

Visit Huntington Beach Minutes
Board of Directors Meeting
Tuesday, September 24, 2019
Visit Huntington Beach/ Board Room
155 5th St., suite 111
Huntington Beach, CA 92648
3:30p.m to 5:00 p.m.

Public Notice Information: In accordance with the Ralph M. Brown Act, VHB agendas are available for public review outside the City of Huntington Beach Council Chambers at 2000 Main Street at least 72 hours prior to each meeting. The agendas are also posted on the VHB website at surfcityusa.com. Questions on agenda items may be directed to Kelly Miller, VHB President & CEO, at (714) 969-3492 or kelly@surfcityusa.com.

VHB Mission: To position Surf City USA® as the preferred California beach destination in order to maximize **overnight** visitor spending, **destination development** and **quality of life** for all residents.

MINUTES

1. Call to Order and Antitrust Reminder (*see reverse*) by Chair Justin Simpson: **3:38pm**

2. Roll Call:

Present: Simpson (Kimpton Shorebreak Hotel), Ali (Zack's Surf Shop), Barnes (Duke's Huntington Beach), Fischer (Waterfront Beach Resort, A Hilton Hotel), Killey (Republic Services), Leinacker (Paséa Hotel and Spa), Mantini (Retired-The Boeing Company), McCormack (Timeless Treasures Boutique LLC), Patel (Quality Inn & Suites Huntington Beach), Rice (Hyatt Regency Resort & Spa), Rogers (Rogers Marketing Services/ 5th & PCH), Szilagy (Best-VIP Chauffeured Worldwide), Thompson (First Bank), Torrence (VHB Ambassador Emeritus), Townend (The ActivEmpire), Truxaw (Mama's Restaurant on 39), Unvert (John Wayne Airport)

Absent: Bernardo (World Surf League), Solanki (Ocean Surf Inn & Suites)

Additional Attendees:

Jennifer Farr (Davis Farr), Melissa Knudtson (McGinty, Knudtson, & Associates)

Barbara Delgleize (City of HB)

John Ehlenfeldt (VHB), Nicole Llido (VHB), Jake Schultz (VHB), Steffany Sensenbach (VHB), Brittany Tesmer (VHB), Susan Thomas (VHB), Matt Tibbetts (VHB)

3. Announcement of Late Communications (Justin Simpson): **None**

4. Public Comments — Chairperson (limited to 3 minutes/person):

*The VHB welcomes public comments on all items on this agenda or of community interest. We respectfully request that this public forum be utilized in a positive and constructive manner. Please focus your comments on the issue or concern that you would like to bring to the attention of the Board. **None***

5. Consent Agenda (Nicole Thompson): Action Item

- a. Approval of previous Meeting Minutes
- b. Latest TOT/TBID
- c. Latest CBRE (PKF)/ STR Reports
- d. Current financial statements (if available)

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- **TOT receipts for the month of July 2019** were up 1.1%. Year to date TOT revenue for July 2019 totaled \$1,747,413, an increase of 1.1% over FY 18-19. This resulted in a positive change in TOT collections of \$18,674 more revenue collected by the City over FY 18-19.
 - **TBID receipts for July 2019** were up 34.8%, and YTD revenue is up 34.8% over the previous FY. Total TBID receipts now total \$698,965, or an increase of \$180,342 over the previous FY.
 - *There are several things to note: 1) As mentioned, FY 17/18 only includes months October – June due to the FY change. FY 18/19 includes new FY months July – June; 2) Effective October 1, 2014, the BID assessment increased from 2% to 3%; and 3) Effective February 1, 2019, the BID assessment increased from 3% to 4%.*
 - Hotels over 151 rooms were up 2.7% for July, and also up 2.7% over the previous FY in **TOT receipts**. Hotels under 150 rooms were down **8.0%** for the month of July, and also down **8.0%** for the FY in **TOT receipts**.
 - Sunset Beach hotels reported a decrease of **4.2%** for July's **TOT collections** and now stand at an increase of **4.2%** for the FY. **TBID receipts** for Sunset Beach hotels were reported at a 27.7% increase for July and a 27.7% increase for the FY. *Remember, effective February 1, 2019, the BID assessment increased from 3% to 4%*
- **CBRE/PKF report for July 2019** reflects that for the *four reporting major properties* in July, Average Daily Rate was \$376.15, up 4.8% from July 2018. Monthly occupancy was down **2.9%** to 87.98%, and RevPar was up 1.8%, to \$330.95 for the month.
 - **For January through July 2019**, ADR was \$293.21, or up 4.2%, Occupancy was up 3.3% to 77.19%, and RevPar was up 7.6% to \$226.34.
- **STR report for August 2019** is for the *11 reporting properties*. Occupancy was down **3.7%** to 83.2%, ADR was up 2.7% to \$280.36, and RevPar was \$233.33, a decrease of **1.1%**.
 - **For January through August 2019 versus the same period in 2018**, Occupancy is up to 0.6% to 77.5%, ADR was up 3.5% to \$247.55, and RevPar was up 4.1% to \$191.86.
 - **Hotel inventory Supply for August** was flat at 0.0%, demand was down **3.7%**, and revenue was down **1.1%**.
 - **Year to date for January through July 2018** shows that hotel room supply was flat 0.0%, demand was up 0.6%, and revenue was up 4.1%
- Motion to accept the Consent Agenda made by Rice. Seconded by McCormack. All approve. None oppose.

6. Chairman's Report (Justin Simpson): **None**

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7. President & CEO Updates (John Ehlenfeldt)
- a. Annual Audit (Jennifer Farr // Davis Farr LLP): Action Item
- i. Jennifer Farr from Davis Farr LLP presented the Annual Audit Report covering FYE September 30, 2018.
1. An unmodified audit opinion was issued, Dated August 2, 2019
 - Performing the audit at this late date was planned by management due to VHB's transition to the new office space
 2. Also included were the audited financial statements, a letter of required communication to the those in governance, and an internal controls recommendation letter
 - a) There were 3 recommendations in the internal control letter
 - 1) Journal entries detected during the audit
 - 2) Cut-off issues in terms of bank reconciliations/ the manner in which checks recorded
 - 3) Credit card testing of one month of transactions
 1. Missing receipts from several statements
 2. Some business was not as clear as it should have been
 3. Two transactions in which expense did not match up with the documentation
 4. One charge not allowed by the policy
 - *NOTE: This charge was reimbursed by the employee.*
 - b) Recommendation is to have all employees follow the policies and to be a bit more strict during the review process
 - c) John Ehlenfeldt noted that staff has been made aware of all recommendations by the audit team and corrections will be made going forward, including noting when a receipt is missing, being more descriptive for what the business purpose was, and potentially losing out on merit increases if they have been marred on this area of responsibility.
 - 1) There is a process in place that will include being spoken to, a write-up going into their files, removal of the use of VHB credit card (personal credit card will then have to be used for expense reimbursements). If receipts are not included with personal reimbursement, no reimbursement will be given.
 3. Financial Statement highlights
 - a) Financial results show consistency in what has been shown in previous fiscal years
 - b) Notable increase in the TOT and BID revenues, which is in line with what the board members are seeing at their respective businesses in terms of increases in tourism
 - c) The biggest increases on the expense side are in the salaries/ benefits line items as well as an investment in the Wayfinding Signage Program. These fixed assets will increase the equity value of the organization.

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- d) No changes in the accounting standards for these audited financials
 - 1) Next year there will be a significant change in the accounting standards so it will change the way the financial statements look
 - 2) Two years out there will be a change in revenue recognition standards
 - 3) Three years out there will be a change in the lease accounting standards
 - 4. Thanked staff for help during the audit process, especially during the transition period of working remotely and tracking down records in different locations
 - ii. Motion made to accept the audited financials and put them on record made by Barnes. Seconded by Mantini. All approve. None oppose.
- b. Bylaws: Change language intent regarding tenure of VHB board terms, and other miscellaneous clean up language including aligning VHB's new fiscal year with City's fiscal year (July 1-June 30): Action Item
- i. Motion to engage Civitas to move forward in changing the language intent of the VHB Bylaws made by Barnes. Seconded by McCormack. All approve. None oppose. Thompson abstained.
- c. 2019-20 VHB slate of officers and board members: Action Item
- i. The board reviewed a list of potential new board members previously reviewed/ recommended by the VHB Leadership Development Task Force
 - 1. Motion to approve the inclusion of Jennifer Williams (General Manager, Pacific City), Ed Mountford (Bolsa Chica Conservancy Chairman of the Board), and a representative of the Huntington Beach Chamber of Commerce to be included in the slate of VHB Board Members made by Barnes. Seconded by McCormack. All approve. None oppose.
 - 2. Motion to extend the board assignments of Janis Mantini, Meg Bernardo, and Nicole Thompson temporarily until the bylaws have changed made by McCormack. Seconded by Truxaw. All approve. None oppose. Thompson and Mantini abstained.
 - a) *NOTE: The board still needs to approve the slate of officers following the potential approval of the term extensions of current board members.*
- d. New office space update. We are moved in and operating!
- i. There will be continuing improvement and updates as we are settling in
 - ii. Front area will have permanent doors and accordion windows shortly
 - iii. Front area will also be transformed into a retail/ visitor's welcome space
 - iv. We will keep you updated on our improvements and finishing details
- e. VHB/City of HB/SHACC long term lease plan
- i. VHB has signed its portion of the lease pending the approval of the Surfing Heritage and Cultural Center operating the International Surfing Museum

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1. Slated for City Council dialog and vote on October 7th
 - ii. The end result is to have the ISM be the type of museum that locals and tourists alike can be very proud of
 1. SHACC can help make this happen with the extensive array of rotating exhibits it has and their expertise in that area
 - f. Connectivity plan (City of HB) between hotels, Downtown HB and 5th & PCH
 - i. VHB has entered into a partnership with the City of HB for a connectivity plan between hotels, downtown HB, and 5th & PCH
 - ii. Sample proposals were passed around. They were to give an idea of the direction the City plans to go in for this connectivity study
 - iii. This is to make the areas between the resorts/ hotels, Main Street, and 5th & PCH cohesive and seamless
 1. The plan is to do this through signage, beautification through landscaping, and maybe even some art installations
 2. The end result is to enhance the area and make it more user-friendly from a walkability aspect
 - g. Communitywide Wayfinding
 - i. The next phase will be the gateway entrance signs
 - ii. Everything is moving forward nicely
 - h. Airshow 2019
 - i. The Airshow will open at 10:00am on Friday, Saturday, and Sunday
 - ii. Chalets are open from 11:00am – 4:00pm
 1. Saturday is for our board partners and meeting planners
 2. Sunday is for City of HB guests as well as journalists and media
 - i. Crucial brainstorming session with Hotel GM's, Directors of Sales, Directors of Marketing to develop actionable strategies and tactics to address potential 2019-2020 slowdown in group and leisure markets
 - i. VHB will take the lead on this important meeting
 - ii. Staff at VHB will be focusing on expenses to ensure we keep those in line
 - iii. In addition, we want to ensure that VHB has actual steps with our partners in place to be able to drive additional business throughout Huntington Beach
8. Brief Department Monthly Updates (Staff)
- a. Sales: Matt Tibbetts gave brief updates for Sales
 - b. Marketing and PR: Susan Thomas and Jake Schultz gave brief updates for Marketing and PR
 - c. Film & Travel Trade: Susan Thomas gave brief updates for Film & Travel Trade
 - d. Visitor Services and Information Technology: Nicole Llido gave brief updates for Visitor Services and IT

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9. City of Huntington Beach Update (Kellee Fritzal): No update. Kellee Fritzal not present at the meeting
10. Huntington Beach Chamber of Commerce Update: No update. No one from the Chamber present at the meeting
11. Open Discussion/Announcements
 - a. Mantini reminded that Chefs for Scholarships will be on Sunday
 - b. Ali shared that 80% of his rentals lately have been Canadian visitors
12. Adjournment: **4:52pm**

Key Dates to Remember:

- Next FULL BOARD MEETING: **Tuesday, November 26th, 3:30pm – 5:00pm, *Visit Huntington Beach / 155 5th St., suite 111, Huntington Beach, CA 92648***
- The Great Pacific Airshow: **October 4th- 6th**
- VISSLA ISA World Junior Surfing Championship: **October 26th – November 3rd**
- VHB Open House: **SAVE THE DATE!! Wednesday, November 13th, 4:30pm – 7:00pm, *Visit Huntington Beach / 155 5th St., suite 111, Huntington Beach, CA 92648***

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ANTITRUST COMPLIANCE POLICY

It is the policy of Visit Huntington Beach (VHB) to comply fully with the antitrust laws of the United States and the State of California. In order to assure full compliance, the following policies and procedures are to be followed by all employees and stakeholders of VHB and by representatives of any stakeholders of VHB.

At any meeting of the directors of VHB or any committees of VHB, or at any meeting where any employee of VHB is present or where VHB is in any way involved, there shall be no discussion of the following:

- A. Prices or rates for hotel or motel rooms, food and beverage, transportation, sightseeing, or other services or facilities of stakeholders, including but not limited to prices or rates to be charged to convention groups, tour groups or tour operators, including off-season prices or discounts;*
- B. Changes or proposed changes in the prices or rates of hotel or motel rooms, food and beverage, transportation, sightseeing, or other services offered to customers of the hotel and motel industry;*
- C. Formulas, procedures, or means for the establishment and determination of prices, rates, discounts, terms, and conditions or rental;*
- D. Plans of individual stakeholders covering increases or reductions in distribution or marketing of particular products or services.*
- E. Restrictions on legal advertising or promotional activities.*
- F. Matters relating to actual or potential suppliers or customers that might have the effect of excluding them from any market or of influencing others not to deal with them.*

MEETING ASSISTANCE NOTICE – AMERICANS WITH DISABILITIES ACT

In accordance with the Americans with Disabilities Act the following services are available to members of our community who require special assistance to participate in EDC meetings. If you require special assistance, 48-hour prior notification will enable VHB to make reasonable arrangements. To make arrangements for an assisted listening device (ALD) for the hearing impaired, American Sign Language interpreters, a reader during the meeting and/or large print agendas, please contact Steffany Sensenbach at (714) 969-3492.