

Citizen Centric Report

Fiscal Year 2013



Message from Executive Management

Håfa Adai,

Fiscal Year 2013 was another historic year for the Guam Visitors Bureau. On top of March 2013 being the #1 month in the history of tourism and significant growth in new markets such as Russia and China, 1.3 million visitors came to the island. This notable 5% rise from the previous fiscal year solidified that our island’s evolution into the world-class destination of choice had begun.

We can’t wait to see how Fiscal Year 2014 will turn out as GVB renews its focus on signature

events such as the Guam Ko’ko’ Half Marathon & Ekiden Relay, Guam Micronesia Island Fair, the Guam International Marathon and the introduction of new events like the Guam Live International Music Festival.

GVB has already started on the plans for Tourism 2020 and we are definitely excited to see where our island’s future is headed. Stay tuned!



KARL A. PANGELINAN
General Manager



JON NATHAN P. DENIGHT
General Manager

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Message from the GVB Controller

Håfa Adai,

The Guam Visitors Bureau is pleased to provide its 2013 Citizen Centric Report. This report contains vital information about GVB's financial performance over the past fiscal year and highlights some of the other programs we have supported.

For the past several years, the independent audit of GVB's fiscal house, has been found to be unqualified or "clean." We are proud to be continuing that reputation today.

We have instituted policies that have gone a long way in ensuring the responsible expenditure of the people's money and will continue to do so.

Si Yu'os Ma'ase & Biba Guam!



ROSE Q. CUNLIFFE
GVB Controller



50 YEARS OF TOURISM



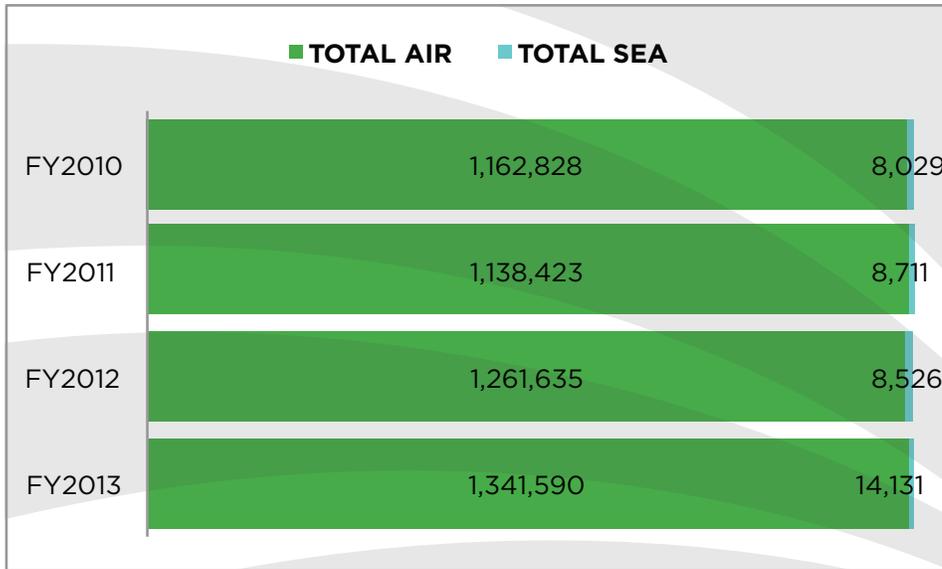
The Guam Visitors Bureau was established in 1963 as the Guam Tourist Commission (GTC) under the auspice of the Guam Department of Commerce, signaling the beginning of the Tourism Industry on the tropical island. In 1970, the GTC was renamed to the Guam Visitors Bureau, and re-established as a public non-stock, non-profit membership corporation to promote Guam as a visitor destination. GVB is funded by the Tourist Attraction Fund and membership dues (less than 1% of total funding).

Tourism provides thousands of employment opportunities for Guam's residents. Tourism accounts for over 50% to the Gross Island Product and is considered to be the main economic contributor to Guam's economy. As the official marketing agency for the Government of Guam, GVB strives to promote and develop Guam as a viable destination overseas.

As GVB joins the island in welcoming the future of our industry, GVB envisions a healthy, vibrant, and ever growing visitor industry that generates business opportunities and employment for all residents, protecting the island's heritage, cultural values and natural resources, and making positive contributions to the local community's quality of life.



PERFORMANCE



\$1.4bn
total tourism economy sales
(Economic Report 2012).

One-Third
of all jobs on Guam are supported by
the Tourism Industry.

18,000
number of jobs in the tourism
industry.



\$150m
in tax revenue generated for the
Government of Guam.



\$26.2m
in Hotel Occupancy Taxes (2012).

\$1,100
in on-island spend by each visitor
(Economic Report 2012).

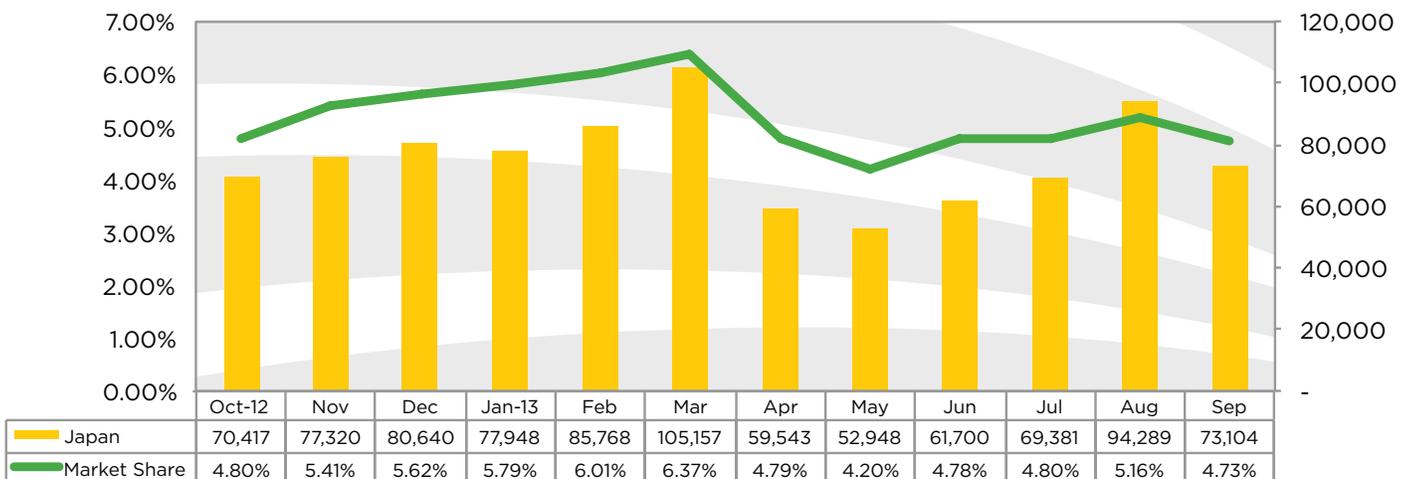
FY2013 Arrivals Summary

Tourism continues to grow. 2012 was the fourth best year for tourism in Guam's history, creating back-to-back banner years in the island's history.

Calendar year 2013 beat out 2012 with arrivals totaling 1,334,497. This is a two percent increase from last year's banner arrivals of 1,308,035 visitors. These increases occurred despite the global decline in Japanese tourism, and that's because for the first time, Guam's tourism profile is diversifying.

Additionally, the monthly visitor arrivals for December 2013 show another increase over last year, solidifying our second banner year in a row. Guam welcomed 118,588 visitors in December 2013, a 0.7% increase when compared to December 2012.

The December 2013 Visitor Arrival Summary report also shows the largest growth patterns for CY 2013 is in specific visitor markets. In particular, arrivals for Korea increased by 34.4%, the People's Republic of China rose 25.6% and the Russia Federation grew by 100.1%.



FISCAL YEAR 2013 FINANCIALS

An 11% hotel occupancy tax funds GVB's operations, authorized through the Legislature's annual budget appropriations. In FY2013, PL 31-233 appropriated \$16,018,239; \$14,022,384 for GVB operations and \$1,215,855 for Special Projects. GVB was able to recognize \$13,849,317 of its appropriation for Operations of which \$1,000,000 was for prior year appropriations and \$1,115,573 of its Special Projects appropriation, of which \$82,096 was for prior year appropriations. Additionally, \$780,000 was appropriated to GVB for pass-thru entities, of which \$882,654 was recognized as revenue. Of this amount, \$215,154 was for prior year appropriations. GVB followed through with the OPA's suggestion to seek high rates of returns on its cash, and moved \$2.5 million into a TCD.

In December 2012, PL 31-270 and PL 31-281 appropriated additional monies to GVB. PL 31-270 appropriated \$150,000 for Security Cameras along Pale San Vitores Rd, which the Bureau was able to collect and recognize in FY2013. PL 31-281 appropriated additional funding for the hiring of four (4) additional staff: Management Analyst IV, Computer Operator II, Marketing Officer I, and a Computer Specialist. While GVB's mandates have been expanding, its staffing level has not increased, and these additional personnel will fill critical areas, especially in procurement and information technology. Total appropriation for the salaries of these positions was \$170,958 of which the Bureau collected and recognized \$64,000.

The FY13 TAF collections were 11% higher than FY2012, totaling a healthy \$28,606,196. The increase is attributed to the average room rate and occupancy rates increasing, and while FY13 room data was not yet available, from FY11 to FY12, room rates increased from \$114 to \$123, and occupancy rates from 70% to 81%. This trend was projected to continue for FY13.

Direct appropriations from the Tourist Attraction Fund increased about 75% in FY2013, from \$6,792,247 in FY 2012 to \$11,886,841. The TAF revenue projections in PL 31-233 of \$25,500,082 was amended by PL 32-057 to \$26,507,329. Comparing the total FY2013 appropriation from the TAF (\$28,253,038) and the actual collections (\$28,606,196), there was a surplus of \$353,158.

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INDEPENDENT AUDIT: An independent audit, performed by Deloitte & Touche, resulted in the GVB receiving an unqualified (clean) audit opinion. The Office of Public Accountability released the audited financial report dated February 06, 2014 and can be found on the OPA's website, www.guamopa.com.

	2013	2012
Revenues:		
Consumption tax refund	130,097	196,118
In-kind contributions	327,992	88,550
Memberships	68,400	37,600
Total revenues	526,489	322,268
Less:		
Bad Debts	-	-
Net Revenues	526,489	322,268
Expenses:		
Professional services	10,870,212	8,844,374
Personnel	2,054,929	1,838,358
Miscellaneous	781,390	881,722
Pass-thru appropriations	668,836	530,376
Travel	503,284	473,445
Rent/lease	240,967	271,488
Utilities	229,191	210,964
Grants	546,890	188,850
Community Programs	-	162,315
Materials and supplies	105,735	152,570
Depreciation	85,317	109,364
Promotional in-kind contributions	327,992	88,550
Equipment	52,690	42,039
Advertising	43,184	35,022
Insurance	22,035	23,458
Repair and maintenance	78,619	16,437
Total operating expenses	16,611,271	13,869,332
Operating revenues net of operating expenses	(16,084,782)	(13,547,064)
Nonoperating revenues (expenses):		
Grants-in-aid from Government of Guam		
Operations	15,531,921	15,729,934
Pass-thru	677,573	530,376
Federal	17,755	172,243
Other nonoperating income (expense), net	374,287	221,224
Interest income	15,483	12,925
Total nonoperating revenues, net	16,617,019	16,666,702
Change in net assets	532,237	3,119,638
Net assets at beginning of year	17,375,078	14,255,440
Net assets at end of year	17,907,315	17,375,078

Membership dues increased from \$37,000 in FY12 to \$68,400 in FY13 because it was an election year. In-kind contributions also showed a significant increase, up 200% at \$327,992, but more efforts is needed to record in-kind donations. GVB experienced savings of \$30,521 in rent expenses due to the construction of storage facilities at the main office, and utilities were reduced \$26,689 through a new phone system and energy efficient lighting and air conditioning.

Marketing was the largest expenditure at \$9.7 million, almost 24% more than FY2012 with Japan and Korea representing the largest share at a combined \$5.9 million. At \$2,054,929, personnel salaries and benefits increased 12% over last year due to Merit Bonuses paid to active employees, to include increments and the increases in employee benefits, but only makes up 13% of total expenditures.



FUTURE OUTLOOK

The Bureau's efforts to diversify were clearly apparent in 2013, with the Korean market now a strong number two market representing 17% of total arrivals to Guam. Continued arrival growth of around 20% is expected for FY2014 with an increase in flights from Busan, which is important, since total outbound travel from Japan is expected to decline in 2014. Japan continues to be the island's number one source market, but now at a more comfortable level of 68% of total arrivals. While Guam has traditionally been a leisure destination for Japanese, GVB is working to attract higher yield segments such as the MICE (meetings, incentives, conferences, exhibitions), weddings and the silver (senior) markets. Flight service from Haneda airport, located in the heart of Tokyo, is also an objective that would boost arrivals from Japan.

GVB's TAF projection for FY2014 is \$28,978,077, a conservative 1.3% increase over the previous year. This is certainly achievable, especially with the opening of two new luxury hotels—the Lotte Hotel in May and the Dusit Thani in late 2014. The additional rooms are required especially for new markets such as Russia and China. The Bureau will be launching an aggressive marketing strategy for the China market, utilizing incentive support for both airlines and travel agents.

In addition to all the efforts in our primary source markets, the GVB Board is committed to improving the destination and has several projects planned in 2014, foremost of which is a Tumon surveillance system that will provide video to the Frankie Smith Precinct. Video surveillance is being successfully used in major cities throughout the world as crime deterrent, and the Bureau believes this solution can help protect the thousands of visitors and residents in our hotel zone. Other major planned improvements include bus shelters, landscape improvements, lighting and sidewalk renovations and graffiti removal. In order for Guam to improve its image and attract higher yield visitors, we must improve our brand and that starts at home.



Organizations Supported by GVB

Department of Administration
Department of Parks & Recreation
FESTPAC & Folklife Festival
Guam Community College
Guam Council on the Arts & Humanities Agency
Guam Environmental Protection Agency
Guam Hotel & Restaurant Association
Guam International Film Festival
Guam Museum Foundation
Guam Police Department
Guam Territorial Band
Guam Tourism Foundation
Guampedia Foundation
Haya Cultural Preservation Foundation
Historic Inalahan Foundation
Mayor's Council of Guam
Micronesia Cruise Association
Pa'a Taotao Tano
Pacific War Museum Foundation
The A's and Å's of Chamorro Project
Tourism Education Council
Traditions About Seafaring Islands (TASI)
Traditions Affirming our Seafaring Ancestry (TASA)
University of Guam
World War II Survivor History - Video Commentary

THE HOT BOND PROJECTS



What is the HOT Bond?

HOT stands for Hotel Occupancy Tax, which was created to fund the operations and functions of the Guam Visitors Bureau. HOT Bond Projects are Capital Improvement Projects that use proceeds from HOT Revenue Limited Obligation Bonds to fund the building of Guam's first permanent and comprehensive cultural and educational museum as well as upgrade and refurbish some of our island's historic sites, tourist attractions and community projects. The HOT Bond Projects were established by Public Law 30-228.

The Guam Museum

As Administrator of the Guam Economic Development Authority, current GVB General Manager Karl Pangelinan, successfully began projects under the Hotel Occupancy Tax Bond, which funds different projects on island to benefit the Tourism Industry, Guam's largest economic contributor. One of the projects under the HOT Bond is the long awaited and anticipated Guam Museum.

The original Guam Museum was built in 1932 and about a decade later it was completely destroyed during World War II, with many artifacts dispatched for safe keeping to other museums and private collectors around the world.

In 1954, the Museum was under the Department of Land Management. In 1960, the Museum was transferred to Guam Public Library Board, where it remained for the next 30 years. In 1999, the Guam Museum became a division under Department of Chamorro Affairs.

Today, over a million artifacts of Guam are in storage, in warehouses or off-island until an adequate facility is available. Artifacts are currently being held in Rome, Italy; Madrid, Spain; Acapulco, Mexico; Washington, D.C.; Annapolis, Maryland; Manila and Cebu, Philippines and Honolulu, Hawaii

The vision of the Guam Museum Foundation, Inc is to build a world class facility that is home for artifacts and historic documents; a dynamic cultural destination that reflects a sense of Guam and the Chamorro culture that stimulates community ownership and involvement.

Plaza de España RESTORED



For more information on the HOT Bond Projects:
www.guamhotbond.com