



## Ocracoke Township Tourism Development Authority

### Board Meeting Minutes

Friday, November 17, 2021, 9:00 am

*Meeting held virtual via Facebook Live Stream*

**Present (Voting):** Kenny Ballance (Chair), Martha Garrish (Vice-Chair), Lisa Landrum

**Absent (Voting):** Jennifer Esham, Jen Mongan

**OTTDA Staff:** Helena Stevens, Sharon Brodich

**Hyde County Staff:** Kris Noble, Corrinne Gibbs, Donny Shumate

**Presenter:** Chris Cavanaugh, Magellan Strategy Group

### Call of the OTTDA Meeting to Order

Chairman Kenny Ballance called the virtual monthly OTTDA meeting to order at 9:02 am

### Approval of October 22, 2021, Meeting Minutes

The board meeting minutes need to be revised to reflect that the budget and advertising committee assignments under "New Business" are for FY22/23. Lisa motioned to approve the meeting minutes with the proposed change; Martha seconded the motion. Motion passed.

### Financial Discussion/Hyde County

#### **Current Revenue Collections and Projection**

Record level occupancy tax collections continued with September activity posted in October 2021.

For the collection period July – October 2021 (occupancy months June– Sept. 2021)

- a. 2% collections totaled \$287,201, an increase of \$41,460 (16.9%) YOY
- b. 3% collections totaled \$399,713, an increase of \$57,702 (16.9%) YOY

#### **FY2021/22 Occupancy Tax Collections Projection**

Jeff offered the following three projection possibilities:

- a. Approximately \$417K of 2% OT collections are projected for the full fiscal year, based on July-October collections (occupancy months June – September 2021) plus 90% of FY20/21 collections for the remaining comparable months.
- b. Projected collections would be approximately \$432,000 (\$70,000 over the current budgeted amount) using FY21/22 YTD and 100% of prior year collections.
- c. Projected collections would be \$453,000 (\$92,000 over the budgeted amount) using 100% of actual collected July – September, plus 115% of prior year collections.

Jeff recommends the board consider authorizing additional expenditures and projects.



Martha asked to provide details of where money is projected to go under the “Ocracoke events and Visitor Enhancements” budget line item to show event support.

Lisa asked if the TDA must spend the additional projected collection surplus. Corrinne said it is not necessary to spend the money in the year it was collected.

### **New Business**

*Chris Cavanaugh, Magellan Strategic Group -TDA Board Orientation*

Chris presented Destination Marketing Organization Training for the OTTDA Board of Directors. He is a consultant with 17 years of experience working with Destination Marketing Organizations (DMOs) in North Carolina.

#### *Types of DMO Structures*

Destination marketing in the U.S. at the local level is conducted by one of the following types of organizations:

1. Independent organization, typically a 501(c) 6 nonprofit, sometimes with paid members
2. A chamber of commerce, or a unit of a chamber of commerce
3. Government department or office
4. Staffed or all-volunteer tourism development authority (especially in North Carolina)

Destination Marketing Organization (DMO) Structures – OTTDA falls under this category

#### *The ABC's of TDAs*

- A Tourism Development Authority is the vehicle created by the state to oversee the collection and investment of occupancy taxes in most NC Communities.
- In NC, it's a “quasi-governmental” body, with a board composed of stakeholders from the local visitor economy and ex officio reps.
- TDAs can only be created by a specific act of the Legislature approving a local governing body (such as county commissioners or city council) to appoint members and formally authorize an occupancy tax.
- The legislation is always specific to that community.
- TDAs often contract with various partners to implement their destination marketing work plan.

#### *Specific to OTTDA:*

- OTTDA levies a 2% tax on “the gross receipts derived from the rental of any room, lodging, or accommodation furnished by a hotel, motel, inn, tourist camp, or similar place within the county that is subject to state-imposed sales tax.”
  - This tax is in addition to any state or local sales tax. This tax does not apply to accommodations furnished by nonprofit charitable, educational, or religious organizations when furnished in furtherance of their nonprofit purpose.
- Any accommodation that collects sales tax must also collect occupancy tax, including short-term rentals.

#### *Ocracoke Occupancy Tax Legislation*

- By the authority granted by the Legislature in 2006, Hyde County Board of Commissioners sets the occupancy tax rate for the OTTDA.
- Commissioners can authorize a tax of up to 3% for Ocracoke without going to Raleigh to change the legislation.



*In Ocracoke (and most NC destinations), occupancy taxes can be allocated in two different ways as defined by the legislation:*

- At least 2/3 for the promotion of tourism: To advertise or market an area or activity, publish, and distribute pamphlets and other materials, conduct market research, or engage in similar promotional activities that attract tourists or business travelers to the area. The term includes administrative expenses incurred in engaging in the listed activities.
- Up to 1/3 to “tourism-related expenditures,” which includes tourism-related capital development. Expenditures that, in the judgment of the TDA board, are designed to increase the use of lodging facilities, meeting facilities, or convention facilities in the county. The term includes tourism-related capital expenditures
- Before occupancy tax guidelines were adopted in 1997 (and updated since), a few communities allocated room tax to a general fund or “tourism-impacted” areas such as fire, police, and waste disposal.
- “Tourism-related” has been used to justify various projects, including capital development—stadiums, arenas, convention centers, wayfinding, visitor centers, museums, etc.—and non-capital expenses such as events and maintaining destination assets.

#### *Fiduciary Duties of the Board*

As a state-created public authority, the members of a TDA have a fiduciary responsibility to ensure that occupancy tax dollars are spent per the specific legislation governing their use.

#### *Board Role in Destination Management*

Three components of TDA board member responsibilities:

- Legislation - Mandates that govern how occupancy dollars can be spent or invested
- Policy – setting policies allows TDA to control how dollars are invested, manage risk, create legal protection, establish priorities
- Process – meeting process, grant policies and procedures, clarity, efficiency, accountability

#### *Responsibilities of the TDA Board*

- Establish priorities for investment through annual budget and plan
- Understand the competition and the destination’s competitive position in the marketplace
- Ensure that marketing has sufficient competitive resources, including staff/marketing partners
- Advocate for policies that enhance the visitor experience and grow the visitor economy
- Engage with elected officials and stakeholders
- Provide strategic direction and support to the Executive Director

#### *Personnel decisions and staffing:*

- Hiring of Executive Director
- Annual evaluations of the Executive Director
- Approval of investments in staffing

#### *Supervision of Grant Investments*

- Facilitate strategic tourism product development
- Development of policies and processes for grants
- Assessing “motivators” versus “satisfiers.”
- Evaluation of investments for ROI



- Adherence to published agendas
- Follow parliamentary procedure during meetings
- Creation of board committees as necessary
- Contribute industry insight and perspectives
- Civil discourse and engagement

### The Evolution from Destination Marketing to Destination Management *Why Be Involved in Product Development?*

Choreograph the overall destination experience

- Grow demand.
- Thwart competitive threats.
- Enhance the quality of life in the community.
- Generate economic impact.
- Feed the brand.
- Increase organizational relevancy. Take control of your destiny

### Evolving from Destination Marketer to *Manager*

“Old School” Destination Marketing Organizations...

- Mostly sales and marketing focused—highly traditional
- Little emphasis upon the destination brand
- Little collaboration with local governments and economic development entities

### Roles of a Destination Management Organization

- Destination sales and marketing
- Catalyst for tourism enhancement
- Active (rather than passive) supporter of tourism growth
- Helps identify sources of project funding
- Works closely with local, state, and federal governments
- Critical partner in economic Development
- Brings stakeholders together for collaboration and mutual benefit

### *Generating Overnight Visitation: Every DMO’s Objective*

Other stated and unstated important objectives of DMOs:

- Generate day trip visitation
- Increase related economic activity
- Enhance community quality of life
- Increase the tax base
- Generate positive community image
- Provide opportunities for small business
- Meet visitor infrastructure needs
- Ensure consistency in visitor experience
- Bring together various stakeholders for a common purpose

### *Tourism Product Development*

What is “Tourism Product Development”?

1. Brick-and-mortar capital projects



Conference center/convention center, performing arts centers, attractions, parks/greenways/trails, placemaking initiatives such as streetscapes and public art, visitor centers, wayfinding

“Soft” products, typically non-capital investments of a shorter duration

- Festivals and events, sporting events, concerts, exhibitions

Other Enhancements

- Beach renourishment
- Maintaining the visit experience
- Holiday decorations
- Marketing-focused “trails” that tie together existing assets (Example: Kentucky Bourbon Trail)
- Tourism-related business development

Always Ask Why: What Strategic Objectives Does It Meet?

- Increases length of stay.
- Penetrates a new daypart.
- Increases spending?
- Drives repeat visitation.
- Generates new visitation.
- Attracts a new audience.
- Creates marketing buzz.
- Benefits a segment of the lodging sector (price, geography, demos, etc.)
- Enhances community quality of life?
- Attracts only day-trippers.
- Adds value to visit?

*Funding Opportunities*

- Public financing
- Hospitality taxes
- Public-private partnerships
- Private financing
- Incentives
- In-kind services
- “Other people’s money” (federal and state grants, foundations, corporate, etc.)

Uses of NC Occupancy Tax Funding: Investment Options

A. Dedicated funding for construction or operation of a specific tourism-related capital project, such as a convention center, auditorium, stadium, or arena

B. Event Grants - Popular in many destinations to support events that drive visitation and support the brand.

- Typically awarded via a competitive application process.
- A strong event grant funding process should have valid and transparent criteria for awards.
- Unless awarded for marketing and promotion only, an event grant is usually considered a “tourism-related expenditure.”
- Not all events contribute to visitation, enhance the destination, or support the brand, so they must be awarded in keeping with the board’s fiduciary duty.



Events as Tourism Product Development can achieve many of the same objectives as capital investments: Fill shoulder season rooms, feed the brand, motivate new visits or drive repeat visitation, increase the length of stay, add value to the destination

*Common types of event support from DMOS*

Direct financial support, with and without strings attached

- Sponsorships
- Hotel rooms
- Staffing and operational support
- Sales and marketing support
- Direct execution and ownership of the event

*Tourism-Related Destination Enhancement Projects*

- Only brick-and-mortar capital projects.
- Grants distributed via application and review process.
- Legislation: “To be a qualified project, a project must be expected to increase patronage of lodging facilities significantly.”
- 1.5% of the total 6% occupancy tax rate currently dedicated to fund.
- Fund can build a balance and does not need not be exhausted in a single year.
- Usually not the only source of funding—50% match required.
- Open to local governments and nonprofits.
- Largest source of grant funding in western North Carolina until 2020.

**a. Budget review, set dates for the budget planning meeting**

The budget review is postponed as Jennifer is not present at the meeting. It will be on the agenda for the next meeting. Martha to reach out to Jennifer for a budget planning meeting date before the next meeting.

**Old Business**

***Island Inn Update***

Ken Debarth was unable to attend; Helena read his report.

OPS’s grant application to the Outer Banks Community Foundation was declined, and OPS was encouraged to apply for the next grant cycle. They applied to the Cannon Foundation for \$60,000, have not heard the decision. They are waiting and on the list with Darren Burrus to complete the landscape project. OPS has not heard from OCBA regarding the restroom project.

***Bench Project Update***

No updates at this time. Michael Kalna will have more information to be shared at the next meeting.

***Potential Office Relocation***

The current office lease expires in April 2022. If the lease is not renewed, TDA will need to pursue another space. This topic will be added to next month’s meeting agenda, and the board should weigh in with any potential options.



## **Executive Director Report**

### **Marketing Campaign**

Last year's digital marketing campaign with Theorem Advertising ran from March 15, 2021, to May 30, 2021. This fiscal year, PR efforts will focus on Fall, and advertising will focus on Spring visitation. Of the \$175,000 advertising budget, \$73,333.33 has been spent to date including payments for marketing agency retainer, public relations retainer, and pass-through costs of media insertions utilized for time blocks for Spring 2022.

- Working with Theorem Advertising on a survey for Ocracoke lodging owners about seasonal occupancy and visitor profiles to adjust the spring advertising needs and PR opportunities with Talley PR
- Reviewing advertising opportunities for next year's planning - Outer Banks This Week, weather.com, and Visit NC partner programs.
- Writing Spring 2022 newsletter to be sent to website subscribers, currently 2,100.
- Updating VisitOcracokeNC.com website with new photography and video.
- Managing social media channels. Current Facebook audience is 21,315 Instagram 18,543 and Twitter 2,940
- Sent letter on behalf of OTTDA to NC DOT regarding the dredging efforts to be submitted today.
- Contacted printer to get pricing for next year's asset brochure.
- Collection information to be used for next year's budget planning.
- Reviewing Google My Business to make sure Ocracoke and businesses are appropriately listed as open or closed.
- Sharon is still on as Administrative Assistant (temporarily), still no responses to opening.
- Updating the Visit NC database online with 2022 events, getting paperwork to OCBA to get updates on the local businesses to populate that database

### **Public Input/Questions/Comments**

None

### **Next Meeting**

The board voted to cancel the December 2021 meeting. The next meeting is on January 21, 2022, at 9:00 am. The budget committee will need to meet before the January meeting.

### **Adjourn**

Lisa moved to adjourn, Martha second. The meeting adjourned at 10:09 am

### **FY21/22 remaining Board Meeting Dates**

January 21, 2022  
February 18, 2022  
March 18, 2022  
April 22, 2022  
May 20, 2022  
June 17, 2022