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Comments to Committee on Taxation
March 20, 2003, 3:30 p.m.
Cashman Theatre, Las Vegas

Mr. Chairman and members of the Committee. Thank you for this opportunity to make brief comments to you regarding the state of the tourism industry in Northern Nevada. I bring you greetings from the more than 33,000 employees in the hospitality industry in Washoe County. We all appreciate the difficult task you face and we are here to help you where we can.

Northern Nevada continues to suffer from continued poor gaming and room revenue results. It has been well documented that the proliferation of gaming, principally from Native American Casinos, will further deteriorate our gaming markets. We are hard at work developing and implementing new marketing strategies for our region that will complement gaming to bring new customers for expanded experiences. We call the strategy, "Gaming Plus", gaming plus entertainment, gaming plus fine dining, gaming plus outdoor recreational opportunities, gaming plus arts and culture. Thus was born our current positioning strategy, "Reno-Tahoe, America's Adventure Place."

Casino operators in Northern Nevada are trying to adapt in an extremely difficult business climate, operating plans that include increasing room and food and beverage revenues to improve performance and increase margins. These new operating plans and brand enhancement campaigns take time to implement, time to be successful, and money to execute.

The Northern Nevada room revenue and occupancy experience during this fiscal year has been a roller coaster ride. Thru January of this fiscal year, we are down 3% in room revenue and flat in occupancy versus last year. Our casino operators are sacrificing rate to maintain occupancy; a tactical strategy common throughout the country. January room revenue was up nearly 3%, however we believe, February

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ASSEMBLY COMMITTEE ON TAXATION ^{4 pages}
DATE: 3/20/03 ROOM: LV EXHIBIT E
SUBMITTED BY: Jeff Berkelman

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room revenue will be down 10%. The roller coaster ride continues. And with war, the uncertainty is even greater. In 1991, the last Gulf War, our business dropped 18 points.

The competition for visitors, whether leisure or convention is fierce. Most destinations that we compete against are also suffering. Therefore, room rates, food and beverage costs, and other revenue expenses are all thrust into the negotiation mix. The economics of our industry in Northern Nevada are fragile. Northern Nevada is struggling mightily to improve our market position.

It is important for the RSCVA and Northern Nevada to use bed tax revenue for sales and marketing. Bed tax is our only source of funding to sell and market our destination. We have made great strides in the last two years to relieve building debt service payments from our budget and move those dollars into sales and marketing. The continued U.S. business decline could jeopardize our ability to realize these new marketing dollars; however, we believe that some new marketing dollars will be there for the next fiscal year.

Reno-Sparks is a value destination for both leisure and convention business. We have a plan in place, we are executing the plan and we expect positive results as we move forward.

Some new key events and programs we have in place for next fiscal year include the following:

❖ July, 2003

○ ESPN Great Outdoor Games

- -60 hours plus of TV programming from America's Adventure Place
- -\$15 million Ad Campaign

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❖ **December, 2003**

○ **Nevada Basketball Clinic**

- -Working with the University of Nevada
- -Bringing in Kansas University and the University of California at Santa Barbara
- -time period we need business

❖ **Other events we currently have that bring visitors to our region:**

- -Hot August Nights
- -Air Races
- -Street Vibrations
- -Balloon Festival
- -etc.

❖ **Truckee River Recreational Plan**

- -working with NCOT and led by the Lt. Governor we expect to improve the condition of the Truckee River and create a White Water Kayaking Park that studies forecast will produce 100,000 new visitors.

Our focus for next fiscal year will be to continue to position our area as America's Adventure Place. We will be heavily targeted to the drive markets; Central Valley, Sacramento and the Bay Area of Northern California. Seventy (70) percent of our business is drive market with fifty-nine (59) percent from Northern California. We will also continue our efforts to build airline visitation by working thru our Northern Nevada Regional Marketing Committee.

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Also, we will continue our efforts to sign more conventions and trade show business in our newly expanded and renovated convention center. During the last two years, we have booked 35 events with eight being repeat business. The largest of these events will bring over 21,000 people.

To close, please remember, we are a value destination. Our plan has been created and we are moving forward to improve our position in the Nevada tourism industry. Thank you for your time and consideration.