



# City of Virginia Beach

[VBgov.com](http://VBgov.com)

OFFICE OF CITY AUDITOR  
(757) 385-5870  
FAX: (757) 385-5875  
TTY: 711

MUNICIPAL CENTER  
BUILDING 1, ROOM 344  
2401 COURTHOUSE DRIVE  
VIRGINIA BEACH, VA 23456-9012

## MEMORANDUM

**DATE:** November 22, 2019

**TO:** Thomas A. Leahy, P.E., Acting City Manager

**FROM:** Lyndon S. Remias, City Auditor

**SUBJECT:** Longwoods International Estimated Visitor Spending

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During the course of our Audit of the Tourism Investment Program (TIP) and Tourism Advertising Program (TAP) Special Revenue Funds, an issue came to our attention related to the computation of estimated domestic visitor spending and its fiscal impact on the city.

The vendor conducting this study of visitor research is paid from the TAP Fund, thus we looked into this issue during the audit. It should be noted that there is no issue with the actual expenditure paid to the vendor, as the payment is appropriate, but only with the results of the vendor's estimated visitor spending figures.

### Background

Longwoods International (Longwoods) is a marketing research consulting firm which focuses on the analysis of the travel and tourism industry. The City began using Longwoods in 2017 to perform visitor research. As part of the research, Longwoods provides estimates of domestic overnight spending to include lodging, transportation, recreation, retail, and restaurant food and beverages.

### ***Estimated Tourism Impact Amounts Overstated by Millions***

#### Amount of Direct Spending Cited by City

Per the City of Virginia Beach and Convention and Visitors Bureau website, *“The travel and tourism industry is a major economic driver for our city. More than 19 million visitors chose Virginia Beach over all other destinations in 2017. Those visitors contributed \$2.45 BILLION in direct spending to local businesses. In turn, this spending generated more than \$136 million in state and local tax revenue.”* Figure 1, below, is just one example of many instances where this amount is cited.

Figure 1: News Release from July 23, 2018

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Virginia Beach Welcomed Record-Breaking 19 Million Visitors in 2017

Virginia Beach Convention and Visitors Bureau Announced a Six Percent Increase in Total Visitor Spending of \$2.45 Billion

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Monday, July 23, 2018

The Virginia Beach Convention and Visitors Bureau (<http://www.visitvirginiabeach.com/>) announced Virginia Beach set a new tourism milestone for total visitors and visitor spending in 2017, welcoming 19 million domestic visitors who spent **\$2.45 billion**. Visitor arrivals grew for the eighth consecutive year with a 7.34 percent increase from 17.7 million visitors in 2016. Since 2009, visits to Virginia Beach increased by 38 percent, which is 13 percent above the national growth rate, due to strategic marketing efforts and positive visitor experience, according to Longwoods International's Travel USA study.

"Record-breaking arrivals and spending is a testament of the strength of our tourism sector and the values of our city," said Brad Van Dommelen, director of the Virginia Beach Convention and Visitors Bureau. "We are fortunate that Virginia Beach is committed to our tourism product, which will keep us competitive and allow us to continue to grow arrivals and visitor spending, ultimately boosting the city's economy to greater heights."

Source of the \$2.45 Billion in Visitor Spending

The source of the \$2.45 billion figure reported for direct spending is Longwoods estimates. Shown below in Table 1, are two charts Longwoods created that explains how the \$2.45 billion is calculated.

Table 1: Longwoods Estimated Direct Spending

Chart 1 - Domestic Overnight Expenditures	\$ 1,920,000,000
Chart 2 - Domestic Day Trip Spending	\$ 539,000,000
<b>Total Direct Spending</b>	<b>\$ 2,459,000,000</b>

Chart 1: Domestic Overnight Expenditures

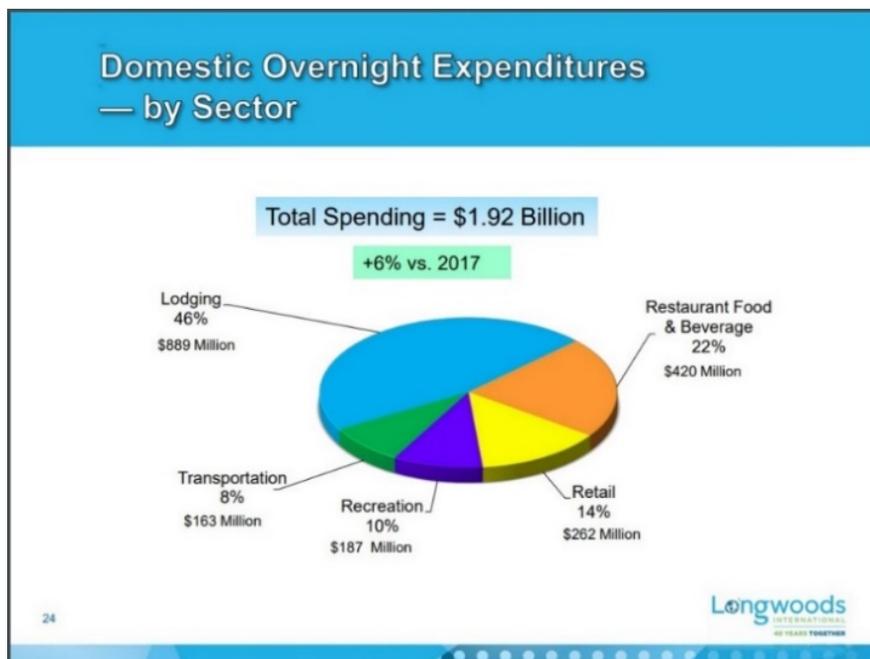
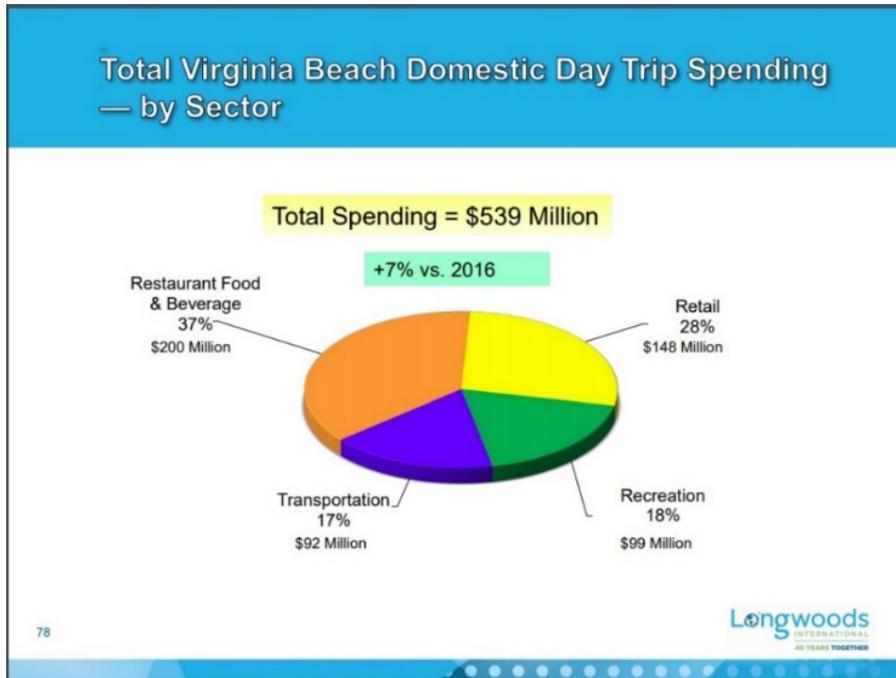


Chart 2: Domestic Day Trip Spending



Source Chart 1 and 2: Longwoods International Presentation of Virginia Beach 2017 Visitor Research

The estimated \$2.45 billion from Longwoods includes \$889 million in lodging receipts as shown in Chart 1. However, City financial figures show actual total lodging tax receipts are closer to \$360 million, a difference of \$529 million. See Table 2 below.

Longwoods recently released their 2018 figures and the estimated lodging spending was reported as a \$944 million. Actual total lodging tax receipts are closer to \$373 million, a difference of \$571 million. See Table 2 below:

Table 2: Calculated Lodging Revenue versus Longwoods International Report

Domestic Overnight Spending: Lodging	2017	2018
Longwoods Estimate	\$889,000,000	\$944,000,000
Calculated based on Lodging Tax Receipts	\$359,960,500	\$372,548,200
Variance	\$529,039,500	\$571,451,800

Additionally, Longwoods estimates do **NOT** include international visitors. Had international visitor spending been included, the estimated visitor spending amount would be overstated by millions more.

Longwoods direct spending figure has been widely used by the City to tout tourism. For example, this number is used on City websites, press releases, various official documents, and promotional materials.

The list below shows a few examples of the wide spectrum of places where the \$2.45 billion in direct spending is cited:

City websites:

- [www.vbgov.com](http://www.vbgov.com)
- [www.tourismworksvb.com](http://www.tourismworksvb.com)
- [www.yesvirginiabeach.com](http://www.yesvirginiabeach.com)

City Documents:

- City Council FY 2019 Legislative Agenda
- City Manager's Update (November 16, 2018)
- Bond Preliminary Official Statements
  - Storm Water Utility Revenue Bonds, Series 2019 (February 13, 2019)
  - General Obligation Public Improvement Bonds/Refunding Bonds, Series 2019A and 2019B

Official City Press Releases / Media:

- Convention and Visitors Bureau Press Release (July 23, 2018)
- Inside Business/Virginian Pilot article (July 24, 2018)
- Convention and Visitors Bureau 2017 Economic Impact Brochure

Due to the fact that the \$2.45 billion in direct spending figure is reported widely by the City and is used by many stakeholders including State Legislators, City Council, City management, business and community leaders, as well as residents, the inaccurate spending number could lead to misinformed business decisions. Further, because of the large overstatement of direct spending (a minimum of \$529 million), there has been criticism by citizens that the City is purposely overstating the direct impact of tourism spending to justify even more tourism spending.

**Recommendations:**

1. Refrain from citing Longwoods International tourism impact figures until the methodology for computing direct spending has been modified. **Note:** Since the City has actual lodging figures, these figures should be utilized in computing direct spending.
2. Review for reasonableness and accuracy any direct spending impacts performed by outside consultants. When numbers do not appear to be reasonable, management should ask questions before widely publicizing the figures.
3. Ensure management understands the soundness of the methodology used by consultants to compute direct spending impacts.

Thomas A. Leahy, P.E., Acting City Manager  
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If you have any questions, please call 385-5870 or contact me via email at [lremias@vbgov.com](mailto:lremias@vbgov.com).

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c: City Council Members

Audit Committee Members

Ronald H. Williams, Jr., Deputy City Manager

David A. Bradley, Acting Deputy City Manager

Alice M. Kelly, Director, Finance

Ron Kuhlman, Co-Interim Director, Convention and Visitors Bureau

W. Courtney Dyer, Co-Interim Director, Convention and Visitors Bureau

Kevin M. Chatellier, Co-Interim Director, Budget and Management Services

Jonathan L. Hobbs, Co-Interim Director, Budget and Management Services



# City of Virginia Beach

CONVENTION AND VISITORS BUREAU  
757-385-4700  
FAX (757) 437-4747  
TTY: 711

VBgov.com  
2101 PARKS AVENUE  
SUITE 500  
VIRGINIA BEACH, VA 23451

## INTER-OFFICE MEMORANDUM

**DATE:** November 14, 2019

**TO:** Lyndon Remias, City Auditor

**FROM:** Ron Kuhlman, Co-Interim Director, Convention and Visitors Bureau 

**SUBJECT:** Review of Longwoods International Estimated Visitor Spending

The City Auditor's staff is to be commended for their time and efforts in conducting the audit of the Tourism Investment Program (TIP) and Tourism Advertising Program (TAP) Special Revenue Fund, during this audit, the issue of the computation of estimated domestic visitor spending and its fiscal impact on the city arose. The vendor, Longwoods International, who conducts the study of visitor research is paid from the TAP Fund.

It should be understood, that upon the release of the State of Virginia's Economic Impact numbers, I reviewed Virginia Beach's numbers and compared them to Longwoods and was concerned. At my request, Michael Erdman, Senior Vice President of Research for Longwoods International, came to Virginia Beach and met with City staff on Thursday, October 10<sup>th</sup> to discuss their methodology. Additionally, as noted in your report, in 2017 the Convention and Visitors Bureau began using Longwoods International to provide estimates of domestic overnight spending, and other marketing research data. This was at the sole direction of previous leadership, as Longwoods International is the Travel and Tourism Industry standard for collecting such data, and the previous CVB contracted Visitor Profile was no longer available.

The CVB is prepared to work with your office in complying with your recommendations as follows:

1. Refrain from citing Longwoods Domestic Tourism impact figures until the methodology for computing direct spending has been modified.
  - a. The 2018 spending figures from Longwoods have not been released and will not be released to the media nor will they be used in any promotional material touting the value of Tourism to Virginia Beach.

The CVB will endeavor to work with Longwoods using actual City of Virginia Beach revenue numbers from the Virginia Beach City lodging revenue collections.

2. Review for reasonableness and accuracy any direct spending impacts performed by outside consultants. When numbers do not appear to be reasonable, management should ask questions before widely publicizing the figures.
  - a. This has been accomplished by the CVB questioning Longwoods methodology with them in the October 10, 2019 interdepartmental meeting. It was decided that Longwoods has the capability to use research that utilizes actual lodging and other city revenue collections, as they have for other cities.
3. Ensure management understands the soundness of the methodology used by consultants to compute direct spending impacts.
  - a. The CVB understands the necessity of verifying a research vendor's methodology to ensure accuracy and transparency of the research used to establish the value of the tourism industry in Virginia Beach.

The CVB thanks you and your staff for your dedicated efforts in performing this examination and audit of the Longwoods research, also for your support for making our research as transparent and accurate as possible

C: Ronald H. Williams, Deputy City Manager  
Courtney Dyer, Co-Interim Director, CVB