






## **MEMORANDUM**

May 12, 2023

TO: Board of Governors

FROM: Helen T. Hill, Chief Executive Officer   
Laurie Smith, Chief of Staff   
Kreig Brugler, CPA, Director of Finance 

RE: Proposed Budget FY 2023-24

Attached to this memorandum, is the proposed FY 2023-24 budget built by the Explore Charleston team over the last few months. This memo is intended to provide a thorough overview of our proposed budget prior to our time together at the board meeting on Wednesday, May 17, at 4 PM. This is a lot of information to discuss in one meeting! As mentioned in last week's report to the board, ***our finance team will offer an in-depth budget conversation and review today at the Charleston Visitor Center, 375 Meeting Street, at 4 PM for those of you who want a deeper dive. Please let Laurie know at 843-805-3063 if you plan to attend!***

The College of Charleston Office of Tourism Analysis' estimation of tourism economic impact report for 2022 will be released next week. Our lodging occupancy was relatively flat, driven partially by COVID-19 variants' impact on first quarter demand as well as increased hotel room inventory. However, room nights sold reached an all-time high, average daily rates soared and overall visitor expenditures increased, which caused the industry's economic impact to grow significantly over 2021 and pre-pandemic levels!

This doesn't happen by accident. Explore Charleston isn't looking to stimulate mass visitation; rather, we strive to attract visitors who generate the greatest economic impact for our community. Our team continues to be laser-focused on creating the type of demand that produces growth in our industry's metrics, while furthering our commitment to tourism management, supporting responsible economic development and maintaining quality of life for area residents.

## **REVENUE**

Our budget has three large buckets:

1. **Business / Membership revenue**, non-public monies include membership, destination fees, advertising sales, co-operative trade show income and interest. Customer revenues also factor into this portion of the budget through participation in various program services through our four area visitor centers. ***(32% of budgeted revenue)***
2. Funding through the **State of South Carolina**, via the Destination Specific grant program administered through the SC Department of Parks, Recreation & Tourism The **CHARLESTON AREA CONVENTION & VISITORS BUREAU**

state has doubled the investment in marketing the last two years post-COVID as part of the Accelerate SC initiative. *(31% of budgeted income)*

3. **Local public revenue** to include an allocation of accommodations taxes from ten local funding governments and support as a member of the SC Association of Tourism Regions. *(37% of budgeted revenue)*

## **EXPENSE**

From a staffing perspective, we are in the same boat as the rest of the country! Wage compression continues to be at play, and this budget reflects some adjustments to level out inconsistencies that have arisen as a result. For those not affected by these particular adjustments, we have planned a 3% cost-of-living increase. Benefits for our full-time employees remain unchanged, although we have come to expect increased costs for health insurance upon renewal. Just like employees of your own business, our staff members are our most important asset, and without them, Explore Charleston's mission cannot be accomplished!

***Administrative costs consist of our Operational, Executive and Finance / HR Departments; they total 6% of planned expenditures.*** As a not-for-profit, it is always our goal to keep these areas operating lean so that the vast majority of our efforts are spent directly on destination marketing and management programs. Administrative expenses total just under \$1.7M, which is flat to the current fiscal year.

***Collectively, our Destination Marketing, Group Sales, and Media Departments reflect \$22.5M in expenditures, or 86% of overall expenses.*** Our planning always begins and ends with the question, "How does this expense create an overnight visitor?" So let's take a deeper dive into each of these pieces of the puzzle.

***As you would expect, the Destination Marketing department accounts for the most significant portion of our budget.*** All of our advertising and promotion is based on solid, consistent market research. Partnerships continue with the College of Charleston's Office of Tourism Analysis, CoStar (formerly Smith Travel Research), Datafy, Key Data, Knowland, and Travel Click, all of which provide valuable information to guide our decisions on ad timing, placement, and content.

***Demand is generated through integrated advertising campaigns*** through paid placements in print and digital formats including titles such as AAA, AFAR, Better Homes & Gardens, Bon Appetit, Conde' Nast Traveler, Departures, Essence, Food Network, Food & Wine, Garden & Gun, Kingdom (golf) magazine, Midwest Living, New Yorker, SC Vacation Guide, Smithsonian, Southern Living, Town & Country, Travel & Leisure, Veranda, Western NC, and Worth. Weddings remain a profitable market and will be promoted through The Knot, Wedding Wire, Bridal Guide, D Weddings, David's Bridal, Grace Ormonde, Heart of NC Weddings, Southern Bride, Sophisticated Weddings, and WedLuxe. Broadcast plans include the Tennis Channel and increased commitments through our successful OTT streaming platforms. Social media remains a crucial component of our integrated campaigns and staying front and center in the digital

world, as does our investment in ongoing website development and Google AdWords. In stimulating demand, we also must stay engaged with travel advisors, who impact millions of visits across the globe. Our team connects with top travel agencies through partnerships with Virtuoso and Signature Travel. And we cannot wait to unveil a unique opportunity we've snagged for Charleston area exposure in NYC's Penn Station!

***Once our marketing efforts stimulate demand, we invest in resources to convert inquiries into booked business.*** Production and distribution of the Charleston Area Visitors Guide, Charleston Area Destination Planning Guide, Charleston Area Wedding Guide and the first-ever Explore Black Charleston Guide are budgeted. Corresponding websites, continuously updated, are also key to maintaining digital engagement, as is current and high-quality photography and videography.

On the sales side of the equation, Explore Charleston's Group Sales and Sports Development team are ready to hit the road in the new fiscal year! Group business and corporate travel were initially slower to recover than leisure demand. Cultivating relationships with meeting planners and associations in our drive and nonstop fly markets is paramount so that our destination is top-of-mind for this lucrative business audience. Additionally, our sales team has constructed a calendar of trade shows to attend and meeting planner events to facilitate targeting highly-sought-after segments including Association, Corporate, Government, Incentive, Leisure Travel, Tour & Travel, Weddings, International, and Sports. ***Our sales staff will be selling the destination at over 40 events in the coming fiscal year.***

While our Group Sales, Sports, and Marketing efforts are all paid initiatives, ***our Media Department is constantly working to generate "earned" media, ie: media attention that doesn't have a price tag!*** It is the job of this department to identify, vet and host editors, journalists, influencers and broadcast media to encourage them to visit and experience our community in person. For example, hosting the British Guild of Travel Writers several years ago, gave us a springboard to engage these journalists long after they left our destination. This group remains on our radar for FY 23-24. Our team never forgets their "bread and butter," nurturing relationships cultivated over many years through the Society of American Travel Writers (SATW), and the Public Relations Society of America (PRSA). And we are beginning year three of our involvement with the National Association of Black Journalists (NABJ). Efforts with important groups like these are essential to the long-term success of our media strategy, as are one-on-one desk-side visits with editors in some of our key feeder markets. Lastly, we have a placeholder for potential film projects through Travels with Darley and Maker's Way. Keeping the Charleston region top-of-mind is the key to the Media Department's success, and we are not shy about engaging others to garner earned media on behalf of area businesses and municipalities!

***While most of our work, and all of this memo so far, is dedicated to Explore Charleston's efforts in "Destination Marketing", our commitment to "Destination Management" remains firm.*** We have several important initiatives that speak more to leadership and

management of our industry within the community. Workforce Development, recruitment, education, and DE&I initiatives all factor into ensuring a robust, well-trained, inclusive workforce within the local tourism industry. Air service development has proven integral to our economic success through the recruitment of new carriers and addition of more nonstop flights to and from Charleston International Airport.

And lastly, our Visitors Services team has not skipped a beat as they absorbed full operational responsibility for running the "Visitor Campus" centered at 375 Meeting. In this budget, we reflect the cost of our operating four area visitor centers to include staffing, maintenance and daily cleaning, and other expenses associated with visitor support. ***This budget reflects an estimated net loss of (\$1.1M) through Visitor Services in FY 23-24, which is 5% of our overall budget, and \$283K more than the current fiscal year.*** Our programming revenues offset a large part of the department's expenses. However, the increased costs of running the facilities, coupled with wage compression mentioned earlier are the greatest forces impacting this important part of Explore Charleston's mission. Our work through the visitor centers is a responsibility we have to the community, and it demonstrates our commitment to tourism management each and every day as we interact with our guests!

Please call us with any questions at 843-805-3023 (Helen), 843-805-3063 (Laurie) or 843-805-3046 (Kreig). Enjoy the weekend, and we look forward to seeing you at the Board of Governors meeting this coming Wednesday, May 17, 4 PM at the Cooper River Room!

# Charleston Area CVB Budget

	Approved 06/30/2023	Proposed 06/30/2024	Budget Variance
<b>Revenue by Department</b>			
Operational Department	7,841,000	9,280,000	1,439,000
Executive Department	445,000	510,000	65,000
Finance/HR Department	12,000	36,000	24,000
Visitor Services Revenue	675,492	720,704	45,213
Group Sales and Sports Development	0	33,500	33,500
Destination Marketing	8,174,500	7,459,300	(715,201)
Destination Specific Grant Revenue	7,100,000	8,100,000	1,000,001
Total Departmental and Grant Revenue	24,247,992	26,139,504	1,891,513
<b>Expense by Department</b>			
Operational Department	647,703	644,577	(3,126)
Executive Department	321,466	311,230	(10,236)
Finance/HR Department	722,893	728,282	5,390
Visitor Services Department	1,491,921	1,856,760	364,838
Group Sales and Sports Development Expense	1,637,160	1,823,167	186,007
Destination Marketing Expense	10,243,949	10,909,791	665,842
Media Department	1,278,872	1,415,397	136,525
Destination Specific Grant Expense	7,829,028	8,375,300	546,272
Total Departmental and Grant Expense	24,172,992	26,064,504	1,891,512
<b>Total Increase/(Decrease) in Net Assets</b>	<b>75,000</b>	<b>75,000</b>	<b>0</b>