

**ECONOMIC DEVELOPMENT**

and

**ENERGY COMMITTEE**

of the

**SUFFOLK COUNTY LEGISLATURE**

**Minutes**

A regular meeting of the Economic Development and Energy Committee of the Suffolk County Legislature was held in the Rose Y. Caracappa Legislative Auditorium of the William H. Rogers Legislature Building, 725 Veterans Memorial Highway, Smithtown, New York, on Wednesday, May 29, 2013.

**MEMBERS PRESENT:**

Legislator Wayne Horsley - Chairman/Deputy Presiding Officer  
Legislator Lou D'Amaro - Vice-Chair  
Legislator Thomas Cilmi  
Legislator Kara Hahn  
Legislator Lynne Nowick  
Legislator Stern

**ALSO IN ATTENDANCE:**

George Nolan - Counsel to the Legislature  
Sarah Simpson - Assistant Counsel to the Legislature  
Michael Pitcher - Aide to P.O. Lindsay  
Debbie Harris - Aide to Legislator Stern  
Claire Mangelli - Aide to D.P.O. Horsley  
Justin Littell - Aide to Legislator D'Amaro  
Robert Lipp - Deputy Director - Budget Review Office  
Sharen Wagner - Budget Review Office  
Greg Moran - Aide to Legislator Nowick  
Renee Ortiz - Assistant Deputy Clerk  
R. Moke McGowan - President/Long Island Convention & Visitors Bureau  
Kevin Moran - LICVB Board President  
Rick Brand - Newsday  
All other interested parties

**MINUTES TAKEN AND TRANSCRIBED BY:**

Gabrielle Skolom - Court Stenographer

*(\*The meeting was called to order at 1:06 p.m. \*)*

**CHAIRMAN HORSLEY:**

Welcome to the Economic Development and Energy Committee of May 29. Okay. Welcome to the Economic Development and Energy Committee of May 20. May we stand for the Pledge of Allegiance.

*(\*Salutation\*)*

May we all stand for a moment of silence for those men and women, particularly on the week of Memorial Day, who protect our freedoms across the sea as well as at home. May we also take a moment to remember the career and who he was, Caesar Trunzo, Senator Caesar Trunzo. We just heard that he had passed, so please give us a minute.

*(\*Moment of silence observed\*)*

Thank you very much, and, again, welcome to Economic Development and Energy Committee. We're here today to discuss, as we heard last time we met, the Long Island Convention and Visitors Bureau and Sports Commission audit that was presented by Comptroller Sawicki who last year -- last meeting detailed his opinions and findings on an audit for the Convention and Visitors Bureau. So what we would like to do today is ask Moke McGowan and your -- the president of your board is? I'm sorry.

**MR. MCGOWAN:**

Kevin Moran.

**CHAIRMAN HORSLEY:**

Kevin Moran from Marriott. And welcome, gentlemen. What I would like to do is just sum up some of the findings that concern this committee and maybe then ask Moke to address the -- address them; then we'll have questions from the legislators to you concerning it.

The audit was severe in my mind primarily because of some of the recommendations in which the Comptroller set forth, and there were two issues that in -- that I think that are a major concern to this Legislature, and one -- one I'll just call the County's "Bang For the Buck" issue, where the -- where Suffolk County is now giving or providing monies to the Convention Bureau in the amount of \$1,000,983 in all this since there's \$2 million in 2000, 2011, which was a major increase over the previous years. From my notes here, I see it's about 83.9 percent increase in the dollars that are now going to the Convention Bureau, and we see that Nassau County's, though it has increased, the dollars are certainly not comparable; and also we note that the membership fees have decreased about 16 percent over the last couple years, according to the audit.

The Bureau's payroll at this point in time is about a million dollars. In the dollars that -- in that \$1 million does not include going out to an advertising agency to do its primary mission of advertising, which also -- which totals about \$647,000. And the Comptroller's -- his statement was basically that because of the inequities of how much money Suffolk gives to the Bureau that we are not getting our bang for the buck, and that the Bureau has -- there's a sense about it that the dollars go to a regionwide -- more to a regionwide exposure advertising than it does to the -- Suffolk County, who is the major donor to the Convention Bureau, and so we're not getting the bang for the buck. The Comptroller recommends in this -- on this issue is that the contract should be terminated, and, as I noted here, in performing County tourism, promotion should be brought inhouse and that the County could save over \$1 million annually, and the quote right from the audit itself, "And still more

effectively promote tourist-related businesses." Now, that's a very, very serious statement made by the Comptroller.

Now, secondly, the other issue that I felt was -- that I'd like you to address, Mr. McGowan, is, for lack of a better term, the good-ole-boys issue where the Comptroller states that the Bureau is using taxpayer funding to enhance benefits for their membership, and he goes into great lengths to state that the dollars that the membership provides do not warrant the exposure that the membership gets over other hotels that are giving money. And, again, that is something that we would like to address in your presentation. They just basically say that not all hotels and motels on Long Island get fair representation. Membership is paying less than they used to pay. The County dollars are augmenting those dollars, so what we're saying is that the County is augmenting larger exposure to some members over and above those hotels that pay into and are not members, and that is a major concern. As the audit states, "The Bureau subsidizes benefits to members even though the membership dues decrease." In fact, they state that, "About 89 percent of the moneys that are provided to the Bureau go to -- are paid by the government, four percent by the membership, and the membership is getting the benefits from the Convention Bureau."

So with that, the Comptroller in his bottom-line recommendation and the good-ole-boys issue says that -- the County Comptroller says that you should return some of the money. That was part of the findings of the audit. So, again, this is a very serious audit, very concerning to this body, and, Mr. McGowan, maybe with that, I should turn it over to you. You can make your statement, and then we'll have legislators ask questions on your comments.

**MR. MCGOWAN:**

Thank you, Mr. Chairman, and we very much appreciate this opportunity to address this committee. We, likewise, take that audit and the management recommendations very seriously. That said, I would like to recall back in 2004 after that particular audit was released, which was scathing, and rightfully so, at the way our organization had operated up until that time, that, if anything, was to me a time when very seriously and very rightfully either County could have pulled the contract inhouse. They were not in any way, shape, or form getting any kind of return on the investment and their tourism economy. That said, that particular audit had some 28 recommendations. We, following a almost two-year period, had 15 recommendations, and I would like to call to your attention, and I'm sure that you have all read not only the initial draft but our response to the draft and the subsequent auditor's response to our response. Of those 15 recommendations, 12 of them, their final response starts off with the verbiage of, "We are pleased that the LICVB will or is." That indicates that there are three elements that are being addressed. We had already, before this has been released, taken action to address 12 of the 15 recommendations. The final three recommendations required, if you will, that we work with the Department of Economic Development and work to identify resolutions to those recommendations, and it's something we are continuing to do.

I will address the membership issue here very shortly, but quite honestly, when I saw the final audit, I was actually pleased with it. I was pleased not only at our opportunity to learn and to act appropriately towards resolution but also to work towards other areas that had been identified that did need attention. What I was surprised at was the management recommendations, and I do recall that the Comptroller did not identify in the audit or in looking into the organization what the return on investment might be. They looked at only the expenditures and the perception of whether or not the County was getting inline with the contract, getting what they had, in essence, invested in.

**CHAIRMAN HORSLEY:**

The bang-for-the-buck issue.

**MR. MCGOWAN:**

The bang-for-the-buck issue. You know, I think the bottom line is this is an organization that has been committed to the tourism industry, to the tourism economy of Long Island, whether it's Nassau County or Suffolk County. It's certainly committed to Suffolk County and the Suffolk-centered program that we have produced over the years in order to generate visitors to Suffolk County to Long Island, their expenditures, and the local taxes generated as a result of that, and that's what really guides us. Our job is to influence leisure travel decisions. Our job is to influence group meetings, conventions, and decisions on behalf of sports events rights holders as to where they will hold their events. We are the only organization who works to influence these decisions and develop, if you will, incremental new business to Long Island and to Suffolk County, and every program that we've put into place and acted upon annually has been with that as our primary goal.

We publish -- we produce annually a major document on marketing plan and budget. It's posted online each year. It's approved by our board. It's sent to each one of you, as well as legislators who are not part of this committee for their review and their comment, and every year I'm asked by the Department of Economic Development to provide a review of that program of work and its results, and at times I've done it via PowerPoint, et cetera. We don't operate in a vacuum. We operate very closely with the Department of Economic Development. Suffolk County has representation on our board of directors. It's through the participation, and I would comment the very good participation of Michelle Stark out of the Department of Economic Development, who has been part of the communications process, part of the collaboration, and part of the understanding of everything that we've ever done.

That said, you know, I think when you look at the funding that you provide the LICVB, it is not funding that supports us. It is not money that helps us operate. It is an investment in your tourism economy. In 2008, prior to recession, this County received, I think, about \$163 million in local taxes on the basis of visitor expenditures to the County. The bottom fell out of the market, and by 2010, that \$163 million had dropped to 150, I think about \$151 million. In 2011, those local taxes had increased back to \$164 million. Now, unfortunately, I don't have the 2012 data at this point. It's provided from -- by I Love New York from the research firm Oxford Economics. We do expect to get it in June. My anticipation is that in 2012, we will see a further increase of revenue to the County from the expenditures of visitors to Suffolk County. Would visitors come if there was no marketing program or if you took it inhouse? I would say I understand fully the Comptroller's outlook of looking at the overall financial wellbeing of Suffolk County, but in this instance, I would most strongly suggest that doing so, taking it inhouse, doing away with a contract with our organization, which is a professionally-run organization, would be penny wise and pound foolish.

The ROI -- there's a (indiscernible), if you will, two areas where we can absolutely quantify the return on the County's investment of what we do on behalf of Suffolk County is our consumer advertising and our direct sales. The sales of meetings, conventions, and sporting events take place here in Suffolk County. We can quantify that. For instance, I can tell you in 2012, our direct consumer advertising on behalf of Suffolk County generated over \$32 million in direct visitor expenditures. Our sales that ended up in Suffolk County resulted in an additional \$16 million. That's \$48 million on just our consumer advertising and our sales efforts.

We cannot quantify the quality or the results of our public relations, the idea that we assisted some 60 journalists, travel journalists, that resulted in 50 stories in off-island media that helped influence leisure travel decisions. We can't quantify that. We can't quantify the direct results of 140,000 Facebook fans that follow what's going on in Suffolk County on Long Island, but we know that it makes a difference and it works to influence leisure travel decisions, and we can't quantify, if you will, our online interactive presence on the internet. What does a million visitors to our website, five million page views mean in terms of direct visitor decisions to come to Suffolk County on Long

Island? I can't quantify that, but it is an overall integrated marketing approach that works to strengthen the message, reenforce the message, and ultimately influence leisure travel decisions.

So that in mind, I would like to ask our chairman of our board, a gentleman who has a very long history with this organization, and he will explain that. That goes back to the first days of having a lodging tax and the wherefores, and why, and the reasoning behind that.

**MR. MORAN:**

Thank you, Moke. Mr. Chairman, Committee, just to give some historical perspective, I was among a group of hoteliers who solicited the legislatures of each county to impose a tax, a room tax, on our guests so that we could support a Bureau that would put the word out, get the word out to people on what Long Island has to offer. We felt very strongly that we were losing business to many other locations up and down the east coast, from Cape Cod to Myrtle Beach, South Carolina, and we knew that many of these venues were much more highly funded and that we needed to be able to compete with them and tell our story. We thought it was important to market Long Island as a regional destination because many people know the term "Long Island," but Nassau and Suffolk Counties mean nothing to people from out of state. I'm originally from Massachusetts. I don't know what -- you know, Suffolk County to me is where Boston is located, so what we want to do is bring people to the Island and specifically Suffolk County. The hotel I manage is in Suffolk County, and I'm very aware of the need to bring business to Suffolk County. We felt and still feel that the need of a professional organization to represent us and to represent the region to potential visitors and meeting planners as a destination that can offer so much to them.

Me and Moke and his staff, we have a group of professionals that we can count on to represent us in a very professional way. They can talk to meeting planners in their language. They know what the meeting planners are looking for, and they can address those issues. Our professionals have one goal, and that is to bring business to Long Island and Suffolk County. The hotel I manage, the Courtyard by Marriott in Ronkonkoma, cannot house many of the groups that the LICVB brings through their solicitation, but that's okay. We benefit because the more business that comes to the Island, the better we all do. As they say, a rising tide floats all boats. The Bureau is particularly helpful to those of us in Western Suffolk during the off season when the weather is not luring people to Suffolk County.

While we were lobbying for room tax, our biggest fear as a hotel community was that it would give the legislatures of both counties a license to expand the tax for the General Fund. We could live with that. But to take the Bureau inhouse is something we cannot live with. That would mean that Nassau County would be forced to do the same, causing the Long Island message to be cannibalized. It would cause a waste to taxpayer money to do the duplication of efforts that would be required. First, you would not be able to enlist anyone with the credentials under Moke McGowan, nor would you be able to replace his staff of professionals to represent you to the communities that you would be trying to solicit. This Bureau has consistently shown a high rate of return on their sales and marketing efforts. As a business that pays the tax, we object strenuously to any attempt to divert these funds to any entity other than the LICVB, which is uniquely qualified to promote Long Island and Suffolk County as a destination for meetings, conventions, and, most importantly, tourists from out of state. Thank you for your time.

**MR. MCGOWAN:**

Let me address two elements, one being membership; but before I go into that, Mr. Chairman, as was noted by the management letter, our payroll is over a million dollars, about \$1,116,000 a year. Back in 2008, it was a \$1,029,000. We have, on average, only increased our payroll salaries by 1.62 percent per year in those years since -- actually going back to 2007. The taxes and benefits has gone up on average about 3.98 percent. We have, I think, responsibly managed our staff and

our salaries, our payroll and our benefits inline, regardless of how much our budget was, and as you've pointed out, there's a huge difference, between a half million and \$750,000 difference, in our budget this year, in 2010, '11, and what it was back in 2007 and '08.

Second is when I came on board in 2004, we had 15 full-time staff members, four part-time staff members. Today, we have 15 full-time staff members and four part-time staff members regardless of the increase in the revenue that has come to us, we have not increased staffing. We have asked folks to take on additional responsibilities. I'm very fortunate to have not just a professional staff but a dedicated enthusiastic staff who takes a great deal of pride in what they do and what they produce. Whether that is for Long Island as a whole or for Suffolk County, there's that element of professionalism we provide that is, quite honestly, very difficult to come by.

In 2004, as a result of that audit and as a result of a number of discussions that took place around resolutions that were put on the table back in that timeframe, the Bureau started to address the membership program and how we were representing the business community, the tourism business community versus our members in trying to influence travel decisions. Quite honestly, back in 2004 and leading up to that timeframe, we only posted on our website or in our various publications any information about members, and if you were not a member of the organization, you were not listed in the various mediums that we employed at the time.

We have today expanded that significantly. Do we or have we given the exact same benefits to everybody whether they are a member or not? With slight variations, no. We have, if you will, a membership of about 367 -- 62 active paying members, of which 109 are lodging. That said, we post on our website an additional 476 members -- nonmembers -- I'm sorry -- representing all businesses be it transportation to lodging to retail restaurants, attractions, et cetera. Of that 476, 133 are lodging. Now, why aren't there more? Because there's 360 lodging businesses on Long Island in total because of the lack of responsiveness and nothing more than that. We utilized a mailing list provided to us by Newsday which publishes a lodging guide and includes all 360 lodging establishments to mail out and get information from them. On our website, as was pointed out in the audit, a member currently has access to posting three pictures of their establishment. They do not -- and they have a hotlink. A nonmember, a nonpaying member has the ability to post a single photograph and does not have a hotlink. Is that something that we can definitely look at? Absolutely.

As I told a couple of members -- members of the Legislature, and as I have had discussions with the Department of Economic Development, there is nothing in that audit that cannot be addressed and, to some strong extent, resolved. And we felt that when we started posting as many additional business, especially lodging to be as representative of Long Island as a whole as we could, that we were moving in the direction of addressing at that time concerns that had been brought up regarding members versus nonmembers, the good-ole-boy system. My feeling was this, and that was that to better influence travel decisions, we had to post as much of what we had to offer that visitor as possible. I've used this anecdote before. Before I decided to come to Long Island, take on this position, one of the first things I did was went online to the Bureau's website. I wanted to find out how good was the golf on Long Island. I was sorely disappointed that there were only four golf courses on Long Island. We all know that there's at least 60 public play courses, but that was the membership mentality at that time. Today, we list all 60 golf courses on Long Island. It's to our benefit. It's to everybody's benefit that we be as representative as possible. We cannot sell adequately and appropriately if we don't. So is there anything in that audit that cannot be addressed in some form or fashion that would both meet the satisfaction of both members and nonmembers? I don't think so. One thing I would point out, if you've gone online to DiscoverLongIsland.com, you have gone through the lodging and you might have noticed there are a number of establishments listed whereby there's a blank photograph, says "photo not available;"

that's because those companies did not respond despite, I might add, repeated attempts. Part of it is a degree of ambivalence. Part of it is a perceived belief that everybody would want to jump on the bandwagon, and I think the actuality is that it's simply not the case. People are very much focused on what it is they're trying to do to get as much business as they can during the peak periods of our tourism season and are not focused on some of the marketing aspects that are available to them.

With that, having said all of that, I would be more than happy to answer any and all questions.

**CHAIRMAN HORSLEY:**

Thank you very much, Mr. McGowan, and I appreciate you answering the questions, you know, that were first and foremost on our minds because of the audit ourselves. But we have specific questions and we'd like to -- I'll allow the colleagues to ask them at this point. Legislator Hahn.

**LEG. HAHN:**

I'm going to focus on sort of an area of my expertise. Before my 10 years here at the Legislature, I have experience in corporate communications, marketing, public relations. I'm very concerned about the potential to lose the Long Island brand, and so, you know, the recommendation to bring this inhouse and create something that is exclusively Suffolk County, I think is a very dangerous consideration. I know how important a brand is, and in tourism I just don't see how Suffolk County is going to attract people here. And so I kind of want to ask -- and I don't think we should try to. I don't think we should try to fight the Long Island brand. I think especially -- my questions are where are we advertising. Tell me a little bit about the name recognition that Long Island will have. I'll speak in terms that maybe some of us here will understand. You know, if you can tell me a little bit about name recognition, Long Island versus Suffolk County, and you said we were advertising up and down the east coast, but I think we're also dabbling in some international work, and I'm not an experienced traveler because I'm afraid to fly, so I'm not -- I don't do a whole lot, and I don't have a whole lot of time.

But, you know, when we -- we are positioned next to one of the ultimate worldwide destinations, which is New York City, and I, you know, have said this to others before, there was a time when I was thinking of bringing my daughter to Paris, France, and, you know, you think of spending, when you're planning a trip of that nature, you think of spending, you know, you're going to go for 7 to 10 days, and I want to spend maybe five of the days in Paris, but I want to go somewhere else and see other things, and I know there's Versailles and I know there's wine, and I know there's Normandy, and I know there's the beaches, and I want to do that, all of that, and so when people come from around the world, whether it's China, Japan, Europe, wherever they are coming from, and they think of New York City and they are planning a 10-day stay, I don't think they are going to say, "I gotta go to Suffolk County." I just -- you know, I think that the brand of Long Island, the beach, the Hamptons, whatever it is that's going to draw them away from the City is what's most important. And so if there's anything you can tell me about what you know about the name recognition and where we're advertising, and I think that's vitally important that we recognize that, because this is, I would imagine for all of us here, this is kind of outside of our expertise, you know, travel branding. And, you know, to say that make sure Suffolk's name is there, I just don't see how that's relevant. It's more about we've got these beaches, we've got these vineyards, we've got golf courses and parks and historic locations, and we have castles, and we have what -- bringing, you know, the travelers here, we can make the case for leisure travel. We've got everything, and we've got the top of everything, the top beach, you know. And so I just, if you can speak to that, I think that's critically important.

**MR. MCGOWAN:**

There are a number of issues, if you will, that surround the whole brand marketing and destination

marketing. The first and foremost thing is to get inside of your potential customer's head and what are -- knowing what the motivators of travel decision-making are all about. It used to be family vacations; it's really no longer. The primary motivators that are in our potential customers' minds is really R and R, relieving stress, and connecting with others, significant others; can be family, could be friends, but just having a sense and a place where those things can take place.

The second is understanding that they much prefer within our region, and I'm talking about the -- really the tri-state northeastern region, prefer to drive to their destination. They want to be able to have mobility once they get there. They do not want to deal with the increased cost of flight to short destinations, and they do not want to deal with all the hassles. Flying to a destination is an all-day endeavor. Coming home from that destination is an all-day endeavor. They don't have any time. They want to be able to get to their destination as quickly as possible and enjoy the R and R and the exploration of the experiences that you have to offer.

We really only have two times during the year when we can do an effective job of reaching our markets. That's going into spring/summer and going into the fall, and we lead, whether it's regionally or whether it's Suffolk-centric, with our strengths, and our strengths are our beach identities and our vineyards. Now, there's history and heritage and our museums and our mansions a part of that, absolutely. But it's called a "share of voice," when people are going through a medium, a magazine, online or whatnot. You have to be able to get in there and attract their attention at least to get them intrigued to explore more.

The idea of New York City is a prime example. Now, we certainly benefit from New York City being in our backyard, and a lot of folks in eastern Suffolk County, that's their primary market, and they do a limited bit of marketing to get folks to come out. Our job is to influence leisure travel decisions when you're talking consumer market. If I spent money, and I do not -- if the Bureau spent money, and it does not -- in the New York metro area, basically if it's going to be a rainy day, we can -- we know that folks are not going to go outside. They are not going to plan two weeks out because they don't know what the weather is. If it's a sunny weekend, we know they're going to come out. Did we influence them? In all likelihood not. So we don't, if you will, spend money in a market area where we can't effectively influence people. That's where, looking at that regional aspect of the tri-state area, they do have to make a decision that generally is at least a couple of weeks out, and travel decisions are being made very quickly. The internet has helped that. The ability to look online and, you know, the first decision is destination. The second decision and third decision is lodging. If you can't get into your destination, lodging doesn't matter, so -- and lodging quite honestly is something, and Kevin certainly can speak to this, there is so much transparency online today, either from a price transparency or the experience transparency online, that people doing just a brief amount of research choose where they are going to stay.

That said, the brand aspect of Long Island is a strong brand. It's a strong brand associated with New York. It's a strong brand that's associated with New York City. It's a strong brand that we leverage for Suffolk County by attaching Long Island's Suffolk County, and whether it's print advertising, whether it's online, whether it's international, which is predominantly online or even when we are working with travel writers to get positive editorial treatment, we are positioning, in the case of Suffolk County, with the Long Island brand.

Now we have not done a brand equity research study, and it's probably past due, but the back of the matter is, and especially internationally, we know that New York City is the attraction. We know whether you're from China or you're from Germany and the U.K., New York City is where you want to go. Despite the recession, since 2008 forward, New York City has continued to grow its international market, because internationally people want to go there. Now we can't do the same level -- anywhere near the same level of marketing. We do a very, very minor amount of

pay-per-click in various target market areas in Germany and the U.K.

What we do know is that these folks are going to come over for 7 to 10 days, and that they are going to spend on average three to four days in New York City, and they're going to look for the opportunity to explore beyond New York City during their stay, and we want to make sure that Long Island has a piece of that itinerary. You are all, as elected officials, marketers. You all know that to get elected and reelected, you have to utilize a number of marketing disciplines. You have to know your constituents. You have to get your message out. You might use advertising, be it billboard, radio, television. You might use online interactive marketing combined with press relations and public relations, speaking engagements, et cetera, in an integrated fashion, and you all know that if you don't that your opponent will. What we can never forget is people have choices, and if we're not in front of them, be it a meeting planner or sports events rights holder or a leisure travel consumer, if we're not in front of them, somebody else will be, some other destination will be, and whether it's Long Island or Long Island Suffolk County, if we're not in front of them aggressively and continuously, then the return on the investment will never be there, and I have plenty of examples of that too.

**CHAIRMAN HORSLEY:**

I'm sure you do, and we are all strong brands up here. Legislator D'Amaro.

**LEG. D'AMARO:**

Mr. McGowan, welcome. Thank you for your time. I can agree with 98 percent of what you just said, but I don't think that addresses the issues that are really raised in this audit, okay. We can talk about generally how do we promote the region, Long Island, is it coming out of New York City, international; we can do all of that and agree with you on that and your expertise is unsurpassed, I agree. However, what this audit is saying is we, Suffolk County, are subsidizing promotion to Nassau County; that's what this is basically saying. Last year, and according to the chart that I'm looking at, Suffolk County funded almost \$2 million to the Bureau; Nassau County gave \$726,000 to the Bureau. So there's a disparity between what Nassau is giving and what Suffolk is giving, yet you are taking this regional approach when we are, in effect, subsidizing tourism to Nassau County. So how do you respond to that?

**MR. MCGOWAN:**

I think in the question in that part of the audit that was raised with regards to that, part of that recommendation dealt with not so much the advertising, messaging, and creative and things of that nature and the approach that we had taken but the call to action. The call to action was for a travel guide, which was a regional travel guide or our website, DiscoverLongIsland.com, which is a regional website. That was, I believe, the biggest, in talking with the auditors at the time, they were going through that and questioning it. That seemed to be their biggest concern.

**LEG. D'AMARO:**

Well, I'm not sure I exactly agree with that because the report that I'm looking at says, "While the Bureau does advertise certain events that are exclusive to Suffolk County, the level of specialized marketing is not commensurate with Suffolk County's higher funding level," so what this audit is focusing on is, okay, here's Suffolk's contribution; show me the specialized or targeted marketing to Suffolk County. That's what this audit is, in effect, if you will, complaining about.

Now, before you go on, I just want to agree with you, and I did ask the Comptroller about this when he was here in our last committee meeting. It's one thing to measure what Suffolk County spends as compared to Nassau County. It's another thing to ask independent of that while putting aside the disparity, Are we getting a return on our investment? And that is not the Comptroller's function, I don't think, to really calculate that or track that, however you would do that. But I did

take note that during your initial opening comments, you did have some numbers that totalled up to \$48 million return on consumer advertising, I believe is what you said, and you cannot quantify what return you're getting as a result of your public relations' efforts, Facebook hits, website visits, things like that; you can't put a number on that.

Okay. So that leaves me in a position where we've spent \$2 million, or close to \$2 million last year, into the Bureau's promotion, and yet you're claiming a \$48 million return just from advertising alone. I'd like to know how you arrive at that figure because that's a substantial return on investment, but I don't know how you get to that number.

**MR. MCGOWAN:**

That's an excellent question. In 2007, we contracted with a research company to try to work out a methodology of identifying the return on our investment in consumer advertising. Based on -- and what they came back with is based on folks who had responded to our advertising and requested the travel guide. Now that doesn't matter whether at that time it was Suffolk centric or regional.

**LEG. D'AMARO:**

By the way, how much of the two million is earmarked for the advertising that you're speaking to?

**MR. MCGOWAN:**

Well, solely for advertising, consumer advertising for Suffolk County was \$629,000. Total consumer advertising, which included regional, was \$743,000, so 85 percent of our consumer advertising was identified as Long Island Suffolk County.

**LEG. D'AMARO:**

Well, there's a big difference there. But just so I'm clear, the 629,000 --

**MR. MCGOWAN:**

Solely Suffolk County.

**LEG. D'AMARO:**

Solely Suffolk County, so that advertising is targeted not as a regional advertising campaign; it's about destinations or what have you in Suffolk County.

**MR. MCGOWAN:**

Yes, and I do have examples of that type of advertising within our print advertising.

**LEG. D'AMARO:**

Not an issue as long as you're telling me that's the case, that's fine. So are you saying on that \$629,000 investment in consumer advertising, Suffolk County experienced a \$48 million return?

**MR. MCGOWAN:**

No. They experienced a \$32.4 million return on the consumer advertising.

**LEG. D'AMARO:**

Okay. Now when you say -- let's define "return." That means, what, visits? I mean, it's obviously --

**MR. MCGOWAN:**

Expenditures.

**LEG. D'AMARO:**

-- any kind of tourist attraction that was advertised is what you're saying. So how do you measure that?

**MR. MCGOWAN:**

No, it's on a number of things that comprise the formula for identifying that. First off, the formula was based on undertaking direct phone call surveys from some 2,000 folks who had responded and received the travel guide. During that survey, a number of questions were asked. Did you, in fact, come? 22.5 percent came. How long did you stay? 2.7 days on average. And how much did you spend during your time here? They estimated, on average, \$868 per visit.

So on that basis, that \$629,000 expenditure yielded in 2012 61,450 requests for the travel guide. An estimation of twenty-two and a half percent of those folks actually came an estimation of 2.7 days, \$868 in expenditures, and that gave the total of being \$32.4 million in visitor expenditures off the advertising alone. If you will, that equates to about a 51-to-1 return. Not bad.

The other \$16 million was on the basis of the sales aspect: meeting planners, convention meeting planners who brought business to Suffolk County as a result of our direct sales.

**LEG. D'AMARO:**

And that's more easily quantifiable, I would assume, because you know what effort you're putting in and you know if it results in someone actually contracting or coming into the County.

**MR. MCGOWAN:**

Absolutely. It's not predicated upon surveying and really amounting that information to arrive at a figure. We generate a lead. One of two things happens with that lead. It either books or it doesn't. We now -- and it's important to understand that we cannot control the decision of where that is booked. That is up to the meeting planner. What we do is put their RFP out to all the lodging properties that meet their criteria, who then respond back to us. If they will, we then turn those responses back over to the meeting planner to make a choice and may end up going to Nassau County or may end up in Suffolk County. If it's a sporting event, it's really -- the first thing we have to do is secure the venue, then the lodging becomes secondary, and then a lot of times, that depends solely upon the needs of the events rights holder --

**LEG. D'AMARO:**

I want to stay focused just on my area right now.

**MR. MCGOWAN:**

Got it.

**LEG. D'AMARO:**

So \$629,000 was spent on direct advertising for Suffolk County. You're calculating, based on request for travel guide, average stay, and how much spent, a \$32 million dollar return, roughly, on a \$629,000 investment, which is very impressive if that is the case, and the direct marketing, you're saying, results in about a \$16 million-dollar return to Suffolk County. So that's a total of 629,000 from the almost 2 million that the County funded last year, so where is the other 1.3 million going? And to what extent did that subsidize the Long Island campaign or Nassau County or, you know, New York City, and maybe we get people coming from New York City here. You know, how do you do that?

**MR. MCGOWAN:**

It's -- it is complicated. All of the programs for sales, the trade shows we attend, the FAM tours

that we host, the educational seminars that we put on, things of that nature. The cost for that is all regional. Suffolk County does not participate in the cost of those programs but does benefit from the results.

**LEG. D'AMARO:**

Let me understand that. You're saying when you do a trade show, Suffolk County is not subsidizing that trade show?

**MR. MCGOWAN:**

Well, they are a part of --

**LEG. D'AMARO:**

I mean your participation.

**MR. MCGOWAN:**

Yeah.

**LEG. D'AMARO:**

So we are.

**MR. MCGOWAN:**

Yeah.

**LEG. D'AMARO:**

Okay.

**MR. MCGOWAN:**

But it's not part of, if you will, the Suffolk-centric program. Suffolk County matches, on an understanding, dollar to dollar what Nassau County does to create the regional program. What's left over after that --

**LEG. D'AMARO:**

Well, how much is that? Are you --

**MR. MCGOWAN:**

It's about whatever Nassau County was, about \$750,000, we match that 750 with Suffolk money.

**LEG. D'AMARO:**

So what you do is you keep the regional marketing equal?

**MR. MCGOWAN:**

To what Nassau County does.

**LEG. D'AMARO:**

To what Nassau County does. Well, I would assume some of Nassau's budget is going to Nassau only.

**MR. MCGOWAN:**

No.

**LEG. D'AMARO:**

It's not. Okay. So you keep Nassau and Suffolk equal for regional, which is about \$725,000. You

spend 629,000 on direct marketing for Suffolk County, so now you are up to 1.35, so there's a balance still left from that. So what do we do from there?

**MR. MCGOWAN:**

That's correct. It is utilized for online marketing, overall online marketing, public relations. I really don't have that budget in front of me.

**LEG. D'AMARO:**

I guess staff salary.

**MR. MCGOWAN:**

A portion of staff. Only 45 percent of the salaries of our sales people are attributed there. We run the operation at MacArthur Airport. A great deal of our funds go to the postage and mailing costs of mailing the travel guide once the respondents request the travel guide and things of that nature. That really is a significant amount.

**LEG. D'AMARO:**

Right. So that's accounting for the balance after direct Suffolk County advertising and marketing and then the matching with Nassau.

**MR. MCGOWAN:**

Yes. We also set aside 10 percent of the funding -- overall funding that we received from Suffolk County to create a grant program whereby we provide marketing assistance to a number of organizations that are involved in their own destination marketing. This might be the North Fork Promotion Council, Hamptons Visitors Council, Montauk Chamber of Commerce, Riverhead Chamber of Commerce, North Shore Tourism Alliance, the Concerned Friends of Fire Island, et cetera. The criteria for that is based on the same level of criteria and accountability as the state matching funds grant program. It is a reimbursable program. They have to spend to the money in order to get it.

**LEG. D'AMARO:**

So let me put it this way: I think what the Comptroller is saying, if you look at the recommendation, is that, as the Chair pointed out, the funding additional positions within the Department of Economic Development and Planning, they propose to eliminate the contract with the Bureau. These new positions would bear the responsibility of promoting Suffolk County as a tourist destination. I think what the point there is that rather than taking almost \$2 million and only spending a portion on direct marketing of Suffolk, Suffolk, if it was to go inhouse, would spend the entire budget on promoting just Suffolk County. But I would assume that you would think that that would not be the right approach. Well, you know, I don't know that Suffolk County would do that, but I would assume it would be much more Suffolk-centric if it were brought inhouse. And I bring it up and I know we're talking about eliminating funding, and it's a difficult topic, but I want to give you a fair opportunity to respond to that because that is the discussion that was brought up by the Comptroller.

**MR. MCGOWAN:**

And I think the Comptroller, if you will, again, is looking at it, without being disrespectful, very myopically because you do look at the expenditures generated by visitors; you look at the taxes off of those expenditures that come to the County; you look at what can the County, if it did choose to bring the program inhouse, could the County do a proactive aggressive job to maintain the levels of return on the investment; and my response to that would be there's very -- it would be extremely doubtful.

Now, my background prior to coming here was working for state government for eight years in South Carolina as the State Tourism Director. We had a \$15 million-a-year budget, and we had to ask for and did get from the state legislature special dispensations that allowed us to be able to operate with a great deal of, for lack of a better terminology, without a great deal of bureaucracy holding our hands and tying our hands. It allowed us to be reactive to the marketplace. It allowed us to deal with procurement issues, et cetera.

**LEG. D'AMARO:**

Right, which is going to efficiency.

**MR. MCGOWAN:**

It does, right to efficiency.

**LEG. D'AMARO:**

Which goes directly to getting, as the Chair says, enough bang for your buck.

**MR. MCGOWAN:**

Exactly.

**LEG. D'AMARO:**

More bang for your buck.

**MR. MCGOWAN:**

Now, we do have a contract with an advertising agency, and they deal with creative development and the placements on our behalf.

**LEG. D'AMARO:**

Okay.

**MR. MCGOWAN:**

That's about 60 minutes, as you can tell, \$629,000 in 2012. We have a contract with an online interactive marketing agency that helps us not only with web development but online ad placement and the, if you will, the accountability of how well that is working, et cetera. We're 15 individuals; example, we have a director of marketing and communications, a single individual, has one assistant, and she is responsible for the consumer advertising, the online interactive aspects, the social media and the public relations. I mean, that's cost-efficient. She's extremely professional and the results speak for themselves.

**LEG. D'AMARO:**

I think I understand your point there, the difference between private or public entities doing this type of operation. I'm not talking about government in general, but it still leaves the fact that Suffolk County is spending \$725,000 on a regional approach to marketing including Nassau County, so that's something that we want to think about. I want to move on because I know there are others waiting to do some questioning. I just had a quick question about finding, too, in the Comptroller's letter to us, which really goes to this whole concept of membership. Now I heard your testimony that, you know, you have an open door to membership. You solicit anyone who wants to join can join. It's usually a lack of response that precludes someone from being a member. It's not like someone said, "No, you can't be a member." If you apply, you're basically a member, I would assume, as long as you meet the criteria for membership.

But I want to back up from -- whether or not someone applies is one thing, but the fact still remains that even if these businesses are not responsive, you're using taxpayer funds to subsidize the

membership benefits. So what that does for me is calls into question the whole concept of membership; why have it in the first place? I mean, if we're here using taxpayer funds to promote tourism in Suffolk County for all businesses, why not level the playing field and eliminate the membership? And the revenue generated by membership is not substantial when compared to your entire budget.

**MR. MORAN:**

I'd just like to add, membership was the only funding entity before the taxes, so the membership predated the taxes, and I understand your point, and I think it's well taken --

**LEG. D'AMARO:**

Well, then, it was really a private type of operation at that point.

**MR. MORAN:**

That's correct.

**LEG. D'AMARO:**

But once you get the public dimension into this, it kind of changes.

**MR. MORAN:**

Oh, I'm not arguing that. I'm just saying but that's why, you know, we've just never suspended the membership. It was there prior to the taxes.

**LEG. D'AMARO:**

I understand. Right. Well, maybe it's time to suspend the membership because what I'm seeing in this audit is that, although nonmembers are collecting and paying the tax, that there are additional benefits -- I won't list them here; they're in the report -- including, though, I will mention one, that the Bureau paid membership expenses exceeding membership revenue by \$21,000. So these nonmembers are even subsidizing the expenses of members. I mean, that's a little troubling. I don't really know what it means, but of course I'll give you a chance to respond to that.

**MR. MCGOWAN:**

In that particular case, we did argue or counter that what the Comptroller was looking at was the total of the dues that we collected from members. In addition to that, we pointed out that we do collect roughly about \$21,000 in additional non-dues revenue that is not public supported or generated and, therefore, could be utilized at our discretion, whether it was for marketing purposes or other purposes. There has been, in our industry, a move away from the chamber of commerce business model for convention visitors bureaus nationwide. I brought this to our board's attention in 2007, and the board laid out that it was certainly something that we had to address ourselves. And the board, to their credit, agreed that what was needed was to bring in -- to have a board retreat, an outside facilitator who could come in and assist us in looking at other ways to deal with ourselves as an organization. The bottom fell out of the market at the time that we were just getting ready to sign on the dotted line, and the board asked that we hold off. I brought this back to the board's attention earlier in this year because it's not currently a planned expense for this year, but they have indicated that they want to address it and do the same thing spring of 2014.

That said, there are, I think, numerous things that we can do, again, that can resolve the issue of the membership.

**LEG. D'AMARO:**

But what's the advantage to having membership? In this type of organization that's grown to this point, 2 million a year, 48 million return, taxpayer funded, you know, what's the point of the

membership at this point?

**MR. MCGOWAN:**

Well, it has saved us in the past, quite honestly. I mean, we have utilized membership dollars for operational expenses when there's been delays in the contract or delays in payments, so it has helped us even though it's a minor \$93,000, \$97,000. But it also -- and I think there should be some private sector funding that comes up because there are expenses that are appropriate for the private sector to pick up that is not appropriate for the public sector, and I would certainly put in client entertaining, potential of use of alcoholic beverages at receptions and things of that nature, so there are areas where -- to have that partnership with the private sector --

**LEG. D'AMARO:**

Right, I agree with you on that, because you don't want to go down that road using public dollars, for sure. But let me just conclude because I know that my colleagues are waiting. The first finding -- the first paragraph in the Finding 2 says, "The Bureau provides exclusive sales leads to members through its website. The information entered is then forwarded exclusively to Bureau members when it should be forwarded to all hotel-motels on Long Island." I agree with that statement. Now, if you need a nonpublic portion -- if you need a portion of your budget to be non-publicly funded, I understand that as well, but I don't think you should couple these types of benefits to the nonpublic portion or the dues that might be paid. The dues should go for the items that you mentioned, you know, things like that, that kind of entertaining, let's say. And if private members want to fund them for themselves, that's fine; I don't have an issue with that. But it doesn't mean that you take the next step and then provide exclusive sales leads, additional advertising, more photos on the website, a link to that hotel's website, going to various trade shows. I think that should be open to the public, anyone who wants to go, and any business that wants to go should be able to do that. So, you know, again I understand your rationale for a non -- for a portion of that budget to be non-publicly funded, but I don't think that you should be giving these types of benefits out to nonmembers. Any response to that?

**MR. MCGOWAN:**

These types of benefits to nonmembers, you don't believe that we should --

**LEG. D'AMARO:**

Well, exclusive sales leads. So if I'm a hotel or a motel in Suffolk County and I am collecting and paying the sales tax but I happen not to be a member, when someone gets in touch with the Bureau and wants a lead, I'm not even considered. Only members would be considered, but yet I'm funding the organization to lead someone to my competitor.

**MR. MCGOWAN:**

I think that there's two trains of thought along those lines. One is that we can certainly provide those leads to anybody, member or nonmember, but I think the other thing that really does need to be kept in mind is the client's wishes. We were talking leads, we are not talking leisure traveler. We're talking about a convention meeting planner or a sports events rights holders who does set the criteria, the parameters of their needs. And my question would be, and I would be more than happy to have both your input but also a request of probably the County attorney to assist us in this, and that is if a customer or client requests only response from properties that can handle their needs, does that lead then go out to properties that can't handle regardless of whether they were a member or not? Because members don't receive all the leads. I mean, it has been based on the criteria laid out by the client.

**LEG. D'AMARO:**

Well, this says, "The Bureau provides exclusive sales leads to members through its website, and

those leads are forwarded exclusively to Bureau members when it should be forwarded to all hotels and motels. So in the instance of, look, if you're looking for the Nassau Coliseum, you're not going to give them a motel somewhere or a smaller venue somewhere; you're not going to give them Ducks Stadium when you're looking for Nassau Coliseum; I understand that, but we're talking more about the rank in file, operating businesses, hotels-motels that are functioning in Suffolk County that are paying into this, but yet feel somehow excluded from the benefit.

**MR. MCGOWAN:**

I am -- quite honestly, I'm not really sure what the Comptroller is referring to there by saying, "through our website." Our website database is run through a customer management system called "D 3,000," and that is what is utilized for the distribution of leads but not the public website, so I'm not really sure.

**LEG. D'AMARO:**

Just again, just very quickly, the website has a database program which allows travel planners to enter requests for lodging on the Bureau's website, and that information is only going to members for lodging. Is that true?

**MR. MCGOWAN:**

It would be an RFP, which may only be room only, or it may include room and meeting space. If it's room only, then it goes out currently to all lodging members. Can it be updated to go out to all lodging? Absolutely. And again, I'll go back to my initial statement: There is nothing that I don't believe can't be resolved to the satisfaction of either the Comptroller, this legislative body, or our board.

**LEG. D'AMARO:**

The Bureau got an increase in funding from the hotel-motel tax, I believe, right?

**MR. MCGOWAN:**

Right.

**LEG. D'AMARO:**

So while I appreciate the concern with respect to membership, in lean times, perhaps even getting you through. I really think that if you do a cost benefit analysis, this membership concept, I think, is something that maybe it's run its course, and I would ask you to consider that at this point because, looking at this Comptroller's report and seeing the disparity what a member gets, what a member doesn't get, then it's about whose fault is it that you're not a member or it's your fault you didn't respond. When you're dealing with public financing, that all kind of becomes irrelevant. It's tax dollars. Whoever's paying into it needs to get a benefit from it, and I don't think the concept of membership fits into that very well.

**MR. MCGOWAN:**

Legislator D'Amaro, let me say that your point is well taken because we have seen this evolution, and I'm pleased with our board of wanting to take action and work towards a resolution there. As I said earlier, the opportunities presented through an audit of this nature to do a self-examination and to be responsive to it is there and has been responsibly addressed in the past, and I anticipate our board will do so in the future.

**LEG. D'AMARO:**

All right, and I want to thank you for your time once again, and I appreciate the fact that you had some methodology to quantifying the return on investment that the County is receiving; that's helpful. You know, I'm not sure that when you request the travel guide, you're coming here only

because you only requested the guide or you already thought of coming here and requested the guide just to kind of get a little more detail, so it's not a perfect methodology, I think you would agree, but at least it's a number or something we can start the discussion about.

**MR. MCGOWAN:**

You bet. One interesting part, I mean, the surveying of these folks who had requested the travel included a tremendous amount of questions. There was a lot of information that was provided. Twenty-eight percent of the folks of that 22.5 percent who came said that they had already made up their mind to come and they wanted the most up-to-date information so there is --

**LEG. D'AMARO:**

But that's accounted for in your numbers?

**MR. MCGOWAN:**

That is accounted for in the numbers.

**LEG. D'AMARO:**

Fair enough. Okay. Thank you again for your time. I appreciate it.

**CHAIRMAN HORSLEY:**

Thank you very much, Legislator D'Amaro. Legislator Nowick.

**LEG. NOWICK:**

Well, while we were sitting here, I found about 30 places I might want to go to this weekend. Some great deals, if you want to know.

**MR. MCGOWAN:**

All on Long Island in Suffolk County, I hope.

**LEG. NOWICK:**

But, actually, I typed in "place to stay on Long Island," just to see if it would bring us to Suffolk County, which yes, it did, and packages I never knew existed. Anyway, as an aside, I just wanted to say that I do believe that it would be very difficult for the County to run a visitors bureau like this. I mean, we're a very good county; we have very good employees, but it is a specialty, and I don't know that we could handle a specialty with the same amount of money and give as much attention to all of the different venues in Suffolk and/or Nassau.

Having said that, I also believe that -- or hope that you can and you will address and work with the Comptroller's audit because there probably is nothing that can't be fixed if you can't work together. My question is I know part of the audit speaks to the issue of the membership, maybe, perhaps reaping more benefits. I can't help thinking in my own mind, of course, if I pay to be a member, maybe I would like to have something a little more specific.

So why would somebody be a member if they didn't get maybe something additional? Now, of course, Legislator D'Amaro is right: These are County funds, maybe this is not the time anymore to have membership. But if you become a member and you pay for it, wouldn't you then be entitled to something extra; is that how it works?

**MR. MCGOWAN:**

You know, as I said this is an issue that has been added by a number of bureaus across the country over the last couple of dozen years as public funding has increased. In the case of a large bureau where you have a lot of large sponsors and members and things of that nature, you know, it's really

a case-by-case basis. If you look at New York City and company they receive, their budget's \$34 million. They get \$17 million from the City for lodging taxes, yet they get another \$5 million from their member partners at the same token even despite having the \$17 million in public funds. They do a lot of cooperative programs, and they only provide information and leads to member properties. I think --

**LEG. NOWICK:**

But we provide to member properties and the other properties, but my question is if you are a member and you pay to be a member, what are you entitled to?

**MR. MCGOWAN:**

Some bureaus have addressed this by saying, "We are going to essentially do away with the idea of a membership dues structure on the basis of what you would anticipate to get as a return on that investment," and just made it, "We would like to have your sponsorship for a flat fee of \$100." Do you get anything different than a nonmember? No, but it's only \$100. And other than identifying as a sponsoring member of the LICVB, which in and of itself probably provides some sense of -- I'm trying to think of the word -- basically the association with an organization of that nature in the eyes of the consumer is a little higher.

**LEG. NOWICK:**

I actually was thinking about that myself. If I was an out-of-towner and looking, when I type in "hotels," it does bring me to one of your sites, and I guess if I didn't live in the area, this is really great here, this is a great deal. But it does bring you to -- and as a consumer, I would think, well LICVB, their members, maybe that's a good place to go if you're not familiar with the places. So I was just curious why pay for membership if you didn't get something just a little special?

**MR. MCGOWAN:**

Well, that said, again the transparency, the internet, makes it very difficult for someone to use prestige or belonging anymore. Whether you are a Triple A member, whether you're three diamonds, two diamonds, whatnot, I mean, you can go online with social media and find out what other customers have experienced. But it does start, I think, the mindset going. Beyond that, though, I mean no, it is -- I think that when we address this, it will be with the understanding that we are going to provide the same level of across-the-board service to nonmembers as we are to members.

**LEG. NOWICK:**

And I think that was one of the issues in the audit.

**MR. MCGOWAN:**

And we probably won't call them "members" anymore. They will probably be called "sponsoring" or "supporting" businesses because that's essentially -- their funding would go to minimal expenses. But it is still an association, if you will. And as a 501(c)(6) business association, we have to have a means to, when we need a board, we need an executive committee and officers, and it would provide us with the opportunity to drive that.

**CHAIRMAN HORSLEY:**

Thank you, Legislator Nowick. Legislator Stern.

**LEG. STERN:**

Thank you, Mr. Chairman. Good afternoon. I had a question on some of the numbers that we were going through. The \$629,000 number that you had referred to before, we had been given a number by the Comptroller reviewing the audit of this just about \$650,000 figure when it came to

the outside sales cost. Is that 629,000 the same number that you are referring to at the advertising cost, or is that a separate number? The \$650,000 figure that was referred to as the number that was the dollar amount that was paid to an outside sales agency, the 647,000 -- I'm rounding it off -- or is that a different number for a different purpose?

**MR. MCGOWAN:**

I think in 2009, it probably was about \$649 -50,000 of consumer advertising that we utilized our advertising agency to place on our behalf. The \$629,000 refers solely to the consumer advertising spent in 2012, which the audit didn't address in 2012, obviously. And the reason I bring that to your attention is because you have the latest annual report that we provided for the activity in 2012, so it's along those lines.

**LEG. STERN:**

So are you saying, then, that it is -- the dollar amount is different because of the year, but is it the same line item? Is it the same expenditure, or is it a different expenditure?

**MR. MCGOWAN:**

Yeah, it should be a same expenditure.

**LEG. STERN:**

Okay. So my next question, then, would be what is the agency who provided those services?

**MR. MCGOWAN:**

KZS Advertising. They are in -- I want to say they're in Smithtown.

**LEG. STERN:**

Okay. So local agency that placed the advertising.

**MR. MCGOWAN:**

We put out an RFP and went through a bid process. We notified the Economic Development Department of the criteria, the procedures that we were going to undergo, how we were going to advertise this, et cetera, and then following the selection, we again advise them and got them to provide us with a letter of approval or a note of approval of the process.

**LEG. STERN:**

Following the conversation about membership and how many lodging locations, how many hotels, motels are members of the organization, I think you had said that there were approximately 360 --

**MR. MCGOWAN:**

Islandwide.

**LEG. STERN:**

-- Islandwide businesses. And the number that were members, what was that amount?

**MR. MCGOWAN:**

So 109 that are members and 133 nonmember lodging that we post on our website.

**LEG. STERN:**

And as alluded to before, we can spend some time on whether there is a perception, whether it's real, whether there's a value to membership or there isn't, but when it comes to lodging in particular, there are those that cater to those that have discretionary income and are coming for their rest and relaxation, and there are others that cater to business travel and conferences. So I

guess I wanted to hear from you of that number, does it surprise you at all that number of establishments are members as opposed to those that are not members? Because I can see where maybe the smaller motels-hotels that aren't catering to a worldwide audience wouldn't necessarily see a value in being a member.

**MR. MCGOWAN:**

Well, I think there's a measure of truth to that. We have a very interesting dynamic in Suffolk County where, you're right, Western Suffolk County is predominantly during the weekdays business-oriented, lodging community. On the weekends, they cater to a degree of leisure and there's the social group, weddings, et cetera. Eastern Long Island, of course, is all leisure and the extreme eastern end of the Island is obviously leisure but only open for six, seven months out of the year whereas Western Suffolk lodging is 365 days, 7/24, so there's different dynamics and markets that they work towards.

All member -- all properties with meeting space, meeting properties, whether they enjoy a degree of leisure or not are members of the Bureau, so, if you will, again holding through the criteria where there was meeting space required, all of the lodging properties in Long Island with a meeting space receive the leads. It is kind of one of those questions I wouldn't mind asking our chairman with Marriott, which is Western Suffolk, but deals with different market segments to likewise address.

**MR. MORAN:**

Thanks, Moke. I'm going to second what Moke said. In our particular case, we're in western Suffolk in Ronkonkoma, a Courtyard is defined as a business person's hotel, but business people don't travel on the weekends. So obviously we're a seven-day-a-week business, so we do quite a bit of social business on weekends, reunions, weddings, teams, and probably some people going to out east that don't want to pay the rates out east and would rather stay with us and drive an hour, so it's a mixed bag. But certainly all of us that are considered business hotels, most of the chain names, we need business on the weekends, all of us, and certainly the Bureau helps us to fill those holes.

**MR. MCGOWAN:**

Businesses belong to associations on the basis of perceived return on their investment, and, you know, it is a business decision. You noted a decline in membership revenues and members over the years. Anytime you get into a major recession, marketing is one of the first things that are looked at by small business, and our industry is rife with small business. Of the 362 members that we have, 70 percent of them are non-lodging, and a good percentage of those folks, about 28 percent of that 70 percent are small business, allied businesses, businesses not dealing directly with the visitor. They might be florists; they might be photographers; they might be entertainment and really provide services to meetings, conventions, and what have you. But every business looks at their dues, whether it's in the Chamber of Commerce, the CVB, or any other association when times are tough, and to identify whether or not, in their estimation, it's something that they can put off.

Now, membership is voluntary, so it is, you know, not a bill, and it's one of those few invoices that you can set aside, forget, and really the only downside is that after 120 days, you are dropped from the scrolls. So, you know, every business has to make that decision and again lodgingwise, you do have a good number of properties out on the far East End who do not operate four to five months out of the year, so it's very possible in their estimation. They're going to enjoy a significant amount of business regardless of anything that we do during that spring, summer, early fall months.

**LEG. STERN:**

Well, and that -- and Legislator D'Amaro, I think, said very well, that when we're talking about perception and perceived value, whether that is on the part of the member businesses or the

nonmember businesses or any level of government return on investment, where do you put your dollars. And I think one of the things that came out of the Comptroller's report was if it's difficult, not impossible but difficult to quantify return on investment, then we are left to judge other elements: fairness across the board on allocation of funds and resources, efficiencies and share.

One of the recommendations was, and you had spoken to it, that perhaps this is something that can or should be handled inhouse whether that's in the Suffolk County level of government or elsewhere. You had also brought up that you have a grant program and that there are organizations, predominantly organizations from out east, that receive grant funding.

I was hoping to get your comments on whether or not you believe, if it is your strong belief, that this is not the type of operation that can or should be handled inhouse by government. If there were additional funds that were allocated to the organizations that provide, perhaps, not the same but similar type of service to their member businesses out east, which I think we would all agree, where certainly when it comes to the R and R portion of the tourism business, that the overwhelming majority of the destinations would be out east in Suffolk County, why not look to those organizations that are not necessarily government but do know their local business, do know what attracts people globally to their businesses locally? Why would we not consider supporting those organizations with taxpayer dollars to do the work that they do well and could do even on a larger scale when supporting their local tourism, which, for us in Suffolk County, is a great deal of the tourism that we seek to support?

**MR. MCGOWAN:**

There's no organizations that is working to generate incremental new business, other than the LICVB. As I said earlier, we don't spend our resources in a market that is going to come that is not necessarily going to be influenced by what we do to try to -- to get them to come. We already have a high -- very high level of recognition of what we have to offer, et cetera. What we're trying to do is influence those folks who have choices as to what they're going to do with their leisure time and their discretionary revenue income and get them to come when they might have gone someplace else.

I think that, if you will, there's those folks who fish from the banks and those folks who go out in deeper waters to get a better catch. We go after -- I think all of us enjoy, because of the metro area and because of the region, a higher level of clientele, customer. So whether they are coming out of upstate New York coming out of New Jersey or Pennsylvania or New England, we know that our rates are going to scare them off, and what we have to offer is within their grasp.

So I think, again, we recognize through that grant program that our partners, our marketing partners through these other organizations were working to generate business, but they were essentially working to generate it from close end, the use of those funds to market it in Nassau County or to Nassau County residents, let alone the boroughs, Brooklyn, Queens, and Manhattan, you know, that's -- they do know their market, and they are focused on that, and that's good, and we're providing a minor level of assistance along those lines with accountability put in. But nobody is out there, and they would not spend any money to attract a sports event, to attract a mini-air convention or, those market segments, and they would not be out there trying to attract incremental leisure travel business or international business, as we have done, and I think done very effectively.

**LEG. STERN:**

Thank you.

**CHAIRMAN HORSLEY:**

Thank you very much, Legislator Stern. Legislator Gregory.

**LEG. GREGORY:**

Thank you, Mr. Chair. I would like to focus my questions on finding -- one of the findings and recommendations specifically as it relates to Aristotle Design. I don't have a background in tourism and travel, but I do have a background of eight years in procurement. So when I saw these findings, it kind of raised a red flag for me or some concern, I should say. So I would just like to hear from you what is the normal process for procuring services?

**MR. MCGOWAN:**

Different from what it was, quite honestly. When we looked at Aristotle back in 2009, Aristotle was one of about three companies that really focused on destination interactive marketing and what have you. They were one of the top three companies out there. Were they on Long Island? No. Neither were the other two. We asked them and the other two to give us not a bit but an estimate of services and costs. We share that with the Department of Economic Development and -- informationally but we didn't go through a formal procurement process, nor did we -- and it was my responsibility and I fell down on it -- nor did we get the -- a signed approval from the Department to select Aristotle.

**LEG. GREGORY:**

Okay. So how was -- explain the selection process and how these three firms were to come about. Was it through a recommendation of a board member or...

**MR. MCGOWAN:**

It was through -- initial contact was made at a national organization trade show destination, marketing association international annual convention and trade show. Aristotle was brought to my attention by colleagues from South Carolina Department of Tourism whom I worked for eight years as a company, and the other two, likewise, as companies really understood destination marketing from an interactive marketing standpoint. It wasn't just the design development of a website; it was, then, how do we then get that website out there and functioning very proactively. That was what directed our attention and drove our decision. It was outside of -- the decision and the process that we employed was outside of the contract. When that was brought to my attention during the initial phases of the audit two years ago, we immediately decided to go through a full procurement process. We notified the department and laid out in writing the process we would employ, the criteria, the advertising methodology, the selection process including a Long Island-first aspect of selection, and we received written approval of that whole process. We put it in a place not only for our online interactive services needs but also for our advertising agency needs as well.

**LEG. GREGORY:**

So are you saying that this was a 2009, 2010, so at the current time we're not using Aristotle or using --

**MR. MCGOWAN:**

We are, having gone through a complete bid process.

**LEG. GREGORY:**

Okay. Because, I guess, part of the reason why I guess it concerned me, it's almost a contradiction of what your mission is to promote tourism and economic development through tourism and Long Island specifically -- our concern is Suffolk County -- here we are supporting economic development in a firm out of state when we live in New York State on the most sophisticated media markets if not in the country, in the world, why couldn't we find someone in New York State, if not in Suffolk County, to do that service for us? As you were talking before, I did a quick search, and I'm a little bit familiar with SCO firms, and there was a survey of top 50 firms, and 11 of the top 50 were in New York State, one in Northport, actually. So I'm just concerned what was the selection process

for this firm out-of-state when we have certainly, I would think, qualified firms that can do that same service here in New York State?

**MR. MCGOWAN:**

Well, the primary, as I said, thing that I was looking at was two-fold. One was strong recommendations and strong discussions that I had with people that I had worked with as a destination market for the State of South Carolina. Second was them talking to other folks that Aristotle and other two agencies had worked with, looking at what they had done, asking their clients, who many of them I knew personally, whether they were from the west coast or the east coast or midwest. What do these companies bring to the table that, you know, another marketing firm couldn't. Without question, all of them -- and there is a huge difference between, say, retail marketing and destination marketing, and having an understanding of that and an experience in that was a major consideration. When we decided to go through the complete bid process in line with the contractual requirements and criteria and things of that nature and advertised it with the Long Island Business News online, et cetera, we were surprised at the lack of response to it. And I think part of that is that we wanted and asked for experience in tourism destination marketing, and if not, secondary, tourism marketing, and so those were the things that really drove our decision process.

**LEG. GREGORY:**

But I'm certainly sure no different than New York City and their Big Apple campaigns and others, they do similar marketing and, you know, each area has its own marketing campaign. Again, I would just say, just if we were in Arkansas, I would question the quantity of available organizations to do this service, but being in close proximity to New York City and being in New York, I would think that there would be an overabundance of firms that would be available. That's just my opinion. But you guys seem to have corrected that or addressed that, I should say, by putting out a formal RFP, they went through a selection process, and they were selected, and they're currently serving in this capacity.

**MR. MCGOWAN:**

That is correct.

**LEG. GREGORY:**

Okay. That's all the questions I had.

**CHAIRMAN HORSLEY:**

Thank you very much, Legislator Gregory. Legislator Hahn.

**LEG. HAHN:**

Yes, thank you. I, too, was concerned about the, you know, a hundred percent of the bookings going to membership. I think you'd be well-served to reconsider the membership and what the benefits are of that. What percentage of the staff that you have does the special event booking?

**MR. MCGOWAN:**

I'm not sure I understand; special event booking?

**LEG. HAHN:**

Right. You said that, you know, you spend and we brought in \$16 million worth of sales and special, you know...

**MR. MCGOWAN:**

We have four sales managers, director of sales and three additional sales managers. The director of sales is focused predominantly on corporate group and association business market segments. We

have another sales manager who is likewise focused on that market; third on sporting events; and a fourth on international.

**LEG. HAHN:**

I would agree with what's been asked and said before. The return on investment survey, when was that done, and how often does that get repeated?

**MR. MCGOWAN:**

That was done in 2008. It has not been repeated since.

**LEG. HAHN:**

It's probably time to -- to redo that.

**MR. MCGOWAN:**

Now that we're through -- homeless through the -- yes.

**LEG. HAHN:**

Thank you.

**CHAIRMAN HORSLEY:**

Okay. Thank you. Okay, and -- and then I have a quick question myself.

**LEG. NOWICK:**

Just a last comment. I'm looking here at the response to the audit -- actually, the response from the Comptroller's office, and what you said was correct. There are a lot of "We are pleased the Bureau has taken steps to ensure, we are pleased, we are pleased the Bureau..." so it does -- you know, sometimes things like this are disconcerting, but these are things that have to be brought to one's attention, and it seems to me like the LICVB is trying to fix what's broken, according to this report here. So I would ask that you continue, and there's a few findings that have to be addressed, and if you could do that, we would like to hear about that.

**CHAIRMAN HORSLEY:**

Okay. Thank you very much, Legislator Nowick, and thank you for all...I just had one quick question to wrap this up, and I realize the hour's getting late, but this was something that was concerning to me and I know was brought up in the audit, at least Comptroller Sawicki's report to us when he spoke to us, and it goes back again to the membership, and again that seems to be the common thread to a lot of the questions today, that the accusation -- I believe that the Comptroller or the -- I don't even know -- "accusation" might be too strong a term. But the thought that the membership who, in the Comptroller's mind, and evidently not in yours, that lead -- that the membership got the first shot at the leads that are being made from your sales group that came into the -- into your operation and they funneled out those leads to those members.

Then he carried the conversation one step further, that, okay, that's -- that was an understood, at least for the Comptroller, and then he said that those same members are the members that -- and the most prolific mentionings go to those members who are on your board. And that becomes a more serious accusation. And they are saying, then, that the board approves, of course, your selection for employees and all those good things that boards do for a corporation. So he's saying the pay-to-play scheme -- I'm just making that up -- it goes from the membership paying dues to the membership gets something -- gets the first leads off of the website in advertising, et cetera, and then these same peoples are on your board, and the board are making decisions about the overall agenda for the LICVB. It doesn't paint a good picture, and it might just be perception, but I just wanted to let you know that that was what the Comptroller was talking about, and that's where

some of the conversation went to, and I thought you should have an opportunity to address that.

**MR. MCGOWAN:**

I think it is perception. The board is a policy board. They do not -- they are not involved in day-to-day operations. Certainly I, on a monthly basis, report to the executive committee six times a year, report to the board. We have 38 board members. Thirty-two are elected by the membership. Of that 32, if you will, 16 are lodging members. There's 10 from Suffolk County. There's six from Nassau County. We have vacancies all the time that come up, basically, seats that are vacated by members from the lodging community. We have a rotating board, and quite often, that size of a board, it's oftentimes extremely difficult to get quality participating board members. We currently have a vacancy. There is one thing in our bylaws, and again, this is one of the overall things that I think at the beginning of the organization's formation, the only stipulation in our bylaws as to a business segment having board seats is a stipulation that 30 percent of the board seats must be lodging, and that was initially --

**CHAIRMAN HORSLEY:**

And I would understand that, yeah. That seems reasonable. But would you not agree with the statement, then, that the policy board, which is your board, and that's what you just called it; you said that they make the policy. Well, the policy -- the policy board is also making the same decisions on your membership benefits, so right there, that seems to be a conflict. And it may not be an occurrence, and it may not be happening, and I'm not making an accusation that's it's happening, but you have in your structure, you've got these members that pay dues, that you go right up the line, they are making the policies of what the benefits are going to be for the membership.

**MR. MCGOWAN:**

And I think ultimately the proof would be in the pudding, if you will. This is an organization that has been very responsible in self-examining after the previous audit, and certainly I believe they're going to be the same as it moves forward. But the policy oversight of the board and their fiduciary responsibility and things of that nature, certainly they can raise the questions as to, you know, what benefit is there to being a member versus nonmember if you are going to treat everybody the same. I personally -- and Kevin has been involved in this organization since its formation -- I think that what our board's primary focus is generating business. I'm held accountable for the overall number of leads that are generated, the amount of visitation to the website, the amount of responses to our advertising, the amount of -- ultimately, the tax dollars that are generated to the counties.

**CHAIRMAN HORSLEY:**

Right, and I believe that they are holding you accountable for those leads, but are those leads then going back to the membership rather than the general membership. That's -- I'm just bringing this perception of conflict.

**MR. MCGOWAN:**

And I think that, you know, by virtue of how we address the membership question after the last audit and made steps forward is indicative of what you will probably see very shortly as we move forward, and I don't think that a board that is solely looking at self interest is going to show that kind of responsibility, but I believe that they will and -- just on the basis of discussions and conversations.

**CHAIRMAN HORSLEY:**

So you're saying that you're -- that there's change afoot. When do you think that we would hear that this change is moving forward?

**MR. MCGOWAN:**

Well, understanding that the board -- right now we are in our season.

**CHAIRMAN HORSLEY:**

Okay. Fair enough.

**MR. MCGOWAN:**

You know, I think that as we get -- again, we would like to do this in a overall progressive fashion by looking at bylaws, the organization membership policies, and things of that nature, we'd like to be able to do it as a whole. We can do it piecemeal, and my gut feeling is if we do it piecemeal, then we'll start probably right in the middle of fall.

**CHAIRMAN HORSLEY:**

Okay. So what I'm hearing, then, is -- like, next time when I get the annual report and things like that on 2013, by that time, there will be change, changes that will be administered throughout the organization.

**MR. MCGOWAN:**

Well, that you're going to get -- oh, I'm sorry. The 2013 report will be on the activities and things of that nature. My gut feeling is that you will probably --

**CHAIRMAN HORSLEY:**

Yeah, it'll be next year.

**MR. MCGOWAN:**

Probably January or February.

**CHAIRMAN HORSLEY:**

Right, exactly. I looked at the date when I got it. I said, yeah, that's about it.

**MR. MCGOWAN:**

It will be an addendum to because normally it's --

**CHAIRMAN HORSLEY:**

So come this fall, after the season, we're going to see the decisions that are being made by the board and yourself towards this issue of membership.

**MR. MCGOWAN:**

I believe so. It'll be enacted by 2014, but yes, the decision-making process will take place --

**CHAIRMAN HORSLEY:**

And you'll be keeping the Economic Development group in that reporting process through your member on the board, Ms. Stark, and reporting to Caroline, and Caroline's going to tell us, Hey, they're moving forward.

**MR. MCGOWAN:**

They will be part of the discussions.

**CHAIRMAN HORSLEY:**

Okay. There ya go. That's what I like to hear.

Okay. I don't have any further questions. Is there anything else from the committee? That being

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the case, we'll close this meeting. Gentlemen, thank you very much. I'm glad that you had an opportunity to speak your piece.

**MR. MCGOWAN:**

Thank you.

*(\*Meeting was adjourned at 2:57 p.m. \*)*