSA (\$44,300). In addition, the peer facilities offer an average of approximately 20,300 hotel rooms in the community.

Nashville is unique among the peers in that the Convention Center serves as the secondary convention facility in the Nashville market. When the Gaylord Opryland Resort and Convention Center (Opryland Hotel) exhibit space and meeting/ballroom space are added to the Convention Center's, Nashville has over 407,000 square feet of exhibit space and nearly 240,000 square feet of meeting/ballroom space. This is more than double the amount of exhibit space and more than triple the amount of meeting/ballroom space than the average of the comparable peer facilities.

This benchmarking process, along with the other methods used to analyze the facility's activity and performance allows for a thorough overview of the Convention Center's operations which serves as the basis for the key findings and recommendations.





## Summary of Key Conclusions and Recommendations

The following provides a summary of our key conclusions and recommendations regarding the Convention Center. In order to have a better understanding of the context and information used to develop these recommendations, it is important to read this entire report.

- The Metro Convention Center Commission (MCCC) is very active in its oversight and advisory role to the facility. It assists facility management in setting policy and formulating strategic plans.
- Metro should develop a formal system by which the MCCC periodically engages in self assessments which can review and clarify Commission member roles and responsibilities, measure progress of current goals and objectives as well as outline strategies for future operations.
- The mission statement for the Convention Center focuses on generating economic impact to Nashville and the surrounding region, which the booking policy supports through its prioritization of events. It is important to recognize that events that generate economic impact to the community may not result in positive financial performance for the Convention Center, particularly given the competitiveness of the convention and meetings industry. Based on its mission statement, Convention Center management should continue to focus its primary marketing efforts in attracting events that generate economic impact.
- Typically there is pressure on most publicly funded assets to operate with a high degree of fiscal responsibility. Although the Convention Center's mission statement does not reflect realizing positive financial operating results as one of its objectives, the MCCC has a strong focus on the financial performance of the facility, which may impact decisions made by the management team.
- It is recommended that the MCCC evaluate its focus to ensure that it is consistent with the mission statement and operating objectives of the facility - maximizing events at the facility that generate economic impact to the region even if they do not result in a financial profit to the facility.
- In terms of exhibit square footage, the Opryland Hotel serves as the primary convention facility and the Convention Center serves as the secondary facility in the market. Depending on the event and the group requirements, these two facilities compete for events and attendance. Each facility has its advantages and both offer a headquarters hotel property and a ballroom. Given its corporate structure, Opryland Hotel utilizes significant resources to market its facility. It also has the ability to control exhibit/meeting space and room rates. Although this performance audit specifically focuses on the operations of the Convention Center, the Opryland Hotel is an important element that needs to be considered when discussing the convention package offered in Nashville and the performance of the Convention Center.



- Overall, the Convention Center is a well-operated facility. The facility hosts a variety of events including conventions, tradeshows, consumer shows, meetings/seminars and other civic and community events. Based on an analysis of event activity at peer facilities, the Convention Center compares favorably, especially in terms of the total number of events.
- Convention centers typically generate economic impact by hosting conventions, tradeshows and other activities that draw patrons from outside of the area. The percentage of total attendance at the Convention Center generated from convention and tradeshow activity has steadily increased over the last three fiscal years from 35% in FY 2000 to 42% in FY2002 and is consistent with the average for the peer facilities.
- The majority of stand-alone convention centers typically realize an operating deficit. The operating loss at the Convention Center is one of the lowest among the peer facilities. Unlike the situation at the Convention Center where the Renaissance Nashville Hotel realizes the revenue from the ballroom, the financial information for the peer facilities that contain ballrooms includes this revenue stream. Consequently, the operating deficit for the Convention Center reflects even more favorably to the peer facilities.
- Most of the facilities in the competitive set serve as the primary convention center in the market. Consequently, the performance indicators for the Convention Center are particularly positive given the direct competition from the Opryland Hotel and the large amount of exhibit and meeting/ballroom space in Nashville relative to the peer facilities.
- The Convention Center has fewer budgeted, full-time equivalent positions than most of the peer facilities. This is, in part, due to the fact that the Convention Center contracts out for certain services that other peer facilities perform in-house. In addition, in the case of many of the peer facilities, their local CVB serves as their primary marketing arm which typically would require those peer facilities to employ fewer personnel in that area. Consequently, the Convention Center appears to be maximizing its human resources.
- Services performed in-house and outsourced should be periodically reviewed and evaluated to determine if additional financial efficiencies can be achieved while still operating the facility in a first-class manner.



- There is a difference in perception between facility management at the Convention Center and the GEC regarding the ability to book activity at the GEC in the long-term. Convention Center management indicated that it is limited in its ability to book the facility due to the needs of the NHL Nashville Predators. However, GEC management indicated it has some flexibility to reserve long-term date requests for events that generate significant economic impact. This miscommunication regarding the GEC's availability of scheduling events in advance needs to be clarified in order for these two entities to work well together to maximize the usage of both facilities jointly in attracting events that maximize economic impact. When combined with exhibit space of the GEC's arena floor, the Convention Center and the GEC offer approximately 160,000 square feet of exhibit space which can penetrate a larger market than the Convention Center's space alone. This should be used as a marketing tool for enhancing events and creating another target market to which the facility could market. According to facility management, the GEC and the Convention Center have historically co-hosted two to three events per year.
- While Convention Center management tracks lost business, it should evaluate, refine and improve its system to better reflect the reasons for lost business. By doing so, it will provide a more effective tool for management to understand whether these reasons are controllable or non-controllable factors.
- Currently the Convention Center operates an independent accounting and facility management software system that does not electronically interface with the accounting systems of Metro. Facility management indicates its software package is necessary in the operation of the facility and that the Metro system does not meet the needs of the Convention Center. Maintaining two similar accounting and facility management software systems has the potential of creating additional workload and increasing the possibility of errors. Metro and the Convention Center should explore ways to minimize the duplication of efforts and the potential for error that is caused by operating two separate accounting and facility management systems.
- The Convention Center currently does not reconcile its internally prepared statements of operating revenue and expenses with the annual audited financial statements of Metro. Differences between the internally generated statements of operating revenues and expenses and the operating revenues and expenses as reported in Metro's audited Comprehensive Annual Financial Report ranged from \$187,000 to \$606,000 over the past three years. In each of the three years, the net loss reported in Metro's audited financial statements was larger than the net loss reported by the Convention Center. The amount and nature of these reporting differences should be clearly reported to the Commission.



A study analyzing the long-term convention facility needs of the Nashville market was completed in March of 2001 for the Metropolitan Convention Center Commission. Although there has been much discussion concerning the need for an expanded or new Convention Center to serve Nashville, this performance audit focuses on the overall operating performance of the existing Convention Center. Although no analysis was conducted relative to the operational or financial feasibility of a new or expanded convention center during this audit, several observations surfaced that should be considered when evaluating the merits of expansion or construction of a new convention center in Nashville. These include, but are not limited to, the following:

- One objective for expanding or constructing a new convention center is to attract incremental new events to the market. It is important to recognize that expanding the current Convention Center or constructing a new facility would potentially create a greater competitive environment with the Opryland Hotel.
- In order to fundamentally change the mix of business in the Nashville market, any expanded or new facility would need to be significantly larger than the Opryland Hotel.
- While there is likely demand for events that require larger exhibit space, it appears that there is additional market share available that the existing Convention Center could penetrate without expansion.
- The demand for additional exhibit, meeting and/or ballroom space would need to be clearly demonstrated. Some ways to assist in determining the potential demand include gaining an understanding of the number and size of groups that have outgrown or plan to outgrow the existing space at the Convention Center. In addition, lost business reports should be designed to capture those potential clients who are considering Nashville as a destination but are unable to come to Nashville due to the amount of its existing space.
- Meeting planners consider many factors when selecting a destination and facility to host their event including cost, air access, entertainment and attractions, committable hotel room blocks and hotels within walking distance of the convention facility. Nashville's current infrastructure would be challenged to adequately accommodate a major expansion or construction of a new convention center, particularly when compared to the attributes offered in markets that have significantly larger convention facilities. In addition, it is likely that a new, convention quality hotel would need to be built in conjunction with any new or expanded space in order to be competitive with the packages offered in other markets. Metro should consider these factors associated with the existing infrastructure when evaluating the merits of expansion or new construction of convention center space.
- Providing a larger convention facility either through expansion or new construction alone, in and of itself, would not bring new events to the facility. An aggressive marketing effort would need to be implemented to enable the facility to capture its potential demand particularly given the competition that exists within the Nashville market and that which would occur nationally with a larger facility.



- Based on changes in the marketing strategy and the anticipated increase in convention/tradeshaw activity, additional funding over historical amounts would likely be required by the facility and the CVB in order to adequately market the facility.
- The site for any new convention facility would be a critical factor to evaluate. It would need to be adequate in terms of visibility, access and egress, hotel accommodations, restaurants, entertainment, parking, safety and other similar issues in order to be competitive.
- With any new construction, an important issue that needs to be determined is the future reuse of the existing Convention Center. It is unlikely that the market can adequately support three convention facilities. Consequently, Metro would need to consider any potential costs (i.e. demolition) as well as any potential benefits that occur (i.e. increase tax revenues if the future use is added to the tax roll). In addition, any impact to the Renaissance Nashville Hotel would also need to be evaluated.
- Prior to expansion or new construction of additional space, Metro should conduct a cost/benefit analysis in order to gain a thorough understanding of its anticipated return on investment. This analysis should include an estimate of the incremental new economic and fiscal benefits to the community compared to the anticipated capital cost and on-going operating expenses of any expanded or new facility.
- The total hotel room, sales, restaurant, and car taxes in Nashville are relatively high compared to other similar markets. Increasing the total tax on hotel rooms to fund capital costs associated with expansion of the existing facility or construction of a new convention center could potentially have a negative impact on the marketability of Nashville as a destination as well as the overall success of any expanded or new facility.
- As previously recommended, management at the Convention Center and the GEC need to enhance their current working relationship in order to further maximize event activity in the community. One potential short-term alternative to expansion or new construction is to better utilize the space available at the GEC. The arena floor provides approximately 43,000 square feet of exhibit space which when used in conjunction with other areas of the GEC (i.e. the concourses) and the Convention Center offers potential users significantly more space. Although there are certain scheduling considerations with the Predators and other events held at the GEC, this appears to be an area that could be improved, particularly in the short-term.
- Although aesthetic improvements could be made that might improve the marketability of the Convention Center, there do not appear to be any inherent physical or structural limitations that might challenge the marketability of the facility as it currently exists.



## **Description of Facility**

Located in downtown Nashville, the Convention Center opened in January 1987. The Convention Center markets to trade shows and conventions, corporate meetings, consumer shows, and food & beverage functions.

Including lobbies, meeting rooms and exhibit halls, the facility contains approximately 190,000 square feet of rentable space. Level one of the Convention Center contains the facility's main exhibit hall measuring 118,675 square feet. Throughout the facility there is approximately 30,000 square feet of meeting room space. Lobbies occupy approximately 41,000 square feet. The facility contains a limited service kitchen.

The Convention Center is connected via a climate-controlled underground walkway to the GEC. The GEC's main bowl features approximately 43,000 square feet of exhibit space. The seating capacity at the facility is approximately 20,000 for concerts. The concourses can also be utilized as exhibit space for events. The GEC also offers approximately 6,000 square feet of meeting rooms.

The facility is also connected to the Renaissance Nashville Hotel which is a AAA rated four-diamond property containing 673 rooms on 25 floors. In addition, the Renaissance Nashville Hotel offers various meeting/ballroom space including an 18,000 square foot ballroom which services many of the convention and tradeshow groups that utilize the Convention Center. The Renaissance Nashville Hotel was constructed to serve as the Convention Center's headquarter hotel. The Convention Center and Renaissance Nashville Hotel frequently coordinate sales efforts to jointly market their space and ancillary services to potential clients.

Generally, the Convention Center generates revenue by renting exhibit and meeting space within the facility and charging for ancillary services including, but not limited to, food & beverage, audiovisual, telecommunications, utility services, staging equipment, security, emergency medical technicians and refuse disposal. Any portion of the Convention Center's expenses that are not covered by its revenue are subsidized by a local area hotel/motel tax.



## Commission Structure

The Metro Convention Center Commission (MCCC) was created in June of 1985 by virtue of the Metro Ordinance number 085-794. The MCCC is the governing body of the Convention Center. The MCCC is charged with the responsibility of managing, operating and promoting the Convention Center. It formulates the policies and establishes fees and charges necessary to manage the Convention Center. Its duties and responsibilities include the employment of the Director and the ability to contract any or all services necessary to perform the Convention Center functions. The MCCC is also responsible for providing a quarterly report to Metro Council concerning the operations of the facility as well as approval of the annual budget of the facility prior to submission to the Metro Director of Finance.

The MCCC consists of 13 voting members appointed by the Mayor and confirmed by a majority of the Metro Council. According to the Metro Ordinance, one member shall have experience in the hotel/motel industry, one shall have experience in the tourism industry, one shall have experience in finance, one shall have experience in construction, architecture or engineering, and one member shall be experienced in association or organizational management. The term of each member shall be for three years in duration. Members are eligible for re-election. In accordance with the MCCC bylaws, the Chairperson of the Metro Tourism and Convention Commission, which serves as the oversight body of the Nashville CVB, serves as an ex-officio member of the MCCC.

The MCCC currently consists of the following members:

	Original Appointment Date	Term Expiration Date
John E. Barker	August 19, 1997	June 7, 2003
Cyrus L. Booker	January 7, 1992	June 7, 2004
Irwin E. Fisher	February 4, 1997	June 7, 2005
Burton H. Hummell	September 7, 1993	June 7, 2005
Thomas H. Lee	June 20, 2000	June 7, 2003
Denise McBride	June 20, 1995	June 7, 2004
William E. McDonald	June 20, 2000	June 7, 2003
Mark North	October 20, 1998	June 7, 2003
Randy Rayburn	July 6, 2000	June 7, 2003
Susan W. Simons	September 19, 2000	June 7, 2003
Robert P. Thomas	February 6, 2001	June 7, 2004
Quenton I. White	August 20, 2002	June 7, 2005
Russell Willis	August 20, 2002	June 7, 2005
Pam Martin		

Notes: As Chairperson of the Metro Tourism and Convention Commission, Pam Martin is an ex-officio member of the MCCC without voting rights.

Thomas Lee serves as the Commission Chairman.

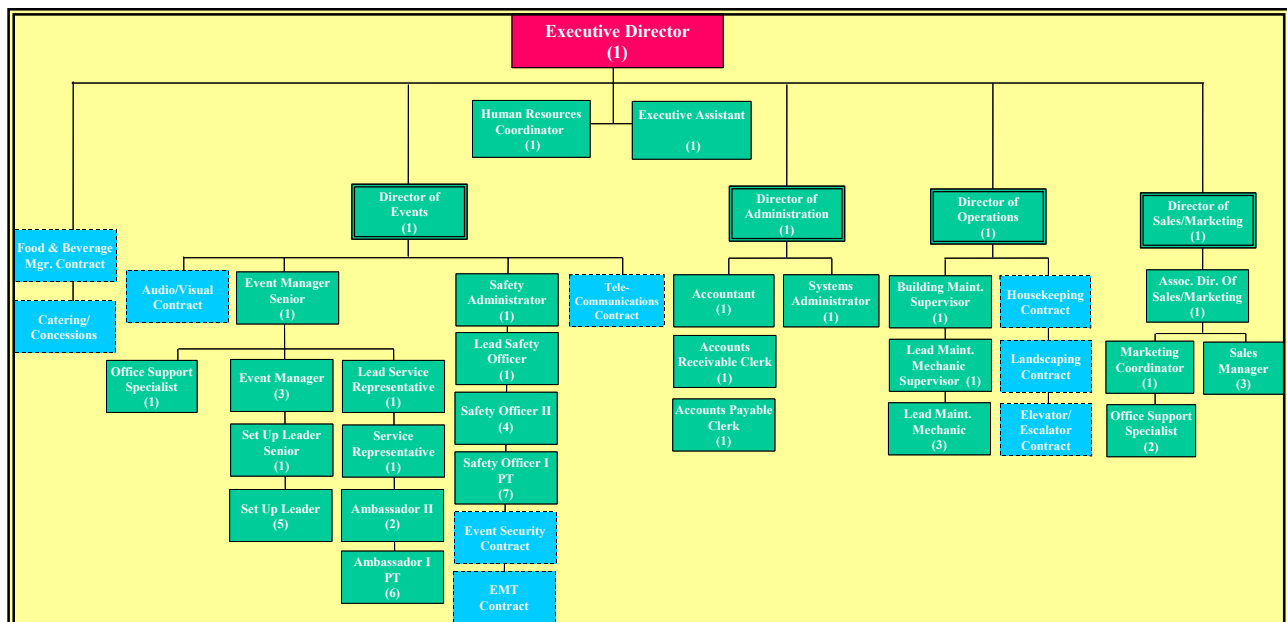
Source: Nashville Convention Center.

## Key Findings

- The governance structure of a public asset is an important factor in facility operations because it should play a significant role in oversight, establishing and administering policy and maintaining accountability for the facility in order to be effective.
- As the governing body of the Convention Center, the MCCC is responsible for the management, operation, and promotion of the facility. The roles and responsibilities of the MCCC are well-defined and clearly communicated to its members.
- The MCCC is an effective governing body which maintains an active role in the strategic planning for the facility including actively providing assistance in formulating operational and capital budgets and assisting in preparing a master plan that prioritizes both short and long-term facility projects for the Convention Center based on need and a cost/benefit analysis. The MCCC has formed several committees that focus on various aspects of the Convention Center’s operations such as marketing and policy. In addition, the MCCC is very focused on the financial performance of the facility.
- The role and reporting frequency of the MCCC to Metro Council appears appropriate.
- Convention Center personnel and the MCCC interact well with the Nashville CVB with respect to the communication of Convention Center policies and operational changes at the Convention Center.

## Organizational Structure and Staffing Levels

The chart below depicts the organizational structure of the Convention Center.



Source: Nashville Convention Center.





As indicated in the table, the Executive Director position has four direct reports in addition to overseeing the functions of human resources and managing the food & beverage contract. The Director of Events has two direct reports and manages both the audio/visual contract and the telecommunications contract. The Director of Administration also has two direct reports including the accounting function and the systems administration. The Director of Operations is responsible for the housekeeping contract and has one direct report. The Director of Sales/Marketing has one direct report and is responsible for a sales/marketing and support staff of seven full-time employees.

As of September 30, 2002, there were 44 full-time and 13 part-time positions at the Convention Center. At the time of this report, three of the full-time and three of the part-time positions are vacant. The Director of Sales/Marketing was recently filled and the individual began employment on February 1, 2003. Consequently, there are currently 41 full-time and 10 part-time employees at the Convention Center.

Although staffing requirements and subsequent salaries and wages typically represent a significant expense for a convention center facility, an analysis of comparable facilities throughout the country indicates that the permanent full-time staffing plans vary based on several factors such as the management philosophy of maintaining event-related personnel as full-time or part-time staff, whether the facility is stand-alone or part of a complex, the union labor atmosphere as well as the extent of contract services versus providing services such as concessions, janitorial cleaning and security in-house.

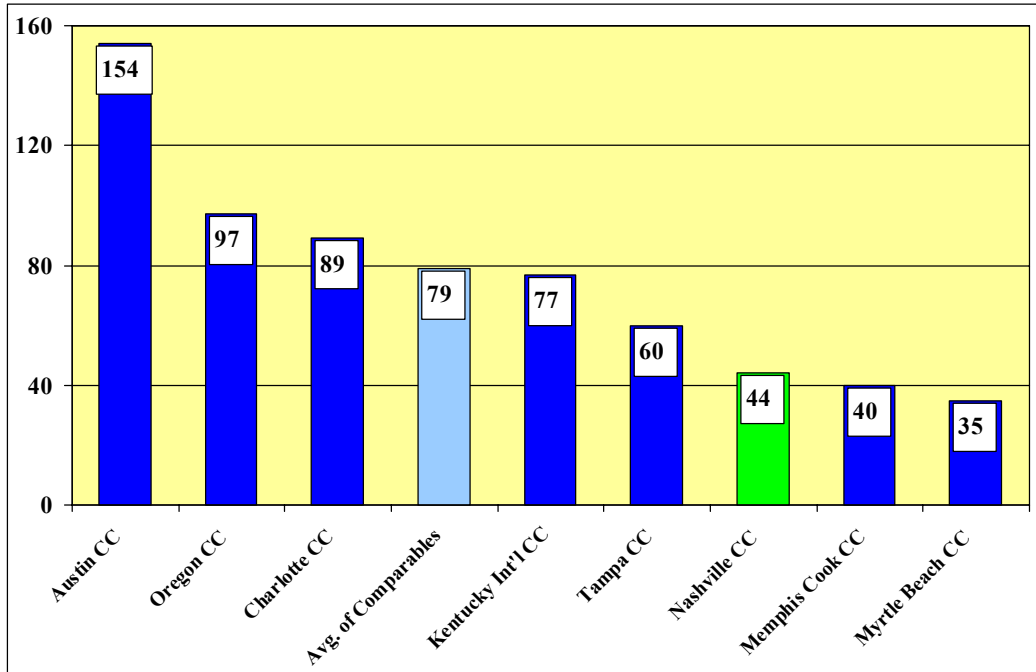
#### *Key Findings*

- The existing organizational structure at the Convention Center conforms to industry practices and allows for segmentation of key operational functions.
- The span of control at the Convention Center appears adequate and staffing resources appear to be allocated appropriately.
- Each of the director positions appears to have an appropriate number of direct reports yet there does not appear to be too many layers of management.



The following graph illustrates the number of budgeted full-time employees at select peer facilities.

**Full-Time Staffing Levels Budgeted at Profiled Peer Facilities**



Notes: Staffing levels reflect the number of budgeted, full-time equivalent positions sorted in descending order.  
The average of comparable facilities does not include the Convention Center.  
Source: Individual facility management.

- With 44 budgeted full-time employees, the Convention Center along with the Memphis Cook Convention Center and the Myrtle Beach Convention Center have the lowest number of budgeted, full-time equivalents among the profiled peer facilities. This variance is primarily attributable to the Convention Center contracting more services to third party providers when compared to the profiled peer facilities. A comparison of the major services provided in-house versus outsourced at the peer convention centers is found later in this section of the report.

### **Mission Statement and Booking Policy**

It is important for a facility’s mission statement to clearly outline the goals of the facility and the expectations of facility management. According to facility management, the following serves as the mission statement of the Convention Center:

*“It is the mission of the Nashville Convention Center to generate economic impact in Nashville and Middle Tennessee through the presentation of well-serviced events.”*



High economic impact events, defined as those utilizing major blocks of hotel rooms in more than one hotel, always receive date priority over medium to low economic impact events or events which do not utilize a major hotel room block. Convention Center management reserves the right to determine if an event qualifies as high, medium or low impact.

Convention centers typically book events and lease space many months if not years in advance. Convention Center management has instituted the following policies relative to issuing event leases.

- Leases for public consumer shows will not be issued more than 14 months in advance of the event date.
- Leases for Designated Annual Events will be issued 18 months in advance.
- Leases for private convention/tradeshows (high economic impact) will not be issued more than 24 months in advance of the event dates.
- Leases for all other types of private events (low economic impact) will not be issued more than 12 months in advance of the event dates.

Prior to lease issuance, the Convention Center may enter into a Letter of Commitment or a Letter of Understanding with the client. All requests for dates at the Convention Center will be considered tentative until such time as a signed Letter of Commitment or Lease Agreement with deposit has been received.

The Convention Center also holds space by issuing either a letter of understanding or a letter of commitment in accordance with the following table:

<u>TIME FROM PRESENT</u>	<u>MINIMUM SPACE FOR BOOKING</u>
0 – 1 ½ Years (18 months)	No minimum amount
1 ½ - 3 Years	1/3 of the Total Exhibit Hall
3 Years & Beyond	2/3 of the Total Exhibit Hall

In the event of a cancellation of leased space by the lessee more than 90 days in advance of an event, the Convention Center is entitled to the “minimum rent” as liquidated damages and not as penalty. Any amounts paid by Lessee to the Convention Center, including the security deposit, may be applied by the Convention Center toward this amount. For purposes of this policy, minimum rent is equal to the rent that would have been due under the agreement.

In the event of a cancellation of leased space by the Lessee, less than 91 days prior to the event, the Convention Center may declare the “entire rent” due and payable as liquidated damages and not as penalty. For purposes of this policy, the “entire rent” is equal to the minimum rent plus any anticipated revenue that would have been received from items such as food & beverage.



Conventions and tradeshow have priority for all dates other than those used for and/or designated as “annual” public events by the MCCC. The MCCC, at its sole discretion, will allocate Convention Center usage for annual public shows.

A show manager/producer requesting annual public event designation must meet the following criteria:

- Must have produced the event in the Convention Center for a minimum of two consecutive calendar years.
- Must rent the entire exhibit floor (three halls) at the effective rate.

The MCCC will designate up to a maximum of five public shows and/or private tradeshow/conventions with majority local attendance derived from within a 50-mile radius or without a major hotel room block that will receive annual status under the following provisions:

- No more than one designated annual event per month.
- The designated annual event may secure first-option dates up to five years in advance of the event.
- The Convention Center may move the first-option dates by two weeks.
- Dates cannot be made firm until 18 months in advance of the event.
- No more than two move-in days will be assigned to any designated event until six months prior to the first day of the event. At six months, designated annual event producers may buy an additional move-in day for a total of three move-in days provided those days are available.
- In conjunction with using the entire exhibit floor, designated annual events will be limited to available first floor meeting rooms only.

Currently, the MCCC has designated the following four shows as annual public events:

- The Boat Show
- The Antique and Garden Show
- The Southern Women’s Show
- The Home Decorating and Remodeling Show

Date reservations for all other public shows and private low economic impact tradeshow/conventions without major room blocks not designated as an annual public event, will be firm (or first-option) within 14 months in advance of the event.

Certain activities may be given priority dates if, in the opinion of the MCCC, the event is of such overriding benefit to the community that suspension of the regular booking policy is necessary. In addition, the Convention Center reserves the right to change room commitments as necessary and to reassign space as it sees fit.



### *Key Findings*

- The mission statement is a critical element to a facility's operation because it dictates the booking policy, utilization and financial performance of that facility. As with any publicly run assembly facility, the goals and objectives may change over time. For instance, the number and diversity of events may be the primary objective of one administration and fiscal performance may be the priority of another. These changes in facility objectives can be counter-productive if not managed effectively.
- Convention centers are typically built and operated for purposes of generating economic impact for a community or a region. The current mission statement for the facility reflects this objective.
- For any public assembly facility to be successful, it is important for the booking policy to appropriately support and implement the mission statement. The current booking policy is aligned with the mission statement of the facility. Further, the booking policy allows the appropriate Convention Center personnel the discretion to modify the application of the policies, namely the booking priorities, as necessary in order to meet the objectives of the facility.

### **Marketing Efforts**

Marketing efforts of a convention center are a critical factor in its success. In January 2002, the Marketing Committee of the MCCC approved the marketing plan as outlined by facility management. This plan included an executive summary; performance goals of the Convention Center sales staff; a target market and an analysis of the strengths, weaknesses, opportunities, and threats (SWOT); action plans for the Convention Center sales staff; as well as an advertising summary and marketing budget. Information concerning supplier partners was also included. In summary, the Convention Center plans to allocate a portion of the advertising budget toward increasing the visibility of its 2001-2002 advertising campaign; *Beyond the Ordinary*. This campaign began in FY 2002 and will continue for FY 2003. The campaign supports two primary ideas: 1) Nashville is more than what the meeting planner expects as a destination and 2) extraordinary service provided by the Convention Center staff sets this facility apart from the competition. *Beyond the Ordinary* will be promoted by the Convention Center continuing to advertise in various trade journals such as *Association Management*, *Convene*, *EXPO*, *Meeting Professional*, *Convention South*, and *Facilities & Destinations*.

In addition, the marketing plan outlines the following objectives:

- Continue cultivating prosperous relationships with hospitality partners in the community.
- Utilize the internet for research of events, to maintain a presence in facility listings, advertise on industry websites, and conduct email "blasts" to promote and sell special events and dates. Further the Convention Center intends to promote and maintain a cutting edge website to provide information about the facility and to increase the Center's image as a technologically advanced facility.



- Capitalize on Convention Center sales and Downtown Nashville Convention Collection (DNCC) database for lead generation.
- Continue effective sales training to enhance professional development.
- Conduct a special event, such as an entertainment based activity for potential clients, in the Chicago area that will also showcase the Convention Center as a superior facility. Chicago was chosen because of the large number of associations based in the market.
- Identify and track sales leads gained through sales trips, tradeshow, and industry events.
- Dedicate a portion of each workday to the solicitation of new business.
- Market jointly with in-house catering, communications, and audio-visual, as well as other service contractors.
- Continue to promote local business through *Meetings Express* program and frequent booking incentive plan.
- Offer special incentives to local meeting planners for short-term business.

In addition to the leads generated by the execution of the facility's internal marketing plan, the Convention Center generates business leads through its relationships with the Renaissance Nashville Hotel, the DNCC, the GEC and the Nashville CVB. The following is a brief description of the Convention Center's relationship with these entities.

*Renaissance Nashville Hotel* - In an effort to service the needs of its customers, and because the attached Renaissance Nashville Hotel has no dedicated exhibition space, its sales staff frequently interacts with the Convention Center staff to jointly market and sell the hotel's services along with that of the Convention Center's exhibit space and meeting rooms. Due to the competitive environment of the meetings industry, many customers of the Renaissance Nashville Hotel frequently request complimentary or greatly reduced prices for the rental of exhibition space. The Convention Center is often times unable to accommodate this request. Consequently, the Renaissance Nashville Hotel will rent exhibit space and/or ancillary services at the Convention Center on behalf of its customers. As a result, the Renaissance Nashville Hotel has become the largest customer of the Convention Center. Due to the volume of business generated by the Renaissance Nashville Hotel, this relationship has a very positive impact in terms of both event activity and financial performance for the Convention Center.

*Downtown Nashville Convention Collection* - The Convention Center interacts with the DNCC in an effort to generate convention activity and leads. The DNCC is a group of Nashville downtown area businesses whom all are impacted by the convention industry. These businesses share information and strategize about potential convention and meeting activity for the City of Nashville. A more detailed description of the DNCC is provided in the Performance Audit of the Nashville CVB section found later in this report.



Nashville Convention & Visitors Bureau - The mission of the Nashville CVB is to market Nashville as a destination and generate economic impact to the Metro Nashville Area. The relationship between a community's convention center and its CVB is traditionally a close one. In some communities, the CVB only has one convention center facility to sell so it becomes the primary lead generator for the facility. Nashville offers both the Convention Center downtown and the Opryland Hotel in addition to other hotel properties. Consequently, when a lead is produced by the Nashville CVB and the potential customer has no preference as the facility, the lead is shared with all the facilities that have the ability (i.e. date availability, space requirements) to host the event. As a result of this unique setting where the market offers both a public convention center and a large private convention facility, the Convention Center sales staff has to be very aggressive in order to maximize business at the facility. This is particularly true since one of its primary competitors (Opryland Hotel) for certain event activity is located in the same market.

GEC - The GEC is 20,000 seat arena facility which also contains approximately 6,000 square feet of meeting room space and is located across the street from the Convention Center. As mentioned previously in this report, the GEC and the Convention Center are connected by a climate controlled underground walkway. This physical connection is intended to assist the facilities in operating efficiently and jointly servicing events. Currently the Convention Center markets the space at the GEC along with its own space to potential clients, however facility management indicated that they believe the opportunity to use the GEC for hosting events is limited.

### *Key Findings*

- With respect to marketing and booking, it is the primary role of facility management to book events and market the Convention Center.
- The Nashville CVB's primary goal is to maximize the economic contribution of the convention and tourism industry to the community by developing and marketing Nashville as a premier destination.
- According to facility management, the Nashville CVB generates approximately one-third of the Convention Center's sales leads. An additional one-third is generated by the downtown hotel properties, including the Renaissance Nashville Hotel, and the remaining one-third is generated internally by the Convention Center sales staff.
- Other marketing efforts at the Convention Center involve the implementation of its marketing plan, and the advertising of the facility and its many amenities. Advertising efforts are intended to promote all possible events but most notably conventions and tradeshow as well as increasing the visibility of the Convention Center's 2001-2002 advertising campaign; *Beyond the Ordinary*. Print advertisements are generally in trade and industry publications including but not limited to, *Association Management, Convene, EXPO, Meeting Professional, Convention South, and Facilities & Destinations*.



- The MCCC and appropriate Convention Center personnel annually review and refine the Convention Center's marketing strategy as appropriate based on budget considerations, changes in the Nashville market, the competitive market and the overall industry, economic conditions and any other pertinent issues.
- The Convention Center serves as the secondary facility in the market containing less exhibit and meeting/ballroom space than the Opryland Hotel. The Convention Center and the Opryland Hotel compete for business from leads generated by the Nashville CVB.
- The Renaissance Nashville Hotel is the largest customer of the Convention Center and generates significant rental revenue for the facility. In addition, the Renaissance Nashville Hotel and Convention Center also compete for certain groups.
- The Convention Center recently hired a Director of Sales/Marketing. This position had previously been unfilled. This is a critical position which is responsible for the overall sales efforts of the facility including the supervision of the sales staff. The new Director of Sales/Marketing began on February 1, 2003.
- The Convention Center markets the GEC's available space along with its own space to potential clients. Convention Center management indicated the inability to reserve dates at the GEC as far in advance as many conventions require due to the needs of the Predators. However, discussions with facility management at the GEC indicate that they are flexible in the reservation of long-term date requests and are willing to assist the Convention Center in making space available for high economic impact events.
- The Convention Center targets its primary marketing efforts toward high economic impact convention/tradeshows events that utilize major blocks of hotel rooms in more than one hotel and use at least one-third of the Exhibit Hall. A secondary market recognized by the facility, is private medium-low impact (utilizing a major block of hotel rooms in at least one hotel) convention/tradeshows, followed by public shows. This marketing strategy is aligned with the mission statement and booking policy of the facility.
- The Director of Sales/Marketing, with the assistance of the Sales Managers and Marketing Coordinator, annually prepares a marketing plan for the Convention Center with guidance from the Executive Director and the MCCC Marketing Committee. The purpose of the plan is to advertise and promote the Convention Center to potential clients to contract events that will best satisfy the convention Center mission and produce ancillary revenues. This plan is reviewed and updated periodically and a complete revision prepared annually.
- From a marketing perspective, one of the challenges for the Convention Center is the presence of another major exhibit facility (Opryland Hotel) in the same market. The primary focus of any CVB is to market and promote its City as a destination. For markets with only one primary convention center, the CVB typically serves as the primary marketing arm for that facility. In addition, the CVB's efforts in other cities are supplemented by the marketing staff at the facility, typically for short-term bookings. Because of the unique situation in Nashville with the two facilities, Convention Center management has to take a more active role in marketing the facility than in some other comparable markets.





- Representatives from several downtown hotels along with the Convention Center formed the Downtown Convention Collection with the goal of providing a cohesive marketing approach to better compete with the Opryland Hotel.
- Convention Center management is actively involved with other tourist-related marketing agencies in the community which is important since these organizations serve as potential lead generators.

### Facility Rental Rates

The Convention Center utilizes both a flat fee and a per space usage methodology for charging its customers depending upon the type of event. As indicated on Rate Schedule I below, the fee structure used for public spectator events ranges from a low of \$2,500 or 12% of gross ticket receipts to a high of \$6,000 or 12% of gross ticket receipts depending upon the seating capacity.

<b>Rate Schedule I</b>		
<b>Public Spectator Events</b>		
<i>Leases for Public Spectator Events may be issued no more than twelve (12) months in advance of the event date</i>		
<b>AREA</b>	<b>CAPACITY</b>	<b>RATE PER DAY</b>
East, West, Center Halls (3 Halls combined)	9,000*	\$6,000 or 12% of Gross Admissions Receipts**
East, Center Halls (2 Halls combined)	6,000*	\$4,000 or 12% of Gross Admissions Receipts**
Center, West Halls (2 Halls combined)	6,000*	\$4,000 or 12% of Gross Admissions Receipts**
East, Center or West Hall (1 Hall)	3,000*	\$2,500 or 12% of Gross Admissions Receipts**

Notes:           \*Some seating has obstructed view depending upon stage location and configuration.  
                      \*\*Gross Admissions Receipts is equal to gross ticket sales less taxes levied by City, County, State or Federal Governments.

Source:           Nashville Convention Center.



Rate Schedule II is utilized for trade shows and conventions with exhibits.

<b>Rate Schedule II</b> <b>Trade Shows / Conventions with Exhibits</b> <i>Leases for Trade Shows/Conventions with Exhibits may be issued no more than twenty-four (24) months in advance of the event date.</i>					
AREA	GROSS SQ. FT.	RATE FOR UP TO 4 DAYS*	ADDITIONAL SHOW DAYS	ADDITIONAL MOVE IN/OUT	MINIMUM GUARANTEE
East, West Center Halls (3 Halls combined)	118,675	\$0.85/net sq. ft. (nsf)	\$0.15 nsf per day	\$0.08 nsf per day	50,000 nsf
East, Center Halls (2 Halls combined)	78,725	\$0.85/net sq. ft. (nsf)	\$0.15 nsf per day	\$0.08 nsf per day	30,000 nsf
Center, West Halls (2 Halls combined)	78,725	\$0.85/net sq. ft. (nsf)	\$0.15 nsf per day	\$0.08 nsf per day	30,000 nsf
Center Hall (1 Hall)	38,775	\$0.85/net sq. ft. (nsf)	\$0.15 nsf per day	\$0.08 nsf per day	15,000 nsf
East, or West Hall (1 Hall)	39,950	\$0.85/net sq. ft. (nsf)	\$0.15 nsf per day	\$0.08 nsf per day	15,000 nsf

Notes: \* Four day minimum rate.  
 "nsf" is equal to net square feet which is the total display area less aisles.  
 Source: Nashville Convention Center.

As shown in the table, the rate per net square foot rented is \$0.85 per day for up to four days. After four days the rate decreases to \$0.15 per net square feet. Move-in and move- out is charged at an additional \$0.08 per net square foot. Depending upon the space utilized there is a minimum square footage guarantee that ranges from 15,000 to 50,000 square feet.

Other rate schedules include rates for conventions and meetings without exhibits and public consumer shows. In the case of conventions and meetings without exhibits, the flat rental rate varies from \$2,650 per day to \$6,500 per day depending upon the space utilized. Likewise, the flat move in/move out charges range from \$1,325 per day to \$3,250 per day, depending upon the space utilized.

In the case of public consumer shows, the rates vary from the greater of \$2,500 or 12% of ticket receipts to \$7,500 or 12% of ticket receipts depending upon space utilized. The move in/move out rates charged vary from \$1,125 to \$3,400 per day for public consumer shows.

The charge to rent a meeting room varies depending upon size from \$200 per day to \$960 per day.

*Key Findings*

- Rental rates are established by the NCC and approved by the MCCC and appear consistent with those at comparable facilities.
- At the direction of the MCCC, the Executive Committee can alter rates on an as-needed basis.

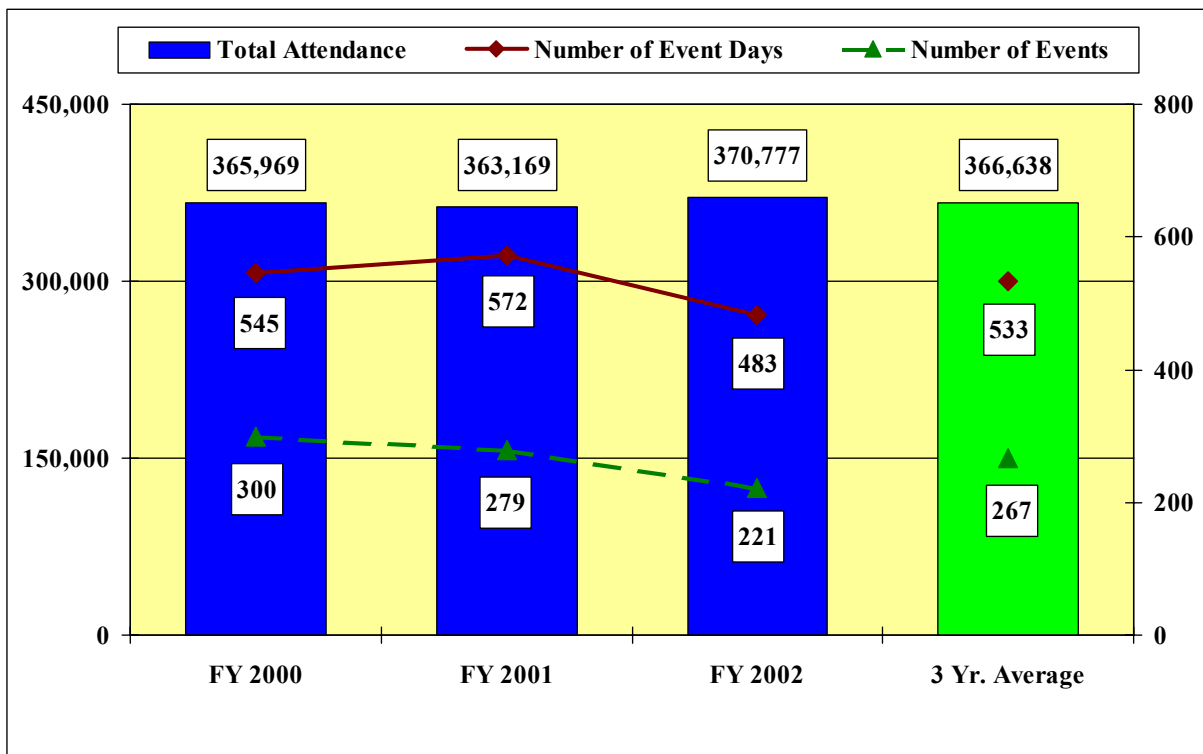


- Any proposed rental rates which do not adhere to the Convention Center’s published rates must be documented and approved by the Convention Center’s Executive Director.
- The flexibility to adjust rental rates when appropriate with the approval of the Convention Center’s Executive Director, assists the facility in controlling its rate structure, achieving its mission and remaining competitive in the market. Adjustments to rental rates are generally made in consideration of hosting events which are aligned with the mission statement and operating objectives of the facility.

## Utilization

In order to gain an understanding of the efficiency and effectiveness of the facility it is useful to analyze its historical utilization. Utilization can be measured by number of events, number of event days and total attendance. The following graph illustrates the total attendance, number of event days and number of events for the Convention Center for the past three fiscal years.

**Summary of Convention Center Utilization**



Source: Nashville Convention Center.

Over the last three fiscal years, the Convention Center has hosted an average of 267 events, 533 event days and total attendance of nearly 367,000 people each year. The number of event days and total attendance has fluctuated during the three-year period while the number of events has steadily declined.



The tables that follow show a more detailed analysis of the event activity at the Convention Center.

### Historical Event Activity at the Convention Center

Fiscal Year Ended June 30, 2000					
Event Type	Number of		Move-in/out	Total	Attendance
	Events	Event Days	Days	Attendance	Per Event Day
Conventions	17	58	32	47,720	823
Tradeshows	37	93	105	82,100	883
Food & Beverage Events	29	31	3	9,895	319
Meetings/Seminars	193	316	48	75,334	238
Consumer Shows	12	30	38	125,000	4,167
Sporting Events	3	3	0	2,600	867
Other Events	9	14	6	23,320	1,666
<b>TOTAL</b>	<b>300</b>	<b>545</b>	<b>232</b>	<b>365,969</b>	

Fiscal Year Ended June 30, 2001					
Event Type	Number of		Move-in/out	Total	Attendance
	Events	Event Days	Days	Attendance	Per Event Day
Conventions	32	103	36	70,100	681
Tradeshows	31	89	94	72,345	813
Food & Beverage Events	28	33	2	13,715	416
Meetings/Seminars	162	292	25	42,775	146
Consumer Shows	15	39	38	131,124	3,362
Sporting Events	4	8	3	21,800	2,725
Other Events	7	8	12	11,310	1,414
<b>TOTAL</b>	<b>279</b>	<b>572</b>	<b>210</b>	<b>363,169</b>	

Fiscal Year Ended June 30, 2002					
Event Type	Number of		Move-in/out	Total	Attendance
	Events	Event Days	Days	Attendance	Per Event Day
Conventions	26	91	53	89,165	980
Tradeshows	31	83	80	67,923	818
Food & Beverage Events	22	26	1	12,820	493
Meetings/Seminars	119	232	35	37,447	161
Consumer Shows	14	38	33	150,609	3,963
Sporting Events	1	3	0	500	167
Other Events	8	10	7	12,313	1,231
<b>TOTAL</b>	<b>221</b>	<b>483</b>	<b>209</b>	<b>370,777</b>	

Three-Year Average (FY 2000 - FY 2002)					
Event Type	Number of		Move-in/out	Total	Attendance
	Events	Event Days	Days	Attendance	Per Event Day
Conventions	25	84	40	68,995	821
Tradeshows	33	88	93	74,123	839
Food & Beverage Events	26	30	2	12,143	405
Meetings/ Seminars	158	280	36	51,852	185
Consumer Shows	14	36	36	135,578	3,801
Sporting Events	3	5	1	8,300	1,779
Other Events	8	11	8	15,648	1,467
<b>TOTAL</b>	<b>267</b>	<b>533</b>	<b>217</b>	<b>366,638</b>	

Note: Attendance per event day = total attendance divided by event days.

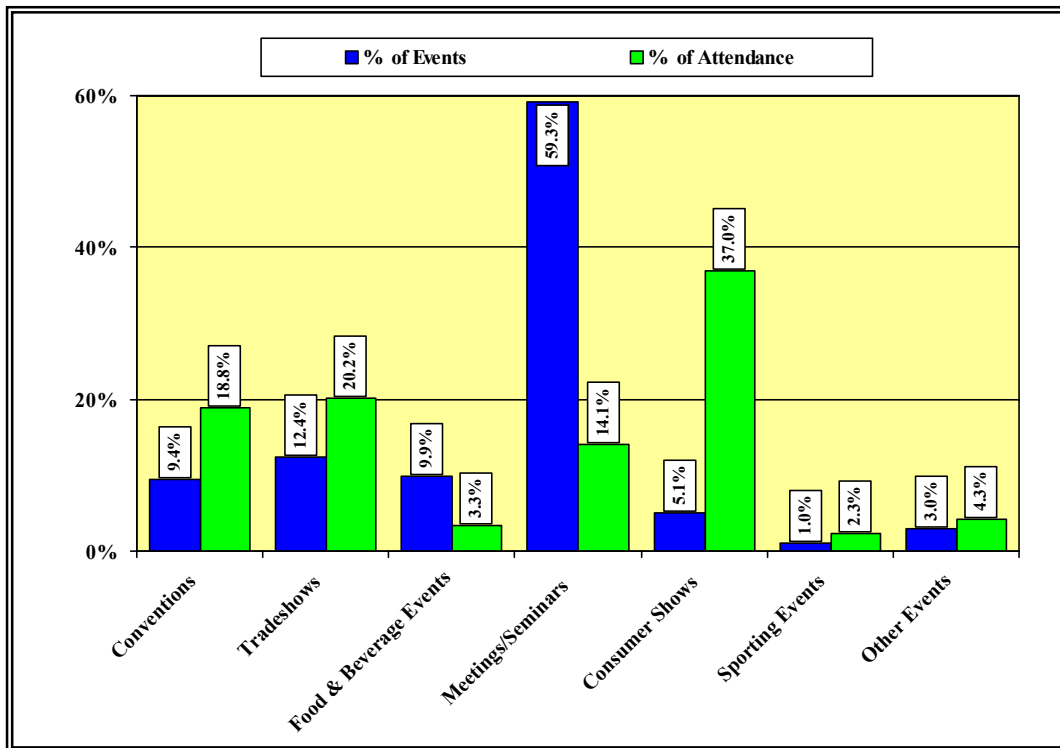
Sources: Nashville Convention Center; KPMG LLP.



Although there have been some fluctuations, event activity at the Convention Center has remained relatively consistent over the last three fiscal years. The biggest variance in event activity has occurred in the number of meetings/seminars which has steadily decreased from 193 events in FY 2000 to 119 in FY 2002. Meetings and seminars typically generate little economic impact for a community.

The following graphically depicts the three-year average percentage of events and attendance by event type at the Convention Center.

**Three-Year Average Percentage of the Number of Events and Attendance**

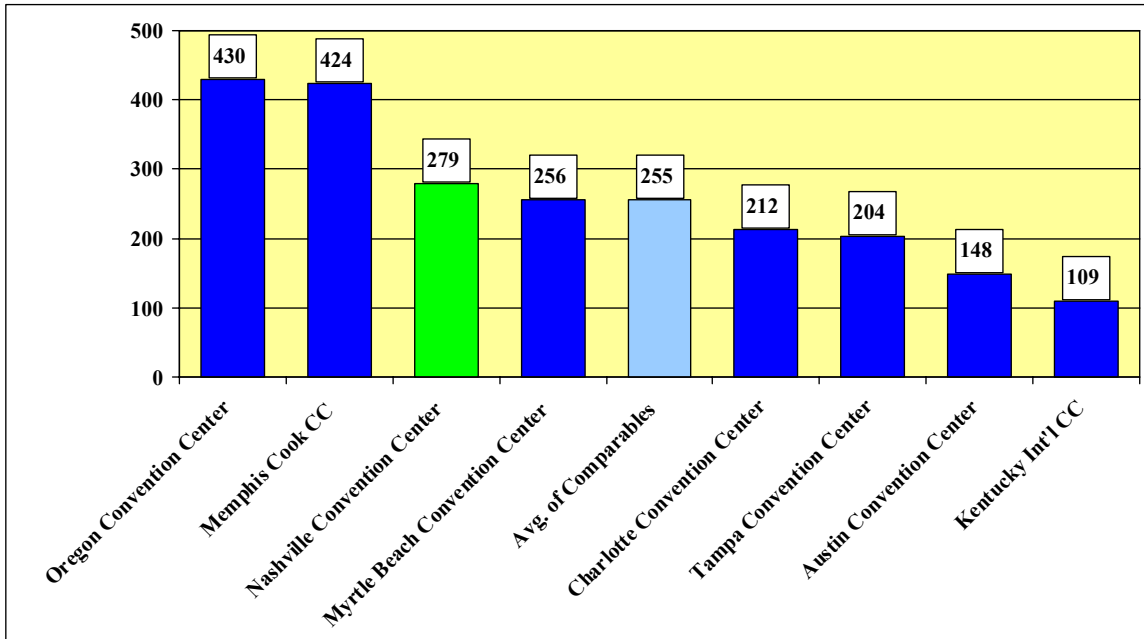


Sources: Nashville Convention Center; KPMG LLP.

On average, conventions and tradeshows combined have generated approximately 22% of the events and 39% of the total attendance at the Convention Center. While comprising a relatively small percentage of the total events, consumer shows have accounted for approximately 37% of total attendance over the last three fiscal years. By contrast, meetings/seminars account for more than 59% of events but only generate 14% of total attendance. The vast majority of these meetings/seminars were local.

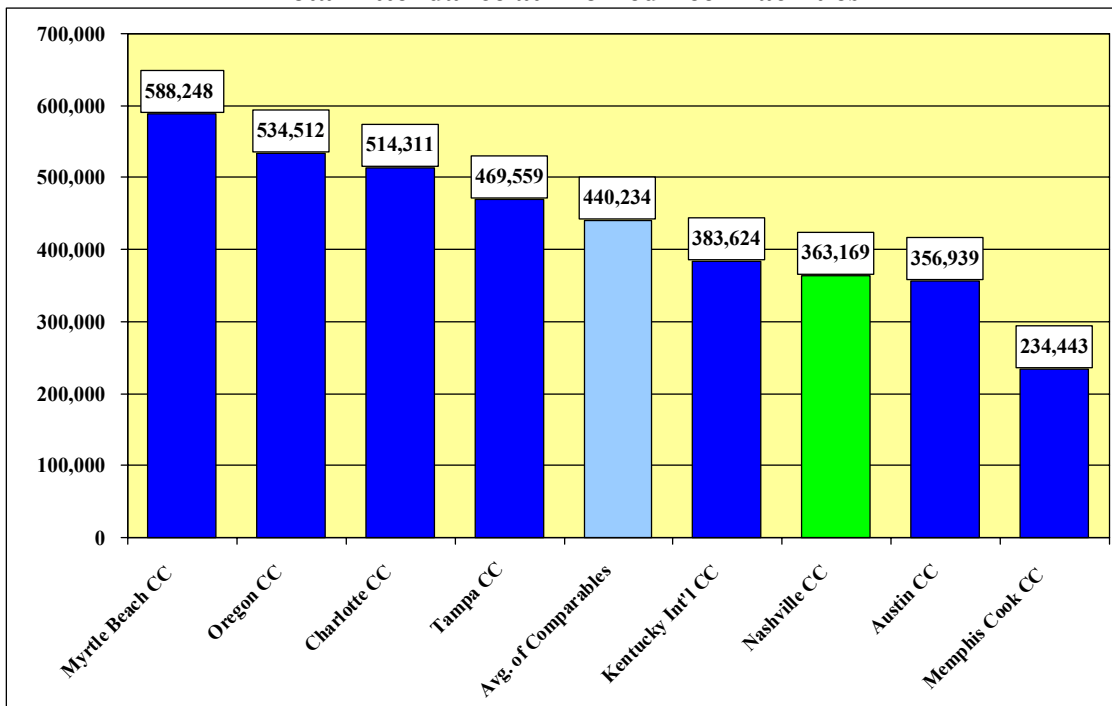
The graphs that follow illustrate event activity in terms of the number of events and total attendance at the profiled facilities.

### Number of Events at Profiled Peer Facilities



Notes: Sorted in descending order of the number of events.  
 In order to be consistent, the information above reflects 2001 data.  
 According to facility management, Kentucky International Convention Center had 109 “major” events however was unable to provide the total number of events.  
 Sources: Individual facility management.

### Total Attendance at Profiled Peer Facilities



Notes: Sorted in descending order of total attendance.  
 In order to be consistent, the information above reflects 2001 data.  
 Sources: Individual facility management.



Like the Convention Center, the profiled facilities hosted a variety of events including conventions, tradeshows, consumer shows, meetings, banquets, sports events and other community/civic-oriented events. These facilities had an average of 255 total events and nearly 440,000 in annual attendance.

### *Key Findings*

- Overall the Convention Center is an active facility that hosts a variety of events including conventions and tradeshows that generate significant economic impact as well as events such as consumer shows which are open to the public.
- The number of events has fluctuated during the past three fiscal years while total attendance has remained relatively constant during this period.
- Although the number of events and event days for conventions and tradeshows combined has fluctuated slightly over the last three fiscal years, total attendance has steadily increased.

<b>Conventions and Tradeshows Combined at the Convention Center</b>			
<b>Fiscal Year</b>	<b>Number of</b>		
	<b>Events</b>	<b>Event Days</b>	<b>Total Attendance</b>
2000	54	151	129,820
2001	63	192	142,445
2002	57	174	157,088

- Despite the steady decrease in the total number of events at the Convention Center over the past three fiscal years, this measure still compares favorably with the competitive set. Only two of the profiled facilities hosted more events than the Convention Center. However, five of the seven facilities in the competitive set had higher total attendance.
- Conventions and tradeshows represent attractive, high economic impact events for a facility. For FY 2002, conventions and tradeshows represented approximately 26% of the events and 42% of the total attendance at the Convention Center.

### **Financial Performance**

Operating revenue, operating expenses and operating income (loss) are indicators of financial performance. One of the primary reasons convention center facilities are developed is because of the economic impact they can generate to a community or a region. Accordingly, one objective of a facility is to attract events that draw patrons from outside the immediate market area who spend money on hotels, restaurants and other similar services. It is important to understand that the majority of stand-alone convention centers typically realize an operating deficit, few realize an operating profit.



The table below summarizes historical operating revenue and operating expenses for the Convention Center for the fiscal years ending June 30, 2000 through June 30, 2002.

**Summary of Operating Revenue in Excess of Operating Expenses for the Nashville Convention Center for Fiscal Years Ending June 30, 2000 through June 30, 2002**

	Fiscal Year Ending			Three-Year Average
	Actual June 30, 2000	Actual June 30, 2001	Actual June 30, 2002	
<b>Operating Revenue</b>				
Building Rental	\$1,757,940	\$2,001,230	\$1,929,250	\$1,896,140
Food & Beverage	858,340	599,270	577,220	678,277
Event Services	1,266,840	1,239,460	1,271,750	1,259,350
Advertising	42,000	42,000	42,000	42,000
Miscellaneous/Other	30,100	30,630	8,800	23,177
Interest	91,510	107,010	48,460	82,327
Damage Charges	24,550	14,720	10,130	16,467
Business Center	4,200	4,200	4,200	4,200
<b>Total Operating Revenue</b>	<b>4,075,480</b>	<b>4,038,520</b>	<b>3,891,810</b>	<b>4,001,937</b>
<b>Operating Expenses</b>				
Personnel	2,070,545	1,998,502	2,126,562	2,065,203
Utilities	894,535	1,000,218	1,007,945	967,566
Event Related	321,098	356,802	366,918	348,273
Insurance	54,455	54,411	85,855	64,907
General & Administrative	1,360,911	1,467,039	1,396,779	1,408,243
<b>Total Operating Expenses</b>	<b>4,701,544</b>	<b>4,876,972</b>	<b>4,984,058</b>	<b>4,854,191</b>
<b>Operating Revenue in Excess of Operating Expenses</b>	<b>(\$626,064)</b>	<b>(\$838,452)</b>	<b>(\$1,092,248)</b>	<b>(\$852,254)</b>

Notes: Expenses do not include depreciation or capital improvement expenditures.

The net operating losses for 2000, 2001, and 2002 on a full accrual basis, but excluding depreciation expense, as published in Metro's Comprehensive Annual Financial Reports were \$813,535, \$1,444,453, and \$1,365,801, respectively.

Sources: Nashville Convention Center; Metro Nashville.

As indicated in the table, operating revenue at the Convention Center has remained relatively constant over the last three fiscal years, varying by 5% over that period. Over the last three fiscal years, total operating revenue has averaged approximately \$4.0 million.

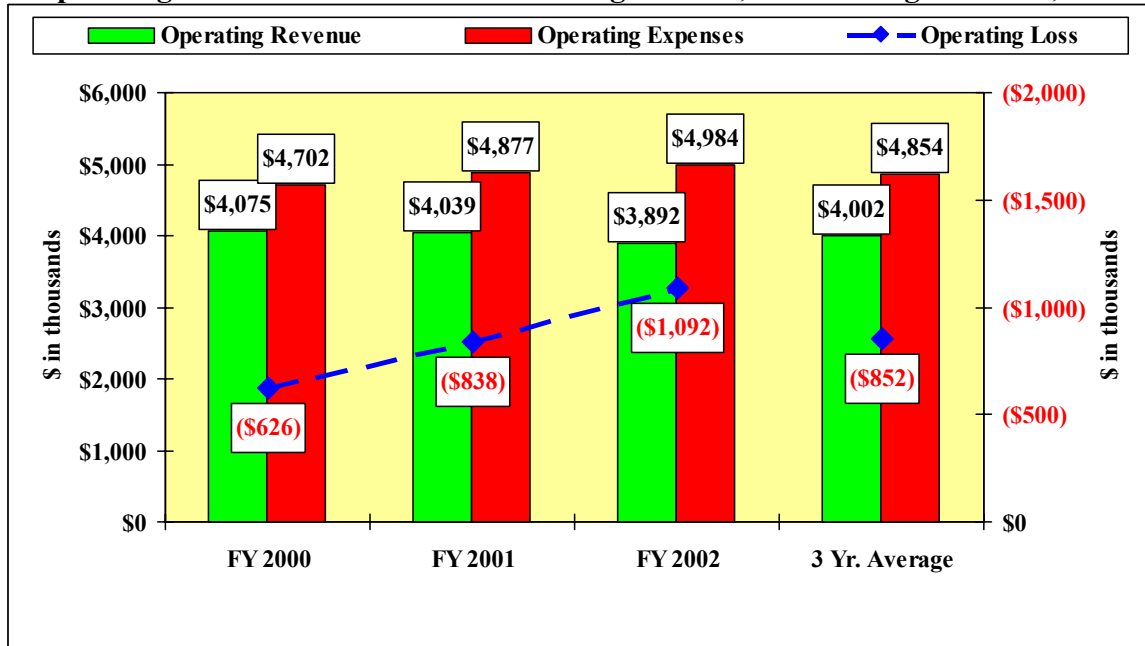
Expenses have also remained relatively consistent during this three-year period, increasing by approximately \$283,000 or 6.0% from FY 2000 to FY 2002. The two largest increases in operating expenses occurred with utilities (12%) and event related expenses (11%) between FY 2000 and FY 2001. In addition, the insurance expense increased by approximately 58% (or \$31,400) between FY 2001 and FY 2002. The large percentage increase in insurance costs is a result of additional liability and property premiums being charged to Convention Center after the events of September 11, 2001.





The chart that follows graphically illustrates the operating revenue, operating expenses and operating loss for the past three fiscal years.

### Nashville Convention Center Summary of Operating Revenue, Operating Expenses and Operating Loss for the Fiscal Years Ending June 30, 2000 through June 30, 2002



Note: Operating expenses do not include depreciation or capital improvement expenditures.  
Source: Nashville Convention Center.

As is typical for this type of facility, the Convention Center experienced an operating loss over the last three fiscal years ranging from \$626,000 in FY 2000 to approximately \$1.1 million in FY 2002. The operating loss for the facility has averaged approximately \$852,000 annually over the profiled three-year period.

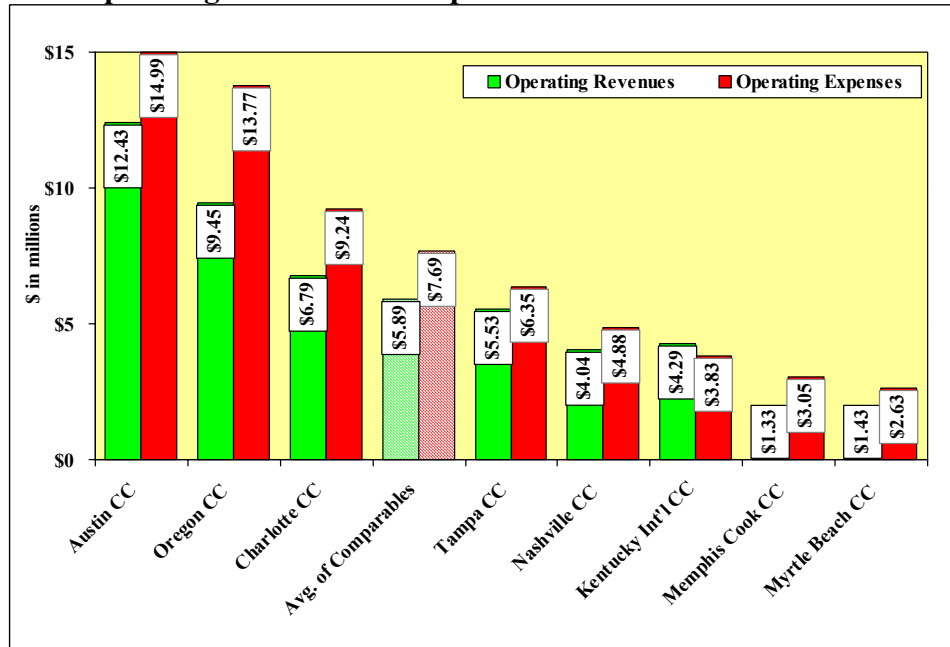
Comparing financial performance at comparable facilities can offer a good frame of reference from which to benchmark financial operations of the Convention Center. Analyzing similar facilities can offer a good backdrop as to performance indicators such as revenue, expenses and operating income or loss.

It is important to recognize that facilities vary in their methods of financial reporting. Consequently, for purposes of this analysis, adjustments have been made to the financial information as reported by the facilities in order to try to make the data as consistent as possible for comparative purposes. For instance, operating revenues do not include any public funding or tax revenue such as hotel/motel collections for any of the profiled facilities. Similarly, operating expenses include all expenses of the facility and exclude depreciation expense, debt service, large asset purchases, any expenses related to capital improvements and any effect of taxes.



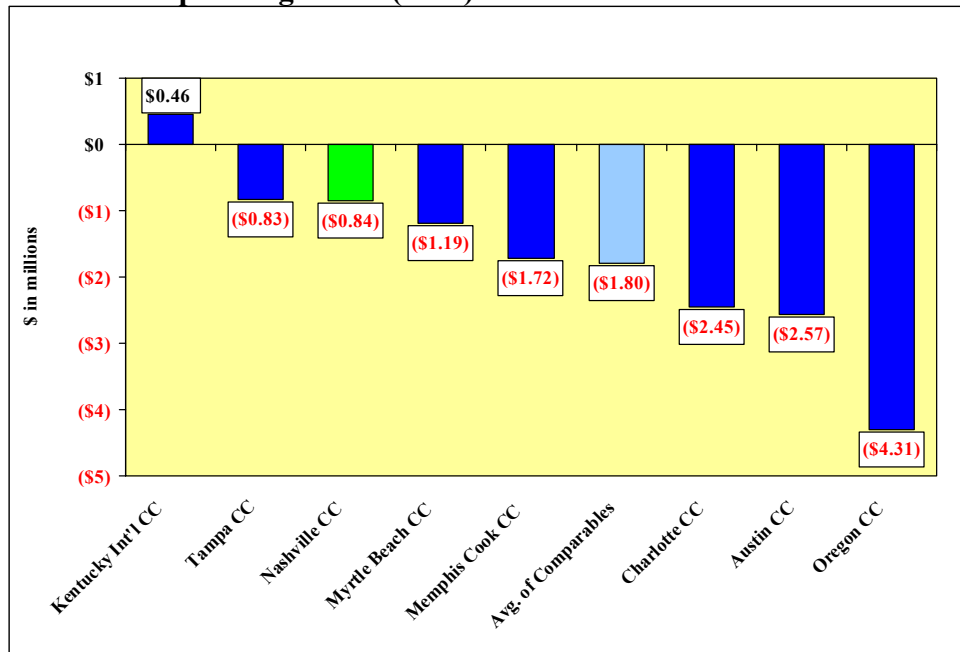
The graphs below summarize the operating revenue and expenses along with the result of operations at each of the profiled facilities.

### Operating Revenue and Expenses at Profiled Peer Facilities



Notes: Sorted in descending order of operating expenses which excludes depreciation expense.  
 In order to be consistent, the information above reflects 2001 data.  
 The average does not include Nashville Convention Center.  
 Source: Individual facility management.

### Operating Profit/(Loss) at Profiled Peer Facilities

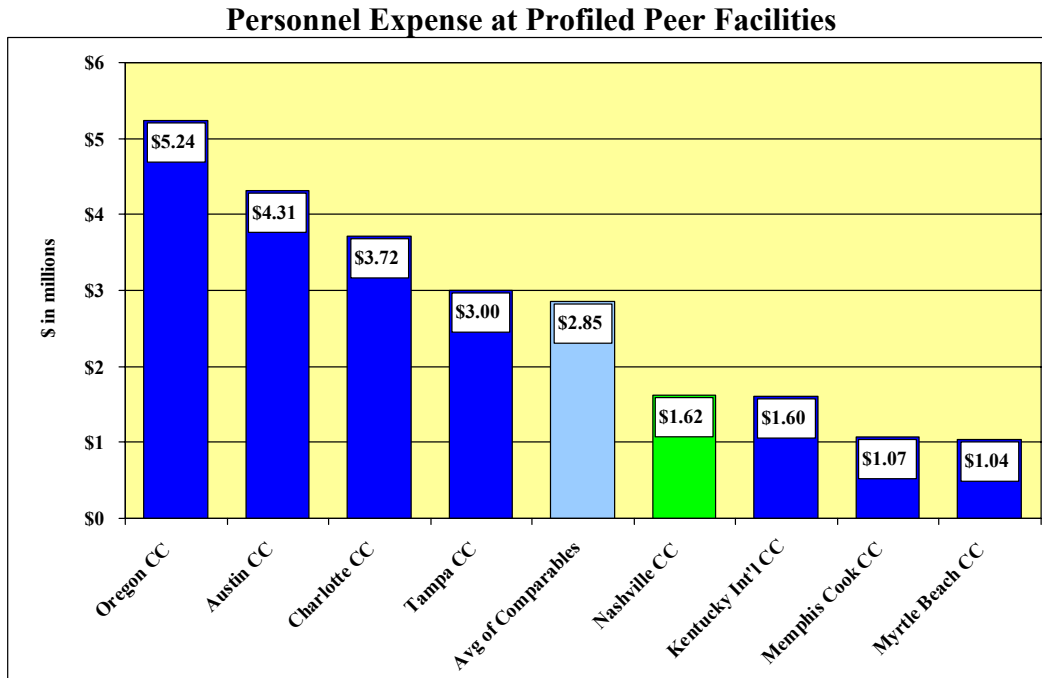


Notes: Sorted in descending order of net operating profit/(loss) which excludes depreciation expense.  
 In order to be consistent, the information above reflects 2001 data.  
 The average does not include Nashville Convention Center.  
 Source: Individual facility management.



Of the profiled facilities, only the Kentucky International Convention Center realized an operating profit. On average, the profiled peer facilities experienced an operating deficit of approximately \$1.8 million, which is consistent with that for the Convention Center.

As with most public assembly facilities, the Convention Center's largest operating expense is that of personnel. As a point of comparison, the following table illustrates the personnel expense at profiled facilities.



Note: Sorted in descending order of expense.  
In order to be consistent, the information above reflects 2001 data.  
Source: Individual facility management.

As illustrated in the graph above, the Convention Center incurred personnel expense of approximately \$1.62 million during the profiled period which represents one of the lowest among the competitive set.

As mentioned earlier in this report, one of the major determinants of staffing levels is the extent to which contracted services are utilized versus providing services such as concessions, janitorial cleaning and security in-house. The following table illustrates the services performed in-house by the profiled facilities versus those outsourced. As shown, the Convention Center outsources eight services and performs six in-house. Security and event services are both performed in-house and augmented through third party providers.



### Summary of In-House and/or Outsourced Services at Profiled Peer Facilities

Service	Facility						
	Nashville Convention Center	Austin Convention Center	Charlotte Convention Center	Kentucky International Convention Center	Memphis Cook Convention Center	Myrtle Beach Convention Center	Tampa Convention Center
<b>Food and Beverage</b>							
Concessions	O	O	I	O	O	O	O
Catering	O	O	I	O	O	O	O
Public Food Outlet/Restaurant	O	n/a	n/a	O	n/a	O	O
<b>Administration</b>							
Payroll	I	I	O	I	I	I	I
Accounting/Finance	I	I	I	I	I	I	I
Legal	I	I	O	O	O	I	I
Information technology/computer systems	I	I	I	I	O	I	I
<b>Operations</b>							
Parking	n/a	I	O	I	I	I	I
A/V services	O	O	O	n/a	O	O	O
Decorator services	O	O	O	n/a	O	O	O
HVAC - maintenance/operations	I	I	I/O	I	I/O	I	I
Groundskeeping/landscaping	O	I	O	I	I/O	I/O	O
Janitorial/housekeeping services	O	I	I	I	I	I	O
Trash removal	O	O	O	I	O	I	I
Security	I/O	I	O	n/a	I	I	O
Event services	I/O	I	I	n/a	I	O	I
Business services	I	O	O	n/a	I	I	I

Notes: "I" denotes services performed in-house.  
 "O" denotes services outsourced.  
 "I/O" denotes they outsource the service for specific events or particular services.  
 "n/a" denotes not applicable or information not available.  
 Certain services such as payroll, information technology/computer systems, and legal are reflected above for the Convention Center as performed in-house but are actually performed by Metro.  
 Information not available for the Oregon Convention Center.

Source: Individual facility management.

### Key Findings

- Operating revenue at the Convention Center has experienced a slight decrease (5%) over the past three fiscal years, averaging approximately \$4 million during this period.
- Operating expenses at the Convention Center have increased by a total of 6% over the past three fiscal years, averaging approximately \$4.9 million during this period.
- As mentioned previously, the majority of stand-alone convention centers typically operate at a deficit. The operating loss at the Convention Center is consistent with comparable facilities. This is a particularly positive indicator since the Convention Center does not realize the revenue generated by the ballroom which typically generates a significant portion of a facility's revenue.
- Of the facilities in the competitive set, only the Memphis Cook Convention Center and the Myrtle Beach Convention Center realized lower operating revenue. In addition, only two of the profiled facilities, the Myrtle Beach Convention Center and Memphis Cook Convention Center, incurred lower operating expenses than the Convention Center.



- Overall the Convention Center has done a good job in controlling expenses. Personnel expenses at the Convention Center are lower than at most facilities in the comparable set. In addition, it appears that facility management has made good decisions with respect to the number and types of services performed in-house and outsourced based on its overall operating expenses.
- The Convention Center is continuing to develop ways to provide customers with better services such as relocating the business center, opening a café in their lobby, and improving and renovation space within the facility.
- The Convention Center has financially performed well, particularly in light of competitive environment in which the facility operates created by the presence of the Opryland Hotel.

### Economic Impact

As mentioned previously, the mission statement for the Convention Center is to generate economic impact in Nashville and Middle Tennessee. Consequently, economic impact is one performance indicator for the Convention Center. Nashville and the surrounding areas benefit from the Convention Center in a number of ways including such tangible and intangible benefits as:

- Enhancing Nashville’s image as a business, meetings and tourist destination;
- Receiving increased regional and national exposure through destination marketing and visitation;
- Providing a first-class meeting venue for area residents;
- Providing a potential catalyst for further development initiatives in the area;
- Generating enhanced fiscal revenues; and
- Generating additional economic activity in the region and throughout the State.

While the value of many of these benefits are difficult to measure, the economic activity generated in the region can be quantified. The table below shows the estimated economic impact generated by certain events held at the Convention Center over the past three fiscal years as prepared by facility management.

<b>Fiscal Year</b>	<b>Economic Impact Estimate</b>
2000	\$86,649,299
2001	\$80,300,425
2002	\$96,566,204
<b>Three Year Average</b>	<b>\$87,838,643</b>

Note: Economic impact estimate was calculated internally by Convention Center management. Economic impact estimates only include estimated direct spending and not any multiplier effect associated with indirect/induced spending.

Source: Nashville Convention Center management.



An assessment of the economic benefits that accrue to an area as a result of convention center operations can be approached in several ways. One approach, which is frequently used in the industry, considers the expense side of a convention center’s operations as well as attendee, exhibitor, association and show producer spending for documentation of the initial direct impacts to a community. The following discusses the approach used by Convention Center management to calculate economic impact generated from activity at the facility.

Economic impact is typically generated by conventions, tradeshow and other activities that attract patrons from outside the region as opposed to events such as local meetings. Consequently, every event held at the Convention Center does not generate economic impact. According to Convention Center management, it utilizes the following event classifications to calculate economic impact:

- Regional Tradeshow
- Regional Meetings
- Regional Conventions/Conferences
- National Tradeshow
- National Meetings
- National Conventions/Conferences
- Special Events

The following table summarizes the number of events, event days and attendance amounts that the Convention Center used in its calculation of economic impact for the last three fiscal years.

**Summary of the Number of Events, Event Days and Attendance  
Used in the Calculation of Economic Impact**

Fiscal Year	Number of Events	Number of Event Days	Total Attendance
2000	133	311	188,234
2001	127	351	166,318
2002	102	285	165,200
<b>Three Year Average</b>	<b>121</b>	<b>316</b>	<b>173,251</b>

Notes: Economic impact estimate was calculated internally by Convention Center management.  
 The events, event days and attendance shown above only reflect those events used to calculate economic impact and do not reflect all activity that occurred at the Convention Center.  
 Attendance amounts shown above are estimated by Convention Center management and may not reflect actual event attendance at the Convention Center.

Source: Nashville Convention Center management.



Based on this methodology and as a point of reference, the following table illustrates the percentage of total event activity represented in the Convention Center’s economic impact calculations.

**Event Activity Used to Calculate Economic Impact  
As a Percentage of Total Event Activity at the Facility**

<b>Fiscal Year</b>	<b>Number of Events</b>	<b>Number of Event Days</b>	<b>Total Attendance</b>
2000	44%	57%	51%
2001	46%	61%	46%
2002	46%	59%	45%

Sources: Nashville Convention Center management; KPMG research.

Once Convention Center management identifies the events that will be included in its economic impact calculation, it applies a standard spending amount rate based on type (i.e. tradeshow, meeting, convention/conference, special event) and scope (i.e. national, regional, State) of event in conjunction with the following formula.

$$\text{Economic Impact Per Event} = \text{Total Event Days} * \text{Attendance} * \text{Spending Amount}$$

This standard spending amount per attendee, per day used by Convention Center management varies by event type as shown below:

- Regional Tradeshows \$97
- Regional Meetings \$65
- Regional Conventions/Conferences \$65
- National Tradeshows \$237
- National Meetings \$187
- National Conventions/Conferences \$187
- Special Events \$110

Convention Center management indicated that the standard spending amounts utilized in its calculation are based on information from the International Association of Convention and Visitors Bureaus (IACVB). The IACVB is a widely recognized and respected industry source. Through its foundation, the IACVB periodically conducts a survey of its members to analyze the impact of convention spending. The 1998 Convention Income Survey Report provides statistically valid expenditures that can be used to measure the economic impact of conventions, meetings and expositions on the host community. The report also includes a section discussing how to calculate economic impact. In addition, annual updates to the 1998 Convention Income Survey Report are provided until the next comprehensive survey occurs.



The standard spending amounts as published by the IACVB for 2001 are as follows:

International, National, & Regional Events:	
Convention Delegate Total Spending	\$277 per day
Trade Show Delegate Total Spending	\$360 per day
State & Local Events:	
Convention Delegate Total Spending	\$233 per day
Trade Show Delegate Total Spending	\$339 per day

Using the most recent standard spending amounts published in 2001 by the IACVB to calculate economic impact from the activity at the Convention Center, assuming an equal number of events and attendance, the economic impact could be higher than currently calculated by the Convention Center.

### *Key Findings*

- Over the last three fiscal years, Convention Center management estimates that between \$80.3 and \$96.6 million in economic impact has been generated as a result of activity at the facility. According to management, these numbers only reflect direct spending and no multiplier effect that accounts for indirect and induced spending that may occur.
- Although Convention Center management utilizes a systematic approach in calculating the economic impact of events hosted at the facility, the standard spending amounts used in the calculation do not reconcile with the standard spending amounts published by the IACVB. In addition, the standard spending amounts per event type as published by the IACVB change each year. Based on information provided by facility management, the spending numbers remained the same in its calculation for fiscal years ending 2000 through 2002.
- In addition, Convention Center management indicated that the per event attendance amount used in its calculation is an estimate and may not reflect actual event attendance. The Convention Center should use actual event attendance when calculating economic impact.
- Although there are various acceptable methods to calculate economic impact, the Convention Center needs to coordinate with the Nashville CVB, the tourism and meetings industry in Nashville, and Metro in order to develop a consistent methodology to estimate the economic impact of events conducted at the Convention Center.





## Major Third Party Contracts

The Convention Center follows the same purchasing procedures instituted by Metro for all departments. The Convention Center outsources the following major functions or services.

- Temporary labor
- Audio visual
- Security
- Landscaping
- Housekeeping
- Food & beverage

Below is a brief description of the contractual terms with each third party vendor providing the outsourced service.

### Temporary Labor- Tandem of Nashville

On January 1, 2001, Metro entered into a contract with Tandem Staffing of Nashville (Tandem). The purpose of the contract is to provide temporary labor services to the Nashville Convention Center. The initial term of the contract expired on December 31, 2001. Per the provisions of the contract, Metro extended the term of the contract until December 31, 2002. Metro has extended the contract through February 28, 2003. According to facility management, a long-term contract has been negotiated and is scheduled to take effect March 1, 2003.

Tandem charges the Convention Center an hourly rate per position staffed, which varies depending upon the position. Currently, the rate charged to the Convention Center for a general laborer is \$8.11 per hour and the rate for a supervisor is \$9.11 per hour.

### Audio Visual- AVI Rental Services Division, LLC

On May 1, 2000, Metro entered into a contract with AVI Rental Services Division, LLC (AVI). The purpose of the contract is to provide audio/visual and business center support for the administrative office and client/exhibitors of the Nashville Convention Center. The initial term of the contract expired on April 30, 2002. Per the provisions of the contract, Metro has extended the term of the contract until April 30, 2003.

The terms of the contract provide that AVI will pay to the Convention Center the greater of \$180,000 per year or 50% of the rental fees charged from the use of all audiovisual, audio, video, lighting, and data display equipment. In addition, AVI shall pay to the Convention Center a one-time payment of \$10,000 to be used by the Convention Center for purposes of capital improvements. In the event AVI is forced to offer a discount of fees charged to exhibitors/clients of the Convention Center, that discount shall be shared equally between the Convention Center and AVI. Also, AVI will pay the Convention Center \$350 per month plus 50% of monthly profits generated by the operation of the business center.

Effective November 2002, AVI is no longer providing business center support to the Convention Center. This function is now being performed in-house by Convention Center personnel.



Security- Rock Solid Security

On May 19, 1998, Metro entered into a contract with Rock Solid Security. The purpose of the contract is to provide security guard service and event security for the Nashville Convention Center. The initial term of the contract expires on May 31, 2003.

The terms of the contract provide that the Convention Center will pay Rock Solid Security for services rendered in accordance with the following amounts:

Metro Police Officers	Basic:	\$29.00 per person, per hour
	Traffic/Outside:	\$31.50 per person, per hour
	Supervisor:	\$34.25 per person, per hour
Non-Metro Police Officers	Supervisor:	\$14.50 per person, per hour
	Guard:	\$12.50 per person, per hour

In addition, a \$100 administrative fee is charged per each event.

Landscaping- Beard Property Management

On September 1, 2000, Metro entered into a contract with Beard Property Maintenance (Beard). The purpose of the contract is to provide landscaping services to the Convention Center. The initial term of the contract expired on August 31, 2002. Per the provisions of the contract, Metro has extended the term of the contract until August 31, 2003. The terms of the contract provide that the Convention Center will pay to Beard \$1,324 per month for landscaping services provided by Beard throughout the term of the contract.

Housekeeping- Clola Enterprises, LP

On October 1, 2002, Metro entered into a contract with Clola Enterprises, LP (CEI). The purpose of the contract is to provide housekeeping services to the Convention Center. The initial term of the contract expires on September 30, 2004.

The terms of the contract provide that the Convention Center will pay to CEI \$5,463 per month for nightly cleaning and day porter coverage. In addition, in an event support position, the Convention Center shall be allowed to utilize various cleaning professionals in accordance with the following rate schedule:

Supervisor	\$14.17 per hour, per person
Floor Technician	\$11.94 per hour, per person
General Cleaner	\$9.33 per hour, per person



### Food & Beverage- Volume Services, Inc. - Masterpiece Creations

On January 31, 1997, Metro entered into a contract with Volume Services (Volume). The purpose of the contract is to provide food & beverage services to the Convention Center, including but not limited to, providing a full range of catering, bar, concessions and operating the lobby café. The initial term of the contract expired on January 31, 2002. Per the provisions of the contract, Metro has extended the term of the contract until January 31, 2004.

The terms of the contract provide that Volume shall receive a management fee equal to 4.75% of gross revenue. In addition, proceeds, as defined in the agreement as gross receipts over the sum of allowable expenses, from the operations of concessions shall be split with 7.5% going to Volume and 92.5% going to Metro.

Upon signing of the contract, Volume was required to provide a capital investment referred to equipment improvements in the amount of \$350,000. This initial equipment capital improvement was to be used for existing facility improvements including the purchase and remodeling of existing concession stands in the main exhibit hall, walk-in refrigerator/freezer, portable food service equipment, tables, food service transportation carts, conveyor belts and smallwares. Also, Volume was required to buy back, at the non-depreciated asset value amount, the predecessor concessionaire's food service equipment and improvements located in the lobby of the Convention Center known as the Garden Terrace. The amount of such buy back was not to exceed \$165,000.

In addition, upon extension of the initial contract term, Volume was required to make an additional immediate capital investment of \$350,000 payable as a cash grant to the Convention Center.

### *Key Findings*

- The services that the Convention Center contracts out to third party providers are consistent with those at peer facilities.
- Certain contracts with third party providers were reviewed from a procedural perspective to determine if sufficient controls are in place to verify that generally the services of third party vendors are being provided in accordance with the contracts executed by those third party vendors. Procedures are in place for the administration of contracts with all vendors supplying services to the Convention Center. Generally the Convention Center assigns a department director to oversee each third party provider with the exception of the Food and Beverage contract, which the Convention Center's Executive Director oversees.
- With regard to the providers of temporary labor and security services, the appropriate department director has the authority to ensure that the contracted employees are acceptable and maintain the professional image of the Convention Center. The department director who oversees the contract is responsible in making sure each employee clocks-in and clocks-out at the appropriate time and operates his/her duties as intended. Invoices are regularly reconciled against time sheets to make sure all charges from the service provider are accurate prior to payment and/or reimbursement from the client.



- Each month the food and beverage concessionaire prepares a statement detailing revenue and expense from all food and beverage activity. The statement, with supporting documentation, is forwarded to the Convention Center along with a commission check. The contractor also provides an annual audited statement of food and beverage activity. The duration and the structure of the food and beverage agreement are consistent with those at comparable facilities and the fee percentages paid to the Convention Center are very competitive compared to other facilities.
- Based on our analysis and discussion with facility management, it appears that third party contracts are appropriately monitored to determine that the Convention Center is receiving the appropriate revenue, that the appropriate services have been provided and that invoices are accurate prior to payment and/or pass through to clients for reimbursement.



## Capital Improvement Planning

Capital improvement planning and appropriate funding of projects is a critical aspect of keeping public assembly facilities competitive in the marketplace. This is particularly true for convention centers given the competitiveness and nature of the industry. Because such facilities are frequently utilized, these assets can physically deteriorate quicker than many other municipally owned assets if not properly maintained.

The tables below summarize management's capital improvement recommendations for the Convention Center for the next five fiscal years.

### Capital Improvement Recommendations for the Nashville Convention Center for the Fiscal Years Ending June 30, 2003 through June 30, 2007

Fiscal Year Ending June 30, 2003	
Project	Estimated Cost
Ceiling Tiles/Paint 3rd Level Steel	\$125,000
Carpeting 3 Lobby Areas	250,000
Mezzanine Ballroom Renovation	350,000
Roof Replacement	400,000
Computer Server Upgrade	10,000
Building Exterior Painting	25,000
Refurbish 1,000 Banquet Chairs	25,000
<b>Total for 2003</b>	<b>\$1,185,000</b>

Fiscal Year Ending June 30, 2004	
Project	Estimated Cost
Upgrade Exhibit Hall Sound System	\$70,000
Card Key System	75,000
Restroom Renovations	140,000
Fire Alarm System Upgrade	200,000
ADA Lift	8,000
Exhibit Hall Floor Maintenance	120,000
<b>Total for 2004</b>	<b>\$613,000</b>

Fiscal Year Ending June 30, 2005	
Project	Estimated Cost
Replace Existing Lighting System	\$300,000
Set-Up Equipment	50,000
<b>Total for 2005</b>	<b>\$350,000</b>

Fiscal Year Ending June 30, 2006	
Project	Estimated Cost
Set-Up Equipment	\$50,000
Purchase 2 Steam Converters	50,000
Paint Exhibit Hall Airwalls	25,000
Recover Meeting Room Air Walls	50,000
Exhibit Hall Floor Maintenance	120,000
<b>Total for 2006</b>	<b>\$295,000</b>

Fiscal Year Ending June 30, 2007	
Project	Estimated Cost
Replace Carpet in Admin and Event Services	\$100,000
<b>Total for 2007</b>	<b>\$100,000</b>

Source: Nashville Convention Center.



The capital improvements budget for the next five fiscal years totals approximately \$2.5 million, with the largest budget years being fiscal year 2003 and fiscal year 2004. The larger capital improvement items consists of replacing a part of the Convention Center roof for an estimated \$400,000 and renovating space currently used by the Convention Center as a ballroom. The estimated cost for this renovation is \$350,000 and is scheduled for completion in fiscal year 2003. In addition, the capital improvement plan includes replacing the existing lighting system in fiscal year 2005 at an estimated cost of \$300,000.

### *Key Findings*

- Facility management is very active in the ongoing upkeep and maintenance of the facility and adheres to a formalized process set forth by Metro for capital improvement purchases. General improvements and maintenance such as floor resealing, cleaning, re-carpeting where needed as well as other miscellaneous aesthetic type maintenance are completed on a regular basis.
- Capital improvement projects approved and funded at the Convention Center for 2001 include interior and banquet facility renovations (\$650,000), and replacing four sections of the Convention Center roof (\$407,000). For 2002, approved and funded capital improvement projects include carpet replacement (\$284,600), fire alarm system upgrade (\$242,200) and restrooms upgrade (\$170,300).
- Metro must maintain a balance in its operating objectives of protecting its investment yet developing a proactive approach to the use of the facility and its revenue generating capacity. It is important to maintain the facility in order to remain competitive with other State and regional facilities particularly given the evolving nature of the convention center industry.
- Overall the Convention Center is well maintained which provides for a consumer friendly and safe environment which is an important factor in maintaining and improving event and attendance levels at the facility.



**Performance Audit of the Nashville Convention Center and the  
Nashville Convention & Visitors Bureau**

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## **Performance Audit of the Nashville Convention & Visitors Bureau**

This section of the report addresses various operating components of the Nashville CVB. A detailed review and analysis of current operations of the Nashville CVB was conducted to provide a basis for the performance audit as well as the key findings and recommendations. This section of the report is structured differently than previous section due to the business operations of the Nashville CVB and focuses on the following:

- Summary of key conclusions and recommendations
- Overview of the market
  - Demographics
  - Tourism
  - Meetings infrastructure
  - Accessibility
  - Affordability
- Governance of the Nashville CVB
  - Nashville Area Chamber of Commerce
  - Tourism Commission
- Operations and performance of the Nashville CVB
  - Mission statement
  - Organizational structure and staffing levels
  - Marketing and promotional efforts
  - Client satisfaction
  - Hotel inventory and related characteristics
  - Financial information
  - Tourism and convention booking activity

As a tourism and a meetings destination, Nashville competes with a spectrum of cities due to its historic reputation as a hub of country music and its two primary convention facilities that can accommodate various clients' needs. Comparing the Nashville CVB to other CVBs similar in size and market product helps to evaluate its performance. It should be stated that there are market attributes that a CVB does not control such as hotel supply and accessibility that impact the achievable performance levels of any CVB. Thus, it is important to place any comparison among CVBs in perspective of the market product and the CVB's available resources.





Based on input from Nashville CVB management and additional market research which considered factors such as lost business, geography, meeting facility(s) size and the Nashville CVB's total annual budget, the following CVBs represent the competitive set used in this performance audit:

- Atlanta Convention & Visitors Bureau
- Charlotte Convention & Visitors Bureau
- Dallas Convention & Visitors Bureau
- Denver Metro Convention & Visitors Bureau
- Greater Minneapolis Convention & Visitors Bureau
- Indianapolis Convention & Visitors Bureau
- New Orleans Metropolitan Convention & Visitors Bureau
- Orlando Convention & Visitors Bureau
- San Antonio Convention & Visitors Bureau
- Tampa Bay Convention & Visitors Bureau

The benchmarking process, along with the other methods used to analyze the Nashville CVB's activity and performance, allows for a thorough overview and assessment of the organization. During the study process, we met and/or spoke with numerous stakeholders in the Nashville community including, but not limited to, hoteliers, restaurateurs, tour bus operators, attractions, music industry leadership, educational institutions and local interest groups. These discussions along with market research were evaluated to better understand the Nashville CVB's strengths, weaknesses and competitive position within an increasingly competitive marketplace. Although not directly included in our analysis, our experience and knowledge of other destination marketing organizations contributed to our findings.



## Summary of Key Conclusions and Recommendations

Nashville is unique for a market of its size because it offers two primary convention facilities – the Gaylord Opryland Resort & Convention Center (Opryland Hotel) and the Nashville Convention Center. Overall, the Nashville CVB is effective in executing its mission statement to market Nashville as a premier destination and generating economic impact. However, as with any organization, there are opportunities for improvement. The following is a summary of our key conclusions and recommendations related to the operations of the Nashville CVB. It is important that the reader review the content in the remainder of this report to have a complete understanding of the information that was used to develop these key conclusions and recommendations.

The Nashville CVB is an affiliate organization of the Nashville Area Chamber of Commerce (Chamber), which is a 501(c)(6) organization under the IRS Code, and receives the vast majority of its funding from a portion of the hotel/motel tax collections which is administered through a contract with Metro. In its current structure, the Executive Vice President of the Nashville CVB reports to both the President of the Chamber and the Metropolitan Tourism and Convention Commission of Nashville & Davidson County (Tourism Commission). This dual oversight structure does not appear to be the most efficient way to govern the Nashville CVB. In some respects this structure creates inefficiencies including an overall lack of accountability and strategic guidance for the organization. The current governance structure of the Nashville CVB does not allow for effective oversight or timely input on the Nashville CVB's operations.

It is recommended that Metro create a Board of Directors as a single governing body which is exclusively responsible for the overall conduct and operation of the Nashville CVB. Under the new Board of Directors, the Nashville CVB could continue to contract with the Chamber for administrative services but should obtain its own appropriate designation as a non-profit organization. This Board of Directors would improve the levels of oversight and accountability of the Nashville CVB. In addition, it would be charged with monitoring the use of the Nashville CVB's revenue for the hotel/motel tax. Major duties of this Board of Directors may include, but are not limited to, the following:

- ensuring a well-defined mission statement
- developing and monitoring performance indicators for the organization which can be accurately measured
- hiring, in conjunction with the Mayor, the Executive Director of the Nashville CVB
- establishing functional committees to advise the leadership group and the Executive Director on all major areas of operations and decisions that impact the CVB, particularly in terms of strategic planning efforts and financial matters

In this approach, the Executive Director is responsible for the execution of the organization's mission and the day-to-day management of the Nashville CVB including developing policies, procedures and operating objectives for the organization, creating an effective organizational structure, establishing a marketing plan, formulating a strategic plan, establishing and monitoring



the budgeting process in addition to conducting the overall financial planning for the Nashville CVB all of which would then be subject to review and approval by the Board of Directors. The members of the Board of Directors should possess a broad mix of talents, skills and community connections in order to increase its value and to facilitate effective governance of the Nashville CVB. The composition of this entity should include, but not be limited to, representatives from both public and private sector stakeholders associated with the convention and tourism industry who have a firm understanding of the unique aspects of this specialized industry in order to provide insightful strategic planning for the organization.

There are several other conclusions and recommendations relative to the Nashville CVB's performance. Overall the organization is performing well in terms of marketing the destination and booking hotel room nights that generate economic impact.

- Strategic planning is important because it guides the overall direction, goals and objectives of the organization. The Nashville CVB should place more emphasis on its strategic planning efforts. Because of the dual reporting structure to both the Chamber and the Tourism Commission, there appears to be a lack of overall direction for the organization. The Nashville CVB should redefine its overall strategy for both the short and long-term and use this strategic plan, along with input from stakeholders, to formulate future marketing plans. This process would be further enhanced by the previous recommendation of creating an active and knowledgeable Board of Directors.
- Although there are various acceptable methods to calculate economic impact, the Nashville CVB, the tourism and meetings industry in Nashville, and Metro need to develop a consistent methodology to estimate the economic impact of events. The Nashville CVB should be responsible for creating a consensus on the approach to estimate economic impact, monitor and document these benefits on a regular basis, and more actively communicate these benefits to both stakeholders and the community.
- Another area of improvement is in communication. The Nashville CVB produces numerous reports that summarize various components of its operations for its internal use and for the Tourism Commission. While good at reporting data, the Nashville CVB could do a better job of communicating these results and its performance with stakeholders. The following outlines some potential ways to improve and increase communication:
  - Develop a convention calendar which is distributed to stakeholders that lists the groups that are coming to a city in the short/long-term and information such as dates, estimated attendance, meeting location and hotel blocks. In some instances, contact information is provided for local businesses such as tour operators and attractions so they can contact the meeting planner to sell services.

A convention calendar can be beneficial for stakeholders. For instance, it may help stakeholders (i.e. restaurants, hotels, attractions) to be properly staffed when conventions are in town. A greater awareness and preparedness about what convention and meeting activity is occurring in Nashville could provide for a more successful event as well as greater economic impact to the City.

Prior to creating the convention calendar, the Nashville CVB should meet with various stakeholders in Nashville to determine the degree of detail needed and the timing of dissemination to maximize the benefits of a convention calendar.

- Conduct a monthly or bi-monthly forum that is open to all stakeholders and the public. There should be no set requirements or fees assessed to be able to attend and participate in the meeting. This informal session would allow stakeholders to participate in discussions with Nashville CVB management. It would also give the Nashville CVB an opportunity to share its future marketing endeavors and historical performance measures such as economic impact and advertising return with the community.
  - Attempt to better incorporate a macro view of the city in the marketing plan and work towards a common branding of Nashville and single message by all stakeholders. Through increased communication between stakeholders and the Nashville CVB, the marketing plan should be more reflective of the stakeholders expectations of the marketplace and overall marketing direction.
  - The Nashville CVB publishes several brochures, magazines and newsletters which are intended for sales efforts as well as distribution to stakeholders in the tourism industry. The Nashville CVB should make a more diligent effort to distribute these materials on a quarterly basis to educate the community about the Nashville CVB and its destination product.
- The Nashville CVB should continue to focus on tracking measurable results such as the number of conventions booked, the number of room nights it generates, revenue to the convention facilities as a result of the Nashville CVB related bookings and economic impact to the community. To add value to these performance and efficiency measures, the Nashville CVB should develop benchmarking indicators against other CVBs to measure performance on a periodic basis. These comparisons and measurements should be communicated with stakeholders and the general public.
  - The Nashville CVB does not appear to be maximizing the generation of private dollars compared to its competitive set. Although four CVBs in the competitive set indicated they receive a lower percentage of their funding from private sources than the Nashville CVB, the average percentage of private dollars omitting membership dues is 20% of the total budget. The most common private source of funding other than membership dues is advertising.
  - The Nashville CVB should consider placing advertisements that include all of its convention facilities. The Atlanta CVB does this and considers this strategy to be effective in attracting events to the market by describing all the convention facilities that it has to offer. In addition, the Nashville CVB should consider increasing its cooperative advertising efforts with area attractions in order to maximize the resources of all parties.



- The majority of CVBs in the competitive set outsource their publications and advertising sales. The Nashville CVB should explore the merits of outsourcing its publications through a cost/benefit analysis to see if it could realize greater financial benefit.
- The Nashville CVB should actively measure its success and quantify its image on a regular basis by tracking the effectiveness of specific campaigns through measurements such as pre- and post-awareness studies and image perception studies. This may include “efficiency measures” that estimate the cost per unit generated by a program (i.e. cost per inquiry, cost per visitor converted, cost per convention delegate, cost per economic impact).
- The Nashville CVB should continue to actively seek documented feedback from its clients to maintain a working knowledge of the level of satisfaction clients are realizing after orchestrating an event in Nashville and interacting with the Nashville CVB. This provides feedback from users on strengths, weaknesses and areas of improvement for the organization.



## **Overview of the Market**

Several key characteristics of a destination are viewed by meeting planners as critical to the success of their event, and, therefore are important selection criteria when choosing a meeting's location. Leisure travelers also consider some of the same factors when choosing their next get away. As the meetings and tourism industry becomes more competitive with cities continuing to build and expand convention facilities and local economies depending more and more on tourism dollars, destination characteristics such as cost, hotel supply and accessibility will likely become more important when marketing a destination.

The following is a brief discussion of the Nashville market to familiarize the reader with the general characteristics and attributes of the market in which the Nashville CVB operates. The promotion of the Nashville market and its convention and meeting facilities is the primary function of the Nashville CVB.

### **Demographics**

Nashville and Davidson County cover approximately 533 square miles. According to *Sales and Marketing Management*, the Nashville Metropolitan Statistical Area (MSA) consists of the following eight counties: Cheatham, Davidson, Dickson, Robertson, Rutherford, Sumner, Williamson and Wilson Counties. The population of Davidson County is approximately 574,300 and the Nashville MSA has a population of approximately 1.25 million which is the 48<sup>th</sup> largest MSA in the United States according to *Sales & Marketing Management*. Geographically, Nashville is located within a 500-mile radius of 50% of the U.S. population.

### **Tourism**

Nashville has a presence in the tourism market as "Music City USA" which is derived from the City's musical heritage. In 2001, Nashville hosted more than 10.6 million visitors. According to a study conducted by Perdue Research Group in 2001-02 that summarized key tourism research findings for Nashville, the primary attraction to the market is country music (28%) followed by business travel (13%), family (12%) and visits to the Grand Ole Opry (7%). The survey also identified the various sources of information used to inquire about Nashville. Based on survey responses conducted as part of the 2001-02 study, 23% received information by word of mouth, 22% from a travel agent, 15% from the internet and 11% from the American Automobile Association (AAA). The average party size of visitors to Nashville is 3.9 people who stay an average of 4.7 days and 3.7 nights. Two of the most popular attractions in Nashville are the Grand Ole Opry and the Country Music Hall of Fame.



## Meetings Infrastructure

The two largest convention facilities that the Nashville CVB actively promotes are the Opryland Hotel and the Convention Center. Conventions held at these two facilities in Nashville are serviced by more than 125 hotels and motels totaling more than 32,000 sleeping rooms. Opryland Hotel is the largest non-gaming hotel property in the United States with 2,883 hotel rooms and approximately 289,000 square feet of exhibit space and nearly 192,000 square feet of meeting space. The Convention Center has 118,675 square feet of exhibit space and 30,100 square feet of meeting space. Although the Convention Center uses Rooms 204 to 206 as a mezzanine ballroom, it is not a true dedicated ballroom. These rooms were built as meeting rooms and are used as such the majority of the time. However, the Convention Center is physically linked to the Renaissance Nashville Hotel which has approximately 30,000 square feet of meeting space including a 17,877 square foot ballroom all of which is used in conjunction with the Convention Center. In Nashville, there are more than 60 area attractions and 150 restaurants that are available for off-site events such as meetings, receptions and meal functions. Several hotels also offer meeting space for various types of events.

CVBs are typically the primary marketing organization for convention centers in terms of attracting convention and tradeshow business. It is unique that a market the size of Nashville has two significant convention facilities like the Opryland Hotel and the Convention Center. Most similar sized markets only have one dedicated convention facility that is usually owned by the public sector and strongly marketed by the CVB. The objective of the Nashville CVB is to market Nashville as a destination, irrespective of where the event is held (i.e. Opryland Hotel, Convention Center, individual hotel property). The Nashville CVB serves as an additional lead generator for these facilities and does a good job of marketing all meeting facilities in trying to attract groups. Opryland Hotel has significant sales and marketing resources. In the Convention Center's case, it likely has to dedicate more sales and marketing resources than other similar sized convention centers that serve as the primary facility in the market and receive significant marketing support from the CVB. In addition, the downtown hoteliers took an aggressive approach in forming the Downtown Nashville Convention Collection which allows them to more effectively compete with the Opryland Hotel for event activity. These facilities and their supporting infrastructure along with other market characteristics allow Nashville to compete with larger cities that boast bigger convention facilities.



The following table illustrates the population and the amount of exhibit/ballroom/meeting space at convention facilities in Nashville and other markets of the competitive set.

### Size of Primary Convention Facilities Located in the Competitive Set's Marketplace

Location	Convention Facility(s)	MSA Population	Exhibit Space	Ballroom/Meeting Space	Total	Largest Contiguous Exhibit Space
<b>Cities with Multiple Convention Facilities</b>						
Atlanta, GA	Georgia World Congress Center		1,366,000	305,775	1,671,775	607,500
Atlanta, GA	Cobb Galleria Centre		144,000	43,138	187,138	144,000
College Park, GA	Georgia International Conv. Center (1)		112,000	30,835	142,835	112,000
<b>Total - Atlanta/College Park, GA</b>		<b>4,198,700</b>	<b>1,622,000</b>	<b>379,748</b>	<b>2,001,748</b>	
Orlando, FL	Orange County Convention Center (2)		1,103,538	313,140	1,416,678	1,053,858
Orlando, FL	Gaylord Palms		178,500	120,710	299,210	178,500
<b>Total - Orlando, FL</b>		<b>1,676,100</b>	<b>1,282,038</b>	<b>433,850</b>	<b>1,715,888</b>	
Dallas, TX	Dallas Convention Center		748,726	146,268	894,994	523,726
Ft. Worth, TX	Ft. Worth Convention Center (3)		227,000	24,699	251,699	156,000
<b>Total - Dallas/Ft. Worth, TX</b>		<b>3,582,300</b>	<b>975,726</b>	<b>170,967</b>	<b>1,146,693</b>	
Minneapolis, MN	Minneapolis Convention Center		475,200	92,553	567,753	475,200
St. Paul, MN	RiverCentre		145,141	64,965	210,106	64,341
<b>Total - Minneapolis/St. Paul, MN</b>		<b>3,001,200</b>	<b>620,341</b>	<b>157,518</b>	<b>777,859</b>	
Nashville, TN	Gaylord Opryland		288,972	191,718	480,690	150,746
Nashville, TN	Nashville Convention Center		118,675	47,971	166,646	118,675
<b>Total - Nashville, TN</b>		<b>1,249,900</b>	<b>407,647</b>	<b>239,689</b>	<b>647,336</b>	
<b>Cities with Only One Convention Facility</b>						
New Orleans, LA	Ernest N. Morial Convention Center (4)	1,341,700	1,069,237	339,173	1,408,410	1,069,237
San Antonio, TX	Henry B. Gonzalez Conv. Center	1,612,400	440,000	206,509	646,509	440,000
Indianapolis, IN	Indiana Convention Center	1,624,500	303,851	136,805	440,656	303,851
Denver, CO	Colorado Convention Center (5)	2,145,800	292,000	100,000	392,000	292,000
Charlotte, NC	Charlotte Convention Center	1,524,600	280,000	92,242	372,242	280,000
Tampa, FL	Tampa Convention Center	2,420,500	200,000	79,355	279,355	200,000
<b>Average Total Per Market (Excluding Nashville)</b>		<b>2,312,780</b>	<b>708,519</b>	<b>209,617</b>	<b>918,136</b>	

Notes: Contiguous exhibit space is defined as exhibit space that is adjacent and no permanent structures divide the space.

Square footage amounts do not include pre-function or registration areas.

Building program shown for the Nashville Convention Center also includes the ballroom space at the Renaissance Nashville Hotel which is connected to the Convention Center. However, this figure does not include the meeting space offered at the Renaissance Nashville Hotel.

- (1) When the new facility is completed in Summer of 2003, the facility will have 150,000 SF of contiguous exhibit space and 52,720 SF of meeting/ballroom space.
- (2) When expansion is completed in May 2003, the facility will have a total of 2,053,820 SF of contiguous exhibit space.
- (3) When the Ft. Worth Convention Center's expansion is completed in Spring 2003 it will have 253,266 of exhibit space and 89,753 SF of ballroom/meeting space.
- (4) Ernest N. Morial Convention Center has expansion plans but figures are not available.
- (5) Expansion is expected to be completed in December 2004 and will result in a total of 584,000 SF of contiguous exhibit space and 185,000 SF of meeting/ballroom space.

Sources: 2001 Sales and Marketing Survey of Buying Power; individual facilities.

### Key Findings

- Nashville has a smaller population than all of the cities in the competitive set and is significantly smaller than the average market size. According to the Nashville CVB, the perception of Nashville as a small town with limited entertainment options can be a constraint in selling Nashville. However, the Nashville CVB has been actively selling Nashville as a small town with a big city feel to attract a greater variety of groups and lure additional leisure travelers. In addition, safety has been a more significant factor in choosing a destination for meeting planners and tourists following the events of September 11<sup>th</sup>, 2001. Smaller metropolitan areas are sometimes perceived as safer destinations than large metropolitan areas.





- Five of the cities in the competitive set have less total convention space than Nashville. On a citywide basis, Nashville compares favorably to the competitive set in terms of the total amount of ballroom/meeting space. Nashville has nearly 240,000 square feet of ballroom/meeting space which is greater than seven of the comparable cities total ballroom/meeting space and approximately 30,600 square feet more than the average.
- Although all of the cities in the competitive set offer a facility with larger contiguous exhibit space than Nashville, *Meetings Market* estimates that only 24% of major conventions require more than 100,000 square feet of exhibit space. Therefore, both large and small facilities are competing for much of the same business.

### **Accessibility**

The State of Tennessee shares its borders with eight states providing good accessibility by ground and air transportation. Nashville has easy access from three interstate highways, I-65, I-40 and I-24. Interstate-65 connects Nashville to the cities of Louisville, Indianapolis and Chicago to the north and Birmingham, Montgomery and Mobile to the south. I-40 runs east-west through the middle of Nashville and provides access from the cities of Asheville, Knoxville, Memphis, Little Rock and Oklahoma City. The third interstate highway (I-24) that goes through Nashville provides access from the northwest to St. Louis and the southeast to Chattanooga. Once in Nashville, public transportation is available via the Metro Transit Authority's intercity bus lines. For those traveling by automobile, there are more than 25,000 parking spaces in the central business district of Nashville.

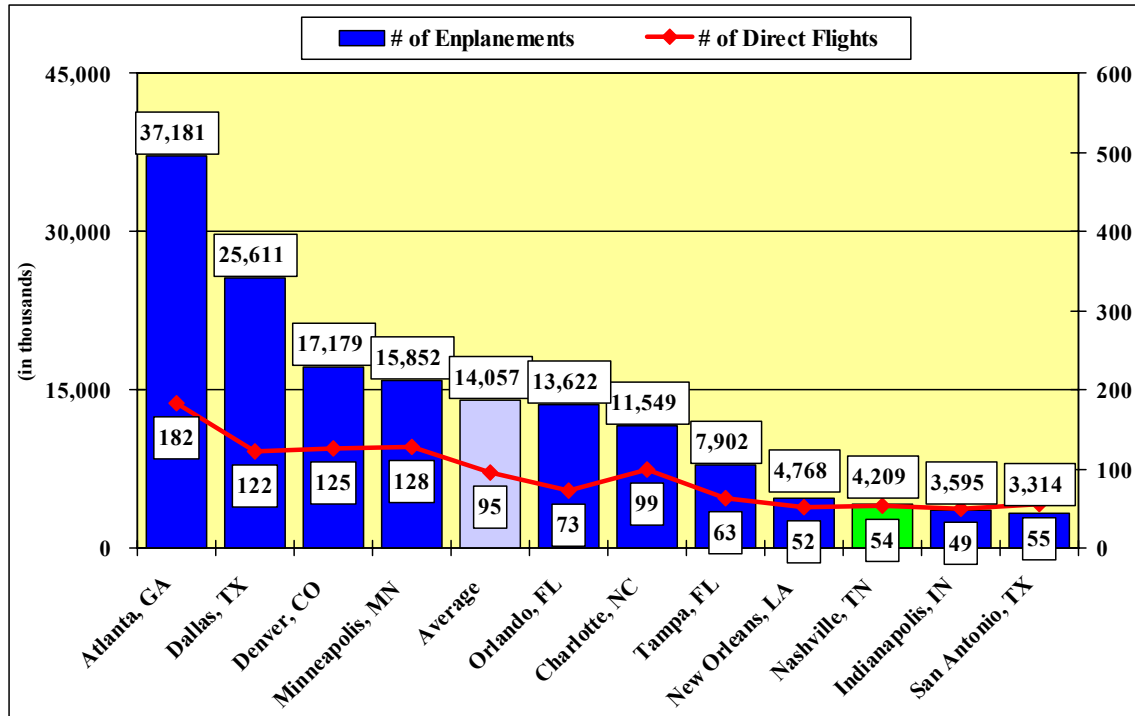
Airport accessibility to a city is an important factor for meeting planners and tourists when determining the next meeting site or vacation because it reflects the ease travelers will have getting to and leaving the destination. The Nashville International Airport is located approximately eight miles from the Opryland Hotel and the downtown area. There are 16 airlines serving 93 markets and approximately 384 average daily arrivals and departures. Direct nonstop flights are available from 54 cities. Approximately 36% of all travelers to Nashville came via commercial airline. The following is a list of the airlines serving Nashville.

- |                           |                         |
|---------------------------|-------------------------|
| - Air Canada              | - Delta                 |
| - American Airlines       | - Great Plains Airlines |
| - American Connection     | - Northwest Airlines    |
| - American Eagle          | - Skyway Airlines       |
| - Atlantic Coast Airlines | - Southwest Airlines    |
| - Comair                  | - United Express        |
| - Continental Airlines    | - US Airways            |
| - Corporate Airlines      | - US Airways Express    |



The following graph shows the number of enplanements and direct flights in 2001 for the competitive set.

### Number of Enplanements and Direct Flights at the Main Airports of the Competitive Set



Note: Sorted in descending order by total enplanements.  
Sources: FAA DOT/TSC ACAIS Database; OAG Pocket Flight Guide.

#### Key Findings

- Nashville does not compare favorably to its competitive set in terms of air accessibility as measured by the number of enplanements and direct flights. However, it is likely to have greater accessibility by other modes of transportation than many cities shown above because of its central location in the United States.
- The Nashville International Airport had the third lowest number of total enplanements and direct flights in 2001 compared to the competitive set. This is a competitive disadvantage because visitors to Nashville will likely have less flexibility in arrival and departure times and longer flying times if direct flights are not available. However, Nashville does compare favorably with New Orleans, LA, Indianapolis, IN and San Antonio, TX. The remainder of the competitive set with the exception of Tampa, FL are hubs for major airlines.
- The Nashville CVB has made efforts to increase the air accessibility to Nashville through promotional deals with Southwest Airlines and American Airlines.



## Affordability

Affordability is an important component of a city’s destination appeal to both meeting planners and tourists. It can be a primary selling point to many governmental and not-for-profit organizations that are typically more cost conscious when choosing a destination. In addition, leisure travelers, particularly families, can be very price sensitive. The following table outlines estimated costs for food, travel and hotel rooms for each competitive market. These costs do not include applicable taxes on these services or products. It should be noted that these figures are for corporate travelers who are usually less price sensitive and typically incur higher costs than leisure travelers or conventioners. However, these statistics are a good measure for comparison.

### Cost of Visiting Nashville and the Competitive Set

CVB Location	Average Food Costs	Average Daily Travel Costs	Average Hotel Costs	Total Cost
New Orleans, LA	\$70	\$305	\$166	\$541
Atlanta, GA	\$73	\$290	\$153	\$516
Denver, CO	\$71	\$267	\$138	\$476
Indianapolis, IN	\$73	\$259	\$135	\$467
Minneapolis, MN	\$56	\$253	\$137	\$445
Dallas, TX	\$56	\$254	\$130	\$440
San Antonio, TX	\$55	\$238	\$129	\$422
Orlando, FL	\$48	\$241	\$133	\$422
Tampa, FL	\$60	\$236	\$114	\$409
<b>Nashville, TN</b>	<b>\$54</b>	<b>\$231</b>	<b>\$120</b>	<b>\$406</b>
Charlotte, NC	\$54	\$217	\$104	\$375
<b>Median</b>	<b>\$58</b>	<b>\$253</b>	<b>\$134</b>	<b>\$443</b>

Note: Sorted in descending order by total cost.  
 Source: 2002 Corporate Travel Index.

The cost to visit a city is impacted by the taxes the visitor will have to pay on hotel rooms, souvenirs, car rental and dining. Recipients of these tax dollars varies from state, county or city governments to CVBs to public assembly facilities or special projects. The table that follows is a general range of the tax rates charged on goods and services purchased in the competitive set’s cities.

### Range of Tax Rates Charged on Goods and Services in Nashville and the Competitive Set

Taxes	Nashville	High	Average	Low
Total tax on hotel room	<b>14.25%</b>	16.80%	13.16%	11.00%
Room	<b>5.00%</b>	16.80%	9.16%	5.00%
Sales	<b>9.25%</b>	9.25%	7.07%	5.00%
Restaurant	<b>9.25%</b>	10.00%	7.62%	6.00%
Car	<b>12.25%</b>	15.70%	10.93%	6.00%

Source: Individual convention & visitors bureaus.



### *Key Findings*

- Hotel rates are very important when bidding for a meeting or a leisure traveler's time. Nashville is a very affordable destination compared to the profiled competitive cities. According to the Nashville CVB, the relatively lower cost to stay and visit Nashville allows it to compete with cities that are larger in scope and may have strong destination appeal. In addition, several hoteliers mentioned that because they compete with cities such as New Orleans and Orlando, hotels in Nashville can charge higher rates than if they were competing with more similarly sized second-tier cities.
- Nashville's affordability as a destination is a strong marketing tool for many groups. The CVB's marketing plan focuses on groups that meet this target market including State associations and educational institutions.
- The total hotel/motel tax rate charged on hotel stays in the competitive set ranges from a high of 16.80% to a low of 11.00%. Nashville's total hotel bill tax charge is 14.25% which is slightly above the average.
- The total tax rate on hotels is typically comprised of the room tax and sales tax. However, some cities such as Denver and Dallas also charge a separate tax that is earmarked for a specific purpose such as tourism efforts or entertainment. There also can be variations on the amount of tax charged based on the number of rooms in a hotel as is the case in New Orleans and Minneapolis. The base room tax in Nashville is the lowest in the competitive set and tied with Orlando and Tampa which also charge a 5% room tax. Nashville's total tax rate on hotels is comprised of the room tax (5%) and the sales tax (9.25%).
- The tax charged on restaurant bills and car rentals in Nashville appears reasonable given the range of the competitive set. The 9.25% sales tax in Nashville is the highest of the competitive set.



## **Governance of the Nashville Convention & Visitors Bureau**

The Nashville CVB is an affiliate organization of the Chamber which is a 501(c)(6) organization under the IRS Code. It operates under a contract with Metro to establish Nashville as an international meeting and leisure destination. The Nashville CVB provides Nashville businesses with opportunities related to the tourism industry and works with journalists, media planners and the travel industry to attract visitors, conventions and meetings to the Nashville area.

Essentially, the Nashville CVB is governed by two separate entities:

- the Chamber, its parent organization, which distributes the hotel/motel tax funding and has ultimate authority over the Nashville CVB staff
- the Tourism Commission which is responsible for providing recommendations, advice and assistance to the Mayor concerning service agreements (i.e. Metro hotel/motel tax contract) related to direct promotion of tourism and tourist related activities within Metro which includes the Nashville CVB

The governance structure is an important factor for a CVB because typically a specific entity (i.e. Commission, Board) plays a significant role in oversight, establishing and administering policy and maintaining accountability for a CVB in order for it to be effective. The governance structure impacts all aspects of the CVB's management and operations. Objectives of governance typically include the following:

- Provide a stable governance structure for CVB operations insulating it from political influence and involvement;
- Provide an independent entity that focuses on operating the CVB in a proper, efficient, economical and business-like manner;
- Ensure that the CVB is serving the public needs while being fiscally responsible; and
- Provide strategic business planning for the CVB that is measurable and periodically evaluated for performance.

### *Key Findings*

- Most CVBs, including those in the competitive set, have a governing body, typically a Board of Directors, that determines the direction and the performance of the organization. The size of the Board of Directors ranges significantly among CVBs. Members of the International Association of Convention & Visitors Bureaus (IACVB) that responded to its survey have an average of 16 voting members on their Board of Directors and a six person Executive Committee. More than 82% of the responding CVBs indicated that their bylaws specify the composition of the Board of Directors.



- One of the most important aspects of governance is accountability, particularly when public funds are involved. Given the nature of tourism, there are a variety of stakeholders in the success of the CVB such as the governmental entity that provides the funding, clients, employees of the organization, area convention/exhibition facilities, area hoteliers, area attractions, area restaurateurs, other area businesses and airport personnel among others.
- While it is important to develop a structure that involves valuable input from stakeholder groups, the organization should be accountable to one oversight body that represents the interests of these organizations so that the Executive Director/President of the CVB is not accountable to multiple stakeholders.

### **Nashville Area Chamber of Commerce**

Because the Nashville CVB is an affiliate organization of the Nashville Area Chamber of Commerce, there is significant discussion in this section of the report regarding the interaction of these entities.

A Chamber of Commerce is defined as an action agency designed to meet community or area needs. It is typically a volunteer organization of individuals and businesses who come together to advance the commercial, financial, industrial and civic interest of a community or area. The Nashville Area Chamber of Commerce (Chamber) was founded in 1847. Its mission statement is “to provide leadership that will help create the best possible place in which to operate a business while enhancing the Music City region as a desirable place to live, work and visit”. The Chamber currently represents more than 4,100 companies and is Middle Tennessee’s largest business federation. According to representatives at the Chamber, the organization’s programs and initiatives aim to positively impact the economic vitality and enhance the quality of life of the region while supporting the growth and prosperity of its many members.

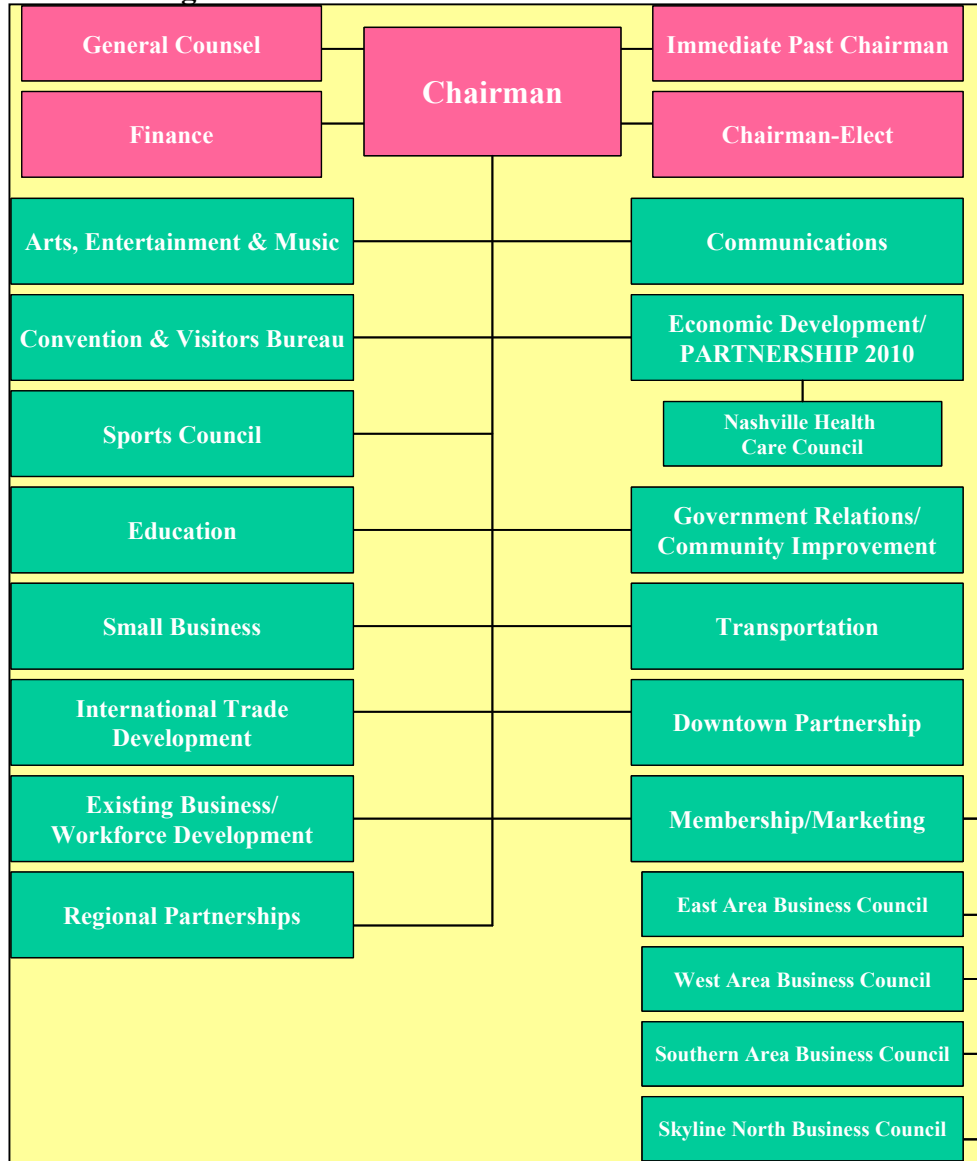
The following is an outline of the Chamber’s long-range priorities:

- Create sustainable economic prosperity by helping existing businesses prosper and attracting target industries.
- Assure 100% of Metro students will graduate from high school by 2010 prepared for a successful transition to a career and to further education.
- Ensure that the region develops and maintains an internationally competitive workforce.
- Assure that the region's air service and surface transportation systems stimulate quality economic growth.
- Make the region a national entertainment location and destination for arts, music, sports and tourism.
- Create powerful regional partnerships.
- Sustain -- and improve, when necessary -- the community's livability and commitment to diversity.
- Make the region's strong entrepreneurial climate a competitive advantage.



The Chamber leadership includes the Board of Governors (Board) which assists the Chamber in meeting its long-range goals and has the responsibility of governing the Chamber, the program of Chamber's work, and the control of its property as stated in the Chamber's bylaws. The chart that follows illustrates the Board's leadership structure.

**Volunteer Organizational Structure of the 2002-2003 Board of Governors**



Source: Nashville Area Chamber of Commerce.

Each of the boxes above represents a volunteer Vice Chairman who currently serves a one-year term on the Executive Committee. Some of the Vice Chairmen may also be an elected Board member, but he/she does not necessarily have to sit on the Board to be a member of the Executive Committee.



Twelve area business leaders are selected annually to serve three-year terms on the Chamber's Board. Four members of the Board are elected by the membership, four members are elected by the incumbent members of the Board and four members of the Board are appointed, subject to approval of the Board, by the incumbent Chairman-Elect each year for a three-year term. Members of the following offices shall, during their tenure in such office, be voting members of the Board: Mayor of Metro; officers of the Chamber including the Chairman, Chairman-Elect, Immediate Past Chairman, one or more Vice Chairmen, President, Vice Chairman of Finance and the General Counsel; Chairman of the Metropolitan Tourism and Convention Commission; the President of the Junior Chamber of Commerce; the President of the Sales and Marketing Executive of Nashville, Inc.; and the Chairman of each Business/Area Council of the Chamber. In total, all 36 members of the Board shall not be eligible for reelection or re-appointment to another three-year term until one year has elapsed. No holder of elective political office other than the Mayor shall be eligible to serve on the Board. The Board shall meet not less than bi-monthly.

The officers of the Chamber, listed above, all serve a one-year term with the exception of the President. The President does not sit on the Board but is responsible for the administrative and executive work of the Chamber and serves as Secretary of the organization and performs such duties as may be defined by the Board. The President is also responsible for the employment of all members of the organization's staff, subject to the approval of the Board and of the Executive Committee. The President is an ex officio member of all committees. The officers of the Chamber constitute the Executive Committee. The Executive Committee guides the development and execution of Chamber initiatives. The Chamber also has a Board of Advisors program that provides top company executives an avenue for input on Chamber and community issues.

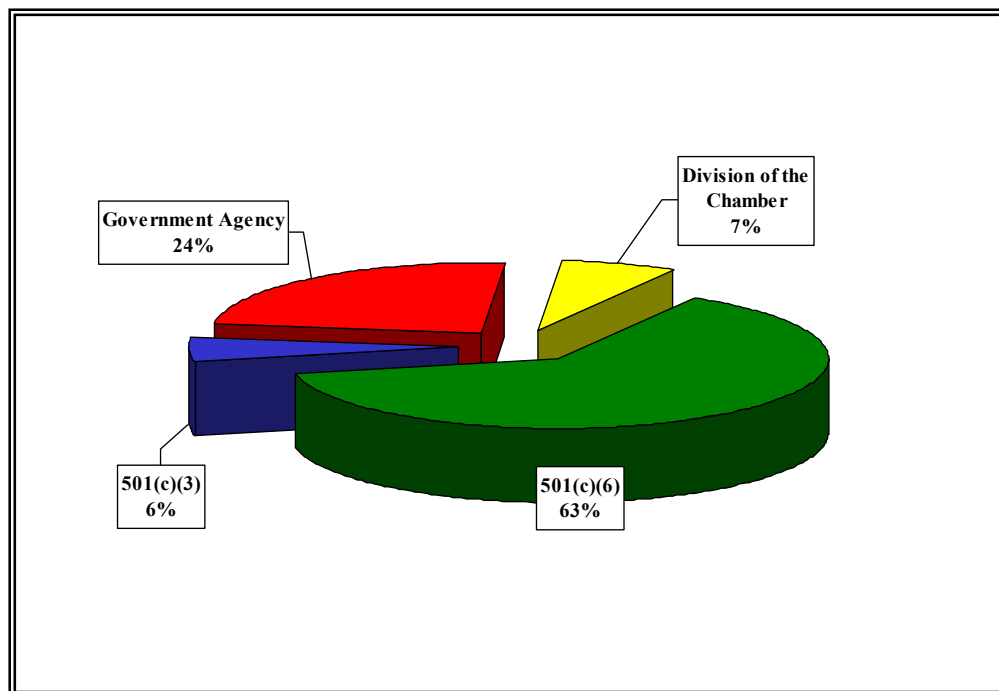
From a macro perspective, there are 10 Chamber departments which include the following: Arts, Entertainment & Music; Business Services; Communications; Economic Development/Partnership 2010; Education; Finance & Administration; Government Relations and Community Improvement; Membership and Marketing; Regional Partnerships; and Transportation.

In addition, the Chamber has six affiliate organizations which include the Nashville CVB, Nashville Downtown Partnership, Nashville Health Care Council, Nashville Sports Council, Nashville Technology Council and the North Nashville Community Development Corporation. The Nashville Downtown Partnership, Nashville Technology Council and the North Nashville Community Development Corporation although affiliates of the Chamber are separately incorporated. As an affiliate of the Chamber, these six business units do not receive annual funding from the Chamber. However, these business units are typically housed at the Chamber's office and share various operations with the Chamber such as accounting and technology. The cost for use of these services is charged back to all the business units. The employees working in the 10 Chamber departments and the six affiliates are all leased employees of the Chamber.



### Key Findings

- Historically, there has not been a formalized schedule of meetings between the Nashville CVB and the Chamber Board. In addition, the Board does not receive regular written reports about the Nashville CVB’s activities and efforts.
- The Executive Vice President of the Nashville CVB currently only reports to the Chamber Board a few times a year. The Vice Chairman of the Nashville CVB, which is a volunteer position held for one-year and is on the Chamber’s Executive Committee, is the liaison between the Nashville CVB and the Chamber but only reports to the Chamber concerning the Nashville CVB when an issue arises.
- The Nashville CVB leases office space from the Chamber. In addition, the Chamber provides various administrative functions to the Nashville CVB (and other affiliate organizations) including human resources, accounting services, computer network and insurance coverage. The cost of these services is charged back to the Nashville CVB.
- CVBs around the country are structured in a variety of ways. According to information provided by the IACVB, the majority (63%) of CVBs, and particularly those similar in size to Nashville, are independent not-for-profit associations classified as “business leagues” under Section 501(c)(6) of the Internal Revenue Code. Approximately 7% of CVBs that are members of the IACVB are divisions of a Chamber of Commerce.





- All of the CVBs in the competitive set with the exception of the San Antonio CVB are 501(c)(6) organizations that are independent from the respective city's Chamber of Commerce. The San Antonio CVB is a department of the City of San Antonio. Of the competitive set, the Dallas CVB is the most recent organization to separate itself from its Chamber of Commerce which occurred in 1992. According to Dallas CVB representatives, the separation of the CVB from the Chamber of Commerce was mostly attributable to the different focuses of the two organizations and the dedication of funds. After the Dallas CVB became its own non-profit organization, it signed a contract with the City of Dallas to receive a dedicated portion of the hotel/motel tax collections.
  
- Although most CVBs are separate 501(c)(6) organizations, several CVBs are still a division of the Chamber including those located in Amarillo, TX; Asheville, NC; Council Bluffs, IA; Oklahoma City, OK; Tulsa, OK; and Savannah, GA. In addition, the CVBs in Scottsdale, AZ and Charleston, SC, were combined until their new convention facilities opened. The following summarizes input obtained from representatives at several CVBs who are a division of the Chamber.
  - In most cases, the CVB President reports to the President/CEO of the Chamber who reports to the Chamber Board.
  - The CVB President typically reports to the municipality (i.e. City/County) at least quarterly to discuss spending, advertising and promotions.
  - With this structure, there is relatively extensive communication between the Chamber and the CVB. Some of these entities choose to meet on a weekly or monthly basis even though they are only required to report on a quarterly basis.
  - The structure allows the two groups the ability to share human, physical and financial resources (i.e. staffing, services, advertising, etc.) which was seen as a benefit. Some CVB representatives commented that the structure allows them to leverage their relationship with the Chamber to achieve greater recognition in the community.
  
- Compared to the input received from other CVBs who are a division of the Chamber, the Nashville CVB compares as follows:
  - The Executive Vice President of the Nashville CVB also reports to the President of the Chamber who in turn reports to the Chamber Board.
  - The Executive Vice President of the Nashville CVB reports to Metro typically on an annual basis for budget approval. Additional interaction with Metro is usually through the Tourism Commission which acts as a liaison between Metro and the Nashville CVB.



- In the past, there has not been extensive communication or interaction between the Nashville CVB and the Chamber. Representatives of the various Chamber affiliates meet on a weekly basis to update current efforts and actions. Historically, the Nashville CVB has not been an active participant but recently has begun attending these meetings at the request of the Chamber President.
- As previously discussed, the Nashville CVB shares some resources with the Chamber but it does not appear that the Nashville CVB is adequately leveraging its affiliation with the Chamber to increase recognition in the community or among Chamber members.

### **Tourism Commission**

Chapter 2.148 of the Metro Code outlines the framework of the Tourism Commission. A more detailed description of the Tourism Commission's roles and responsibilities can be found in the Administrative Rules and Regulations document which is filed at the Metro Clerk's office. This document was last updated on September 27, 1976. According to the Administrative Rules and Regulations document, which is not part of the Metro Code, the Tourism Commission is responsible for examining, preparing and submitting to the Mayor annual budget recommendations for the purchase of service agreements and other expenditures relating to the direct promotion of tourism and tourist related activities within the area of Metro. It is also charged with monitoring, evaluating and keeping the Mayor advised concerning service agreements entered into by Metro and promptly reporting any and all violations of the service agreements. Currently, the only service agreement the Tourism Commission is charged with is the Metro hotel/motel tax contract. As the current recipient of the Metro hotel/motel tax contract, the Nashville CVB reports to the Tourism Commission on a monthly basis. Although the Nashville CVB consults with the Tourism Commission on various issues, it does not need approval from the Tourism Commission to carry out its mission and business activities.

The Tourism Commission is comprised of nine voting members and the Vice Chairman of the Nashville CVB who is a non-voting member. Of the nine voting members, at least one must be associated with a "large hotel", one shall be an African-American; and one shall be a female selected by the Mayor of Metro. A large hotel is defined by Metro as a hotel with at least 1,000 rooms adjacent to or operated in connection with exhibition hall space of at least 100,000 square feet. Currently, the Opryland Hotel is the only property in Nashville that meets these requirements. In Metro's Charter Sec. 11.102 the following is stated related to Tourism Commission member qualifications:

*"Every member shall have been a resident of the area of the metropolitan government or have had his principal place of business or employment therein for not less than one (1) year prior to his appointment and shall continue to be so eligible so long as he shall serve."*

Members of the Tourism Commission shall be appointed by the Mayor and confirmed by a majority of the whole membership of the Metro Council. The Mayor appoints the Tourism Commissioners from the following nominating list.



- Four commissioners from a list of six persons submitted by the local hotel and motel association; one of whom shall be associated with a “large hotel”.
- One commissioner from a list of three persons submitted by the Chamber.
- Four commissioners selected by the Mayor of Metro from tourist-related industries.

The terms of the Tourism Commissioners are as follows.

- Serving three-year terms:
  - ⇒ One representative of the hotel and motel association
  - ⇒ Two representatives of the Mayor
- Serving two-year terms
  - ⇒ One representative of the hotel and motel association
  - ⇒ One representative of the Chamber
  - ⇒ One representative of the Mayor
- Serving one-year terms:
  - ⇒ Two representatives of the hotel and motel association
  - ⇒ One representative of the Mayor

The Nashville CVB reports to the Tourism Commission on a monthly basis. It distributes notebooks to the Tourism Commission containing reports produced by the Nashville CVB staff that outline the monthly performance and activity of the Nashville CVB. These reports contain information such as the number of sales calls, bookings and tax collections. Reports are also prepared on a quarterly basis demonstrating the performance and activity of the Nashville CVB for the quarter. The goal of this distribution according to the Nashville CVB is to make Tourism Commission members aware of the goals and performance of the Nashville CVB as well as answer any questions the Tourism Commission may have posed in previous meetings.

### *Key Findings*

- The Tourism Commission currently acts as an advisor to the Nashville CVB and a liaison between the Nashville CVB and the Mayor’s office but has relatively limited input on the operations of the Nashville CVB or the strategic planning process.
- The purpose and the role(s) of the Tourism Commission are not well-defined in the Administrative Rules and Regulations nor do they specifically address oversight and accountability. In addition, the Administrative Rules and Regulations are not clearly articulated to its members and other appropriate parties.



- While the Tourism Commission receives monthly updates from the Nashville CVB and the Chamber's Controller on various operational issues such as historical and future activity, it does not serve as an active advisor that would provide oversight and accountability to Nashville CVB management. However, this is not a defined role of the Tourism Commission in the Administrative Rules and Regulations or Chapter 2.148 of the Metro code which discusses the Tourism Commission.
- As discussed previously, the Tourism Commission's responsibilities include examining, preparing and submitting to the Mayor the annual budget recommendations for the Nashville CVB's budget since it is the recipient of the Metro hotel/motel tax contract which is the "service contract" the Tourism Commission monitors. Currently, the Tourism Commission reviews the budget and provides suggestions to the Nashville CVB but does not have an active role in the preparation of the budget. The budget is currently prepared by the Executive Vice President of the Nashville CVB and the Chamber's Controller.
- Oversight bodies should periodically engage in self assessments to look at their own performance and review their primary roles and responsibilities. The Tourism Commission has not recently completed this process.
- According to representatives of the competitive set, there are currently no residency specifications on their respective Board of Directors. Some CVBs do require Board of Director members to work within the CVB's main county/city jurisdiction. However, some also noted that many of their members are from the metropolitan area and may be living and/or working outside the main county/city area but are still beneficiaries of the CVB's marketing efforts. Therefore, they are active members who have the opportunity to serve on the CVB's Board of Directors.



## Operations and Performance of the Nashville CVB

This section of the report focuses on a review of operational aspects of the Nashville CVB.

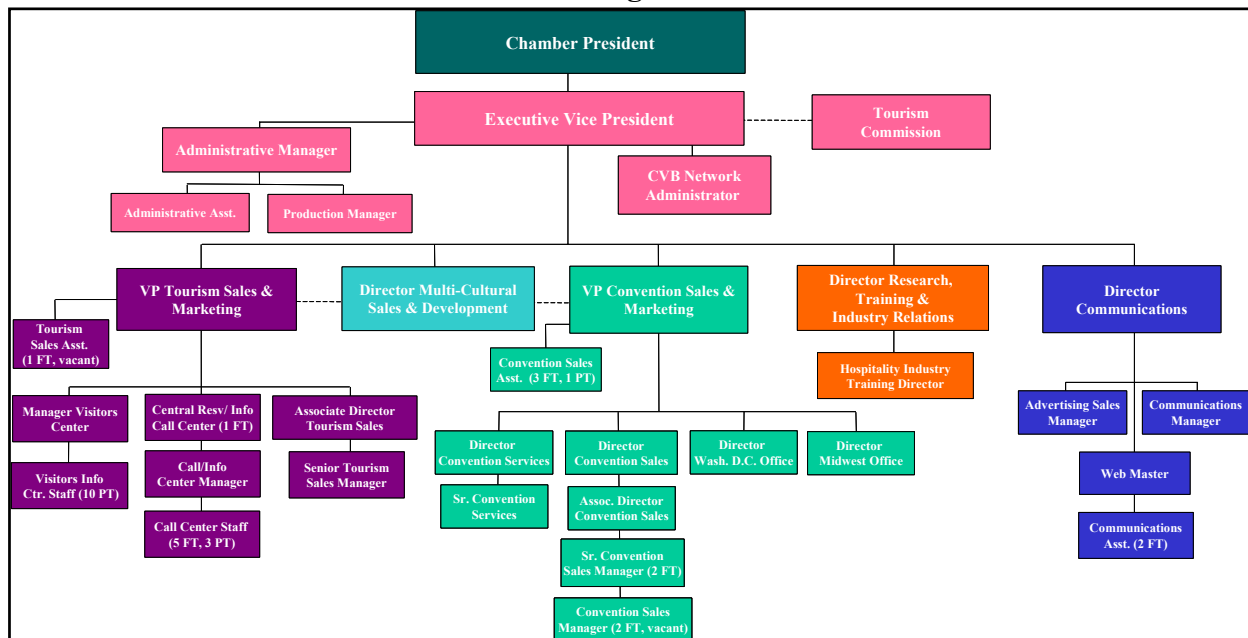
### Mission Statement

The mission statement is to maximize the economic contribution of the convention and tourism industry to the community by developing and marketing Nashville as a premier destination.

### Organizational Structure and Staffing Levels

Although the Nashville CVB is part of the Chamber organization, it has an independent organizational chart that only reflects employees who allocate all of their time to the Nashville CVB. All of the staff at the Nashville CVB are employed by the Chamber but are allocated or leased out to the Nashville CVB. The chart that follows depicts the organizational structure for the Nashville CVB.

**Nashville CVB Organizational Chart**



Note: FT indicates full-time position and PT indicates part-time position.

Source: Nashville CVB.

As shown in the organizational chart, the Executive Vice President of the Nashville CVB oversees all aspects of the organization's operations including administration, tourism sales and marketing, multi-cultural sales development, convention sales and marketing, research and communications each of which are color coded to signify the various departments. There are currently seven direct reports to the Executive Vice President. According to representatives of management, the key management consists of the Executive Vice President, the Vice President of Convention Sales & Marketing and the Vice President of Tourism Sales & Marketing.



The Nashville CVB currently has 40 full-time employees, 14 part-time employees and two full-time positions that are vacant. This equates to approximately 47 full-time equivalents (FTEs). The two largest departments in terms of staffing are the Tourism Sales & Marketing department (12 full-time, 13 part-time) and the Convention Sales & Marketing department (14 full-time, 1 part-time). The Nashville CVB shares the Chamber's Finance Department which is not represented on the organizational chart. As an affiliate of the Chamber, the Board of Governors appoints a Vice Chairman to act as a liaison between the Nashville CVB and the Board of Governors. Currently, this position reports to the Board of Governors only when a significant issue arises.

The Tourism Sales & Marketing department (Tourism Sales) includes the call center which was added to the department's responsibilities in FY 2001, the tourism sales area as well as the Visitors Information Center (VIC). It is the goal of this department to drive and secure overnight leisure business to Nashville, resulting in more room nights in the City each year. The call center has been in place for a year and a half and focuses on adding more hotels to the leisure reservations program, generating more inquiries through ads, adding more staff to receive calls and supplying high levels of customer service. The Tourism Sales team focuses on direct sales to individuals and groups both domestically and internationally. The relationship with a London based tourism organization has helped advertise the Nashville product in the marketplace in 67 out of 68 tour operator catalogs in the U.K. Once the leisure or group visitor is in Nashville, it is the role of the VIC to service the guest from its present location at the GEC. The VIC offers a concierge station where a visitor can purchase attraction tickets, make dinner and tour reservations, and book a hotel room.

The Convention Sales & Marketing (Convention Sales) department mainly focuses on one-on-one selling. Employees in this department have extensive travel schedules which include trips to tradeshows or pre-arranged appointments. This department solicits potential groups by specific market segments which are divided among the sales staff. This approach allows the staff to become knowledgeable of the market's specific needs and meeting characteristics. The Midwest and Washington, D.C. offices focus their efforts on direct selling to weekly pre-arranged appointments and attend chapter meetings and represent the Nashville CVB at special events. The Washington, D.C. region is home to over 3,000 professional and philanthropic associations which are the sales focus of the Washington, D.C. area office. The Midwest office targets both associations and corporate business by creating visibility in the region, developing corporate production, and educating associations on Nashville's abilities to provide a variety of hotel packages and meeting facilities.

The Convention Services department falls under the Convention Sales department. Employees in this department service clients from the planning process identifying providers of various services and help a client plan special events away from the hotels.



The Communications department works closely with Convention Sales and Tourism Sales departments to promote an image of Nashville consistent with the Nashville CVB's sales mission. The Communications department focuses on ensuring that the sales staff has effective tools to successfully sell the City. It annually publishes the *Nashville Group Travel Planner*, *Music City Vacation Guide*, *Dining and Entertainment Guide*, *Points of Interest Map* and the *Nashville Coupon Book*. It also contributes to the publication of the *Meeting Planning Guide*. For the primary in-house publications, the Communications department coordinates all aspects of production, including advertising sales which was brought in-house in 1995. In addition to annual publications, the department produces a number of regular newsletters designed to build awareness and sales among key audiences. The quarterly *CarTunes* is sent to AAA club offices, the bi-annual *Nashville Notes* is for the group travel and bank travel leaders, the quarterly *Notes Home* goes to members of the Nashville hospitality industry, the *Quarter Notes* is a quarterly publication designed to keep local elected officials abreast of key developments in the tourism industry and the semi-monthly *Taxi Notes* keeps taxi drivers up to date on important developments in the hospitality industry. The department also produces and supervises the production of support material designed to enhance the sales and service efforts of tourism sales, convention sales and convention services. Also included under the Communications department is media relations and consumer and industry advertising. The media relations component includes both proactive and reactive responses to the media, setting up targeted media familiarization tours, hosting individual journalists, replying to phone and on-line requests for information, sending out targeted press releases and working closely with the international satellite offices as well as the Tennessee Department of Tourist Development, local attractions and other organizations which promote travel to the region. The Nashville CVB advertises in several consumer publications such as *Southern Living* and *Family Circle* and in industry publications like *Meeting News* and *Association Management*. Another medium of advertising includes the Nashville CVB's website which was brought in-house in FY 2001.

The Hospitality, Research and Training department conducts research on the major demographic and travel habits of visitors as well as maintaining records of the hospitality industry including occupancy, average daily rate and room growth. This department also uses research of outside firms to guide advertising and promotion programs by identifying the most promising geographic markets and the lifestyle and interest of those with the greatest tendency to visit Nashville. The hospitality training component of this department offers training to various customer contact employees including hotel staff, attraction employees, taxi cab drivers and police officers. Annually, the department holds approximately 103 sessions which train about 2,500 individual employees a year. These sessions are free and take place at the employee's location where possible or at a location arranged by the Nashville CVB. The training consists of customer service skills, videos, role-playing, questions and answers, what's new in the area and where to find additional information or where to refer someone. Ten (10) to forty (40) people attend each session which lasts for up to 90 minutes. Attendees are given a Hospitality Industry Admission Ticket which provides complimentary admission to most of the attractions in Nashville once training is completed.



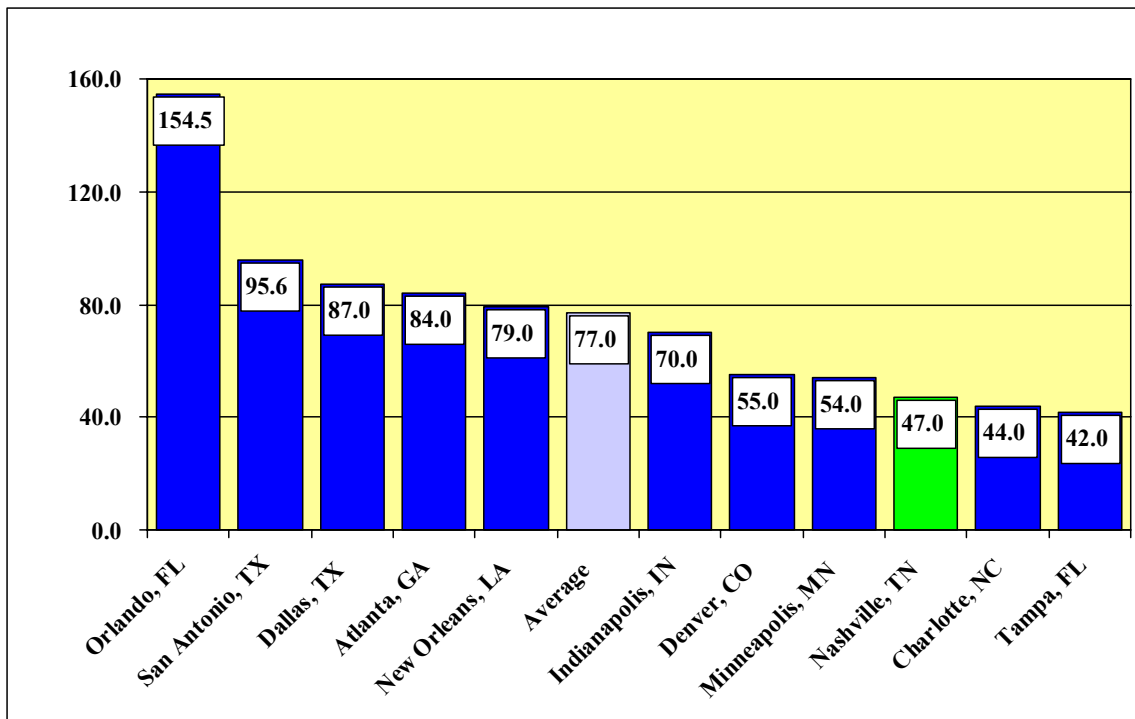


The Director of the Multi-Cultural Sales & Development position is a fairly new position that was created to enhance and attract minority groups and events to the City of Nashville. This position reports directly to the Executive Vice President but also has significant interaction with the Vice Presidents of the Tourism Sales and Convention Sales departments.

*Key Findings*

- The existing staffing structure conforms to industry practices and allows for segmentation of key operational functions.
- As a point of comparison, the following graph compares the number of FTEs for the competitive set.

**Comparison of FTEs for the Competitive Set**



Source: Individual CVBs.

The number of FTEs at CVBs in the competitive set ranged from a low of 42 to a high of 154.5 FTEs. The average number of FTEs for the competitive set was 77. The FTE count includes employees at visitors centers who are CVB employees.

The Nashville CVB appears to be lean based on its number of FTEs compared to those in the competitive set. This is likely impacted by its use of the Chamber's finance and accounting department which is not included in the Nashville CVB's FTE calculation or shown on its organizational chart.



- Although personnel costs and staffing levels at the Nashville CVB are lower than most of the CVBs in the competitive set, management indicates that it has the appropriate number of budgeted positions.
- Sharing of certain staffing resources with the Chamber creates efficiencies for the Nashville CVB, specifically related to financial functions and maintenance of the computer network.
- According to the organizational chart, the span of control appears in line and the appropriate staffing resources appear to be allocated appropriately. However, prior to the recent hires for the Director of Convention Sales position as well as the two Directors in the satellite offices, the remaining convention sales staff reported directly to the VP of Convention Sales. This number of direct reports was high and could potentially have resulted in inadequate management oversight. Management at the Nashville CVB expects the number of direct reports to the VP of Convention Sales to decrease by redirecting oversight responsibilities of the five full-time convention sales staff to the Director of Convention Sales position who will then report to the VP of Convention Sales. This strategy is recommended and should allow for a better span of control.
- The most common service for CVBs to outsource is payroll services and the majority of CVBs also outsource publishing. A large majority of the CVBs contacted maintain their own web design and web page. Advertising and public relations services varied among the CVBs responding to the survey. Several of the representatives of the competitive set mentioned that they may use an outside advertising agency as well as conduct some advertising internally.
- There does not appear to be an industry standard for outsourcing or performing certain business functions in-house for CVBs. The Nashville CVB does not outsource any of its services. Its payroll and other accounting functions are performed by the Chamber and the Nashville CVB maintains and designs its own website. The Nashville CVB has outsourced a portion of its advertising but also performs a significant amount of this task in-house. The only service which is overwhelmingly outsourced that the Nashville CVB does in-house is publications which includes design, advertisement sales, editorial and proofing.

## **Marketing and Promotional Efforts**

Many entities interchange marketing plans with strategic plans when in fact they are two different management tools. A marketing plan should compliment the strategic plan and provide the exact methods of execution and goals to measure the success of the organization in the parameter set forth in the strategic plan. It should capture all relevant activity and productivity produced by the Nashville CVB. A strategic plan should create a framework for achieving competitive advantage by thoroughly analyzing an organization, its internal and external environment, and its potential. This enables organizations to respond to the emerging trends, events, challenges, and opportunities within the framework of its vision and mission, developed through the strategic planning process. When successful, it influences all areas of operations, becoming a part of the organization's philosophy and culture.



The Nashville CVB produces its marketing plan on an annual basis. The marketing plan was significantly revamped following the closing of the Opryland Theme Park in December of 1997 after 26 years in operation and more than 54 million guests. It usually attracted approximately 2 million visitors a year. Without a major attraction like the Opryland Theme Park, Nashville became less of a family destination. According to representatives at the Nashville CVB, the organization altered its marketing strategy to focus more on attracting events and on drawing couples by marketing Nashville's entertainment choices including a new facility for the Country Music Hall of Fame, the opening of the Frist Center for the Visual Arts and Opry Mills. The marketing plan identifies niche markets which will be a heightened focus of the sales staff for the coming year.

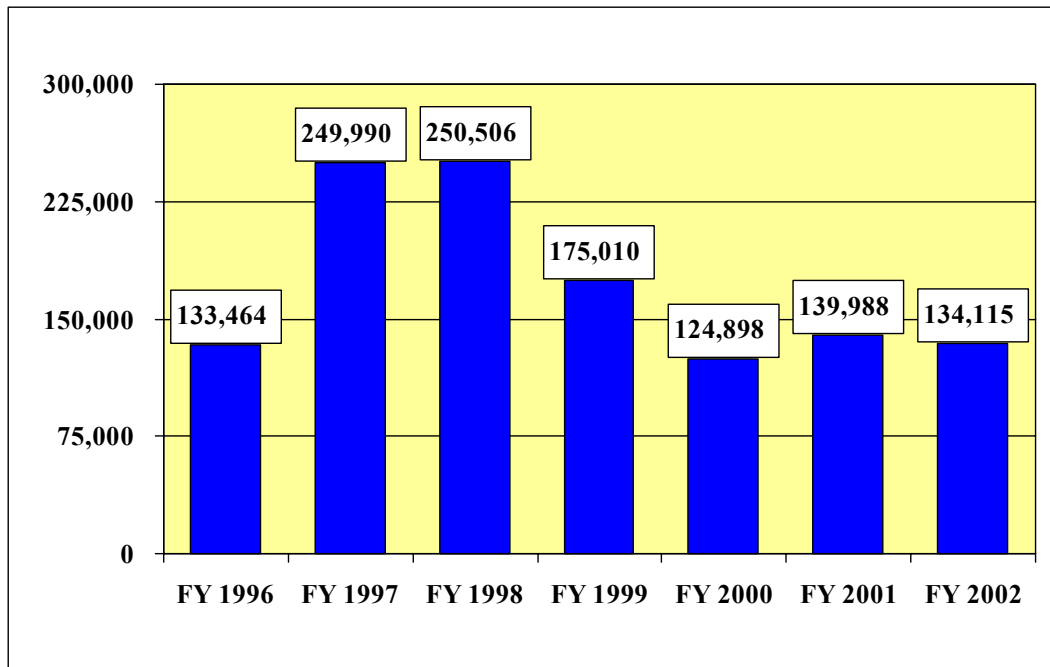
The marketing plan is divided into five major sections which include tourism sales and marketing, visitor information center, convention sales and marketing, multi-cultural sales and marketing and information and reservations call center. Other smaller indices include communications, media schedule, hospitality research and training and awards and personnel. The marketing plan provides appendices with historical performance and future goals in several areas such as room nights and convention bookings.

The marketing plan for 2001-2001 was designed around a \$4 million advertising schedule that includes regional newspapers, national magazines, and television media buys that focus on events, image, and diversity. Other methods of promoting Nashville include direct sales, hosting and attending travel industry meetings and events, funding for international marketing programs, and involvement in industry organizations.

The Nashville CVB operates the VIC which was relocated from the interstate to the lobby of the GEC in December of 1996. The VIC provides information, arranges accommodations and reservations and sells tickets to local attractions. The following graph depicts the VIC's historical visitation from FY 1996 to FY 2002.



### Historical Visitation at the Visitors Information Center



Note: The VIC moved to its current location in December 1996 which occurred in FY 1997.  
 Source: Nashville CVB.

The GEC opened in December of 1996 and became the new home of the VIC. The heightened local interest in the new facility abnormally increased visitation to the VIC. However, visitation to the VIC significantly declined in FY 1999 and has remained relatively stable. According to the Nashville CVB, the large decrease in visitation to the VIC over the past four fiscal years is likely attributable to several factors including a decrease in downtown tourist traffic because of the closing of Opryland Theme Park in December of 1997 and the closing of other tourist attractions located in downtown.

The Nashville CVB estimates that approximately 10.6 million people visited Nashville in 2001 and the number of overnight visitors to Nashville has risen steadily since 1995. The following table shows the Nashville CVB's estimate of the number of overnight visitors to Nashville.

Calendar Year	Number of Overnight Visitors to Nashville
1995	9,500,000
1996	9,500,000
1997	10,000,000
1998	10,000,000
1999	10,500,000
2000	10,500,000
2001	10,600,000
<b>Average</b>	<b>10,085,714</b>

Note: These figures are only estimates and may differ from the actual number of overnight visitors.

Source: Nashville CVB.



It should be noted that the number of visitors to a destination is difficult to quantify and is one of the hardest factors to accurately measure. The Nashville CVB bases its estimate of the number of overnight visitors on various data including visitor spending amounts as estimated by the US Travel Data Center and hotel occupancy rates. Tools used by some CVBs to “guestimate” the number of visitors include purchasing services from national research firms that specialize in extrapolating data from the marketplace as well as conducting visitor intercept studies. However, since there is no proven methodology to accurately track the number of visitors to a community these figures also represent estimates.

Using the most recent available research data from the US Travel Data Center economic reports, it is estimated that visitors in 2000 spent approximately \$3.0 billion in Nashville. In a normal year, the composition of visitors to Nashville is typically 30% leisure, 30% business, 30% meetings and conventions and the remaining 10% are other types of travelers such as international. Based on data supplied by the IACVB, the Nashville CVB estimates that, on average, conventioners typically spend approximately \$240 per day and leisure travelers spend \$75 per day. The difference between these figures is largely due to the fact that conventioners usually do not share hotel rooms and spend more on meals since they are typically on an expense account.

As noted earlier, its Communications department publishes several marketing materials that are used to sell Nashville in the tourism and meetings industry. Annual magazines include the *Meeting Planning Guide*, *Group Travel Planner*, *Music City Vacation Guide* and the *Nashville Coupon Book*. Quarterly newsletters include *CarTunes*, *Nashville Notes*, *Nashville Hymnal*, *Quarter Notes*, *Notes Home* from the Midwest regional office and *Notes Home* from the Washington, D.C. area office which are distributed to the motor coach industry, American Automobile Association (AAA) and to local hotels. Other promotional materials the Nashville CVB uses include posters, postcards, gold record pins, gold or platinum record stickers, African-American Historic Sites brochures, points of interest map, art work and video footage.

A current promotion created by the Nashville CVB is the Pick 3/Take 2 attraction promotion. The Pick 3 promotion allows a visitor to choose one adult or child admission to any three of the 14 participating attractions and turn in one stub of the Pick 3 ticket at each of the three attractions selected. The participating attractions include:

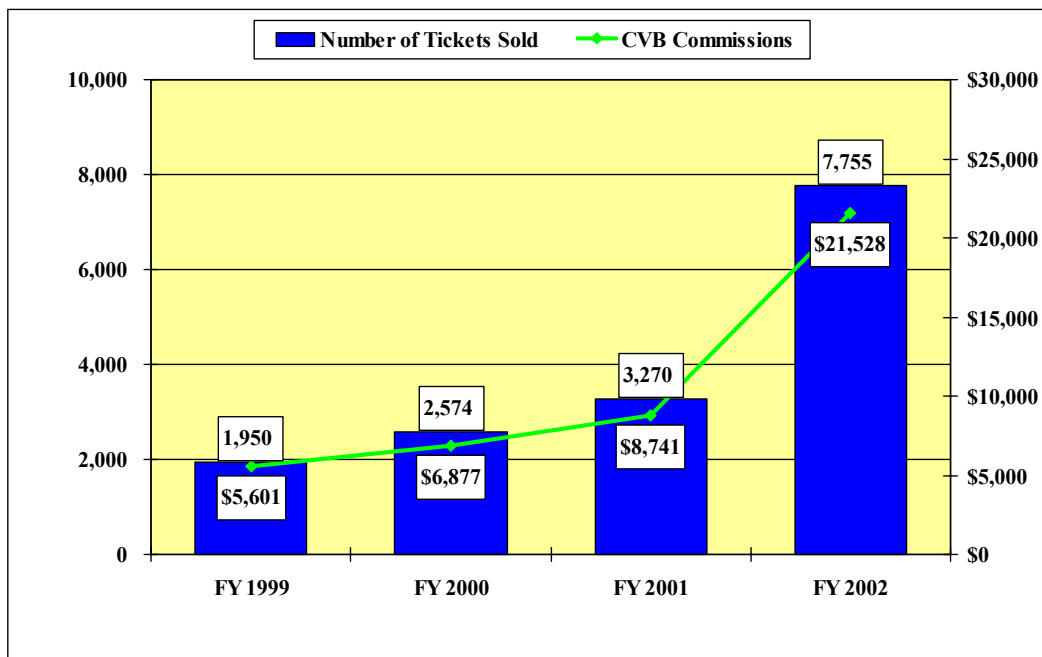
- Adventure Science Center
- Belle Meade Plantation
- Belmont Mansion
- Cheekwood Botanical Gardens and Museum of Art
- Country Music Hall of Fame and Museum
- Frist Center for the Visual Arts
- Gaylord Opryland Resort Delta River Flatboats
- General Jackson Midday or Evening Cruise
- The Hermitage: Home of President Andrew Jackson
- Music Valley Museums Combo Pass
- The Nashville Zoo at Grassmere



- Ryman Auditorium Tours
- Travellers Rest Plantation
- Wildhorse Saloon

The Take 2 ticket gives access to two attractions for one adult or child admission at nine participating attractions. In FY 2002, 5,708 Pick 3/Take 2 attraction tickets were sold through the VIC and an additional 2,047 tickets were sold through the AAA. This past fiscal year was the most successful year for this promotion because of stronger campaign efforts with the AAA and the Nashville CVB's call center had begun selling attraction tickets in FY 2002 which are accounted for in the VIC number. Since FY 1999 over 15,500 Pick 3/Take 2 attraction tickets have been sold in total. The following graph shows the total number of tickets sold through this promotion and the commission the Nashville CVB has received from these sales.

**Total Ticket Sales and CVB Commissions from Pick 3/Take 2 Promotion**



Source: Nashville CVB.

The Nashville CVB has several promotional contracts with various entities which are discussed below.

- Rhythms of the South is a promotion to produce more international tourism business for the Southern portion of the United States. It is a marketing partnership formed in 1999 between the CVBs in Atlanta, Nashville and New Orleans and involves a corporate alliance with Delta Airlines and a major sponsorship with Avis. These three cities jointly pay for a marketing representative in London. This partnership hosted the first Southern Marketplace in October of 2002 in Atlanta, Georgia. Southern Marketplace will be an annual two-day trade show attracting tour operators from around the world.



- The Nashville CVB helped coordinate the Southwest Airlines sponsorship with the Country Music Association (CMA) to promote Fan Fair. The Nashville CVB was involved in all aspects of promotion for this event including radio promotions, print advertisement and spots in the AAA's marketing campaign. Fan Fair also coordinated ticket sales with Southwest Airlines Vacations and with Southern Living Magazine travel services.
- Tennessee Titans Radio Network Weekly Promotion for the 2002-2003 football season has 33 area hotels donating 373 room nights and the Titans supplying tickets to 10 games. This season is the fifth year the Nashville CVB has worked with the Titans and area hotels with this promotion. For the 2002-2003 season, the promotion will be broadcast on over 50 radio stations at a zero dollar cost to the Nashville CVB.
- Elvis Week Radio Promotion was with the radio station WQSR out of Baltimore who created three "All Shook Up" music montages, to celebrate the life of Elvis Presley that contestants had to unscramble to win the grand prize trip. The two week on-air promotion was executed primarily during the station's top-rated morning show. In return, the Nashville CVB provided three trip packages for two persons, each from Baltimore to Nashville, on Southwest Airlines, accommodations for winners for three nights in a Nashville hotel, admission to special Elvis events and a Music City Star Card.
- The Nashville CVB has contracted with Southwest Airlines and American Airlines to create special convention packages for the meetings market. As a result, when a group signs a contract with either airline they receive a variety of extras such as discounted fares, a toll-free reservation number and discounts for cargo shipments. Southwest Airlines Vacations (SWAV) specifically has a partnership with the Nashville CVB. In addition to Southwest Airlines involvement with Fan Fair and the previously discussed Elvis Week Radio Promotion, the Nashville CVB and Southwest Airlines have an expansive relationship which includes co-op advertising, periodic radio promotions, packaging and internet networking.
- Tennessee Tourism Lofthouse Partnership partners for FY 2003 include the Chattanooga CVB, Graceland, the Memphis CVB, the Nashville CVB, Metropolitan Nashville Airport Authority, Opryland, Pigeon Forge Department of Tourism and the Tennessee Department of Tourist Development (i.e. Tennessee Tourism). Each of these partners are budgeted to contribute \$17,000 in FY 2003 to this promotional effort. The Lofthouse Partnership began in 1992 and seeks to increase the number of United Kingdom (U.K.) and Western European visitors to Tennessee and maximize the length of stay of these visitors and increase their economic impact throughout the State. Tennessee's travel trade outreach, consumer sales and marketing activities are currently co-coordinated by Lofthouse in the U.K. (England, Scotland, Wales & Northern Ireland), Germany, Ireland, France, Sweden, Netherlands, Norway, Switzerland, Denmark and Belgium. As part of the Lofthouse partnership, the State of Tennessee led a promotion called Deep South USA which involved teaming up with the States of Alabama, Georgia, Louisiana and Mississippi to promote these states collectively to the international market and share in the costs of a satellite office. The Deep South initiative began in the Dutch and Belgian markets and has been extended to Norway, Germany and France. These teaming efforts were in response to estimates by Travel Market Insights



(TMI) which specializes in monitoring travel market trends and analysis. TMI estimated that approximately 156,450 Western European visitors came to Tennessee staying an average of four nights and spending an average of \$77 per person per day in 2000. In addition, these visitors traveled to an average of three states while in the U.S.

- The Nashville CVB has an alliance with AAA to increase awareness among nearly four million AAA households of the “Grand New Nashville” and generate sales by offering special AAA member value-packages via a comprehensive marketing campaign. As a result, AAA participates in the attraction ticket program Pick 3/Take 2 as well as hotel programs with the Embassy Suites Hotel Opryland/Airport, Opryland Hotel and the Renaissance Nashville Hotel. Elements of the campaign include promotion of the “Grand New Nashville” at the management and club meetings, spots in the *AAA Going Places Magazine* and other support components including direct mail, flip cards and banners on AAA’s website. The number of total trips booked or sold for the six month period from March 2002 to August 2002 totaled 1,200 which was 131 trips less than the 2002 goal for this period. However, the number of hotel room nights booked increased from 746 in 2001 to 2,010 in 2002 for this same period.

#### *Key Findings*

- All of the CVBs in the competitive set operate the local city’s visitors center(s) with the exception of the New Orleans Metropolitan CVB.
- Each of the CVBs in the competitive set also staff personnel in satellite offices to market the city. The two most popular places for CVBs to locate satellite offices are Washington, D.C. and Chicago.
- The positions in the Midwest and Washington, D.C. satellite offices have recently been filled at the Nashville CVB. To remain competitive on the national level, the Nashville CVB should maintain personnel in these positions.
- During our research, several stakeholders expressed concern that historically they have had relatively limited involvement in the marketing and strategic planning process as it relates to the Nashville CVB. Consequently, several representatives did not feel that their interests were being appropriately considered in the Nashville CVB’s overall marketing and promotion strategy.
- As mentioned previously, the Nashville CVB markets two primary convention facilities which compete for some of the same business. Overall, the Nashville CVB maintains its presence as a neutral party and is successful in providing lead generation to the Opryland Hotel and the Convention Center as well as the hoteliers.
- Based on our experience in the market as well as input from stakeholders in the Nashville visitor industry, the Nashville CVB has a strong reputation and competitive presence. Because of its reputation and sales talents, the Nashville CVB is able to leverage advertising dollars which allows it to get a greater return on investment. As a hypothetical example the Nashville CVB may spend \$20,000 on advertising in a publication, but it may get exposure valued at twice that.





- The Nashville CVB's marketing plan states its goal of creating promotions is based on increasing advertising for Nashville and therefore increasing room nights. If room nights are not positively impacted by a promotion, it is reevaluated and perhaps discontinued. The Nashville CVB evaluates its promotions on factors such as cost per inquiry, comparison of historical volume of calls, and number of room nights generated.
- The Nashville CVB pools its marketing dollars with other organizations at the State and national level. For instance, the Department of Tourism has a designated amount of funding that it may use for special projects to promote cities throughout the State of Tennessee. The Nashville CVB has received matching contributions from this entity as well as assistance with the Southern marketplace.

### **Client Satisfaction**

Recognition by industry affiliates and client satisfaction are both qualitative measures of overall performance for a service organization such as the Nashville CVB. The Nashville CVB has been consistently recognized by its industry peers and clientele for excellent service. The Nashville CVB was selected by *Meetings & Conventions Magazine* for the Gold Circle Award which is based on ballots completed by CVB clients and M&C's readers. This is the 9<sup>th</sup> year that the CVB has received this award. The Nashville CVB is also the recipient of the Pinnacle Award from *Successful Meetings* which was awarded to 64 CVBs in 2002 and the Gold Service Award from *Meeting & Convention* which was awarded to 62 CVBs.

Client surveys indicated that the staff at the Nashville CVB deliver a complete package and were described as hospitable, committed, meticulous, dedicated, responsive, proactive, knowledgeable and client focused. Overall, clients were generally satisfied with the performance of the Nashville CVB and had high regard for its staff.



## Hotel Inventory and Related Characteristics

The primary objective of the Nashville CVB is to generate hotel room nights in an effort to maximize economic impact to Nashville. One tool that the Nashville CVB uses to fill hotel/motel rooms is its internet-based convention housing system Passkey which provides an automated process for managing hotel room blocks and leisure stays. For convention events, it processes room reservation requests for a group’s attendees and provides periodic inventory reports that include actual arrival/departure patterns, booking pace and real-time pickup information to meeting planners. In the past two years, this software system has processed more than 24,000 individual hotel reservations through the Nashville CVB’s call center located on-site in the Nashville CVB’s office. Typically, groups utilizing 1,000 or more rooms on peak night and three or more hotels can use Passkey.

The City of Nashville has more than 125 hotels and motels totaling over 32,000 hotel rooms according to the Nashville CVB. These hotel rooms range in size from 33 total sleeping rooms to 2,883 at the Opryland Hotel. The second largest hotel property in Nashville is the Renaissance Hotel which is connected to the Convention Center. Excluding the Opryland Hotel and hotels with less than 100 rooms, the average number of hotel rooms per property is 177 rooms. There are approximately 87 hotel properties with at least 100 rooms in Nashville. At the time of this report, no new hotel properties or additional rooms are being added to the existing hotel inventory in Nashville. However, there are some proposed hotels that are still in the planning phase.

During large events such as citywide conventions and meetings, hoteliers will agree to block rooms for visiting attendees. These room blocks are called committable rooms. The following table shows the number of total hotel rooms and committable hotel rooms within one mile of the Convention Center at hotel properties with at least 100 rooms.

<b>Hotels within 1 mile of the Nashville Convention Center</b>	<b>Total Hotel Rooms</b>	<b>Committable Hotel Rooms</b>
Renaissance Hotel	673	600
Sheraton Nashville Downtown	477	400
Doubletree Hotel	338	250
Hilton Suites	330	250
ClubHouse Inn & Conference Center	285	225
Courtyard by Marriott Downtown	198	100
Days Inn Vanderbilt	151	50
Union Station Hotel	124	75
Hermitage Suites	120	50
Days Inn Downtown	100	75
<b>Total</b>	<b>2,796</b>	<b>2,075</b>

Note: Sorted in descending order by total hotel rooms.  
Source: Nashville CVB.

As shown in the previous table, there are 10 hotel properties offering a total of 2,796 hotel rooms within one mile of the Convention Center. Of these hotel rooms, approximately 74% are available for committable hotel room blocks for convention and meeting activity.



The next table illustrates the total hotel rooms and committable hotel rooms within one mile of the Gaylord Opryland Resort excluding hotel properties with less than 100 hotel rooms.

<b>Hotels within 1 mile of the Gaylord Opryland Resort &amp; Convention Center</b>	<b>Total Hotel Rooms</b>	<b>Committable Hotel Rooms</b>
Opryland Hotel	2,883	2,700
Radisson at Opryland	307	200
Budget Host Inn	212	150
Fiddler's Inn North	202	150
Shoney's Inn Across from Opryland - Music Valley	185	150
AmeriSuites Music Valley	125	80
Holiday Inn Express Music Valley	121	50
Fairfield Inn	109	50
Best Western Suites by Opryland	100	75
<b>Total</b>	<b>4,244</b>	<b>3,605</b>

Note: Sorted in descending order by total hotel rooms.  
Source: Nashville CVB.

The Opryland Hotel is the largest hotel in Nashville. It underwent a major expansion in 1996 that added 979 rooms bringing it to the current capacity of 2,883 rooms. The Opryland Hotel has 1,448 more total hotel rooms and an additional 1,530 committable hotel rooms within one mile than the Convention Center.

Due to the size of the Opryland Hotel and its adjoining meeting space, several hotels in the downtown area formed the Downtown Nashville Convention Collection (DNCC). The DNCC is a cooperative alliance of hospitality professionals working in conjunction with the Nashville CVB to research and develop opportunities for conventions, conferences, meetings, exhibitions and tradeshows for the downtown area of Nashville. The DNCC consists of 11 hotels offering up to 3,000 committable guest rooms in close proximity to the Convention Center, the 20,000-seat GEC and 9,600-seat NMA. The DNCC is independently funded through member dues, meets monthly and is a volunteer group. The DNCC typically targets groups that use the Convention Center and two hotels which translates into about 1,000 guest rooms. The following hotels comprise the DNCC.

- Courtyard by Marriott Downtown Nashville
- Days Inn Downtown
- Doubletree Hotel Nashville
- Hilton Suites Nashville
- Loews Vanderbilt Plaza Hotel
- Ramada Inn & Conference Center
- Ramada Limited at the Stadium
- Renaissance Nashville Hotel
- Sheraton Nashville Downtown
- The Hermitage Hotel
- Union Station-A Wyndham Historic Hotel

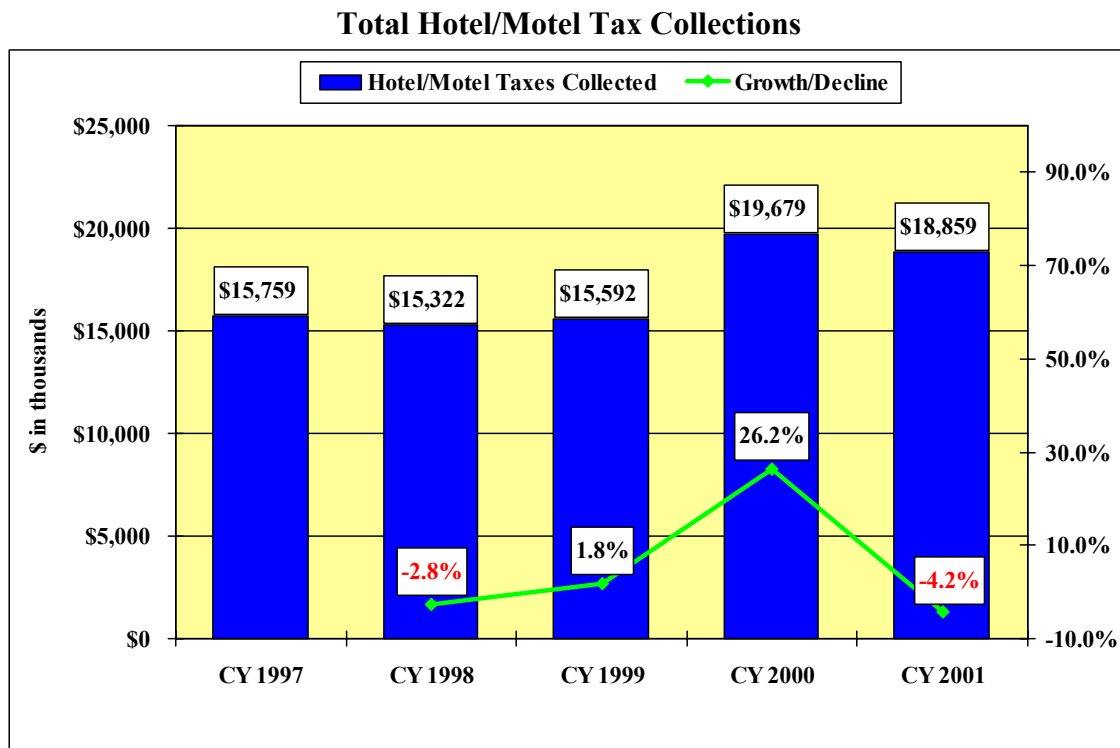


Hotel/motel properties in Nashville charge a total tax of 14.25% on daily room rates. This amount is comprised of the 9.25% Tennessee State sales tax and the 5% hotel/motel room tax. Proceeds of the hotel/motel tax are distributed as follows.

- Two-fifths of the proceeds shall be used for direct promotion of tourism;
- One-fifth of the proceeds shall be used for tourist-related activities;
- One-fifth of the proceeds shall be used for the constructing, financing and operation of a Convention Center;
- One-fifth of the proceeds shall be deposited in the general fund of Metro.

The two-fifths for direct promotion of tourism currently constitutes the Metro hotel/motel tax contract which is received by the Chamber and distributed to the Nashville CVB. The one-fifth for tourist-related activities is primarily dedicated toward funding the Convention Center's annual subsidy and debt service requirements. However, in recent years \$2 million of the hotel/motel tax collections designated for tourist-related activities was allocated to the Country Music Hall of Fame to help with the \$37 million construction cost of the new facility in downtown. The facility reopened in downtown in May of 2001.

The following graph shows the total hotel/motel tax collections for calendar years 1997 to 2001.



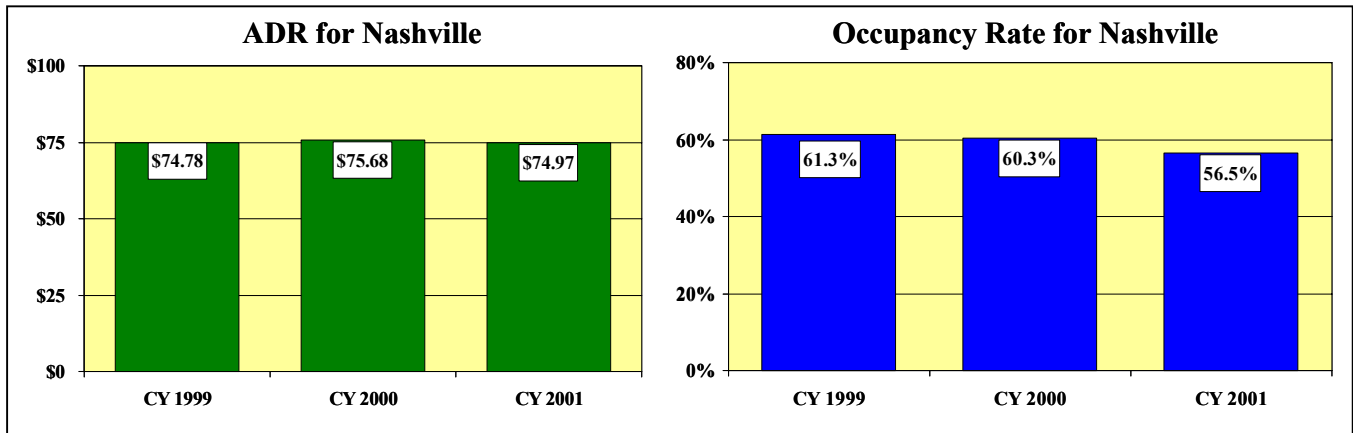
Notes: CY indicates calendar year.  
Hotel/motel taxes increased from 4% to 5% on July 1<sup>st</sup>, 1999.  
Source: Nashville CVB.



Collections from the hotel/motel tax were relatively consistent from 1997 through 1999 but experienced a significant increase of 26.2% between 1999 and 2000 which is primarily attributable to the increase of the hotel/motel tax from 4% to 5% as of July 1<sup>st</sup>, 1999. Between FY 1999 and FY 2000 there was also a slight increase in room demand coupled with a minimal increase in the average daily room rate. Total hotel/motel tax collections decreased in 2001 which is likely attributable to the events of September 11<sup>th</sup>, 2001.

Tax collections are one measure of hotel operations. Two other operating characteristics include the average daily rate (ADR) and the occupancy rate which are computed by Smith Travel Research. The ADR represents the base hotel rate and does not include any applicable taxes. The average hotel costs from the *2002 Corporate Travel Index*, which were discussed earlier, represent the basic corporate rate at mid-priced, up-scale and upper-scale hotels. These average hotel costs differ from the ADR supplied by Smith Travel Research which computes hotel rates for all participating properties with more than 20 rooms. Smith Travel Research is the leading company in the nation for compiling reliable and accurate data on the hotel industry. The following graphs show the ADR and occupancy rates at Nashville hotels. As previously noted, calendar year 2001 was likely adversely affected by the events of September 11<sup>th</sup>, 2001.

### ADR and Occupancy Rate for Nashville Hotels by Calendar Year

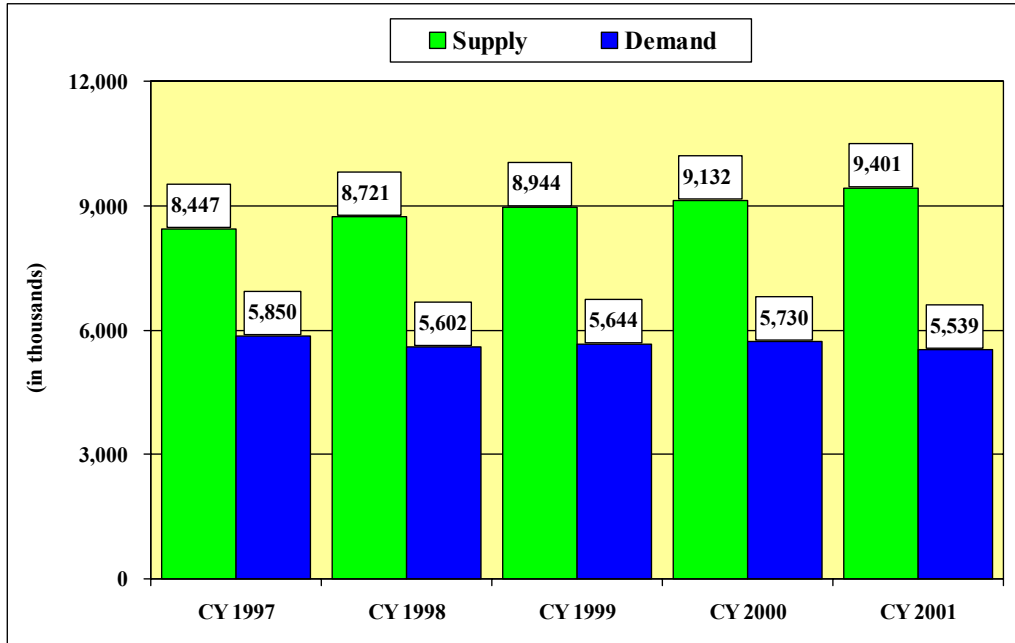


Sources: Nashville CVB; Smith Travel Research.

The preceding graphs demonstrate that the Nashville market has been able to maintain a relatively constant ADR over the last three years despite decreases in occupancy rates. Occupancy rates declined by approximately 3.8% from CY 2000 to CY 2001 but ADR only decreased by 0.9%.

Occupancy rates are a function of available room supply and room demand. Room supply is approximately equal to the number of hotel rooms multiplied by 365 days. Room demand is equal to the number of total room nights booked throughout Nashville. If room supply remains constant, an increase in occupancy rate would indicate an increase in demand. However, hotel room supply typically changes throughout any given year with new properties being built, renovations and demolitions. As such, occupancy rate should be viewed in context of the supply and demand fluctuations. The following graph illustrates the room supply and room demand in thousands for Nashville from CY 1997 to CY 2001.

### Nashville Hotel Supply and Demand

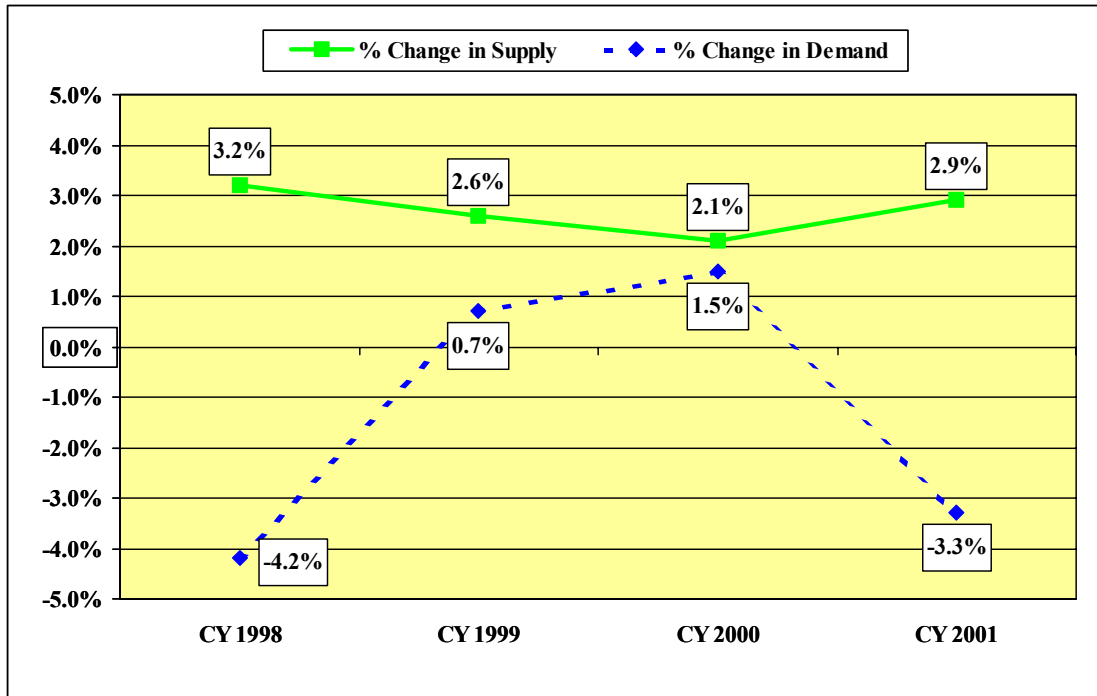


Sources: Nashville CVB; Smith Travel Research.

Nashville has approximately 32,400 hotel rooms which multiplied by 365 gives an approximate total hotel room supply of 11.8 million. This number differs from the total hotel supply calculated by Smith Travel Research because it only includes hotels with more than 20 rooms thus excluding establishments such as bed and breakfasts with less than 20 available rooms. In addition, Smith Travel Research can only analyze data it receives from participating hotels. Although the Smith Travel Research data may not be 100% conclusive, the company has a reputation as being the premier data collection company in the hotel industry and is deemed reliable.

As shown in the previous graph, room supply in Nashville has increased every year since CY 1997. In contrast, room demand has fluctuated with an overall decrease from CY 1997 to CY 2001. The next graph demonstrates the percentage change in room supply and room demand in Nashville over the past five years.

### Percentage Change in the Hotel Supply and Demand in Nashville

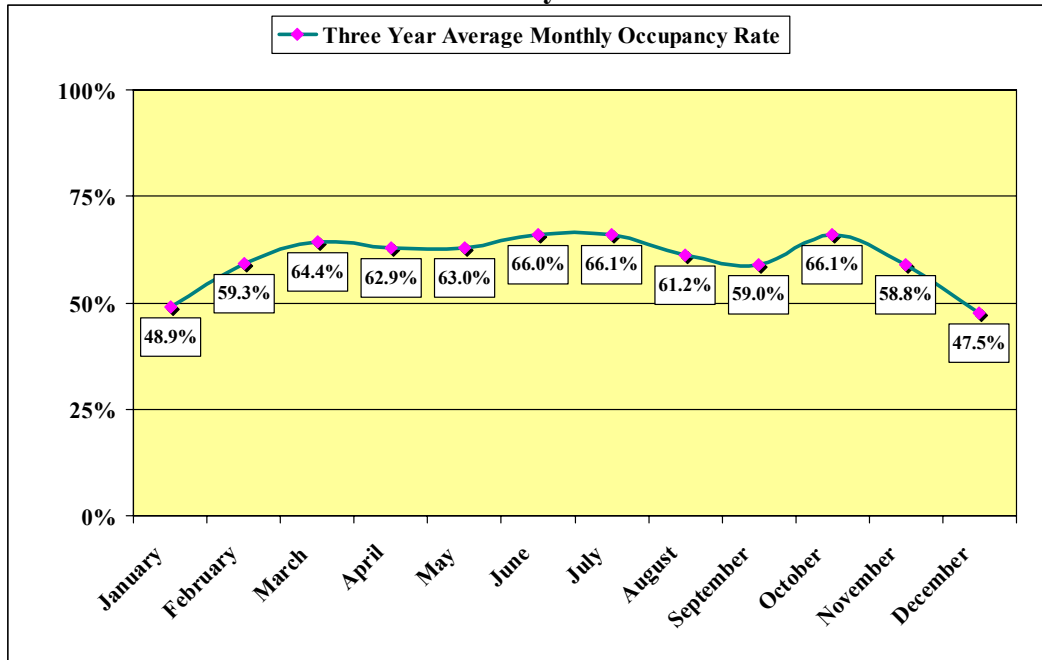


Sources: Nashville CVB; Smith Travel Research.

The graph above shows that occupancy rates were negatively impacted particularly in CY 1998 and CY 2001 because hotel supply increased while room demand decreased creating a large disparity. From CY 1998 through CY 2001 the average change in hotel supply was an increase(+) of approximately 2.7%. In contrast, the average change in hotel demand was a decrease(-) of 1.3%.

Occupancy rate is a good indicator of the demand for hotel rooms as well as the seasonality of visitors to Nashville regardless of visitation classification. The graph that follows shows the three-year average monthly occupancy rate for hotels in Nashville.

### Seasonality of Demand



Sources: Nashville CVB; Smith Travel Research.

Throughout the year, Nashville experiences relatively similar demand for hotel rooms with most months ranging between 59% and 66% occupancy. This consistency is a positive attribute of the Nashville hotel industry as many markets typically have more pronounced peaks and valleys in their occupancy rates. The winter months of December and January have the lowest occupancy rate of 47.5% and 48.9%, respectively. June, July and October have historically had the highest occupancy rates, averaging approximately 66%.

#### Key Findings

- For convention and meeting activity, one of the greatest limitations or benefits for a city is its total number of hotel rooms and the total committable rooms. Factors such as the proximity of room supply to the meeting facility, level of service at the hotel properties, cost and size of individual properties are also factors meeting planners consider when selecting a destination. The table that follows shows the total hotel supply and the average number of committable rooms for the markets in the competitive set.





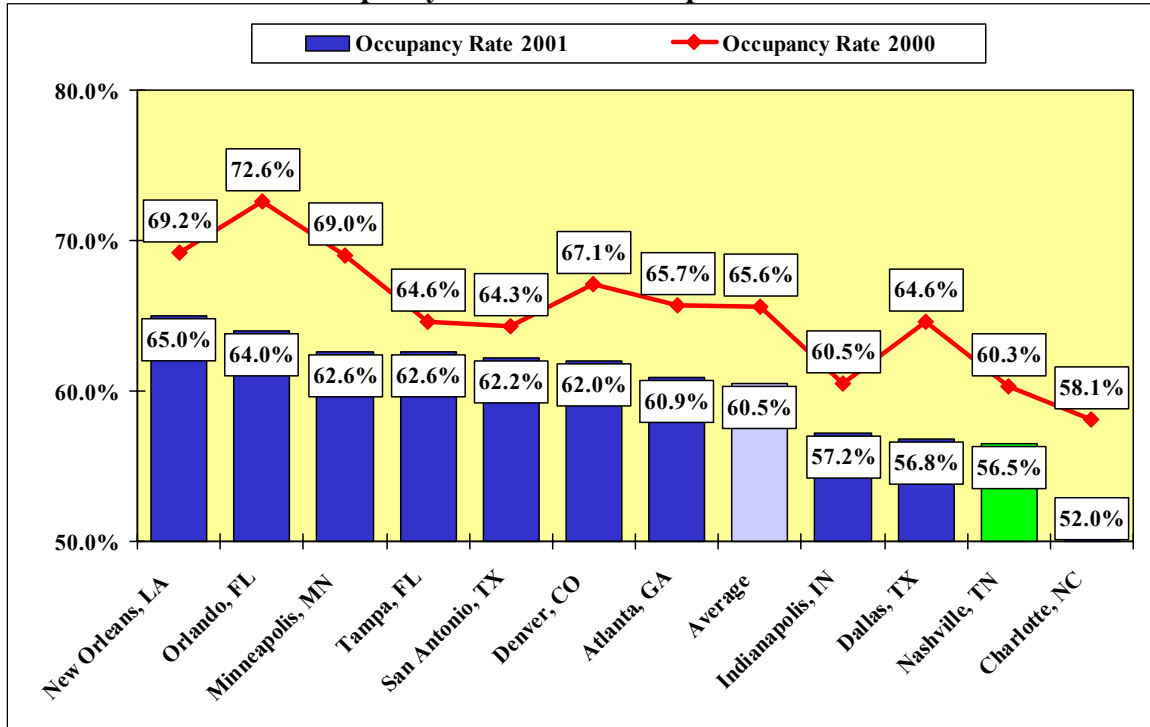
### Competitive Set's Hotel Supply and Committable Room Blocks for Citywide Conventions

CVB Location	Total Hotel Supply	Committable Rooms	% Committable
Orlando, FL	106,083	40,000	38%
Atlanta, GA	89,000	45,000	51%
Dallas, TX	63,000	16,318	26%
Denver, CO	36,246	12,000	33%
New Orleans, LA	34,000	21,000	62%
<b>Nashville, TN</b>	<b>32,400</b>	<b>12,830</b>	<b>40%</b>
Minneapolis, MN	30,000	18,000	60%
San Antonio, TX	27,500	10,000	36%
Charlotte, NC	22,661	15,000	66%
Indianapolis, IN	21,028	12,000	57%
Tampa, FL	19,512	17,000	87%
<b>Median</b>	<b>32,000</b>	<b>16,659</b>	<b>54%</b>

Note: Sorted in descending order by total hotel supply.  
 Source: Salt Lake City Convention & Visitors Bureau.

- Nashville's 32,400 hotel rooms are approximately equal to the median total hotel supply of the competitive set. Although similar to the amount of committable rooms in Denver, CO, San Antonio, TX, and Indianapolis, IN, the number of committable rooms in Nashville is 23% below the median.
- The Nashville CVB provides monthly reports to the Tourism Commission that contain several statistics which indicate its historical and projected performance. Performance indicators track the overall success of the convention and tourism industry within Nashville, thereby "indicating" the impact of the Nashville CVB's efforts.
- The most common performance indicator for CVBs relates to hotel usage since hotel/motel tax revenues typically serve as the funding sources for CVBs. As many CVBs mentioned in the survey process, their main focus is "to put heads in beds". This is a function of the fact that a large majority of funding for the CVBs in the competitive set receive the bulk of their funding from hotel/motel tax revenue generated from room night stays. In addition, the hospitality industry contributes significantly to the economic impact of visitors.
- Hotel occupancy rates are a common instrument to measure the effectiveness of a CVB. The graph that follows shows the occupancy rates for hotels in the competitive set's markets. Due to the negative impact the events of September 11<sup>th</sup> had on all types of travel, the occupancy rates for both CY 2000 and CY 2001 are provided to demonstrate a more normal year of activity.

### Annual Occupancy Rates in the Competitive Set's Markets



Notes: The scale in this graph is not 0-100% in order to more clearly demonstrate the variance in occupancy rates from 2000 to 2001. Sorted in descending order by occupancy rate in CY 2001.  
 Source: Smith Travel Research.

- All of the CVBs in the competitive set experienced a decline in occupancy rates from 2000 to 2001 which was negatively impacted by the events of September 11<sup>th</sup>, 2001. The occupancy rates shown in the previous graph ranged from a high of 65% to a low of approximately 52% in 2001. The competitive set's average occupancy rate in 2000 was 66% which decreased to approximately 61% in 2001. Although Nashville's occupancy rate was below the average by 5% in 2000 and 4% in 2001, it experienced one of the lower declines among the competitive set for the same time period.
- Nashville typically maintains a fairly consistent occupancy rate throughout the year. This is a positive indication that the Nashville CVB is able to attract visitors throughout the peaks and valleys of the convention and tourism business. The most popular months for conventions are in early fall while winter months are the more popular for tradeshow. The tourism season has its greatest impact on Nashville during the summer months which provides for a good balance.

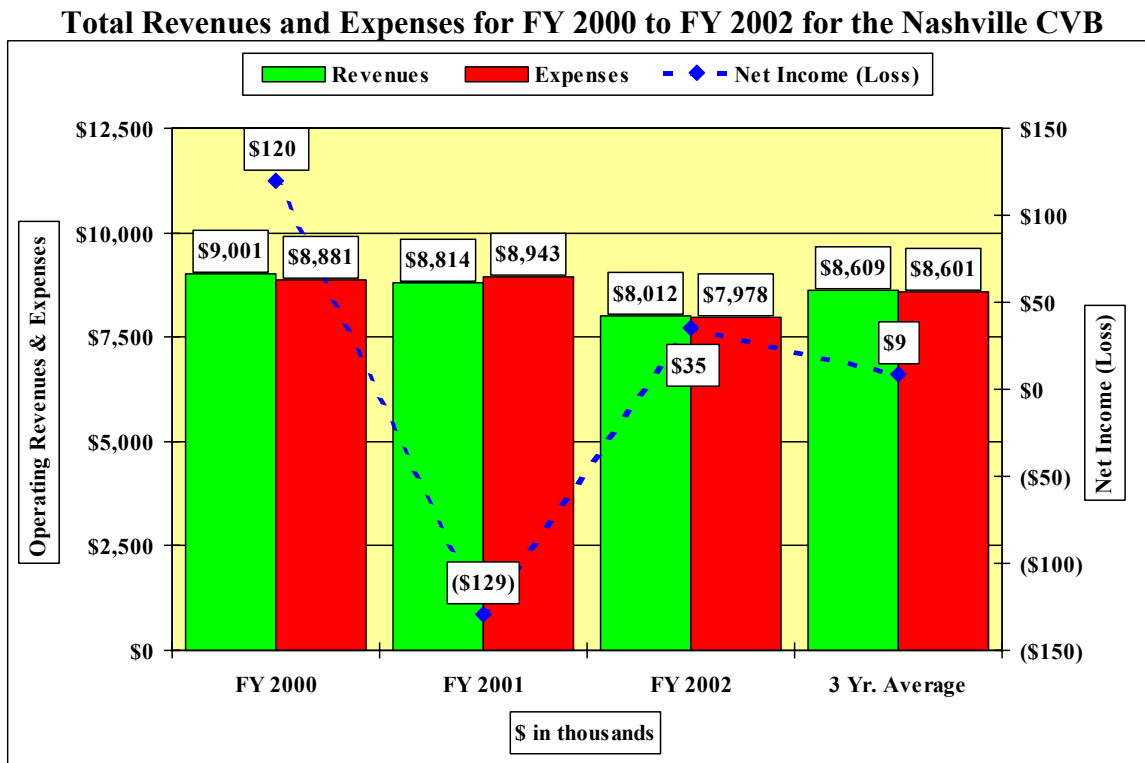


## Financial Information

This section of the report provides a summary of the Nashville CVB's budget as well as a comparison of funding and resource allocation at competitive CVBs.

### Nashville CVB Financial Operating Data

Albeit a separate fund, the budget for the Nashville CVB is part of the Chamber's overall budget. Consequently, the Controller at the Chamber assists the Nashville CVB's Executive Director in the overall budgeting process and the President of the Chamber approves the Nashville CVB's annual budget. The graph below shows the revenues and expenses for the Nashville CVB for FY 2000 to FY 2002.



Note: FY 2001 figures differ slightly from the Nashville CVB's statements because the CVB fund balance was removed from revenues and VIC related costs were accounted for on a net basis to be consistent with prior years.

Source: Income statements from the Nashville CVB.

Over the last three fiscal years, the Nashville CVB has experienced a decline of almost \$1 million in total revenues. For the three-year period shown, total expenses only exceeded total revenues in FY 2001. It should be noted that the Nashville CVB's fiscal year begins on July 1 and ends on June 30<sup>th</sup> of the following year. Therefore, the decline in revenues for FY 2002 was likely partially attributable to the events of September 11<sup>th</sup>, 2001.

The following table shows the Nashville CVB's budgeted and actual income statements for FY 2000 to FY 2002 as well as the proposed budget for FY 2003.



### Comparison of Budget to Actual Revenues and Expenses

	FY 2000		FY 2001		FY 2002		FY 2003
	Budget	Actual	Budget	Actual	Budget	Actual	Budget
<b>Revenues:</b>							
Metro Hotel Tax Contract	\$8,087,000	\$7,881,999	\$7,927,941	\$7,927,941	\$7,424,000	\$7,293,154	\$7,691,000
Other Revenue:	1,055,000	1,119,274	1,085,000	886,089	917,000	719,072	675,000
<b>Total Revenues</b>	<b>9,142,000</b>	<b>9,001,273</b>	<b>9,012,941</b>	<b>8,814,030</b>	<b>8,341,000</b>	<b>8,012,226</b>	<b>8,366,000</b>
<b>Expenses:</b>							
Tourism Sales & Marketing	1,083,600	1,226,529	942,600	802,857	662,800	741,068	718,300
Tourism Advertising	4,000,000	3,410,265	3,850,000	3,671,093	3,110,000	2,466,055	3,225,000
Multi-Cultural Initiatives	-	-	40,000	69,124	76,000	114,342	90,000
Research, Special Projects, Training	106,000	81,791	120,000	41,368	98,000	88,361	89,000
Communications	632,500	540,935	711,500	780,236	774,500	737,050	641,500
Convention Sales & Marketing	850,900	1,064,831	647,500	804,621	787,200	876,930	648,300
Convention Advertising	150,000	-	150,000	-	50,000	10,238	20,000
General Programs	214,000	356,105	189,041	384,962	237,000	240,872	212,500
Personnel & Administration	2,105,000	2,200,484	2,362,300	2,388,829	2,545,500	2,702,705	2,721,400
<b>Total Expenses</b>	<b>9,142,000</b>	<b>8,880,940</b>	<b>9,012,941</b>	<b>8,943,090</b>	<b>8,341,000</b>	<b>7,977,621</b>	<b>8,366,000</b>
<b>Net Income (Loss)</b>	<b>\$0</b>	<b>\$120,333</b>	<b>\$0</b>	<b>(\$129,060)</b>	<b>\$0</b>	<b>\$34,605</b>	<b>\$0</b>

Note: Advertising expenses are extracted from the Tourism Sales & Marketing and Convention Sales & Marketing line items to show more detail.  
Source: Income statements from the Nashville CVB.

The current budget for FY 2003 is approximately \$8.4 million which is similar to the previous year's budget. As a 501(c)(6), the Nashville CVB is budgeted to breakeven on an annual basis. However, it was able to realize a positive net income in FY 2000 and FY 2002 by incurring lower expenses than budgeted despite collecting lower total revenues than planned.

The largest source of revenue for the Nashville CVB is the Metro hotel/motel tax contract which designates a portion of the hotel/motel tax collections to the Nashville CVB. This revenue source typically accounts for 90% of its total budget. The Metro hotel/motel tax contract is officially titled *Contract Between the Metropolitan Government of Nashville and Davidson County and the Greater Nashville Area Chamber of Commerce DBA Nashville Convention & Visitors Bureau for Purchase of Services*. DBA is an abbreviation for "doing business as". The contract was entered into on the first day of July, 2001, between Metro and the Nashville CVB and provides for a portion of the hotel/motel tax collections. The contract was authorized and signed by the Executive Vice President of the Nashville CVB and the following representatives of Metro: Purchasing Agent, Chair of the Metropolitan Tourism and Convention Commission, Director of Finance, Director of Insurance and the Metropolitan Attorney. The duties and responsibilities of the Nashville CVB according to the Metro hotel/motel tax contract are to represent the City as the official destination marketing organization and the travel industry sales and marketing representative with responsibility for all tourism and convention advertising, sales, and marketing activities. The initial contract term will end on June 30, 2006. The Chamber is reimbursed monthly/bi-monthly from hotel/motel tax collections within 60 days of Metro's receipt of invoice and all dollars from this source are put into the Nashville CVBs account. There are no other charges or fees for the performance or execution of this contract either by Metro or the Chamber.

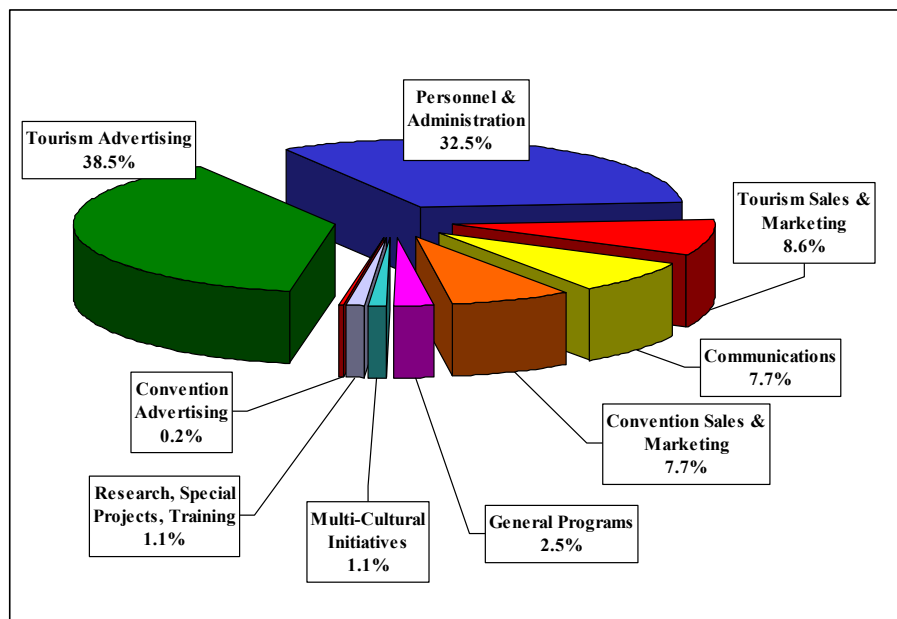


If the Nashville CVB realizes a net income from other revenue, such as it did in FY 2000 and FY 2002, this amount is deposited in a Nashville CVB fund balance account with the Chamber. As of June 30, 2002 this account balance was \$38,803. In the event that a significant net loss is realized, Metro maintains a fund balance of hotel/tax collections that are earmarked for tourism promotion and are typically utilized when hotel/motel tax collections do not meet budgeted figures. The fund balance for this account was \$321,864 as of June 30, 2002.

The remaining 10% of the Nashville CVB's annual revenues is primarily generated from advertising sales in Nashville CVB publications as well as commissions received from registration clerk fees and the reservation call center. Registration clerks provide clerical services to Nashville CVB clients and the reservation call center books hotel rooms through the call-in center 800 phone numbers. The commissions received from these services, which are provided by Nashville CVB staff, are not significant but provide an additional convention service product and help control the level of service clients receive.

The following graph provides a breakdown of the percentage of total expenses shown by major line items in the preceding table.

### FY 2003 Budgeted Percentage of Total Expenses by Function



Sources: KPMG LLP; Income statements from the Nashville CVB.

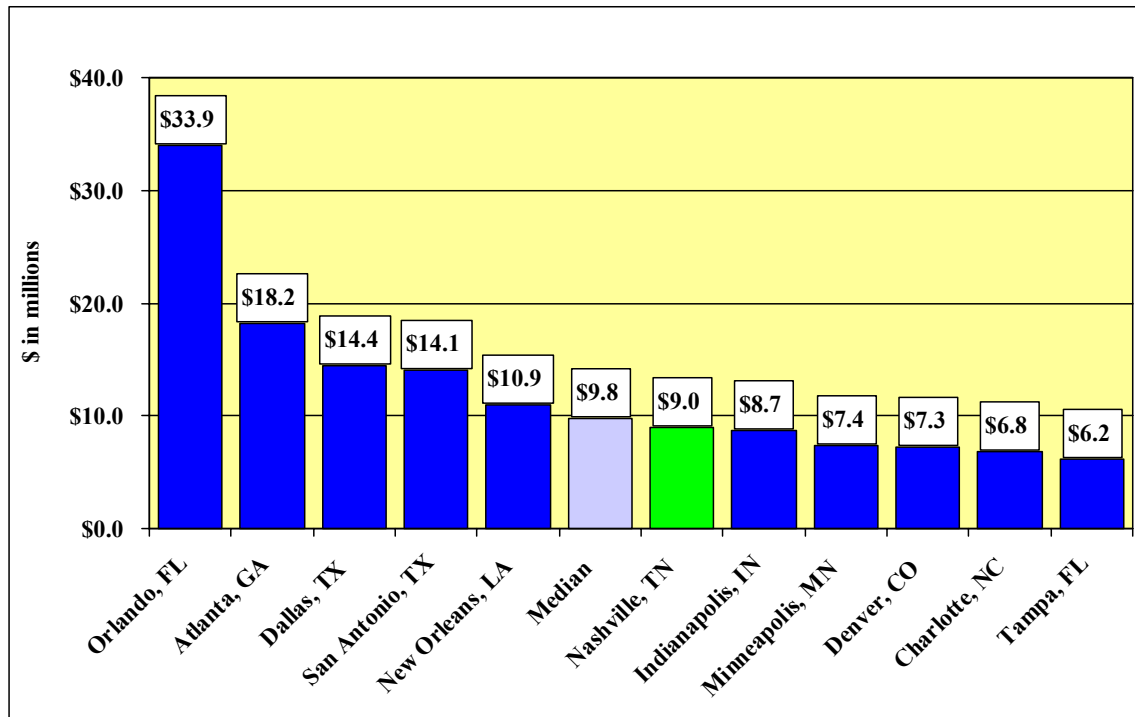
For FY 2003, the largest budgeted expense line item is tourism advertising at 38.5%. This line item represents all of consumer advertising expenses which is budgeted at \$3.2 million for FY 2003. The second largest line item for the Nashville CVB's FY 2003 budget is personnel & administration at 32.5% of the total budgeted expenses. The remainder of the budget includes tourism sales & marketing (8.6%), communications (7.7%), convention sales & marketing (7.7%), general programs (2.5%), multi-cultural initiatives (1.1%), research, special projects, training (1.1%), and convention advertising (0.2%).



## Total Funding

A CVB's budget may be considered a comparative measure of the ability of a city to market itself through travel and promotion, advertising, trade shows, and other mediums. As noted earlier, 90% of the CVBs in the competitive set are not-for-profit organizations and are restricted on the amount they can spend to promote their city based on the total funding that is available. The chart that follows demonstrates the range of total funding at the competitive set and is compared to the Nashville CVB's total funding generated in FY 2001.

**Range of Total Funding at the Nashville CVB and the Competitive Set**



Note: For consistency purposes, Nashville's budget is from FY 2001.

Source: Individual convention & visitors bureaus.

## Key Findings

- There is an exceptionally large range of total funding at CVBs in the competitive set. With \$33.9 million, the Orange County (Orlando) CVB had the highest total funding while the lowest budget was \$6.2 million at the Tampa Bay CVB.
- The Nashville CVB's \$9.0 million in total funding is slightly below the median of the competitive set.
- Based on the competitive set, it appears that Nashville's funding is consistent with other similar CVBs.



- The table to the right compares each CVB’s budget competitive set to the total hotel supply in that city. This ratio of budget to total hotel supply indicates that there is a correlation, although not absolute, between the amount of funding and the number of hotel rooms in the competitive set. This shows that Nashville’s ratio of \$278 per hotel room is \$31 below the median of the competitive set. Thus, the Nashville CVB has to stretch its dollars further to fill hotel rooms.

CVB Location	Budget	Budget to	
		Total Hotel Supply	Total Hotel Supply
Orlando, FL	\$33,900,000	106,083	\$320
Atlanta, GA	\$18,200,000	89,000	\$204
Dallas, TX	\$14,400,000	63,000	\$229
San Antonio, TX	\$14,100,000	27,500	\$513
New Orleans, LA	\$10,900,000	34,000	\$321
<b>Nashville, TN</b>	<b>\$9,000,000</b>	<b>32,400</b>	<b>\$278</b>
Indianapolis, IN	\$8,700,000	21,028	\$414
Minneapolis, MN	\$7,400,000	30,000	\$247
Denver, CO	\$7,300,000	36,246	\$201
Charlotte, NC	\$6,800,000	22,661	\$300
Tampa, FL	\$6,200,000	19,512	\$318
<b>Median</b>	<b>\$9,800,000</b>	<b>32,000</b>	<b>\$309</b>

Note: Sorted in descending order by budget.  
Source: Individual convention & visitors bureaus.

### Resource Allocation

Most CVBs are the primary destination marketing arm of their respective cities and conduct promotions for both conventions and tourism. The ratio of spending on these market segments varies depending on the size and location of the destination, its attractions, and the presence of additional marketing dollars being spent by other entities such as meeting facilities. In general, CVBs tend to spend more on convention promotion although there is not usually a large variance for larger CVBs. It is difficult to compare one CVB’s spending patterns to another because of the cross-pollination of efforts to promote both tourism and convention business and various allocation methods. For instance, some CVBs charge printed collateral material to one single department while others may allocate it among several departments.

### Funding Sources

CVBs typically receive funding from both private and public sources. The majority of public funding for CVBs is generated by hotel/motel tax collections while the majority of private funds usually is received through membership dues. The Nashville CVB receives approximately 89% of its funding from the Metro hotel/motel tax contract but does not receive any of the Chamber’s membership dues. The following table compares the Nashville CVB’s percentage of funding generated from public sources, membership dues and other private sources to the competitive set.

#### **Range of Funding Sources at the Nashville CVB and the Competitive Set**

Funding Source	Nashville	High	Average	Low
Public Sources	<b>89%</b>	92%	73%	51%
Membership Dues	<b>0%</b>	14%	7%	4%
Other Private Sources	<b>11%</b>	43%	20%	1%

Note: The San Antonio CVB was excluded from the analysis because it is a government entity.  
Source: Individual convention & visitors bureaus.



*Key Findings*

- Since the San Antonio CVB is a city department and is fully funded by hotel tax collections, it was excluded from this particular analysis.
- On average, the competitive set receives about 73% of its funding from public sources with a range of 51% to 92%. The percentage of funding received from public sources at the Nashville CVB is one of the highest percentages because it does not collect membership dues like many of the CVBs its size.
- Most CVBs receive a portion of their funding from membership dues. Based on available information, revenue derived from membership fees ranged from approximately \$250,000 to \$1.6 million for CVBs in the competitive set.
- Funding for membership dues ranged from a high of approximately 14% to a low of 4%.

Membership

All of the CVBs in the competitive set with the exception of San Antonio are membership organizations. San Antonio is not a membership organization because it is part of the City government. The number of members belonging to CVBs in the competitive set vary from a low of approximately 700 to a high of 1,500 members. Various types of businesses are members of a CVB. A large majority of a CVB’s membership base is usually from hotels, restaurants, retail stores and convention services and suppliers because these are businesses that benefit significantly and directly depend on a strong tourism and meetings market. Currently the Nashville Chamber has 4,147 members. The table that follows illustrates the representation of its membership base that is from tourism industries.

**Nashville Chamber’s Membership Representation in Tourism Industries**

<b>Tourism Industry Segment</b>	<b>Number of Companies</b>	<b>% of Tourism Industry Segment</b>
Restaurants	209	37%
Convention Services/Suppliers	135	24%
Lodging	123	22%
Retail	93	17%
<b>Total</b>	<b>560</b>	<b>100%</b>

Source: Nashville Area Chamber of Commerce.

*Key Findings*

- Currently, the tourism industry accounts for approximately 14% (560/4,147) of the Chamber’s total membership base.
- Although the Chamber would likely be negatively impacted by a separation of the Nashville CVB from the Chamber, the Nashville CVB would benefit through an increase in funding sources. However, the Nashville CVB could also incur higher operating costs because it would need to have the appropriate staff to perform the finance and accounting functions of the organization. Overall, the Nashville CVB would likely realize a net profit because of the substantial revenues it would likely receive through membership dues.





## Tourism and Convention Booking Activity

As with most CVBs, the total number of room nights generated from tourism and conventions is one performance indicator that the Nashville CVB tracks. This section of the report provides an overview of the promotional activities in each of these areas as well as various comparisons to the competitive set in terms of the number of room nights booked and the number of conventions held that had direct CVB involvement.

### Tourism Booking Activity

Tennessee attracted 35.7 million visitors in 2000, ranking it as the 12<sup>th</sup> most visited state in the nation. The State of Tennessee’s Travel Office had the 17<sup>th</sup> highest projected advertising budget in the U.S. for 2000-01 at \$3.8 million. In 2000, Davidson County led all Tennessee counties in travel expenditures, state tax revenue, local tax revenue and jobs directly generated by visitor spending. Domestic travel expenditures in Davidson County reached nearly \$3 billion, accounting for 29.8% of the State total. New attractions like Opry Mills, the Frist Center for the Visual Arts and the Country Music Hall of Fame have created additional draws for tourism to Nashville. Thus, tourism promotion at the State level significantly benefits Nashville. As previously mentioned, the Nashville CVB provides funding towards the Lofthouse partnership which is a State-wide collaboration to promote Nashville internationally. Additionally, the Department of Tourist Development can provide matching funds for tourism promotion activities which the Nashville CVB has received in the past.

As previously discussed under the organizational structure and staffing subsection, the Tourism Sales department specifically focuses on direct sales to individuals and groups both domestically and internationally. Tourism Sales sets goals for leads, service leads and room nights on an annual basis. These leads refer to groups from AAA, wholesalers and motor coach industry. A service lead is one without room nights attached to it that is sent to the attractions and receptive operators for a group that already has their hotel booked but needs assistance with planning activities. The table below reflects the historical goals and actual lead generations for FY 1998 to FY 2002.

### Tourism Sales Goals vs. Actual for Leads and Service Leads

Fiscal Year	Leads		Service Leads	
	Goal	Actual	Goal	Actual
1998	331	347	171	176
1999	255	339	150	170
2000	295	322	135	183
2001	300	383	223	314
2002	440	446	360	<b>329</b>

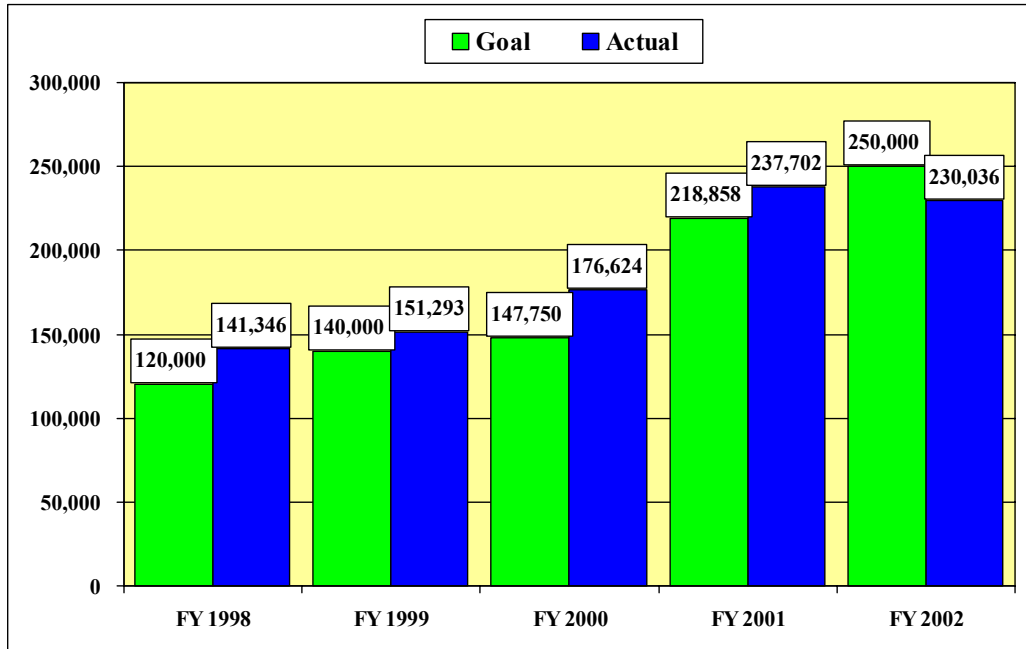
Note: Bold figures indicate year(s) when fiscal year goals were not attained.  
 Source: Nashville CVB.

The Tourism Sales department of the Nashville CVB was successful in exceeding its goals for both leads and service leads each of the past five fiscal years with the exception of the actual service leads generated in FY 2002 which was deficient by 31.



The historical efforts of the Tourism Sales department resulted in the following room nights.

### Tourism Sales Room Night Goals vs. Actual



Source: Nashville CVB.

As with leads and service leads, the Tourism Sales department also sets goals for room night generation. The department surpassed its goals for FY 1998 through FY 2001. However, in FY 2002 actual room nights were only 230,036 compared to the goal of 250,000. Of these rooms, 21,066 were from foreign individual travelers, 84,849 from AAA and 124,321 from group travel. It should be noted that this figure was likely negatively impacted by the events of September 11<sup>th</sup>, 2001 which occurred in the first half of FY 2002.

### Convention Booking Activity

The Convention Sales department of the Nashville CVB also has goals in leads and room nights as well as for the number of convention bookings. It does not categorize these goals by geography or facility. The Nashville CVB distributes leads based on the client's stated needs such as number of room nights and required meeting space. All of the meeting facilities in Nashville that meet the client's meeting characteristics receive the lead. Leads are distributed based on the clients' stated needs such as total hotel room nights and meeting space requirements. The following table shows the goals and actual leads and bookings generated by the Convention Sales department.



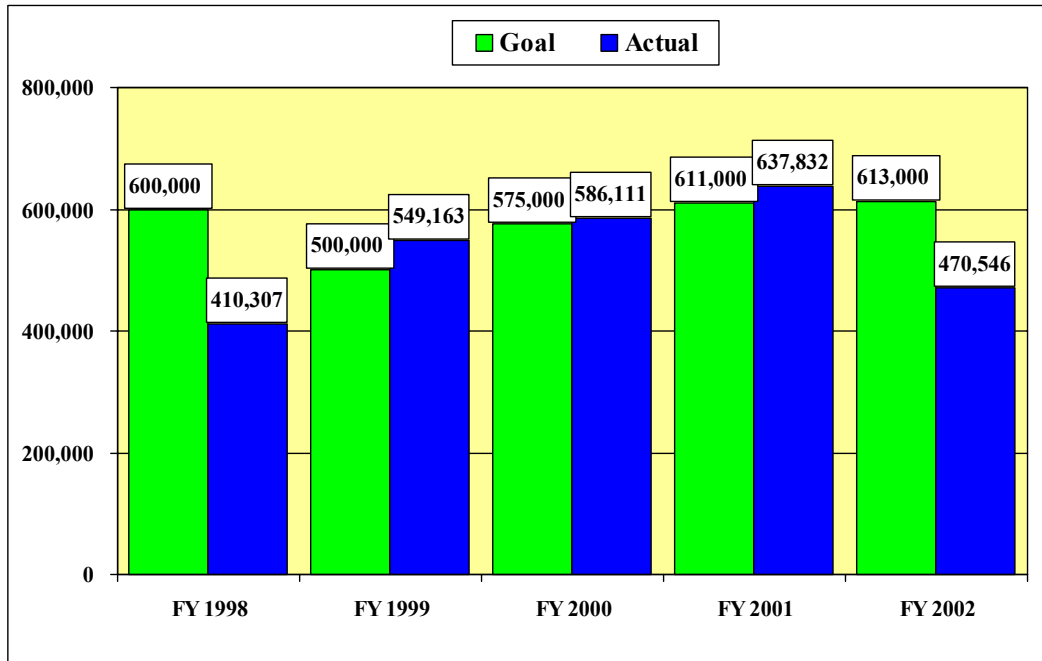
### Convention Sales Goals vs. Actual for Leads and Bookings

Fiscal Year	Leads		Bookings	
	Goal	Actual	Goal	Actual
1998	800	<b>770</b>	350	<b>288</b>
1999	800	<b>714</b>	325	336
2000	852	<b>662</b>	376	<b>271</b>
2001	854	864	376	378
2002	950	<b>604</b>	400	<b>250</b>

Note: Bold figures indicate years when fiscal year goals were not attained.  
 Source: Nashville CVB.

Convention Sales did not meet its goals for leads and bookings in FY 1998, FY 2000 and FY 2002. FY 2001 was the only year the department was successful in surpassing the goals set for each of these two categories. The department came close to meeting its leads goals in FY 1998 and FY 1999 missing it by only 4% and 11%, respectively. However, the actual lead figures were behind goal by 22% in FY 2000 and 26% in FY 2002. Although bookings goals were met two of the five years by the department, the remaining three fiscal years (1998, 2000 and 2002) actual results were behind goal by 18%, 28% and 38% respectively. According to Nashville CVB management several factors influenced these results including a 15-month vacancy at the position of Director of Sales for the Washington, D.C. satellite office. This position was filled for six months but the interim employment contract was not extended. During this period, the Nashville CVB mentioned that due to budget limitations, inability to find a suitable candidate and the relatively low cost for the Nashville sales staff to make trips to Washington, D.C. the position remained vacant. Also contributing to not meeting booking goals were service issues at the Opryland Hotel and higher than normal turnover at the Nashville CVB. The position in the Washington, D.C. office is now filled and Opryland Hotel has made modifications to improve navigation of the Delta addition and it has improved service levels. The following graph shows the room night goals and actual room nights booked for the Convention Sales department.

### Convention Sales Room Night Goals vs. Actual

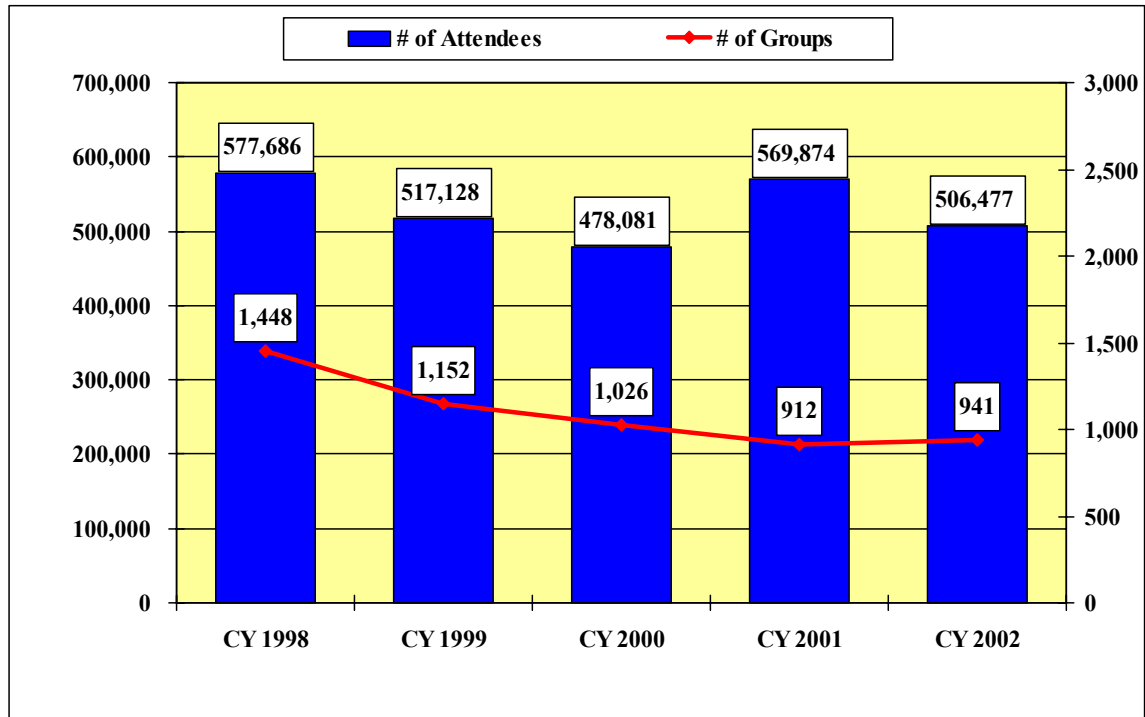


Source: Nashville CVB.

It should be noted that the room night goals for the Convention Sales department are significantly higher than those for the Tourism Sales department. The Convention Sales department surpassed these goals two of the five years presented in the previous graph. As with the Tourism Sales department, the events of September 11<sup>th</sup>, 2001, likely had an adverse effect on room night bookings in FY 2002 due to cancellation and lower than expected attendance at some conventions and meetings.

The efforts of the Nashville CVB along with the sales teams at the Convention Center, Opryland Hotel and other hotel properties have resulted in an average of approximately 1,100 groups and 530,000 attendees on an annual basis over the past five calendar years. The graph that follows demonstrates the historical convention bookings the Nashville CVB was involved in from CY 1998 through CY 2002.

### Historical Nashville CVB Conventions Held at All Facilities in Nashville



Note: These bookings only represent bookings where the Nashville CVB was involved. Total convention bookings in Nashville are greater than the figures presented above.

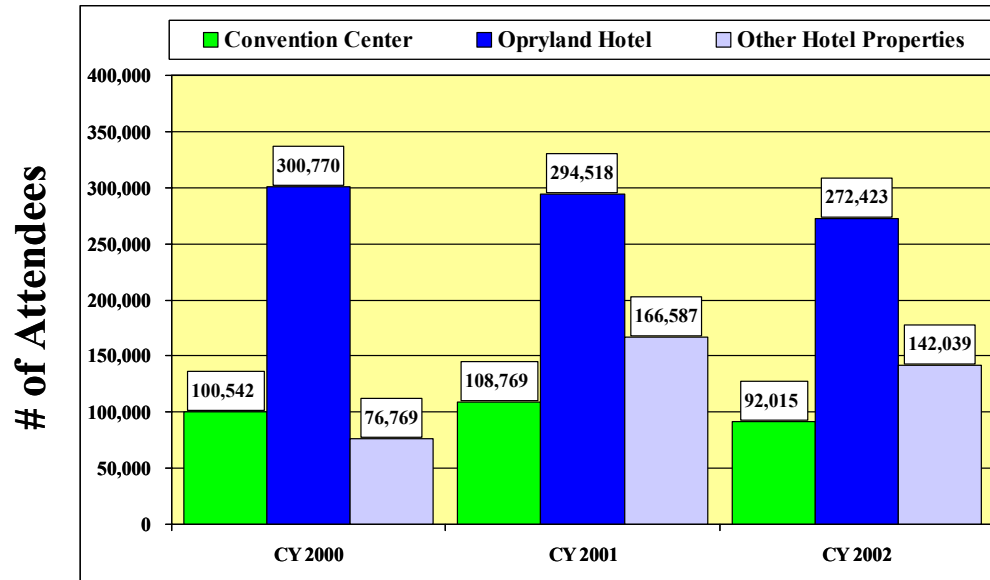
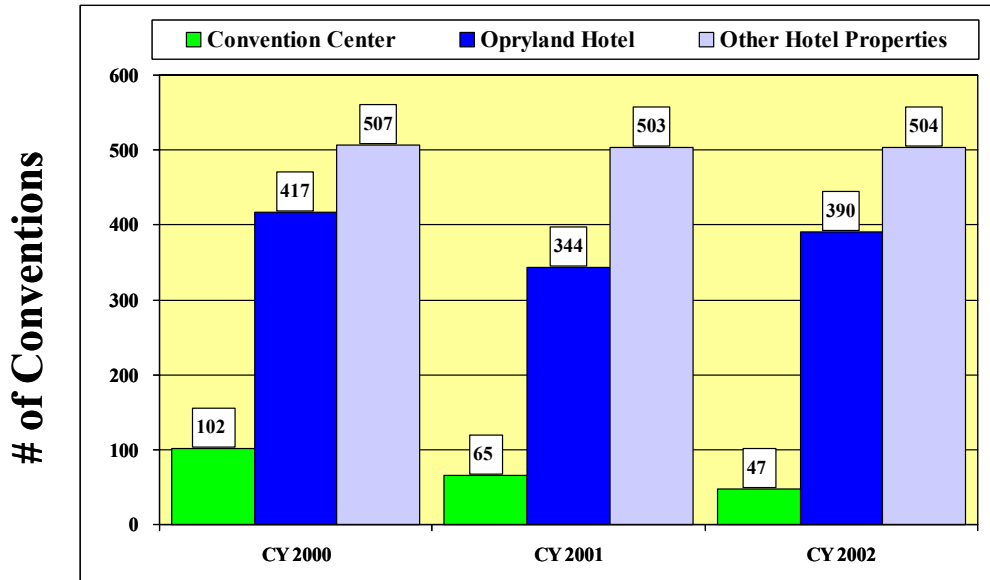
Source: Nashville CVB.

Total attendance at conventions booked by the Nashville CVB in Nashville decreased from 577,686 in CY 1998 to 478,081 in CY 2000. This trend reversed in 2001 with attendance reaching 569,874. However, total attendance decreased again in CY 2002. The significant increase in attendance in CY 2001 was largely attributable to several large conventions during the month of July and June which is typically a very slow time for conventions. The Barbershop Quartet convention had approximately 10,000 attendees and the Mennonite convention had approximately 8,000 attendees. Both groups were over the 4<sup>th</sup> of July in 2001 which is most often a soft week. In addition, there were several conventions in June with attendance figures over 1,000 which is unusual for this time of year. The number of groups hosting conventions in Nashville has been steadily declining since CY 1998 with a five-year low of 912 groups in CY 2001. However, the average number of attendees at these conventions has been increasing. For instance, although only 941 conventions were held in CY 2002, the average attendance for conventions held in Nashville for that year was 538, up 139 from CY 1998. Over the past five years, Nashville hosted 40 conventions which had record breaking attendance for that specific group. Of these groups, 29 stayed at the Opryland Hotel. According to the Nashville CVB, an attendee in Nashville stays three days in the City and spends approximately \$240 per day, on average, which is consistent with data produced by the IACVB.



The following graphs show the number of groups and total attendees by facility location for bookings where the Nashville CVB was involved. The data is for CY 2000 through CY 2002 and shows the detail of the events held at the Convention Center, Opryland Hotel and other hotel properties.

### Location and Characteristics of Conventions Held in Nashville



Note: These bookings only represent bookings where the Nashville CVB was involved. Total convention bookings in Nashville are greater than the figures presented above.

Source: Nashville CVB.

With respect to the number of convention bookings that involved the Nashville CVB, the majority of events are held at other hotel properties, followed by the Opryland Hotel and then the Convention Center. On average, the number of attendees at conventions held at other hotel properties is much smaller than that at the Opryland Hotel or the Convention Center.



On average, between 38% and 41% of the conventions in which the Nashville CVB has been involved have been booked at the Opryland Hotel. In addition, events held at the Opryland Hotel accounted for 52% to 63% of the total attendance at conventions that involved the Nashville CVB. The average attendance at these conventions has been 721 in CY 2000, 856 in CY 2001 and 699 in CY 2002.

Although the number of conventions booked which involved the Nashville CVB has steadily decreased at the Convention Center over the last three calendar years, the average attendance per convention has increased from 986 in CY 2000 to 1,673 in CY 2001 to 1,958 in CY 2002. It should be noted that groups who utilize the Convention Center but whose booking contract is with the Renaissance Hotel are captured under other hotel properties. As previously noted, the Renaissance Hotel is the Convention Center's most frequent client.

In CY 2001, approximately 63% of attendees at Convention Center events are attending events which involved the Nashville CVB. Of the 110 national and regional events held at the Convention Center in CY 2001, the Nashville CVB was involved in approximately 65 of them. The Nashville CVB mentioned that the number of events related to the Convention Center do not include public shows and single day meetings held in the facility that would have limited or no hotel rooms associated with the event. Additionally, these numbers do not reflect meetings held at the Renaissance Hotel.

Conventions typically book many years out. The following table illustrates the future convention bookings in Nashville from 2003 to 2018.

#### Future Convention Bookings

<b>Year</b>	<b>CVB Booked Room Nights</b>	<b>External Booked Room Nights</b>	<b>Total Room Nights Per Year</b>
2003	409,084	234,666	643,750
2004	339,865	65,940	405,805
2005	181,557	120,050	301,607
2006	179,839	93,442	273,281
2007	97,464	29,330	126,794
2008	35,567	19,775	55,342
2009	27,410	59,219	86,629
2010	-	8,354	8,354
2011	4,105	-	4,105
2012	34,956	14,820	49,776
2013	-	21,640	21,640
2014	-	-	0
2015	-	-	0
2016	-	-	0
2017	11,384	8,490	19,874
2018	-	12,780	12,780
<b>Total</b>	<b>1,321,231</b>	<b>688,506</b>	<b>2,009,737</b>

Note: Data is as of 7/31/2002.  
Source: Nashville CVB.



Over the next 16 years, the Nashville CVB has already booked over 1.3 million room nights in addition to external bookings by hotels and meeting facilities of approximately 689,000 room nights. Therefore, as of July 31<sup>st</sup>, 2002 there are over two million rooms booked between 2003 and 2018.

*Key Findings*

- The following table illustrates the number of room nights generated from tourism sales and convention sales by the Nashville CVB over the last five fiscal years:

Year	Tourism Sales		Convention Sales		Total Room Nights	% Change
	Room Nights	% of Total	Room Nights	% of Total		
FY 1998	141,346	26%	410,307	74%	551,653	-
FY 1999	151,293	22%	549,163	78%	700,456	27%
FY 2000	176,624	23%	586,111	77%	762,735	9%
FY 2001	237,702	27%	637,832	73%	875,534	15%
FY 2002	230,036	33%	470,546	67%	700,582	-20%

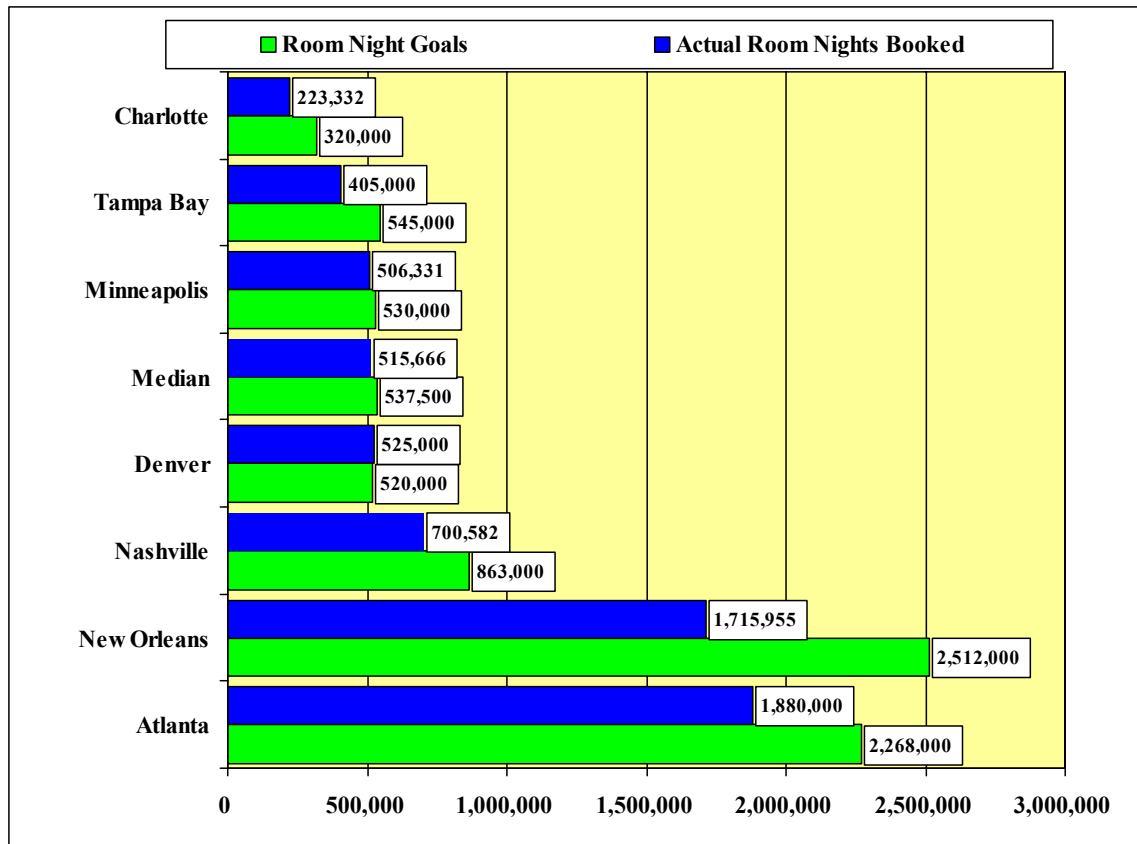
Note: Room nights reflect the number booked by the Nashville CVB.  
 Source: Nashville CVB.

- Over the last five fiscal years, room nights generated from tourism sales have ranged from 22% to 33% of the total room nights booked by the Nashville CVB. In aggregate, the total number of room nights booked by the Nashville CVB increased in three of the last four fiscal years. The decrease in FY 2002 is partially attributable to the events of September 11<sup>th</sup>, 2001, which resulted in cancellations of some conventions and meetings as well as lower than expected attendance at others. In FY 2002, the negative impact on the number of convention room nights was greater than the impact on tourism related room nights.
- One performance indicator for CVBs is the number of hotel room nights booked. The next graph compares the actual number of room nights booked to the room night goals for CVBs in the competitive set to Nashville. It is important to recognize that these numbers only reflect those bookings in which the CVB is involved in some capacity and not the total bookings in the market. The number of actual room nights booked by the Nashville CVB compares favorably to other CVBs in the competitive set. Only New Orleans and Atlanta had more room nights booked than Nashville.





### Comparison of Actual Room Nights Booked to Room Night Goals for the Competitive Set



Note: Information on the other competitive CVBs previously analyzed was not available.  
Sources: Individual CVBs; KPMG research.



- The table below calculates the percentage of actual room nights booked compared to the total potential supply in the market.

<b>CVB</b>	<b>Actual Room Nights Booked</b>	<b>Total Hotel Supply</b>	<b>Total Potential Room Nights</b>	<b>% of Actual Room Nights Booked</b>
Charlotte	223,332	22,661	8,271,265	3%
Denver	525,000	36,246	13,229,790	4%
Minneapolis	506,331	30,000	10,950,000	5%
Tampa Bay	405,000	19,512	7,121,880	6%
Atlanta	1,880,000	89,000	32,485,000	6%
<b>Nashville</b>	<b>700,582</b>	<b>32,400</b>	<b>11,826,000</b>	<b>6%</b>
New Orleans	1,715,955	34,000	12,410,000	14%
<b>Median</b>	<b>515,666</b>	<b>32,000</b>	<b>11,680,000</b>	<b>5%</b>

Notes: Total potential room nights = the total hotel supply multiplied by 365 days.  
 % of actual room nights = actual room nights booked divided by total potential room nights.  
 Information on the other competitive CVBs previously analyzed was not available.

Sources: Individual CVBs; KPMG research.

- Based on this information, the actual room nights booked by the Nashville CVB represented approximately 6% of the total potential room nights. This percentage for the Nashville CVB compares favorably with that of the competitive set and is slightly higher than the median. In addition, it appears that the room nights booked by the Nashville CVB relative to its hotel supply are consistent with other CVBs in the competitive set.
- The table below shows the number of actual room nights booked compared to the total CVB budget for Nashville and the competitive set. Using this calculation, on average, it costs the Nashville CVB approximately \$13 per room night booked. This ratio is higher than New Orleans (which is a significant tourist destination) and Atlanta (whose budget is twice as large as Nashville's). However, Nashville's ratio is comparative to Denver, Minneapolis and Tampa Bay which have similar budgets.

<b>CVB</b>	<b>Actual Room Nights Booked</b>	<b>Total CVB Budget</b>	<b>Ratio of CVB Budget to Actual Room Nights Booked</b>
New Orleans	1,715,955	\$10,900,000	\$6
Atlanta	1,880,000	\$18,200,000	\$10
<b>Nashville</b>	<b>700,582</b>	<b>\$9,000,000</b>	<b>\$13</b>
Denver	525,000	\$7,300,000	\$14
Minneapolis	506,331	\$7,400,000	\$15
Tampa Bay	405,000	\$6,200,000	\$15
Charlotte	223,332	\$6,800,000	\$30
<b>Median</b>	<b>515,666</b>	<b>7,350,000</b>	<b>\$14</b>

Notes: Ratio of CVB budget to actual room nights booked = the total CVB budget divided by the actual room nights booked.  
 Information on the other competitive CVBs previously analyzed was not available.

Sources: Individual CVBs; KPMG research.



- As a point of comparison, the table below shows the number of actual room nights booked compared to the total number of FTEs. On average, there are approximately 14,900 room nights booked per FTE at the Nashville CVB. Based on the information, it appears that the CVB is very efficient in terms of the number of room nights it is involved in booking relative to the number of FTEs in the organization. Only New Orleans and Atlanta have a higher ratio and both have significantly more room nights booked and FTEs at their CVBs.

CVB	Actual Room Nights		Actual Room Nights Booked Per FTE
	Booked	Total FTEs	
Charlotte	223,332	44.0	5,076
Minneapolis	506,331	54.0	9,377
Denver	525,000	55.0	9,545
Tampa Bay	405,000	42.0	9,643
<b>Nashville</b>	<b>700,582</b>	<b>47.0</b>	<b>14,906</b>
New Orleans	1,715,955	79.0	21,721
Atlanta	1,880,000	84.0	22,381
<b>Median</b>	<b>515,666</b>	<b>54.5</b>	<b>9,594</b>

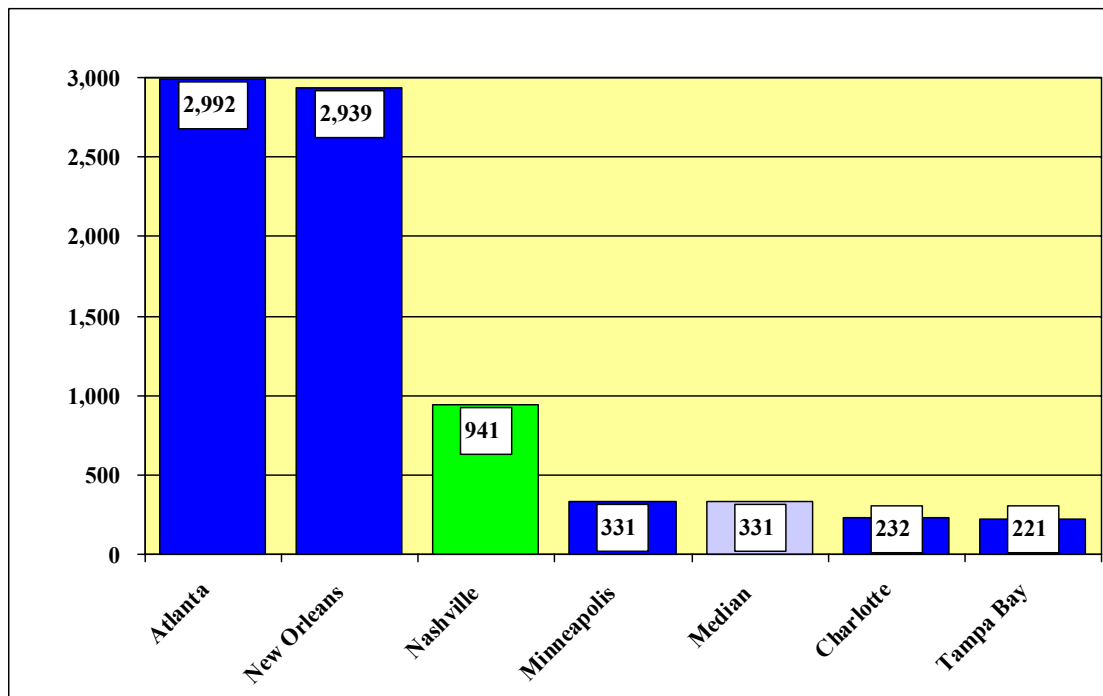
Notes: Ratio of actual room nights booked per FTE = the actual room nights booked divided by the total number of FTEs at the CVB.

Information on the other competitive CVBs previously analyzed was not available.

Sources: Individual CVBs; KPMG research.

- Another performance indicator for CVBs is the number of conventions in which they are involved in booking. These conventions are held in multiple facilities in Nashville including the Convention Center, Opryland Hotel and other hotel facilities. As shown, Nashville had the third largest number of conventions behind Atlanta and New Orleans.

**Number of Convention Bookings that Involved the CVB**

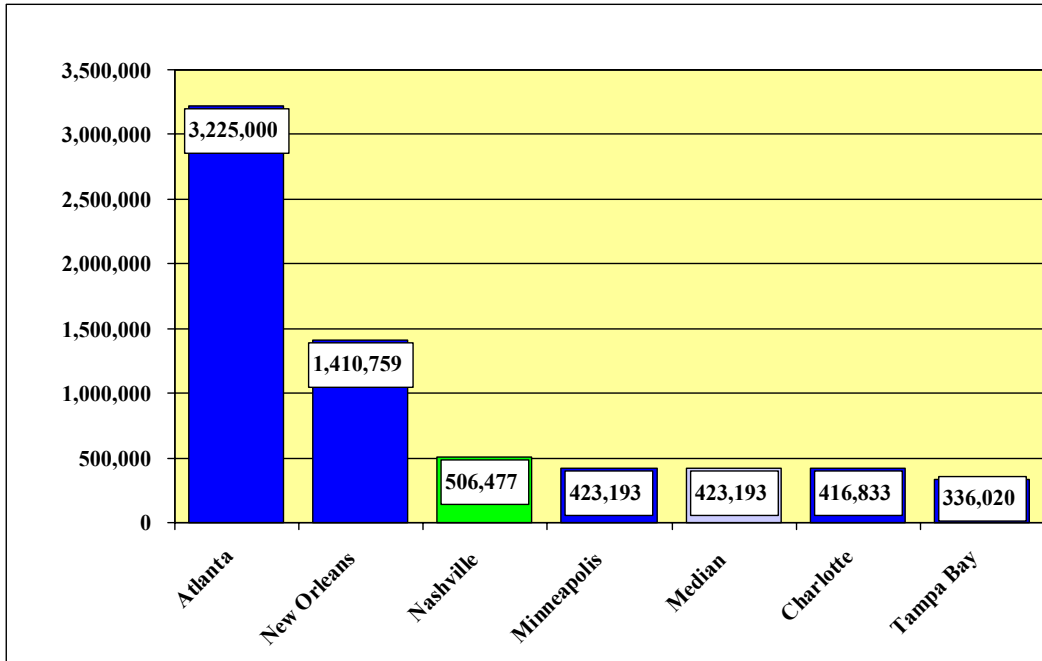


Sources: Individual CVBs; KPMG research.



- Another performance indicator for CVBs is the total attendance generated from the convention bookings in which the CVBs are involved.

**Total Attendance from Convention Bookings that Involved the CVB**



Sources: Individual CVBs; KPMG research.

- The table below illustrates the ratio of the total CVB budget to the number of conventions held. As shown, on average, Nashville spends approximately \$9,600 per convention. It is important to recognize that this is a ratio that provides an overall perspective meaning that the CVB may spend very limited resources on some conventions and significantly more on others.

CVB	Number of Conventions Held	Total CVB Budget	Ratio of Total CVB Budget to Number of Conventions Held
New Orleans	2,939	\$10,900,000	\$3,709
Atlanta	2,992	\$18,200,000	\$6,083
<b>Nashville</b>	<b>941</b>	<b>\$9,000,000</b>	<b>\$9,564</b>
Minneapolis	331	\$7,400,000	\$22,356
Tampa Bay	221	\$6,200,000	\$28,054
Charlotte	232	\$6,800,000	\$29,310
<b>Median</b>	<b>331</b>	<b>\$7,400,000</b>	<b>\$22,356</b>

Sources: Individual CVBs; KPMG research.



Overall, the Nashville CVB compares favorably to the CVBs in the competitive set relative to several key performance measures including the number of room nights booked by the CVB, the number of conventions booked in Nashville that involved the CVB in some manner as well as the attendance at these conventions.

In terms of the total number of room nights booked, the Nashville CVB ranked third among the competitive set behind Atlanta and New Orleans, both of which have a larger hotel supply and larger convention facilities. In addition, the Nashville CVB had a positive ratio of the total CVB budget to the actual number of room nights booked by the CVB when compared to its competitive set.

The Nashville CVB ranked third behind Atlanta and New Orleans, respectively, in terms of the number of conventions booked and attendance generated at these conventions. In terms of the number of conventions booked, the Nashville CVB (941) ranked significantly higher than Minneapolis (331), Charlotte (232), and Tampa Bay (221). Although still ranked third among the competitive set, the disparity in the total attendance between the Nashville CVB (506,477) and Minneapolis (423,193), Charlotte (416,833), and Tampa Bay (336,020) was not as dramatic.

Relative to its competitive set, it appears that the Nashville CVB is appropriately funded. When comparing the ratio of the total CVB funding to the number of conventions held, the Nashville CVB spends approximately \$9,600, on average, per convention which is less than that for Minneapolis (\$22,400), Tampa Bay (\$28,100) and Charlotte (\$29,300).