

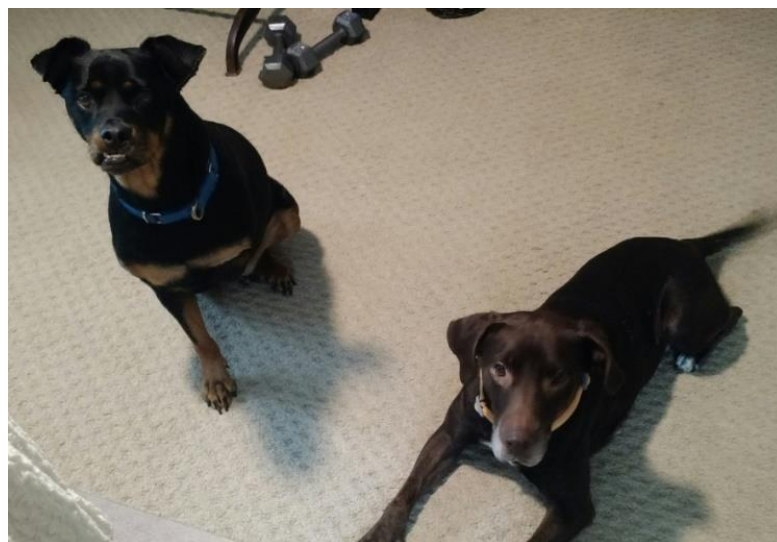


# A Concerning Trend

When Someone Wants Your Funding



CFO by design



# Topics for Today

- Why Are DMO's Targets
- Anatomy of an Attack
- Sustainable Funding



# Why are DMOs Targets?

Success of DMOs  
draws attention

Funding source  
makes us a target

DMOs have access  
to influencers in  
the community

CEOs are highly  
compensated and  
well known in the  
community



## The problem of success

- Community doesn't understand what we do
- Perception that our jobs are easy and fun
- Perception that visitation just happens because our destination is amazing
- Taking credit for destination success can lead to taking blame for issues outside of our controls



# Funding Sources – Bed Tax

- City, county, and state governments are facing funding pressures
- Our funding seems “disposal” to them
- The bigger the budget, the more scrutiny on how it’s being used
- Some of our metrics feel “soft” to elected officials



# DMO Access

- Most CEO's have direct access to the mayor and city manager
- DMOs should be involved with other influential community organizations
- DMOs can be active in state legislative issues
  - What happens when State issues conflict with your City priorities?




# CEO Compensation

CEO  
Compensation is  
generally public  
information

In some places,  
CEOs make more  
than City  
Managers

Coupled with  
perception, people  
assume that CEOs  
are overpaid





**At the end of  
the day, it's all  
about money.**

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# Anatomy of the Attack



# Attack Plan



Open Records Request



Looks for any items that are “questionable”



Floats stories of “misused tax dollars” to local media.



Gets the ear of an elected official



City contract audit



“Snitch” audits from the IRS



Key to success, be able to tell your story to your elected officials.



# Open Records Requests/FOIA/Sunshine

- A non-profit, upon request, is required to disclose last 3 years of 990 returns and application of tax exemption.
- Other rules vary by state but most require disclosure of financial activity from public funds
- 990 Returns are available online, know your 990 return and what it contains
  - Compensation of key employees
  - List of accomplishments
  - Information on board and governance practices

**\*\*Even if you aren't required to disclose information, withholding it creates another set of issues\*\***



# “Questionable” Items

- CEO and employee expense reports
- Entertainment/Client Development Expenses
- Travel Expenses
- Gift Cards
- Meals
- Alcohol

\*\*Where possible, pay for these items out of private funds.\*\*



# If a tree falls in the forest...

Whoever controls the media,  
controls the mind.

*Jim Morrison*



# Austin

**Visit Austin spent  
thousands of dollars  
in concert tickets,  
alcohol, jewelry**



## Know Your Local Media, Before They Know You

- Bring the media to the table
- Make friends with the PIOs
- Make friends with beat reporters
- Give your media “feel good” stories
- Do the work for them
- Put the right clients in front of your media



Elected officials are always looking for \$\$\$....



Discredit the CVB to justify reducing funds



# Audits, Weapon of Choice for Attacks

- Financial Audit
  - Performed by a for-profit CPA firm
  - **DMO is the client**
- City Contract Audit
  - Performed by the City Auditor
  - **City is the client**
- IRS Audit
  - Performed by the federal government
  - **Government is the client**



# Audits, Financial Audit

- Financial Audit, Performed by a for-profit CPA firm, DMO is the client
  - Examines for GAAP compliance (are numbers in the right place)
  - Verifies large balances with outside sources (think about bank balances and accounts receivable)
  - Spot checks expenses for approvals
  - Disavows themselves of responsibility for internal controls
  - Does not guarantee that there isn't fraud or that amounts are 100% correct



# Audits, City

- City Contract Audit, Performed by the City Audit department, City is the client
  - Are you compliant with your contract
  - Can you verify the methodology of the performance metrics that you've been reporting
  - May examine expenses in much more detail
  - Do you have policies in place
  - Are you following your policies
  - Very open ended



# Audits, IRS

- IRS Audit, Performed by the federal government, Government is the client
  - Are your activities consistent with your non-profit mission
  - Do you have any unrelated business income
  - Did you report compensation correctly



# Protecting Your DMO: Contract Compliance

Know	Be	Understand	Understand
Know your deliverables and due dates	Be prepared to document and explain how metrics are tracked and reported. Especially if they are used for incentives.	Understand the details – insurance requirements, indemnification, collateralization of funds, investment restrictions	Understand your state and local ordinance regarding hotel tax



# Key to Success

- Know your local officials before you need to, tell your story
  - Show up before budget time
  - Ask about their priorities
- Survive the audit “unscathed”
  - Visit Austin audit stated VA was doing everything in accordance with their contract but the Convention Center wasn’t providing adequate oversight





# Sustainable Funding



# Funding Sufficiency **vs.** Funding Stability



## Sufficiency

Do you have enough to adequately market your destination?

## Stability

How reliable are your funding streams? Can they be diverted?



# Tourism Funding Stability

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Can a vote of the  
local or state government  
re-direct tourism promotion funds?



# Tourism Funding.



- Membership
- Sponsorships
- Event revenue
- Contract services
- Licensing



- Untethered tax allocations
- Tethered tax allocations
- Sales tax increment financing
- Assessment (TPID)



# Tourism Promotion Improvement Districts



Hotel pays an  
assessment



Collected by the  
local government



And managed by  
the DMO

- ✓ Level playing field—no free riders
- ✓ Transparency
- ✓ Reliability
- ✓ Pass-through to customers

# Preferred Governance Model

## Existing Nonprofit Corporation





# Q & A

# Thank You!

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