



MENDOCINO COUNTY LODGING BUSINESS IMPROVEMENT DISTRICT 2017-2018 ANNUAL REPORT

Coast Rep: Wendy Roberts (Chair: Water Tower Rental)

MCLA Board Rep: Pauline Zamboni (Vice Chair: Inn At Victorian Gardens)

Coast Rep: Guy Pacurar (Brewery Gulch Inn)

Inland Rep: Robert Jason Pinoli (Pinoli Ranch Country Inn)

Second Inland Seat: Kurt Feichtmeir

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**Mendocino County Lodging Business Improvement District
Advisory Board Annual Report for Fiscal Year 2017-2018
(July 1, 2017 through June 30, 2018)**

EXECUTIVE SUMMARY

This FY 2017-2018 BID Annual Report conforms to requirements outlined in Section 5.140.220 of the County Code. It contains information collected by members of the BID Advisory Board from County sources and the staff and Board members of the Mendocino County Tourism Commission (MCTC). The narrative is based on observation of the restructuring process over the past three (3) years and during the transition to leadership by MCTC as the County contractor.

Tourism continues to play a vital role in the Mendocino County economy. In 2015, the most recent year for which complete baseline information is available, visitor spending increased five point three percent (5.3%) to \$375,000,000 generating approximately \$957 of tax revenue per Mendocino County household and providing employment for nearly 6,000 individuals and earnings of more than \$166,000,000.

Transient Occupancy Tax (TOT) revenue from lodging businesses outside the incorporated cities contributed \$4,772,699 to the County General Fund in FY 2015- 2016. This was an eight percent (8%) increase over the prior year and a forty-five percent (45%) increase since the recovery commenced in FY 2010-2011.

Extensive modifications to Chapter 5.140.210 to Title 5 became effective on June 18, 2015 to restructure and assign responsibility for oversight of the BID to a single County contractor. Section 5.140.250 established MCTC to serve in this role. The former contractors, Mendocino County Lodging Association (MCLA) and Mendocino County Promotional Alliance (MCPA), continued to oversee the Budget and marketing programs implemented by Visit Mendocino County, Inc. (VMC) until the first MCTC Board was seated in January, 2016. Momentum was maintained and results remained strong during this period.

In the ensuing months, all BID and County assets were transferred to MCTC. The MCTC Board members focused on bylaws revisions, committee assignments, policy development, and other work required to establish the restructured organization and conduct business in compliance with the Brown Act, the MCTC Bylaws and its County contract. Following a nationwide search, a new Executive Director joined the organization in July, 2016.

Fiscal year 2016-2017 promotional activities have produced mixed results. Website and Social Media users are steadily increasing. Public Relations outreach has attracted media coverage and impressions far exceeding goals. A Cooperative Marketing initiative focused largely on print underperformed expectations. Formerly promoted primarily to lodging, the annual Marketing Summit drew a large and diverse audience from traditional tourism sectors and the cannabis community. For the first time, the Summit included information on the cannabis industry and related legislation. MCTC has formed an ad hoc committee to explore opportunities and factors related to developing this potential niche market.

In its first full year, the new MCTC Board and Executive Director focused heavily on establishing its own structure and operational policies as a re-defined and re-vitalized organization. High staff turnover complicated this work by creating a loss of institutional memory regarding policies and procedures, report formats and re-occurring responsibilities. For the first time, and due in part to missing information, the annual audit was accompanied by notes specifying a number of deficiencies that compelled the Board to invest time and energy in responding. Despite the need for the Board to address these and numerous other issues, MCTC Board Members deserve to be commended for the year's many accomplishments. They will begin the new fiscal year committed to building capacity to oversee marketing and promotion of the County and to regularly assess the relative impact and Return on Investment (ROI) of the many possible programs that compete for scarce funds.

Recruitment for open seats on both the MCTC and BID Advisory Boards was among the tasks that required more than the anticipated amount of time. Late appointments to the MCTC Board delayed the annual Brown Act and Ethics Training and a timely start of planning for the new fiscal year. Rather than submit nominations for the BID Advisory Board in August, as was formerly required by its County contract, Mendocino Coast Lodging Association abruptly proposed two nominations in February, creating an unfortunate disruption in the process of developing the FY 2017-2018 BID Annual Report.

Late in 2016, MCTC's Executive Director announced his intent to resign, effective March 31, after only nine (9) months on the job. The news, and the need to repeat the Executive Director search, came on the heels of two important decisions that have brought MCTC to a critical inflection point in its development. The first was to engage the Coraggio Group to guide stakeholders through a strategic planning process to chart the course for the next two to three (2-3) years. The second was to engage a professional marketing firm to develop a comprehensive program of marketing and promotion. MCTC extended a Request for Proposals and selected *TheorySF* to fill this role.

After a process that engaged more than forty (40) stakeholders, the MCTC Board adopted the *Visit Mendocino County: Strategic Direction 2017/18-2019/20* (2017 Strategic Plan) at its March 14 meeting. Personnel from *TheorySF* participated in the final sessions to help identify key initiatives and assessment criteria. In addition MCTC's new Executive Director was hired as of April 3, 2017 with a full-time start date of June 12.

The BID Advisory Board recommendations for action by the MCTC Board and County of Mendocino that begin on page 20 are based on in-depth discussions of high priority issues that are provided in this Report. They are respectfully submitted in the hopes that they will prove useful as the organization continues to build its capacity as a fully professional Destination Marketing Organization (DMO) focused on its Mission and Vision:

Visit Mendocino County stewards and amplifies the total Mendocino County Experience (by providing) enriching experiences for our guests, enhanced lifestyles for our residents, and stability and diversity for our economy.

I. OVERVIEW

Chapter 5.140.210 to Title 5 of the Mendocino County Code requires that an Annual Report of the Mendocino County Business Improvement District (BID) be prepared and presented to the Board of Supervisors by the BID Advisory Board approximately ninety (90) days before the start of each new fiscal year in which assessments will be collected.¹ This FY 2017-2018 BID Annual Report conforms to requirements outlined in Section 5.140.220 of the County Code and provides the following:

- An introduction to the role of lodging and tourism in Mendocino County;
- An update to the overview of BID oversight and accomplishments as detailed in the FY 2016-2017 BID Annual Report;
- A final report on the transfer to Mendocino County Tourism Commission of all BID and County assets previously held by Mendocino County Lodging Association, Mendocino County Promotional Alliance and Visit Mendocino County, Inc. and redirection to MCTC of all current and future BID assessments and County matching funds; and,
- A proposed FY 2017-2018 BID Budget and the Advisory Board's recommendations for consideration and approval by the BOS.

II. INTRODUCTION AND UPDATE OF BID HISTORY

A. Impact of BID on Lodging and Tourism Industry

Lodging and tourism promotion is vital to Mendocino County's economy because of the impacts of visitor spending on tax payers, businesses and employees.

In 2015, the most recent year for which complete information is available, visitor spending increased five point three percent (5.3%) to \$375,000,000 generating approximately \$957 of tax revenue per Mendocino County household. Hundreds of tourism related businesses employed nearly 6,000 individuals with collective earnings of more than \$166,000,000.² Mendocino County, its incorporated cities and taxpayers have a direct interest in the optimal investment of BID funds to promote County-wide tourism and related industries. Aggressive promotion kept Mendocino in the minds of visitors during the recession and spurred a full recovery of travel spending that boosts tax revenues, creates jobs and supports local businesses and non-profits. Protecting and enhancing this essential segment of the County's economy will be an on-going challenge in an increasingly competitive environment.

One measure of the impact of the BID is the amount of Transient Occupancy Tax that is collected. TOT revenue from lodging businesses outside the incorporated cities contributed \$4,772,699 to the County General Fund in FY 2015-2016.³ This was an eight percent (8%) increase over the prior year and a forty-five percent (45%) increase since the

¹ The official source for this document with adopted amendments is: https://www.municode.com/library/ca/mendocino_county/codes/code_of_ordinances?nodeId=MECOCO_TIT5REFI_CH5.140MECOLOBUJMDI

² Source: Dean Runyan and Associates www.deanrunyan.com/doc_library/CAImp.pdf.

³ The record of County TOT receipts appears in Appendix I.

recovery commenced in FY 2010-2011. TOT collected from businesses within the incorporated cities contributed more than \$3,300,000 to their budgets. The County-wide one percent (1%) BID assessment generated \$811,980 which earned \$405,990 in matching funds for County-wide marketing and promotion.

B. Establishment and Requirements of the Lodging BID

The Mendocino County lodging industry and the County of Mendocino collaborated to establish the Lodging Business Improvement District (District) in the spring of 2006 with only twenty-six percent (26%) County-wide opposition from lodging owners.⁴ Ordinance 4170 added the terms of the BID to the Mendocino County Code as Chapter 5.140 to Title 5. It created an assessment equal to one percent (1%) of rents paid for transient occupancy, to be collected by lodging for the purpose of County-wide promotion. The Ordinance also created a County match of fifty percent (50%) of the total BID assessment.

Pursuant to Section 5.140.210 to Title 5 of the Mendocino County Code, and as required by the "Parking and Business Improvement Area Law of 1989," the BOS established a five (5) member BID Advisory Board responsible for preparing a BID Annual Report for each fiscal year.⁵ This report is presented to the BOS for approval approximately ninety (90) days before the start of each fiscal year. The BOS appoints Advisory Board members. Originally, appointments were based solely on nominations from the MCLA Board, pursuant to its contract with the County. In response to a recommendation in the FY 2016-2017 BID Annual Report, an Ordinance change was approved by the BOS to allow nominations by the MCTC Board. Final adoption of this amendment and further amendments to the nomination process are recommended in this report in view of MCLA's continued inability to fulfill this function in a timely manner.

Section 5.140.220 outlines specific information to be included in the BID Annual Report: *...the report may propose changes, including, but not limited to, the boundaries of the parking and business improvement area or any benefit zones within the area, the basis and method of levying the assessments, and any changes in the classification of businesses, if a classification is used.* The BID Annual Report advises the BOS on the state of the BID and the proposed Annual Marketing Plan and Budget for the coming fiscal year. State Law requires that this report be prepared and adopted by the BOS annually in order for the BID to be renewed. Once adopted by the BOS, it dictates how BID funds and the County match are to be spent and provides a road map for implementation by the designated contractor. The report ensures transparency by communicating to stakeholders how BID and County funds are being invested and how impacts on visitor spending are being evaluated.

Prior to modifications made on June 18, 2015, Section 5.140.245 required that the BOS contract with MCLA for oversight of the BID assessments and with MCPA to oversee the County match. The modified Ordinance now states that: *The Board of Supervisors shall designate a contractor that shall be responsible for the administration of the Business Improvement District (BID) including hiring and oversight of the individual or entity charged*

⁴ Source: County of Mendocino Board of Supervisors Minutes of May 9, 2006.

⁵ A roster showing current Advisory Board members, terms and open seats is included as Appendix III.

with implementation of the Annual Marketing Plan that is annually approved by the Board of Supervisors. Since January 2016, the County has met this requirement by contracting with Mendocino County Tourism Commission to fulfill these functions.

C. Historical Overview of the Implementation and Oversight of the BID

Beginning with establishment of the BID in 2006, MCLA was responsible for management of BID assessments and MCPA oversaw the County matching funds under annually renewed contracts with the County of Mendocino.

In 2008, MCLA and MCPA and the Wine Commission formed a joint marketing committee, seeking ways to strengthen and evaluate destination marketing of Mendocino County. They contracted with Randall Travel Marketing, Inc. to conduct research and provide recommendations to guide promotional efforts. Acting on the resulting recommendations, MCLA and MCPA collaborated to establish Visit Mendocino County, Inc. as a not-for-profit 501 (c) (6) organization on July 1, 2009. They entered into contracts with VMC to prepare and implement a County-wide annual Marketing Plan and Budget prior to the start of each fiscal year.

The ten (10) member VMC Board was structured to ensure representation from both lodging and the broader tourism industry. It consisted of the four (4) MCLA Executive Officers plus one (1) additional MCLA Board Member and five (5) MCPA members, one (1) each from the wine industry, the art community, the Chambers, culinary/attractions, and a member-at-large.

VMC served as the County's Destination Marketing Organization from 2008 through December, 2015. During this time it demonstrated its ability to provide cost-effective marketing programs throughout the County. In 2012, the BOS designated VMC as the official DMO of Mendocino County. Under the leadership of its founding Executive Director, VMC evolved into an award winning DMO and earned accreditation by the Destination Marketing Association International (DMAI).

Despite VMC's well-documented successes, disagreements emerged within MCLA that became vocal demands for change in the leadership and organizational structure of the County's tourism promotion. A key issue on which MCLA members disagreed was whether the BID assessment for marketing and promotion should be increased from one percent (1%) to two percent (2%). Some saw this as essential. Others feared wasteful spending. The question became framed as whether current funds were being spent efficiently, effectively and fairly.

In FY 2013-2014 MCLA and MCPA collaborated once again by commissioning two (2) independent studies to be undertaken concurrently: a Governance Study, prepared by Michael Ward of Global High Bar (GHB), and a Marketing Study (2014 Marketing Study) conducted by Carl Ribaldo of the Strategic Marketing Group (SMG).

These studies stressed the need to restructure MCLA, MCPA and VMC, Inc. into a single entity to oversee BID assessment and matching funds and their investment in County-wide promotion. When MCLA and MCPA were unable to agree on how to proceed, the BOS formed a BOS/BID Ad Hoc Committee to recommend steps for accomplishing this goal. Supervisor

John McCowen chaired the committee with Supervisor Dan Gjerde. Five (5) members were selected by each of the MCLA and MCPA Boards.

D. Establishment of the Mendocino County Tourism Commission

The BOS/BID Ad Hoc Committee developed its recommendations in a series of closed working sessions and presented them in a report dated March 15, 2015. After acceptance by the MCLA and MCPA Boards, the recommendations were adopted by the BOS, effective on June 18, 2015. This resulted in extensive modifications to Ordinance No. 4170 through Chapter 5.140 to Title 5 of the Mendocino County Code. Both the process and outcomes are described in depth in the FY 2016-2017 BID Annual Report. Key among the Ordinance modifications were: 1) elimination of MCLA as the County's contractor for marketing and promotion; and, 2) establishment of Mendocino County Tourism Commission to contract with the County as the single oversight entity. The FY 2016-2017 BID Annual Report provides a detailed description of MCTC as the new oversight entity, including the size and required composition of its Board of Directors and the process by which members may be selected. MCLA retained responsibility for BID oversight during the process to modify the BID Ordinance, establish the MCTC, transfer all BID-related assets to the new Commission and seat elected and appointed members to the MCTC Board.

To attract nominees for the lodging seats, the County Treasurer's Office included an insert in the quarterly tax statements sent to all licensed hotel and lodging operators. Ballots were distributed using the same method to ensure that licensed lodging operators in each assessment category were reached. After a lengthy period of outreach, only one (1) of the five (5) lodging seats attracted more than a single candidate. When no applications were received for some non-lodging seats, a press release was issued on October 28, 2015 extending the application deadline for these seats. Ultimately, twenty (20) applications were received for the six (6) BOS appointed seats. The BOS made its MCTC appointments on December 8, 2015, based on a slate proposed by Supervisor John McCowen as Chair of the BOS/BID Ad Hoc Committee. Among the appointments was a sixth lodging member.⁶ There was unanimous agreement that future appointments would be voted on by the entire BOS following public interviews with all qualified candidates for open positions.

The MCTC Board held its first meeting and elected officers on January 12, 2016 and engaged in Board development training. It held its second organizational meeting on February 8th and 9th, 2016. The Board development sessions included: 1) the required Brown Act and Ethics Training; 2) a presentation by Bill Geist, author of *Destination Leadership for Boards*; 3) a series of presentations on the current FY 2015-2016 Annual Marketing Plan by SMG Consultant Carl Ribaud, MCTC/VMC staff, and VMC contractors responsible for promotional activities including Public Relations, Media Buying, Social Media, and Website; and, 4) an overview of BID Advisory Board roles, responsibilities and activities. MCTC Board business conducted on February 9 included appointment of Board and at-large members to standing committees, creation of an Ad Hoc Bylaws Committee, a decision to hire a consulting firm to lead the search for an MCTC/VMC Executive Director, and adoption

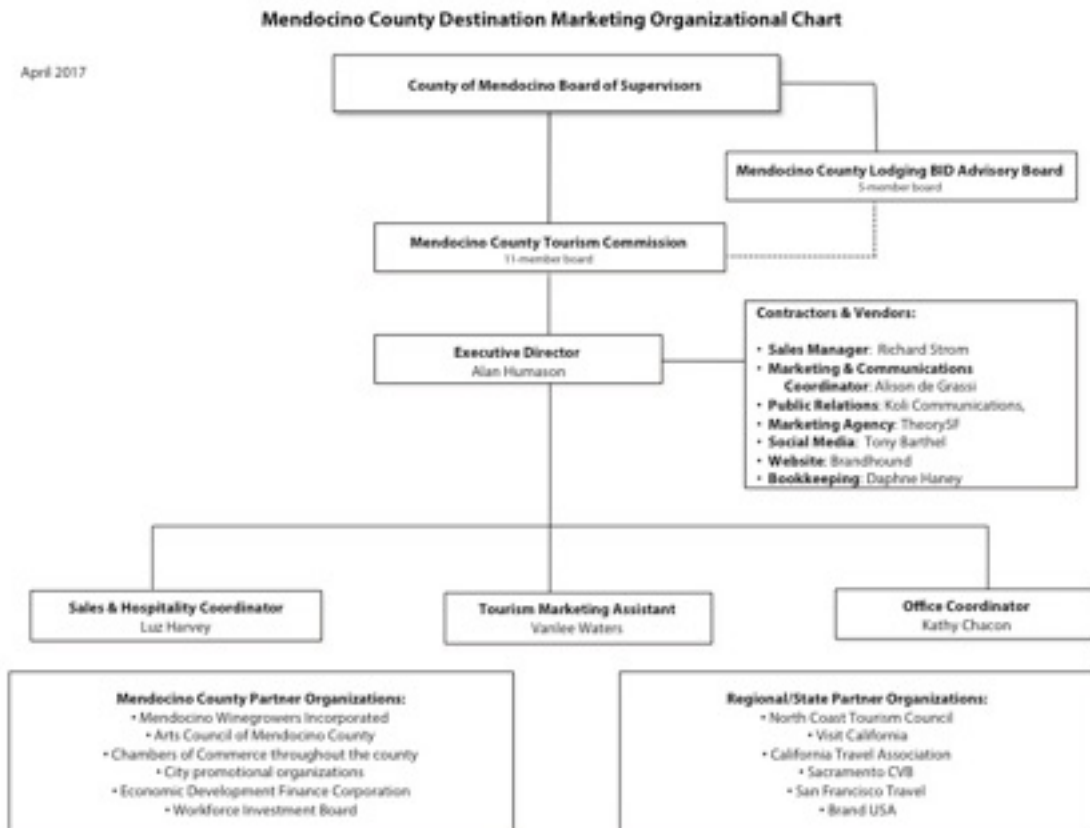
⁶ A Mendocino County Tourism Commission roster is attached as Appendix II showing the incumbent and length of term for each seat.

of a consent calendar through which MCTC approved a series of pre-existing VMC contracts through June 30, 2016. Agreement was reached to schedule annual January Board Development workshops to seat new Board members, provide Brown Act and Ethics Training, conduct a mid-year review and begin planning for the coming fiscal year.

E. Legal Transition from VMC to MCTC and Transfer of Assets

The transition from VMC, Inc. to MCTC was accomplished by amending the organization’s name in the VMC Articles of Incorporation and modifying the Bylaws by majority vote of a quorum of the VMC Board at a public meeting on November 30, 2015. The changes became effective as of January 1, 2016. Thus, MCTC is a continuation of the pre-existing 501 (c) (6) rather than an entirely new entity. Bylaws were amended by the VMC Board to provide for the new MCTC Board to be established, to rename the position of CEO/ President to Executive Director, and to add provisions regarding Brown Act compliance. In order to retain the VMC brand as the public face of the organization, the transition also included steps to establish MCTC as “doing business as”(DBA) Visit Mendocino County. The purpose of the DBA was to retain the public face of the organization and bring clarity, simplicity and transparency to the every day operations of MCTC.

Assets held by MCLA and MCPA prior to establishment of the BID were retained by each organization; all accumulated BID assessment revenue held by MCLA and County matching funds held by MCPA were transferred to MCTC in a series of payments. Completion of this process is acknowledged in the Minutes of the MCTC February, 2017 Board meeting.



III. VMC/MCTC ACCOMPLISHMENTS

A. Overall Goal and Strategic Objectives

VMC's overall goal in FY 2015-2016, as adopted from the 2014 Marketing Study in FY 2014-2015, continued to be: *...to increase overall demand for overnight visitation (leisure and group) during key times of the year in an effort to raise revenues, employment and taxes in Mendocino County.*

Strategic objectives remained, to:

1. *Continue to effectively position Mendocino County as one of California's premier leisure destinations;*
2. *Educate consumers on the different coastal and inland experiences that can be found within the county;*
3. *Increase marketing focus to key lifestyle and passion segments including outdoor/recreation, wine, food and romance;*
4. *Increase the role of technology and digital marketing efforts in order to broaden the reach and increase effectiveness;*
5. *Implement a marketing dashboard that tracks key indicators for the destination and VMC and distribute that information in an effort to educate and support the tourism industry; and,*
6. *Implement research that tracks the effectiveness of the VMC website and the influence it has on persuading visitors to visit Mendocino County.*

B. Tactical Goals

Fiscal year 2015-2016 tactical goals remained closely aligned with these strategic objectives. Accomplishments continued to mount in the first half of FY 2015-2016. Impact was tracked in the following six (6) key performance areas:

- **PUBLIC RELATIONS GOALS:** Generate \$4,600,000 in measured advertising equivalency; reach an estimated audience of 110,000,000; achieve 170 placements in key media outlets; pitch/secure twenty-six (26) media to visit the destination; attend two (2) media missions and two (2) trade shows; and, support VMC Marketing and Promotional objectives.
- **WEBSITE AND SOCIAL MEDIA GOALS:** Increase visitor time on site and average pages visited; reduce bounce rate; continue to grow and engage with VMC social media and database of customers; and, make use of targeted Facebook advertising to support partner events and promotions.
- **ADVERTISING AND PAID MEDIA GOALS:** Drive traffic to new website through targeted paid online advertising, Search Engine Optimization (SEO), and viral sharing of editorial pieces.
- **SALES GOALS:** Acquire 7,000 consumer leads and sell 1,200 room nights as a result of VMC sales efforts to administer and lead the partnership with the North Coast

Tourism Council (NCTC) and continue partnership activities with Visit California, including travel to travel shows, sales missions and media missions throughout the year. (All travel paid for by Visit California.)

- **VISITOR AND CONSTITUENT SERVICES GOALS:** Engage and inform lodging owners and other valued partners to increase and lengthen overnight stays; develop new events that highlight the unique aspects of the County and increase partner participation and visitor attendance for focal events; produce and distribute a county-wide calendar.
- **OPERATIONS AND STAFFING GOAL:** Keep MCTC running smoothly.

C. Accomplishments in FY 2015-2016

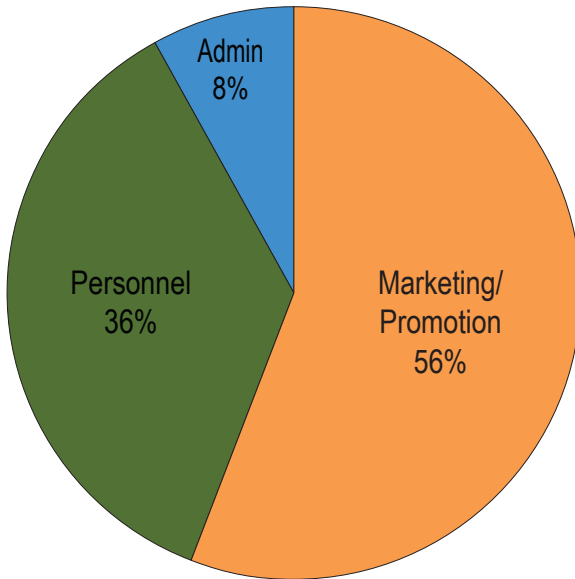
Fiscal year 2015-2016 is the most recent year for which complete financial information is available. Mendocino County's TOT revenue continued its upward trend begun in FY 2010-2011, exceeding the prior year by more than eight percent (8%) to \$4,772,700. Assessment revenue of \$811,980 earned a County match of \$405,990. The County collected an administrative fee of \$24,359, three percent (3%) of total assessments.

MCLA oversaw VMC implementation activities from July 1 through December, 2015. As described above, the MCTC Board was seated in January, 2016 and assumed responsibility for oversight of both the BID assessments and County matching funds and implementation of the Annual Marketing Plan and Budget approved by the Board of Supervisors as part of the FY 2015-2016 BID Annual Report.

As part of the FY 2013-2014 DMAI accreditation process, VMC adopted standardized budget categories to permit it to benchmark against organizations of comparable size. The graphs below compare actual VMC spending in FY 2015-2016 to industry averages for each budget category. Expenses are allocated into standardized categories and average percentages determined for spending on administration, personnel and marketing by typical DMOs of similar budget size.

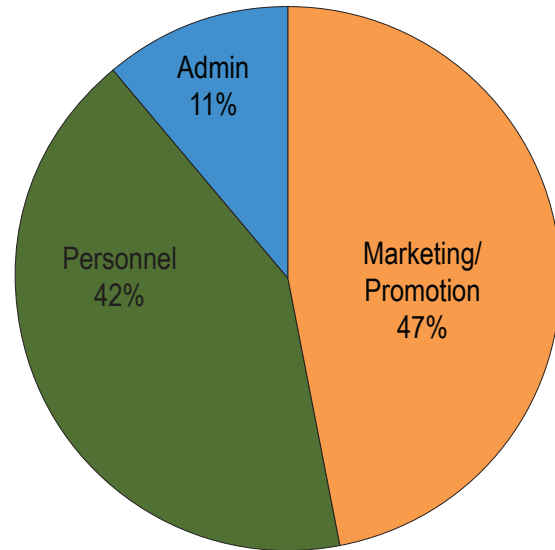
**COMPARISON OF VMC SPENDING BY CATEGORY
WITH DMO INDUSTRY AVERAGE**

Visit Mendocino County, Inc.
2015–2016 Budget Breakdown



Administration: \$92,116 – 8%
 Personnel + Independent Contractor: \$410,181 – 36%
 Marketing/Program Expenses: \$638,595 - 56%
 Total expenses: \$1,140,892

DMO Industry Average
 Represented by a sample of DMOs that participated in
 DMAI 2015 DMO Organizational & Financial Profile Study



Categories defined as follows:
 Administration: office supplies, computer expenses, rent/utilities, interest, etc.
 Personnel: salaries & wages, payroll taxes, and employee benefits
 Marketing/Promotion: all non-admin and non-personnel expenses

VMC also continued the practice of reviewing key salaries against benchmarks provided by the Destination Marketing Association of the West (DMA-West) *CEO and Staff Salary and Benefits Survey*. This survey is conducted annually and gives average salaries for many of the key positions found in typical DMOs based on budget size. VMC job descriptions with salary ranges are available on request.

Results in each key area are discussed in detail in the *Visit Mendocino County 2015-2016 Annual Report*. The full report is available online at: http://mendocinotourism.org/wp-content/uploads/AR_Final_20160913_web-version-1.pdf

Key accomplishments in FY 2015-2016 included:

- The marketing data dashboard was completed and implemented to track key indicators for the destination and VMC initiatives.
- Following an abrupt and devastating crash, www.visitmendocino.com, the official travel website for Mendocino County, was re-created on a Word Press platform to be more visitor-facing, content driven and user-friendly. Site statistics showed increasing stability and higher engagement with December, 2015 page views up

forty-nine point eighty-eight (49.88%) and pages per session up by forty-three percent (43%) compared to December, 2014.

- Once again, VMC's Public Relations contractor and vendors met or exceeded established goals, achieving ad equivalency of over \$82 million, reach of over 967 million, and 516 media placements. They conducted thirty-two (32) Familiarity (FAM) Tours; completed two (2) media missions; supported two (2) events; and attended two (2) trade shows.
- Social media reach via Facebook also showed impressive growth, with the addition of 18,556 fans by June 30, 2016, bringing the total to 50,237.
- At least 1,200 room nights were directly attributable to sales efforts and 8,192 new leads were added to the consumer database. Sales staff hosted eight (8) Visit California FAM tour groups from China, France, Korea, Taiwan, and the U.K.
- A nationwide search resulted in the hiring of a new Executive Director who was seated in July, 2016 immediately following renewal of the BID for FY 2016-2017.

D. Year to Date Progress for FY 2016-2017

Marketing Plan and Budget: Strategic and tactical goals and key performance areas remained unchanged for FY 2016-2017. The year's Marketing Plan and Budget were developed by staff and the transition consultant in collaboration with the newly seated MCTC Board. The Plan was based on the 2014 Marketing Study and updated assessment data reviewed by Marketing Consultant Carl Ribaud. It is available online at: <http://mendocinotour.wpengine.com/wp-content/uploads/2016-2017-marketing-plan.pdf>.

The MCTC Board and Executive Director interpreted the BOS approved Marketing Plan and Budget as a guide which allowed considerable flexibility for tactical implementation. The Cooperative Marketing Program that was presented for Board approval was heavily focused on print campaigns, most of which proved unsatisfactory either in terms of measurable ROI or by the amount of setting revenue contributed by participating businesses. In addition, the oversight function of the MCTC Board and its Marketing Committee was hampered by a lack of timely, meaningful reports to track the impact and ROI of the various initiatives.

As in the past, the VMC team of staff and contractors contributed to producing a colorful Quarterly Marketing Report describing current programs and those planned for the remainder of FY 2016-2017. While these reports are rich in anecdote and data from the online data dashboard, an important goal for FY 2017-2018 will be to ensure that each program is also clearly referenced to specific strategic initiatives, and that assessment criteria for each are defined from the outset with measurable goals, including ROI and the impact on target audiences. The first quarter Report is available at: http://mendocinotourism.org/wp-content/uploads/Q1-Mktg-Report-201617_web.pdf and the second quarter Report may be found at: http://mendocinotourism.org/wp-content/uploads/Q2-Mktg-Report-2016_17_VMC.pdf. The following are among the noteworthy outcomes described in these reports:

Advertising and Paid Media: Digital campaigns were largely successful. Print results varied widely with some placements performing reasonably well and others proving costly and ineffective. Co-op advertising opportunities drew fewer participants and less off-setting income than projected.

Public Relations: Once again, PR surpassed goals with \$12,028,458 in advertising equivalency and 161,725,919 impressions. As of December 31, 2016, VMC had hosted ten (10) in-County FAM trips and made one (1) media mission to New York City.

Website and Social Media: Engaging content attracted 83,475 unique visitors to the website as of December 31, 2016, with 103,349 unique sessions recorded on the data dashboard. Blog posts have proved popular and more guest bloggers are being invited to post content on the site. Technical upgrades are underway to further enhance the user experience and ability to track results. Appearance will be refreshed as part of overall re-branding. Facebook gained 2,020 *Fans* in the first half of the year. Instagram Followers grew to a healthy 7,807.

Sales: At least 1,200 room nights were attributable to sales efforts and 8,192 new leads were added to the consumer database. Sales staff hosted eight (8) Visit California FAM tour groups from China, France, Korea, Taiwan, and the U.K.

Visitor and Constituent Services: Working with the Festival Committee, staff gathered events for three (3) County-wide shoulder season festivals, posted events on the VMC website and submitted event information to publications and websites. A new month-long “Almost Fringe Festival” will launch in April, 2017, highlighting creative endeavors throughout the County. More than 100,000 County materials were distributed including maps, pet-friendly guides, large and small visitor guides and calendars. Visitors to the Fort Bragg office declined to just under 2,000. First Friday events were discontinued and retail sales were replaced by exhibits developed by partner organizations. Stakeholders continued to receive emailed newsletters and calendars of upcoming coastal and inland events. Columns in local newspapers provided community outreach. The annual Marketing Summit attracted a large and unusually diverse audience from both traditional tourism stakeholders and the cannabis community. Input from the cannabis forum will help to inform the work of the Ad Hoc Cannabis Committee which has been established to explore possibilities and constraints on cannabis related promotion.

Operations and Staffing: To a large extent, MCTC’s first full year of operation has been devoted to organizational restructuring. Published Board agendas are evidence of the substantial time commitment to developing policies and procedures, adopting “best practices,” and addressing a myriad of office management and personnel issues.

High turnover among staff and contractors caused gaps in institutional memory and discontinuity in established policies and procedures. Staff members and Board Committees were faced with having to recreate financial and marketing reports, employee policy documents and a misplaced Organizational Calendar showing re-occurring tasks and events.

For the first time, the annual VMC audit included extensive notes describing apparent deficiencies, including the absence of employee 1099 forms. While this and several other

audit notes were the result of information that had been misplaced during the transition, other notes prompted positive actions that strengthened the organization. Among these were development of a formal Conflict of Interest Policy and revisions to the Employee Handbook.

Chronic understaffing contributed to a decision to limit open VMC office hours. First Friday openings were also discontinued on the recommendation of the Executive Director who viewed them as “too time-consuming.”

There were also positive outcomes of re-evaluating operations and staffing options. Replacement of an outdated phone system reduced costs and allowed each staff member to have a dedicated voice message box. A partnership with Visit Ukiah to hire and share a Social Media Coordinator saved \$5,000. Converting the staff Sales position to that of a contract position shared with the North Coast Tourism Council also reduced costs and clarified the scope of work.

Delays in filling open seats on both the MCTC and BID Advisory Boards revealed the need for more timely and effective recruitment. Two (2) seats on the MCTC Board were not filled until late February, 2017, preventing it from convening with its new members in January for a Board Workshop including Brown Act and Ethics Training and a mid-year review of the current Marketing Plan and Budget that is necessary before commencing planning for the coming fiscal year.

The BID Advisory Board began its annual cycle in November, 2016 with an empty Inland seat, one (1) new Coastal representative and three (3) termed-out members continuing without formal re-appointment. Once again, MCLA failed to provide timely nominations for BID Advisory Board seats as was required each August when it was the County’s contractor for BID implementation. County staff worked with the most recent MCLA President to nominate a former member of the BID Advisory Board, who was then re-appointed by the BOS.

The Advisory Board’s work was abruptly disrupted in February, when MCLA attempted to reassert its authority by submitting nominations to extend the appointment of one member and immediately replace the member currently chairing the Board. Action was deferred by the BOS to allow completion of this BID Annual Report, and to enable County Counsel to determine whether MCLA can properly be recognized as representative of lodging given its current status. The organization has failed to redefine its Mission and Purpose since transfer of the County contract for BID oversight to MCTC. The last regional elections were held in 2014. All but two (2) Board Members are termed out and many seats are empty. It has failed to notice and hold regular meetings, post agendas, and conduct business in a manner consistent with its Bylaws. No response was received to a query to the most recent MCLA Board President from the BID Advisory Board asking whether there are plans to reconstitute the organization.

Nearing the midpoint of FY 2016-2017, the MCTC Board extended a Request for Proposals to seek a professional marketing firm to undertake re-branding and website analysis and propose a marketing plan for the coming fiscal year. After presentations to the Marketing Committee by four (4) finalists, the Board approved the Marketing Committee’s

recommendation to contract with *TheorySF* for the balance of FY 2016-2017 with a FY 2017-2018 contract contingent on continuation of the BID.

A concurrent decision was made to embark on a strategic planning process to chart the course for the next two to three (2-3) years. The Coraggio Group was retained to lead the process. The timing was re-considered after the Executive Director's resignation, effective March 31, but implementation commenced in January. It engaged more than forty (40) stakeholders in personal interviews and a series of small sessions to: 1) bring *clarity* to the work by reviewing the organization's vision, mission, values, reputation, and position relative to others working in the area of tourism promotion; 2) *focus* on identified imperatives and objectives; and 3) design *action* initiatives and assessment criteria. *TheorySF* was present and contributed to the final sessions and is committed to tracking its work against the established objectives.

Titled: *Visit Mendocino County: Strategic Direction 2017/18-2019/20*, the final *Plan* was approved by the MCTC Board at its March 14, 2017 meeting. Also at that meeting, it was announced that the Personnel Committee was in the process of finalizing appointment of a new Executive Director. The next step is for a Board Development Workshop to be held with the new Executive Director at which responsibility will be assigned to staff and Board Committees for overall implementation and work on individual initiatives. Despite challenges posed by the transition, VMC's solid foundation held and has been further strengthened through the efforts of committed staff and MCTC Board and Committee members.

Throughout the planning process, it was repeatedly emphasized that *Visit Mendocino County* has reached a critical pivot point. With restructuring complete, the organization is poised to embark on an innovative and successful future with a fresh vision, new leadership, and a firm financial footing. VMC will realize its Vision by providing:

Enriching experiences for our guests, enhanced lifestyles for our residents, and stability and diversity for our economy.

IV. BASIS FOR PLANNING AND BUDGETING FOR FY 2017-2018

A. District Boundaries and Assessment

Prior to the start of FY 2015-2016, a protest vote led to withdrawal of the City of Point Arena from the Lodging Business Improvement District. Should the current District boundary for the BID assessment remain without further changes for FY 2017-2018, then the classification of businesses would also remain unchanged; and would therefore, continue to include all "hotel" or "lodging business," as defined in Section 5.140.030 of the Mendocino County Code, in the County of Mendocino, City of Ukiah, City of Willits and City of Fort Bragg, California. An amendment to the Ordinance is in process to reflect the withdrawal of Point Arena.

Pursuant to Section 5.140.060 each hotel or lodging business which collects rent and benefits from overnight guests, and operates in the District will be assessed a share of the costs of the services, activities and programs, according to the rent revenues and the benefits to be received; with the assessment levied as one percent (1%) on gross rent. This

assessment is calculated on a daily basis from gross rent revenues collected by each lodging establishment.

B. Allowable Services, Activities and Programs

The services, activities and programs to be provided through the BID in FY 2017-2018 are defined by Section 5.140.050 of the Mendocino County Code for the purpose of benefiting lodging by promoting tourism in the District. Those services, activities and programs, which are to be accomplished through implementation of the approved Annual Marketing Plan and Budget by MCTC, are as follows:

- *The general promotion of hotels operating within the District;*
- *The marketing of products and events that have a connection with the hotel industry operating in the District;*
- *The marketing of the District to the media and travel industry in order to benefit local tourism and the hotels in the District; and,*
- *Any activities permitted under the Parking and Business Improvement Law of 1989, (being Section 36500 to 36551 of the California Streets and Highways Code) that are included as costs specified in the Annual Report, subject to adoption by the Mendocino County Board of Supervisors. Activities means, but is not limited to, the following:*
 - 1) *Promotion of public events which benefit businesses in the area and which take place in public places within the area;*
 - 2) *Furnishing of music in any public place in the area;*
 - 3) *Promotion of tourism within the area; and,*
 - 4) *Activities which benefit businesses located and operating in the area.*

V. PRELIMINARY PLAN FOR FISCAL YEAR 2017-2018

A. Strategic Direction

Led by the Coraggio Group, the strategic planning process engaged stakeholders to revisit VMC's *Vision, Mission, Values, Reputation* and market *Position*, and identify *Imperatives, Objectives, and Initiatives* to guide the work from FY 2017-2018 through FY 2019-2020. This work is summarized below.

Visit Mendocino County: Strategic Direction 2017/18-2019/20

CLARITY	<p>Vision Enriching experiences for our guests, enhanced lifestyle for our residents, and stability and diversity for our economy</p>	<p>Mission Visit Mendocino County stewards and amplifies the total Mendocino County experience</p>	<p>Values Transparency We foster trust through openness and integrity Accountability We are outcome-oriented and professional Partnership We create alignment through inclusive and meaningful relationships Community We contribute to the fabric of Mendocino County Innovation Our creativity reflects the uniqueness of our cultures and landscapes</p>	<p>Reputation Leader We motivate and facilitate the tourism community Accessible We welcome—and are responsive to—input from community members and stakeholders Collaborative We actively seek engagement and collaboration with our stakeholders and partners Bold We deliver on smart, effective, and forward-thinking ideas</p>	<p>Position In order to support our stakeholders, generate economic activity for county residents through tourism, and inspire our visitors, Visit Mendocino County</p> <ul style="list-style-type: none"> Consistently markets the entire county and its assets Creates, develops, and manages brand awareness for the county Connects people and organizations to opportunities Provides information to in-county partners and tourism resources to the industry Delivers a robust and sustainable return on investment
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FOCUS	<p>Imperatives</p> <p>Demonstrate and strengthen VMC's contribution to county economic and community vitality</p>	<p>Objectives</p> <ul style="list-style-type: none"> BID assessment growth at 5% over average of top 3 competitors Year-over-year increase of sales tax receipts in Mendocino County Year-over-year increase in stakeholder survey response rate 	ACTION
FOCUS	<p>Cultivate VMC's relationships and collaborations</p>	<ul style="list-style-type: none"> Year-over-year increase in number of events launched and reaching self-sufficiency Year-over-year increase in "opportunities" page visitation on VMC website Year-over-year increase in new applicants for BID and MCTC Board positions and committee membership 	
FOCUS	<p>Raise awareness of the Mendocino County experience</p>	<ul style="list-style-type: none"> Year-over-year increase Mendocino County awareness score Year-over-year increases in impressions and ad-equivalency Year-over-year increase in experience perception score on in-market visitor survey 	
			<p>Initiatives</p> <ul style="list-style-type: none"> Increase tourism revenue through the development and implementation of the annual integrated marketing, public relations, and sales plan Improve data-driven decision making through increased participation and "buy in" from all of our partners Develop a data-sharing process that offers context and insights for partners

Operational Planning Elements



Tactics
What specific activities must we accomplish in order to successfully achieve our initiatives in this biennium?



Priorities
Which tactics **must** start during this planning cycle? Which ones **should** start? Which would be **nice** to start, but might not be critical?



Dependencies
What are the organizational interdependencies we must keep front-of-mind? Where will inter-departmental and external collaboration exist?



Timing
When will each activity begin? Over what period of time will the tactic be active?



Owners
Who is responsible for managing and communicating the progress and completion of each tactic?



Budget Impact and Integration
What kind of impact will this tactic have on the budget? How will this flow into the financial planning process?

B. Estimated Bid Assessment Revenue for FY 2017-2018

Pursuant to Section 5.140.245 of the Mendocino County Code, the County of Mendocino has entered into an agreement with MCTC as its contractor to provide promotional services, activities and improvements for the District. The balance sheet and profit and loss statements regarding budget vs. actual reports are to be provided to the County on a quarterly basis.

In FY 2015-2016 the Mendocino County Tax Collector recorded total BID assessments in the amount of \$811,980 to provide services, activities and programs on behalf of the District. To date, this is the highest amount collected since the inception of the BID.

The MCTC Finance Committee currently estimates total FY 2016-2017 assessment revenue of \$860,000. It anticipates five percent (5%) growth in FY 2017-2018, bringing County-wide assessment revenue to \$886,519.

C. Contributions from Mendocino County Matching Funds for FY 2017-2018

As the County's designated contractor, MCTC will receive and will be responsible for ensuring that the County match of BID assessments is used to provide allowed services, activities, and programs to benefit the District.

Section 5.140.250 (C) establishes how the County match will be calculated and paid to the County contractor. *...The fifty percent (50%) County match shall be based on the prior fiscal year assessment collected and shall be paid out in twelve equal installments. After the fiscal year is closed, an adjustment amount will be determined to make the annual County match amount equal to fifty percent (50%) of the total current fiscal year assessment collected. This adjustment amount will be applied no later than September 30 of the following fiscal year. The County may provide an advance in funds to the District and the contract shall provide for the terms and conditions of the advance.*

D. Proposed Budget for FY 2017-2018

The total budgeted cost of services, activities, and programs for the District in FY 2017-2018 is \$1,481,700. The Budget contained in this BID Annual Report is based on estimated FY 2017-2018 assessments totaling \$886,519 plus the County's fifty percent (50%) match of \$430,000, based on estimated final FY 2016-2017 assessment revenue of \$860,000. It includes the \$134,700 Reserve Fund and Other Income of \$57,077, including \$30,477 carried over from the prior year.

Pursuant to Section 5.140.240 the County of Mendocino is entitled to charge an amount equal to its actual costs for the collection of assessments and administration. Effective June 18, 2015, the cap on this fee is three percent (3%) of the total collected in BID assessments. This fee is collected when the books are closed, approximately two (2) months after the end of each fiscal year. Section 5.140.260 of the Mendocino County Code excludes enforcement costs from the cap on administration fees. The Budget shows it as a reduction in income.

The proposed Annual Marketing Plan and Budget for FY 2017-2018 includes a Reserve Fund of \$134,700. In the past, the BOS has approved recommendation of the BID Advisory Board that the Reserve Fund be equal to \$100,000 or ten percent (10%) of the annual expenses, whichever is greater. This sum is to be held in an interest bearing account for the purpose of providing funds that can be accessed to address shortfalls in revenue projections or unexpected expenses consistent with applicable laws and the annual contract between the County of Mendocino and MCTC. Allowable uses might include promotional expenditures required to assist the District's recovery from a natural disaster or other adverse circumstance in which inadequate funding could pose a threat to the local tourism economy. Expenditures from the Reserve Fund must be authorized by a vote of the MCTC Board of Directors.

**PROPOSED FY 2017-2018 ANNUAL BUDGET
INCLUDING BID ASSESSMENTS, MENDOCINO COUNTY MATCHING FUNDS
AND MISCELLANEOUS INCOME**

INCOME	
MCTC BID Assessment	\$886,519
County of Mendocino Matching Funds	\$430,000
Other Income (includes carryover of \$30,477)	\$57,077
Reserve/Contingency Account	\$134,700
County Administrative Fee	[\$26,596]
TOTAL INCOME	\$1,481,700
EXPENSES	
Advertising/Media	\$381,000
Marketing / Public Relations	\$299,000
Website Maintenance & Development	\$59,000
Leisure & Group Sales	\$95,500
Visitor Services	\$95,500
Partnerships	\$28,000
Administrative Expenses	\$111,200
Personnel	\$277,800
Reserve/Contingency Account	\$134,700
TOTAL EXPENSES	\$1,481,700

VI. BID ADVISORY BOARD RECOMMENDATIONS

A. Recommendations Actionable by Mendocino County Tourism Commission

1. Require that prior to the MCTC Board approving funding of each program, assessment criteria be established that reference the program to the Strategic Plan and include: intended target audience, total cost, pre-determined goals and measurement criteria.
2. Direct staff to work with the Marketing Committee and contractor to develop a standardized report format displaying these performance criteria, actual results, and return on investment. Include this report in all Board meeting packets as a discussion item and post it on the organization's website.
3. Consistent with the strategic initiative to *...Explore options to influence and shape potential cannabis tourism...* direct staff to work with members of the MCTC Ad Hoc Cannabis Committee to collect and present information describing how cannabis promotion is being handled by other Destination Marketing Organizations. Said report should include a discussion of: a) legal obstacles and/or concerns others perceive or have actually experienced, particularly if BID assessments and/or tax revenue are being used for cannabis-related promotion; and b) legal opinions which have been obtained concerning potential challenges due to discrepancies between State and Federal Law.
4. Continue to maintain the DMAI certification earned by VMC, Inc.
5. Continue to track and report budget percentages for administrative expenses as compared to the DMAI industry-wide averages for DMOs of similar budget size. Employ a footnote to indicate changes in the number of staff and the dollar value of any staff expenses shifted from Personnel to Advertising/Marketing as a result of outsourcing.
6. Continue to benchmark key salaries and staff benefit packages against the *CEO and Staff Salary and Benefits Survey* produced annually by Destination Marketing Association of the West, and make salary ranges available on request.
7. Continue to allocate \$14,400 for ongoing sponsorship payments of \$1,200 each month to the Arts Council of Mendocino County in return for specified deliverables, as required by the County contract. Require clear links between the deliverables and initiatives defined in the MCTC Strategic Plan and reflect this as a budget line item separate from the general allocation for partnerships.
8. Maintain a Reserve Fund equal to \$100,000 or ten percent (10%) of the annually projected expenses, whichever is greater, with the conditions that: a) this sum is to be held in an interest bearing account and be reflected as a line item on the MCTC balance sheet; b) all expenditures would require approval by the MCTC Board; and c) allowable uses would remain only those recommended and approved in the FY 2007-2008 BID Annual Report with the additional allowance for use to cover lower than

budgeted assessment income as discussed in the FY 2009-2010 and FY 2014-2015 BID Annual Reports.⁷

9. Continue to include line items in each annual Budget to fund: a) on-going Board training and development; and, b) research and on-going consultation to continue to strengthen marketing and assessment.
10. Create or revise job descriptions for staff and Board committees to include specific assigned responsibilities related to implementation of the Strategic Plan.
11. Review and update the Organizational Calendar to show reoccurring activities and responsibilities assigned to key staff, the Board of Directors, and each Board committee. Include calendar entries that:
 - Direct the Board Development Committee to: a) initiate the enlistment, nomination and appointment cycles for MCTC and BID Advisory Board seats with the County Tax Administrator no later than May 1 of each year; and b) commence planning for an annual Board Development Workshop no later than October 1 of each year to ensure timely orientation of new Board members, refresh Brown Act and Ethics Training, conduct a mid-year budget review, update the Strategic Plan and commence planning for the new Marketing Plan and Budget.
 - Specify January as the time for the annual Board Workshop.
 - Specify a date by which the Executive Director will review and advise the MCTC Board of Directors when steps are required to preserve the VMC and MCTC trademarks.
 - Adopt a timeline to ensure full Board review of the preliminary Budget for the following fiscal year at its February meeting, and final Budget approval at the March Board meeting for inclusion in the BID Annual Report.

B. Recommendations Actionable by the County of Mendocino

1. In addition to modifications to Chapter 5.140 of the Mendocino County Code that were recommended in the FY 2016-2017 BID Annual Report, approved by the BOS, and are currently in process of final implementation in the Ordinance, the current BID Advisory Board recommends that the BOS:

- Amend the Ordinance to align with the current practice of forwarding one hundred percent (100%) of current assessments to the contractor within thirty (30) days and collecting the three percent (3%) administrative fee at the time of the thirteenth, “true up” invoice, no later than sixty (60) days after the close of each fiscal year. This amendment is currently in process.

⁷ As approved by the Board of Supervisors, the FY 2007-2008 BID Advisory Board Annual Report establishes the following allowed uses for the Reserve Fund: ... *unexpected District expenses that are consistent with applicable laws and the annual contract by and between the County of Mendocino and the Mendocino County Lodging Association. Those expenses could include promotional events, special publications, or promotional and public relations efforts to help the District recover from natural disaster or other adverse, unexpected events having extreme administrative and program costs and threat to the local tourism economy.* The approved FY 2009-2010 and FY 2014-2015 Annual Reports state that the funds may also be used cover lower than budgeted assessment income.

- Adopt and expedite the following Ordinance amendments regarding nominations and appointments to the BID Advisory Board:
 - Section 5.140.210 Specify that Members of the BID Advisory Board shall be selected and appointed by the Mendocino County Board of Supervisors from a list of nominees submitted in August of each year after being prepared by the Board of Directors of the designated contractor and/or the Mendocino County Lodging Association, should that organization update its Bylaws, hold regional elections and demonstrate itself to be operating as a transparent representative of and forum for discussion by lodging members of the Business Improvement District. All nominees must be owners or operators of Hotels within the District, or employed by the operator of a Hotel within the District. *Two members shall be appointed to represent the inland area of the District. Two members shall be appointed to represent the coastal region of the District. One (1) At-Large member shall be appointed. Members of the advisory board shall serve two (2) year terms, with two members appointed in every even numbered year and three members appointed in every odd numbered year. Upon completion of a term, the incumbent may apply to be considered for re-appointment. In the event of a mid-term resignation, an appointment may be made by the Mendocino County Board of Supervisors for the remainder of that term.*
 - Section 5.140.210 (B) The contractor shall be responsible for notifying owners and operators of Hotels within the District of anticipated vacancies and the method of applying for appointment to the BID Advisory Board. Provided contractor coordinates with the Mendocino County Tax Administrator no later than May 1 of any year, the Tax Administrator will include in the next Transient Occupancy Tax billing distribution an announcement that has been produced by contractor, according to specifications and deadlines established by the Tax Administrator of openings on the advisory board with directions as to how eligible candidates may apply.
 - Section 5.140.210 (C) The Advisory Board shall convene annually by November 30 to cause to be prepared the annual report for purposes of the Business and Improvement Area Law of 1989.

2. Modify the MCTC Contract to require staff to contact the County Tax Administrator no later than May 1 of each year to initiate the recruitment process to fill anticipated openings on the MCTC and BID Advisory Boards so that an announcement of open seats and the application process can be included in the June Transient Occupancy Tax billing distribution. This announcement is to be composed and produced by MCTC staff to specifications provided by the Tax Administrator and is to be delivered to County staff for inclusion in the mailing by an agreed-upon date.

3. Regarding future BOS appointments to the MCTC Board, it is recommended that the BOS adopt by Resolution the selection criteria and process that was approved with the FY 2016-2017 BID Annual Report and that is attached to this Report as Appendix IV.⁸

4. Upon adoption of amendments to the Ordinance assigning responsibility for Advisory Board nominations to the contractor, direct staff to initiate the same change in the BID Advisory Board Bylaws.

5. Direct the County Tax Administrator to begin collecting data on: a) Average Daily Occupancy (ADO); and, b) Average Daily Rate (ADR) as of July 1, 2017 and upgrade software as soon as possible to enable management and quarterly reporting of the aggregated data to the contractor for the purpose of program assessment.

6. Revise monthly and year-end statements accompanying BID assessment payments to the contractor to break down the amounts of monthly payments for assessment and matching funds and the amount of any year-end adjustments and the deduction of the administrative fee. It would be helpful to include notes on these statements that reiterate that monthly match payments are 1/12th of those paid in the prior year and that the administrative fee is paid as part of the 13th, “true-up.”

C. Recommendations for Revenue Enhancement

1. For the fourth consecutive year, the BID Advisory Board strongly recommends that the County of Mendocino consider a ballot initiative to impose the Transient Occupancy Tax on private campgrounds for stays of less than thirty (30) days.

2. Expedite efforts to identify and commence collection of TOT and BID assessments from currently unlicensed AirBnB and VRBO listed properties, and also on rentals of cabins, tent cabins and trailers that are being offered by campgrounds and promoted as “Glamping” but that conform with current descriptions of lodging types required to collect TOT and BID assessments.

3. In November 2016, Fort Bragg voters passed an initiative to increase the City’s Transient Occupancy Tax to twelve percent (12%). A second initiative on the same ballot, conditional on passage of the increase, designated a portion of the resulting revenue for a specific purpose. The BID Advisory Board respectfully suggests that it may be time for the County to place its own initiative on the ballot for a similar increase and consider raising the County match to one-hundred percent (100%) of collected assessments.

4. The current strategic planning process has reinforced on-going concerns that Mendocino County-wide tourism promotion is underfunded at its current budget of \$1.2 million relative to investment in promotion by competitors who are closer to target audiences. (Examples: Monterey County’s budget is more than \$4 million; Napa \$6 million; SLO \$3 million; Sonoma \$3 million). It will become increasingly difficult to remain competitive in key markets if revenue is not significantly increased in the not too distant future. The BID Advisory Board recommends that the BOS designate a

⁸ Appendix IV provides recommended criteria and a process for selection of MCTC Board Members appointed by the BOS.

member or working committee of the Board to research potential ways to enhance the revenue available for County-wide promotion.

APPENDIX I: TOT/BID Collections

Quarterly reports of Transient Occupancy Tax and BID Assessment receipts are updated by the Mendocino County Tax Collectors Office at the conclusion of each fiscal year. Late payments and penalties are allocated to the year in which they were due. Only TOT collected from Mendocino County lodging properties located outside of the incorporated cities are reported in the TOT Table below. TOT collected by Fort Bragg, Ukiah, Willits and Point Arena remain in the city budgets.

The BID Assessment Table includes the entire one percent (1%) BID collected county-wide, including that paid by properties in Fort Bragg, Ukiah and Willits prior to deduction of the three percent (3%) administrative fee. Properties in the City of Point Arena opted out of the Business Improvement District in FY 2015-2016.

**TREASURER-TAX COLLECTOR
COUNTY OF MENDOCINO
(Data as of September 1, 2016)**

<u>Transient Occupancy Tax (TOT) Collections by Calendar Quarter</u>					
Fiscal Year	1st Quarter (July - Sept.)	2nd Quarter (Oct. - Dec.)	3rd Quarter (Jan. - March)	4th Quarter (April - June)	Fiscal Year Collections
2010-11	\$ 1,159,942.85	\$ 738,735.49	\$ 509,240.81	\$ 870,484.86	\$ 3,278,404.01
2011-12	\$ 1,257,508.60	\$ 783,853.43	\$ 604,215.73	\$ 925,099.30	\$ 3,570,677.06
2012-13	\$ 1,295,039.41	\$ 784,643.96	\$ 614,742.03	\$ 979,056.04	\$ 3,673,481.44
2013-14	\$ 1,376,597.06	\$ 885,374.97	\$ 676,844.41	\$ 1,059,539.24	\$ 3,998,355.68
2014-15	\$ 1,483,327.89	\$ 980,448.93	\$ 773,950.43	\$ 1,175,417.30	\$ 4,413,144.55
2015-16	\$ 1,642,133.06	\$ 1,048,806.49	\$ 829,021.22	\$ 1,252,738.95	\$ 4,772,699.72

<u>Business Improvement District (BID) Assessment Collections by Calendar Quarter</u>					
Fiscal Year	1st Quarter (July - Sept.)	2nd Quarter (Oct. - Dec.)	3rd Quarter (Jan. - March)	4th Quarter (April - June)	Fiscal Year Collections
2010-11	\$ 200,677.35	\$ 120,225.57	\$ 88,797.28	\$ 146,920.70	\$ 556,620.90
2011-12	\$ 214,391.01	\$ 127,956.29	\$ 103,057.37	\$ 158,278.97	\$ 603,683.64
2012-13	\$ 228,091.30	\$ 155,038.77	\$ 107,899.38	\$ 170,599.66	\$ 661,629.11
2013-14	\$ 243,710.03	\$ 149,036.76	\$ 116,839.01	\$ 184,274.73	\$ 693,860.53
2014-15	\$ 259,245.43	\$ 166,253.34	\$ 139,451.07	\$ 202,053.97	\$ 767,003.81
2015-16	\$ 272,596.32	\$ 176,342.09	\$ 146,729.66	\$ 216,312.87	\$ 811,980.94

PLEASE NOTE:

The collections reflected above represent the actual quarters in which the lodging establishments collected the taxes and assessments. Previous fiscal year collections have been adjusted to reflect delinquent payments received in the 2015-16 fiscal year.

APPENDIX II: MCTC Board Roster

Executive Director: Alan Humason

John Kuhry	At-Large Member. Appointed. Term expires 12/31/2018. Elected Chair 1/12/2016
Sharon Davis	Mendocino Coast Chamber of Commerce/Coastal Regional Promotional Organization Member. Term expires. 12/31/2018. Elected Vice-Chair 2/15/17.
Marcus Magdaleno	Inland Chamber of Commerce. Regional Promotional Organization Member. Appointed. Term expires 12/31/2017. Elected Treasurer 1/12/2016.
Jo Bradley	Medium Lodging Operator Member. Term expires 12/31/2017. Elected Vice-Chair 2/15/2017.
Cally Dym	Coastal Large Lodging Operator Member. Term expires 12/31/2019.
Bernadette Byrne	Winery/Winegrower Member. Appointed. Term expires 12/31/2018.
Jennifer Seward	Arts Organization/Attractions Member. Appointed. Term expires 12/31/2017.
Cynthia Ariosta	Food/Beverage Business Member. Appointed. Term expires 12/31/2019.
Jitu Ishwar	Large Lodging Operator Member. Term expires 12/31/2018.
Jan Rodriguez	Inland Large Lodging Operator Member. Term expires 12/31/2017.
Deborah Kettner	Small Lodging Operator Member. Term expires 12/31/2018.

APPENDIX III: BID Advisory Board Roster

Wendy Roberts, Chair (Coast) 11/4/2014–11/1/2016
(currently serving—term expired)

Guy Pacurar (Coast) 10/18/2016-10/1/2018
(continuing)

Pauline Zamboni (MCLA) 11/4/2014-11/1/2016
(currently serving—term expired)

Robert Pinoli (Inland) 12/10/2013-12/1/2015
(open)

Kurt Feichtmeier (Inland) 12/6/16–12/1/18
(resigned due to move 3/17)
(open)

APPENDIX IV: MCTC Board Selection

QUALIFICATIONS:

All current and applicant Board members must meet the following requirement to be considered for a seat on the Board of Directors - whether appointed by the Board of Supervisors or placed on a lodging industry ballot:

- Be 21 years or older
- Have a strong belief in and commitment to enhanced development, growth and future capacity of tourism as an important economic driver throughout Mendocino County
- Be a resident of the County and/or have evident business or community interest in the tourism industry of the County
- Be prepared to function as a Board of Director member at both a strategic level and related to operational oversight of the organization
- Be willing to operate within a policy-oriented governance model
- Be prepared to fulfill the Director's role as a volunteer with no compensation
- Have the ability to contribute the time necessary to fulfill the Director's role, as well as other committee, and tourism industry related roles that may emerge from the organization's strategic plan, annual marketing plans, initiatives, etc
- Be prepared to represent the organization, both within and outside the county, at various forums, events and/or special functions
- Accept the governing by-laws of the organization and the policy of the Board of Directors, and apply appropriately to the decision making process
- Have commitment to fulfill a minimum three year term of office as a Board of Director member (unless otherwise stipulated)
- Have the capacity and potential interest to hold Board Leadership positions in the future, ranging from committee chairs to Board of Directors Chair
- Have the ability to work in a team oriented environment that builds on consensus and represents a diverse industry with a multitude of interests and needs
- Indicate interest in participating in industry professional development and governance training opportunities as needed and/or required
- Ability and commitment to follow the Ralph M. Brown Act

SELECTION CRITERIA:

Prior to being considered by the Board of Supervisors for appointment or being considered on a lodging industry ballot, individuals must demonstrate the following criteria to, at least, a satisfactory level:

- Competency and experience as a board member
- Proven track record of creating value for stakeholders
- Ability to apply strategic thought to key issues
- Willingness to understand and commit to the highest standards of governance
- Ability to take a countywide view
- Proven leadership qualities
- Ability to develop a clear vision for the industry and monitor its implementation
- Proven skills in at least one of the following:
 - Marketing
 - Tourism
 - Legal
 - Financial Management
 - Strategic Planning and Development
- Company, industry or organization which is directly impacted by the tourism industry and the work of the Bureau
- Proven interest in serving on behalf of the entire county and the entire tourism industry, not just a special interest, nor any single socioeconomic or geographic sector. (organization's purposes and interests above their own)
- Professional experience, skill sets and education required to lead an innovative and successful tourism bureau
- Willingness, the necessary time and enthusiasm to serve on the board
- Committed to the mission and philosophy of the organization

QUESTIONNAIRE:

Aside from basic information (such as name, business, title, etc), the following should be included in a questionnaire to all prospective board members - whether by appointment or election:

- What overall qualities will you bring to the Board of Directors?
- What is your current or previous involvement with Mendocino County destination marketing?

- What do you see as the organization's major priority and/or opportunity and how do you see addressing it?
- What do you see as the organization's major challenge and how do you see addressing it?
- What leadership experience would you bring to the Board of Directors?
- Where do you see the organization in 3-5 years?
- Why do you want to serve on the Board of Directors?
- How long have you owned your business and/or been in a leadership role with your organization in Mendocino County?
- Is your business for sale?
- Please provide up to three professional references related to prior service related to a Board of Director.

BOARD OF DIRECTORS ROLES AND RESPONSIBILITIES:

The Board of Directors is responsible for the development of tourism throughout Mendocino County. Some functions of the Board may be delegated to Board committees and the Executive Director. However, the Board has final responsibility for the successful operation of the organization.

Key roles of Board members include, but are not limited to:

- Setting of major goals and strategic direction for the Bureau
- Approval of all major plans
- Determine all policies governing the Board
- Establishing and determining the duties of Board committees
- Approving the annual budget and all major items of capital expenditure as defined by written expenditure protocols
- Ensuring compliance with legal and ethical requirements
- Monitoring the implementation of strategic plans
- Commitment to the mission and philosophy of the organization
- Place the organization's purposes and interests above their own professional and personal interests when making decisions
- Insure the long range image of the organization is a positive one
- Follow the Ralph M. Brown Act
- Attending 10-12 Board meetings annually of approximately two hours duration
- Attending 1-2 potential special meetings per year of under two hours duration

- Attending at a minimum of one, and potentially two planning, strategy, orientation sessions per year ranging from three to six hours in duration
- Participating in at least one Board committee and possible additional special task groups or ad hoc committees
- Undertaking of adequate preparation for all Board meetings and events
- Participating actively and fully at Board meetings in order to advance agenda discussion, reach consensus and provide strategic direction and operational oversight to the organization
- Being an advocate for the organization taking an active role in industry partner relations
- Keeping confidential information confidential
- Participating annually in a Board self-assessment and board training workshop

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