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**MENDOCINO COUNTY LODGING BUSINESS IMPROVEMENT DISTRICT
ADVISORY BOARD ANNUAL REPORT FOR FISCAL YEAR 2019–2020 (JULY 1,
2019 THROUGH JUNE 30, 2020)**

EXECUTIVE SUMMARY

This FY 2018-2019 BID Annual Report conforms to requirements outlined in Section 5.140.220 of the Mendocino County Code. It contains information collected by members of the BID Advisory Board from Mendocino County sources and the staff and Board members of the Mendocino County Tourism Commission (MCTC), which conducts its work as Visit Mendocino County (VMC).

Tourism continues to play a vital role in the Mendocino County economy. In 2017, the most recent year for which complete baseline information is available, total direct travel spending in the County increased 4.15% to \$441.7 million. Tourism is a notable employer within the County. While most travel spending and related economic impacts occur within California's metropolitan areas, counties with less total employment have a bigger share of travel-generated employment. Mendocino County stood ninth of the top 20 counties with a significant share of tourism-related employment, supporting 7,070 jobs and generating earnings of more than \$214 million.

The County Treasurer-Tax Collector's October 2018 Transient Occupancy Tax (TOT) report shows that revenue from lodging businesses in unincorporated areas of the county increased to \$5.4 million, a 5.47% increase over the prior year. Total countywide Business Improvement District assessment collections grew by 5.94% to \$942,497.

The MCTC Board and staff continued to adhere to imperatives, goals, and initiatives outlined in the three-year Strategic Plan launched on July 1, 2017. Reporting for the organization was recalibrated to closely monitor the plan goals and Key Performance Indicators (KPIs). Staff and the MCTC Marketing Committee worked hand-in-glove with TheorySF (TSF) to complete the rebranding of Visit Mendocino County, build a new website reflective of the brand, and conduct a brand launch campaign to begin the process of raising awareness of the brand among target audiences.

The MCTC Personnel Committee undertook a successful search for a new Executive Director (ED). Travis Scott, who gained experience in the wine and hospitality industries, started with the organization on June 5, 2018. The organization moved its main operation to a new office space in downtown Ukiah and downsized the Fort Bragg office space. Longtime contractor, Alison de Grassi, became a member of staff in May 2018 as did Richard Strom who had temporarily been a contractor.

The County website has been updated to include the information and application forms for the MCTC and BID Advisory Boards under the [Board of Supervisors](#) section of the site. MCTC maintains a link to this information on its internal website, MendocinoTourism.org, under the Opportunities tab. The ED worked closely with County agencies to nominate new Board members for the MCTC Board and the BID Advisory Board. Four new members were seated at the January 2019 MCTC Board meeting; the BID Advisory Board gained a new member but still seeks a fifth Board member.

The BID Advisory Board review of FY 2018-2019 recommendations for action by the MCTC Board and County of Mendocino describes progress that has been made.

Recommendations for FY 2019-2020 that begin on page **XX** are based on in-depth discussions of high priority issues 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 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. This FY 2019-2020 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 2018–2019 BID Annual Report;
- A proposed FY 2019-2020 BID budget
- A review of the Advisory Board’s recommendations for FY 2018–2019 and FY 2019–2020 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 taxpayers, businesses and employees.

- In 2017, the most recent year for which complete baseline information is available, total direct travel spending in the County increased 4.15% to \$441.7 million. Tourism remains a notable employer within the County with the industry supporting 7,070 jobs and generating earnings of more than \$214 million.

Mendocino County, its incorporated cities and taxpayers have a direct interest in the optimal investment of BID funds to promote countywide tourism and related industries. Building and maintaining awareness of the county as a viable and vital tourism destination is top of mind for marketing efforts in 2019–2020. However, it is clear that enhancing this essential segment of the county’s economy is an ongoing challenge in an increasingly competitive environment. One measure of the impact of the BID is the amount of TOT that is collected. The County Treasurer-Tax Collector’s October 2018 Transient Occupancy Tax (TOT) report shows that revenue from lodging businesses in unincorporated areas increased to \$5.4 million, a 5.47% increase over the prior year. The Tax Collector reported that the countywide 1% BID assessment generated \$942,497, earning \$471,248 in matching funds for marketing and promotion. (For planning purposes, MCTC revenue projections are based on actual assessment receipts for the prior calendar year. These totals differ from the County’s adjusted fiscal year-end results shown in [Appendix I.](#))

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. 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 countywide promotion. The Ordinance also created a County match of 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-member BID Advisory Board responsible for preparing a BID Annual Report for each fiscal year. This report is due for presentation to the BOS 90 days before the start of each fiscal year, and BOS final approval of the report is required before the new fiscal year commences. The BOS appoints Advisory Board members based on nominations from the

MCTC Board, pursuant to its contract with the County. This contract requires MCTC staff and Board to assist in preparing the Report for review and approval by the BID Advisory Board.

Section 5.140.220 outlines specific information to be included in the BID Annual Report:

(A) 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.

(B) The report shall be filed with the clerk and shall refer to the parking and business improvement area by name, specify the fiscal year to which the report applies, and, with respect to that fiscal year, shall contain all of the following:

- (1) Any proposed changes in the boundaries of the parking and business improvement area or in any benefit zones within the area.*
- (2) The improvements and activities to be provided for that fiscal year.*
- (3) An estimate of the cost of providing the improvements and the activities for that fiscal year.*
- (4) The method and basis of levying the assessment in sufficient detail to allow each business owner to estimate the amount of the assessment to be levied against his or her business for that fiscal year.*
- (5) The amount of any surplus or deficit revenues to be carried over from a previous fiscal year.*
- (6) The amount of any contributions to be made from sources other than assessments levied pursuant to this part.*

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 prior to renewal of the BID and collection of assessments for the new fiscal year. Once adopted by the BOS, it dictates how BID funds and the Mendocino 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.

Section 5.140.245 requires 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 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

BID Annual Reports comprise the official record of program implementation, oversight and outcomes funded through the BID assessment and County matching funds. They may be accessed on the County website. The following timeline summarizes the history of BID oversight:

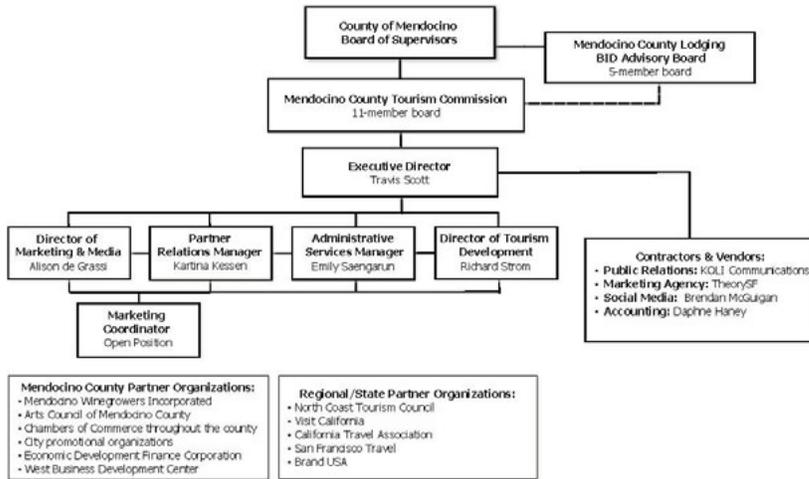
- 2006: Business Improvement District established by vote of Mendocino County lodging owners and operators.
- 2006-2015: Pursuant to annual contracts with the County of Mendocino, funds from 1% BID assessment were overseen and invested in countywide promotion by Mendocino County Lodging Association (MCLA). The 50% County match was overseen and invested in countywide promotion by Mendocino

County Promotional Alliance (MCPA).

- 2009: MCLA and MCPA collaborated to establish VMC as a 501 (c)(6) organization and contracted with VMC to prepare and implement an annual Marketing Plan and budget prior to the start of each fiscal year.
- 2012: VMC earned accreditation by the Destination Marketing Association International (DMAI) and was designated by the Board of Supervisors (BOS) as the official destination marketing organization of Mendocino County.
- 2013-2014: MCLA and the Mendocino County Promotional Alliance (MCPA) jointly funded in-depth marketing and organizational management studies with the goals of addressing internal issues, simplifying the organizational structure, strengthening promotional programs, and building capacity for accountability.
- 2014-2015: The Board of Supervisors Ad Hoc Committee provided leadership for re-structuring to create a single oversight organization with designated seats on the Board of Directors for representatives of lodging and other tourism-related economic sectors. Ordinance changes were adopted to reflect the revised structure.
- 2016-2017: The Mendocino County Tourism Commission (MCTC) held its first meeting on January 12, 2016 and contracted with County of Mendocino as the sole contractor responsible for BID oversight and implementation. The legal transition was completed, and remaining funds were transferred from MCLA and MCPA to MCTC. Further Ordinance amendments were adopted on September 12, 2017 to align the Ordinance with the new structure.
- 2017: MCTC undertook a strategic planning process with leadership by the Coraggio Group. The 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.
- 2018: VMC continued to work toward the organizational goals as set out in the Strategic Plan. The current organizational chart is below.



Mendocino County Destination Marketing Organizational Chart



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III. MCTC ACCOMPLISHMENTS

A. Overall Goal and Strategic Objectives

VMC's overall goal in FY 2017-2018 remained to: Increase overall demand for overnight visitation (leisure and group) during key times of the year in an effort to increase revenues, employment and taxes in Mendocino County.

Strategic objectives include:

1. Continue to effectively position Mendocino County as one of California's premier coastal destinations.
2. Educate consumers on the different coastal and inland experiences that can be found within the county.
3. Maintain marketing focus on key lifestyle and passion segments including outdoor/recreation, wine, food, and romance.
4. Maintain the role of technology and digital marketing efforts in order to broaden the reach and increase effectiveness.

B. Tactical Goals Related to Strategic Initiatives

Fiscal year 2017-2018 tactical goals remained closely aligned with the strategic objectives. Impact was tracked and measured against established goals in six key performance areas:

- Public relations
- Advertising and paid media
- Website and social media
- Sales
- Visitor Services
- Operations and Administration

C. Accomplishments in FY 2017-2018

As noted above, both TOT collections and the BID assessment increased over the prior year's performance, continuing a trend that began in 2008. The county collected an administrative fee of \$22,457.92, which is 1.55% of total assessments.

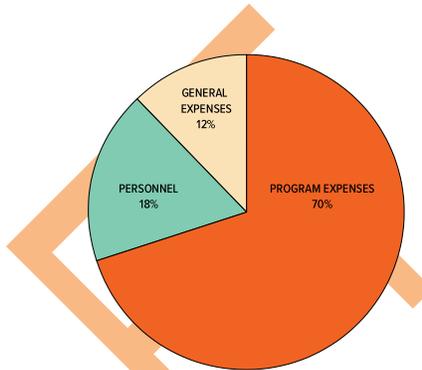
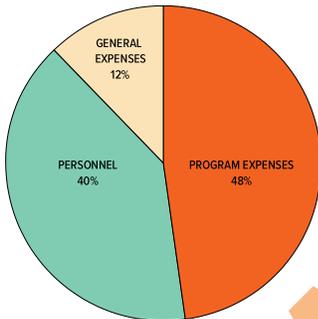
The MCTC Board and its standing committees met on a regular monthly schedule throughout the year. The formats for the quarterly reports, annual report, and Marketing Plan were revised to track more closely with the Strategic Plan imperatives, objectives, and initiatives.

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 2017-2018 to industry averages for each budget category. The figures for DMO industry averages come from 2017 Destination Marketing Analysts International (DMAI) 2017 Organizational and Financial Profile Study.

COMPARISON OF VMC SPENDING BY CATEGORY WITH DMO INDUSTRY AVERAGE

DMO Industry Average
 Represented by a sample of
 DMOs that participated in DMAI
 2017 DMO Organizational &
 Financial Profile Study

Visit Mendocino
 County, Inc. 2017-2018
 Budget Breakdown



Categories defined as follows:

General Expenses: office supplies, computer expenses, rent/utilities, interest, etc.
 Personnel: salaries & wages, payroll taxes, and employee benefits
 Program Expenses: Advertising, Public Affairs, Marketing, Promotions, Sales, Partnerships

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General Expenses: office supplies, computer expenses, rent/utilities, interest, etc.
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For FY 2017–2018, VMC set goals for each area of responsibility and outcomes and KPIs were recorded for each goal. Results in each key area are discussed in detail in the Visit Mendocino County FY 2017-2018 Annual Report, which is available online at: http://mendocinotourism.org/wp-content/uploads/Annual_Report_2017-18_final.pdf.

- **PUBLIC RELATIONS:** Generate \$6.6 million in measured advertising equivalency; reach an estimated audience of 150 million; achieve 300 placements in key media outlets; attract 18 media to visit the destination; attend two trade shows; and, support VMC marketing and promotional objectives. The results of PR efforts for the year are set out in the table below. As noted in the table below, the PR team achieved results well beyond their goals.

| | FY 2016 Goals | FY 2016 Actual | FY 2017 Goals | FY 2017 Actual | YOY % Gain/Loss |
|----------------|------------------|-------------------|------------------|-------------------|--------------------|
| Hits | 170 | 613 | 300 | 976 | 225% |
| Press releases | 11 | 11 | 11 | 17 | 54% |
| Impressions | 110 million | 592.4 million | 150 million | 1.401 billion | 136% |
| Ad Equivalency | \$4.6 million | \$47.2 million | \$6.6 million | \$77.1 million | 63% |
| FAM Programs | 18 | 31 | 18 | 62 | 200% |
| Trade Shows | 2 | 2 | 2 | 3 | 150% |
| Media Missions | 2 | 1 | 0 | 0 | -100% |

- **ADVERTISING AND MARKETING:** Increase unaided awareness of Mendocino County in a comparative study. In 2017, research was undertaken by TSF to establish a baseline for awareness of the County as a tourism destination. Research revealed that awareness of the county was very low among target audience and location. This result drives current marketing and promotional efforts, all of which are focused on raising awareness of the county as a tourist destination. Due to the work on branding and the website, marketing efforts were suspended for the duration. They began again in the 2018/2019 fiscal year. The Marketing Team is working with TSF to develop a rebranded and reimagined Visitor Guide.
- **REBRANDING:** VMC worked with TSF to complete the branding look and feel that is now used in all digital and print collateral. The goal of the rebranding effort is to elevate awareness of Mendocino County as a destination worthy of visitation by the target audience of millennials and Gen-Xers.
- **SOCIAL MEDIA:** Total Facebook Fan Base: 65,000; Total Instagram Followers: 8,500. These goals were revisited over the course of the year to focus less on raising “likes” and “followers” than to increase engagement and awareness among VMC’s target audiences. The chart on the following page indicates the success of these revised goals over the previous year.

| Social Media Results YOY FY 2016 v. FY 2017 | | | | | |
|---|-----------|-----------|----------------|-------------|---------|
| | FACEBOOK | | | INSTAGRAM | |
| | FY 2016 | FY 2017 | | FY 2016 | FY 2017 |
| Impressions | 2,220,871 | 1,405,990 | Followers | Not tracked | 10,240 |
| Engagement | 80,055 | 70,084 | Comments | 377 | 651 |
| Posts | 237 | 108 | Likes | 18,028 | 40,015 |
| Impressions/Post | 9,371 | 13,263 | Posts | 114 | 95 |
| Engagements/Post | 338 | 661 | Avg Likes/Post | 158 | 421 |
| Fan Base | 56,185 | 57,157 | | | |

- **SALES:** Sales goals include booking new meetings, increasing international visitation, adding new hotel contracts and promoting the county via trade shows, sales missions and FAM visits. The lack of appropriate meeting facilities thwarted efforts to book any new meetings. International spending for the third quarter shows a 9.7% decrease year over year. Eight new contracts were facilitated between hotels and tour operators. The county was represented at international sales missions and trade and consumer shows. VMC hosted one FAM trip from Mexico.
- **VISITOR AND CONSTITUENT SERVICES:** Completed and distributed new tear-off maps for Willits and Ukiah. The Crab and Mushroom Festivals each celebrated their 19th year and staff distributed festival guides and other festival collateral. The Almost Fringe Festival was held with mixed response from county participants. The festival does not provide a central event that draws visitors. This festival will be revisited by the Marketing and Festival Committees. The grant program continued to distribute funds to partner organizations.
- **OPERATIONS AND STAFFING:** The organization's leadership underwent a series of changes that threatened the stability of the enterprise. The exit of Alan Humason led to the seating of interim ED, Richard Cooper, who righted the ship and provided the guidance necessary for the Board to set about hiring a permanent replacement. On June 5, 2018 Travis Scott, a wine industry veteran, began his position as Executive Director. In addition, Alison de Grassi, a long-time (7 years) independent contractor was offered and accepted the position of Director of Marketing & Media (DMM) as a full-time employee; Richard Strom, who had moved from full-time employee to part-time independent contractor, resumed a position as an employee. Both began on May 1, 2018.

D. Year to Date Progress for FY 2018-2019

Action Plan outcomes are tracking well for the fiscal year. During the fiscal year, upon request from the MCTC Board of Directors, VMC staff realigned reporting methods to track accomplishments to the imperatives, initiatives, and goals outlined in the Strategic Plan.

- **PUBLIC RELATIONS** is on course to exceed all goals in terms of ad equivalency, FAM visits, media hits, impressions, etc. The chart on the following page shows FY goals and successes to December 31, 2018.

2018-2019 PROJECTIONS

| MONTH | HIT S | AD. EQUIV | IMPRESSIONS | RELEASE S | FAM VISITS |
|--------------|------------|------------------------|----------------------|-----------|------------|
| July | 69 | \$11,488,099.40 | 125,983,687 | 1 | 3 |
| Aug | 320 | \$9,426,467.08 | 283,173,825 | 3 | 1 |
| September | 48 | \$3,434,070.24 | 55,456,923 | 2 | 9 |
| October | 50 | \$6,664,980.11 | 493,139,627 | 0 | 1 |
| November | 40 | \$2,668,294.55 | 44,028,890 | 2 | 3 |
| December | 29 | \$484,476.72 | 17,694,454 | 1 | 1 |
| January | | | | 1 | 4 |
| February | | | | | 1 |
| March | | | | | |
| April | | | | | |
| May | | | | | |
| June | | | | | |
| TOTAL | 556 | \$34,166,388.10 | 1,019,477,406 | 10 | 23 |
| GOAL | 300 | \$6.6 Million | 150 Million | 11 | 18 |

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- **ADVERTISING AND MARKETING:** The VMC Strategic Plan defines certain initiatives that correlate with the organization's marketing goals for the fiscal year. They include:
 - ◁ Increase tourism revenue through the development and implementation of the annual integrated marketing, public relations, and sales plan.
 - ◁ Foster collaboration and county-wide alignment by creating and developing the "go to" website for all tourism stakeholders.
 - ◁ Increase Mendocino County brand awareness and positive perception.
 - ◁ Develop a data-sharing process that offers context and insights for partners.

The second quarter saw a rebranding and reworking of both the Mushroom and Crab festivals to Mushroom Feast Mendocino and Crab Feast Mendocino. Staff worked with TSF to develop the marketing plan for the last half of the fiscal year and retained Media Matters WorldWide (MMWW) as their media buyer in the digital realm. The Marketing Team launched an aggressive digital campaign to target audiences in the greater Bay Area and Sacramento markets. The campaign comprises programmatic advertising, static and video ad buys on Facebook and Instagram, and a Spotify campaign. January 2019 will see the launch of two electronic billboards and a high profile outdoor campaign on the light rail system in Sacramento. In conjunction with the MMWW ad campaign, VMC will also undertake a six-month Nielsen Study to determine the baseline for unaided awareness of Mendocino County among our target audience. The final marketing strategy is a contract between VMC and KOZT-FM ("The Coast") to run a series of radio and online advertisements.

VMC initiated a monthly website hit report to stakeholders that indicates the number of hits on their VMC website listing and outbound traffic to their own websites. This report is sent to lodging and other stakeholders for whom VMC has an email address.

The PR team continues to communicate with partners and stakeholders on a monthly basis informing them of high profile media stories.

The VMC team actively identifies new businesses opening in Mendocino County and schedules visits to meet the owners and record the information in the team's FileMaker database and MailChimp email resource.

One of the major ways VMC gets buy in from partners is their participation in festivals.

- **SOCIAL MEDIA:** Social media also plays an important role in creating and raising brand awareness. The figure below shows the year-over-year metrics for the fiscal year to date.

| Social Media Results FY 2018 Q1 & Q2 | | | |
|--------------------------------------|-----------|----------------|---------|
| FACEBOOK | | INSTAGRAM | |
| | FY 2018 | | FY 2018 |
| Impressions | 1,438,202 | Likes Received | 25,421 |
| Engagement | 126,347 | Comments | 411 |
| Link Clicks | 1171 | Impressions | 356,870 |
| Posts | 56 | Posts | 55 |
| Impressions/Post | 14,183 | Likes/Post | 462 |
| Engagements/Post | 447 | Comments/Post | 7.5 |
| Fan Base | 57,420 | | |

- **PARTNERSHIPS:** The ED and staff maintain close ties with partner organizations throughout the county. Staff represents Visit Mendocino County on the boards of Destination Hopland, AVWA, MWI, Coast Chamber of Commerce, Visit Fort Bragg, Visit Ukiah, and Visit Willits. Staff continues to visit stakeholder properties (known as the Hotel Adoption Program) in order to "put a face to the name." In spring 2019, VMC will collaborate with the West Business Development Center on a series of workshops aimed at giving stakeholders and partners some of the necessary tools and knowledge to help them

succeed.

- **SALES** goals and ROI are undetermined at this time.
- **VISITOR SERVICES:** The new Visitor Services Committee will convene in early 2019.

IV. BASIS FOR PLANNING AND BUDGETING FOR FY 2019-2020

A. District Boundaries and Assessment

Pursuant to Section 5.140.060 each hotel or lodging business that 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.

As of the date of writing, VMC staff and County Counsel are in discussion with the City of Point Arena to explore the process for the City's lodging property owners to rejoin the Lodging Business Improvement District.

B. Allowable Services, Activities and Programs

The services, activities and programs to be provided through the BID in FY 2019–2020 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:

- (A) *The general promotion of hotels operating within the District;*
- (B) *The marketing of products and events that have a connection with the hotel industry operating in the District;*
- (C) *The marketing of the District to the media and travel industry in order to benefit local tourism and the hotels in the District.*
- (D) *Any activities permitted under the Parking and Business Improvement Law of 1989 that are included as costs as specified in the annual report to be prepared by the advisory board and adopted annually by the Board of Supervisors. Activities means, but is not limited to, all of the following:*
 1. *Promotion of public events which benefit businesses in the area and which take place on or in public places within the area;*
 2. *Furnishing of music in any public place in the area;*
 3. *Promotion of tourism within the area;*
 4. *Activities which benefit businesses located and operating in the area.*

V. PRELIMINARY PLAN FOR FISCAL YEAR 2019-2020

A. Strategic Direction

The three-year strategic plan developed with the Coraggio Group identifies nine initiatives for VMC to work towards. This section will briefly outline the 2019-2020 organizational goals as they relate to those initiatives.

1. Increase tourism revenue through the development & implementation of the annual integrated marketing, public relations, and sales plan.

The Director of Marketing & Media and the Executive Director will continue to work closely with their marketing consultants and partners to create a focused and successful marketing plan for the next fiscal year. Based on the public relations successes of the past three years, the DMM and KOLI Communications, VMC's PR agency of record, will craft an ambitious PR effort that will attract traditional media to the county as well as reaching out to the Millennial, Gen-X and Y generation of social media influencers. **NEED TO SAY SOMETHING ABOUT SALES.**

2. Improve data-driven decision making through increased participation and "buy in" from all of our partners.

Engaging with lodging stakeholders and partners is an ongoing effort for the VMC team. One of the goals for FY 2019-2020 is to develop closer relationships with our stakeholders and partners through regular visits and conversations. Tracking these visits, and more, in VMC's internal proprietary database will keep the team informed about properties. The PR team will continue its monthly distribution of articles in A-list publications. VMC will seek closer collaboration with the county to identify additional partners (vacation rentals are top priority), create relationships with

the owners, add a website listing for each, and bring them into the reporting fold. Particularly given the moratorium on new VHR licenses, coordination with County Counsel will be essential to clarify policies on licensing of pre-existing properties and collection of any penalties and both past and future TOT.

3. Develop a data sharing process that offers context and insights for partners.

The PR team has been tracking media coverage of inland vs. coastal areas. Analysis shows that the split is about even to date. The website is set to auto-send a monthly report to stakeholders and partners showing website hits and outbound referrals. VMC staff will work with stakeholders and partners to improve their website presence and participation in events, which is currently the bulk of inbound website traffic.

4. Foster collaboration and countywide alignment by creating and developing the 'go-to' website for all tourism stakeholders.

VMC's consumer-facing website is its most valuable asset. Part of VMC's educational efforts for the year will be to ensure that all stakeholders are represented on the site. Additionally, VMC staff maintains the MendocinoTourism.org website that is the go-to resource for documentation, reporting, and opportunities that relate to stakeholders.

5. Strengthen regional tourism relationships to leverage broader marketing opportunities.

The DMM and ED will continue to maintain a strong relationship with Visit California: by attending conferences and forums, submitting content for the Visit CA website that highlights unique aspects of Mendocino County; by collaborating on VCA initiatives such as Restaurant Week; and more. This is an ongoing project. VMC's relationship with the North Coast Tourism Council remains strong.

6. Proactively educate and communicate with all tourism stakeholders.

The PR team will continue to issue a monthly newsletter to stakeholders. VMC staff regularly communicate with tourism stakeholders in person, by phone, and via email. The DMM maintains the VMC Partners at Work social media page for promulgation of news hits and other relevant information. Staff will collaborate with the West Business Development Center on a series of workshops designed to appeal to partners and

stakeholders. Topics include *Innkeeping 101*, *Social Media Marketing*, *Understanding Google Analytics*, *Your Website IS Your Brand*, *Effective Rural Tourism Marketing*, and *Customer Service: The Heart of Your Brand*. Partners and stakeholders will be encouraged to take advantage of this opportunity to refresh their industry knowledge.

7. Increase Mendocino County brand awareness and positive perception.

This initiative goes to the website and the marketing strategies that will be developed in a collaboration by the DMM, TSF, and the Marketing Committee. A marketing strategy outline will be contained in the FY 2019-2020 Marketing Plan. As VMC analyzes results of the Nielsen Study being undertaken over the last half of the 2018-2019 fiscal year, the team will adjust marketing strategies to capture the largest share of audience.

8. Work with partners to develop, promote and grow strong and beneficial tourism activities and events.

The Partner Relations Manager is tasked with taking VMC's annual festivals to a new level.

9. Explore our options to influence and shape potential cannabis tourism.

This initiative is now in the hands of MCPA.

B. Estimated Bid Assessment Revenue for FY 2018-2019

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 2017-2018 the Mendocino County Tax Collector recorded total BID assessments in the amount of \$942,496.85 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 Budget contained in this BID Annual Report is based on actual FY 2017-2018 assessments. The BID assessment figure for that time period is \$942,497. The County matching funds were \$471,249.

C. Contributions from Mendocino County Matching Funds for FY 2018-2019

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.*

Totals for "the prior fiscal year" are not known at the time the MCTC Finance Committee must prepare the budget contained in the BID Annual Report. For this reason, estimates of future assessment revenue and the county match are based on actual FY 2017-2018 assessments.

D. Proposed Budget for FY 2019–2020

The total budgeted cost of services, activities, and programs for the District in FY 2019-2020 is \$1,484,433 (excluding any monies from unrestricted net assets). This is based on an anticipated 5% increase in BID assessment collections.

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. The cap on this fee is three percent (3%) of the total countywide BID assessments. This fee is collected when the books are closed, approximately two 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 the administrative fee as a reduction in income.

The \$148,443 Contingency Fund proposed in the Annual Marketing Plan and Budget for FY 2019-2020 fulfills the BOS 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 Contingency Fund must be authorized by a vote of the MCTC Board of Directors.

PROPOSED FY 2018-2019 ANNUAL BUDGET INCLUDING BID ASSESSMENTS, MENDOCINO COUNTY MATCHING FUNDS AND MISCELLANEOUS INCOME^{1 2}

| | |
|------------------------------------|-------------|
| INCOME | |
| MCTC BID Assessment | \$989,622 |
| County of Mendocino Matching Funds | \$494,811 |
| County Administrative Fee | [\$44,533] |
| Event Brochure Ads | \$4,000 |
| Interest | \$153 |
| | \$1,444,053 |
| EXPENSES | |
| Advertising/Media | \$418,877 |
| Marketing/Public Relations | \$239,500 |
| Website Maintenance & Development | \$72,500 |
| Leisure & Group Sales | \$53,500 |
| Visitor Services | \$114,400 |
| Partnerships | \$37,000 |
| Administrative Expenses | \$131,500 |
| Personnel | \$476,743 |
| | \$1,544,020 |
| Portion of Unrestricted Reserve | \$100,000 |
| BOTTOM LINE | \$0.00 |
| Reserve/Contingency Fund | \$148,443 |

¹ Projected income is a 5% increase over actual assessment receipts for January 1 to December 31, 2018.

² Advertising/Media, Marketing/Public Relations, Website, Sales = 50.8% of budget; Visitor Services and Partnerships = 9.8%; Office/General Admin = 8.0%; Personnel = 30.8%

VI. REVIEW OF FY 2017-2018 BID ADVISORY BOARD RECOMMENDATIONS

BID BOARD TO WRITE NEW RECOMMENDATIONS FOR MCTC AND THE COUNTY

A. Review of FY 2018-2019 Recommendations Actionable by Mendocino County Tourism Commission

1. As recommended in the 2018-2019 BID Annual report, the Executive Director is designated as the senior staff person responsible for coordination among county departments and the MCTC and BID Advisory Boards to monitor the established timeline, and accomplish necessary tasks in an efficient and timely manner.
2. The ED and VMC Staff consistently monitor the organizational timeline and content on the MendocinoTourism.org website to ensure that information posted is timely and accurate, and will inform both the Board and all Committees at their regularly scheduled monthly meetings.
3. The ED and DMM worked diligently to identify and recruit MCTC and BID Advisory Board members in order to ensure that they are sworn in and seated in a timely manner. The first MCTC Board meeting and retreat was held on January 17, 2019. County staff scheduled the first BID Advisory Board meeting for December 2018 rather than in November, as specified in the bylaws. Due to a lack of notice to Advisory Board members by County staff, a quorum was not achieved and this meeting was further delayed to January. The ED and Finance Committee hold monthly meetings to review budget expenditures.
4. MCTC budgets and financial statements include a current accounting of all restricted and unrestricted reserves. These items are also included in this BID Annual Report and will be included in each future report.
5. The DMM worked with a FileMaker expert to develop a proprietary database to track lodging properties, owners, managers, capacity, amenities, and more. The database also tracks public relations visits, itineraries, and stories; festivals and their participants; and sales activities. This is an ongoing project and the database is in a state of continual development.
6. MCTC continues to maintain its DMAI certification and, as the DMO/VMC graphs within this report indicate, the ED benchmarks expenditures and salaries against DMAI 2017 DMO Organizational & Financial Profile Study.
7. As recommended, a breakdown of salaries and personnel expenses for administrative vs program-related functions is included in the budget contained in this BID Annual Report.
8. The FY 2018-2019 BID Annual Report contained a recommendation, subject to county approval, to phase out Arts Council funding as of June 30, 2019 and reallocate those partnership funds to in-county tourism promotion/visitor-serving organizations to be used to attract and serve visitors to the county. Upon review by the MCTC Board and request from the Board of Supervisors, this recommendation was not acted upon.
9. In the first half of FY 2018-2019, MCTC terminated the small grants program and in its place initiated a partnership funding program to in-county tourism promotion/visitor serving organizations that support tourism efforts and events. These organizations will be required to account for their fund expenditures to MCTC and MCTC will then make a determination to continue or terminate the funding initiative.
10. MCTC maintains a budget line item for research and staff development; and maintains a Reserve/Contingency Fund equal to the greater of \$100,000 or ten percent (10%) of the current budget.

B. Review of FY 2017-2018 Recommendations Actionable by Mendocino County

1. The FY 2018-2019 BID Annual Report recommended that the county designate a staff person to coordinate with MCTC to monitor the established timeline and accomplish necessary tasks in an efficient and timely manner. The appointment was made, but compliance with the timeline remains an elusive goal. A lack of effective communication between county. Due to extended delays in securing time on the BOS agenda, the FY 2017-2018 Advisory Board Report was not approved until more than a month after the start of FY 2018-2019.
2. The recommendation that the county conform with the Ordinance requirement that county matching payments be distributed to MCTC on a monthly basis rather than continuing the current practice of including them with quarterly assessment distributions was not acted upon. The county has moved to a quarterly disbursement system and MCTC has adjusted internal expenditure expectations to accommodate this change.
3. As previously recommended, the county's quarterly and year-end statements accompanying BID Assessment and match payments now break down the amounts of assessment revenue and matching funds for the period and show the amount of year-end adjustments and administrative fees.
4. The County Treasurer-Tax Collector's office continues to identify Internet-listed visitor-serving properties. Those properties that are unlicensed and/or that are not remitting TOT and BID assessments, are advised that they are out of compliance with county ordinances. Non-compliant properties are being fined and required to remit back taxes. However, given the BOS moratorium on issuing new VHR licenses, it is not clear whether these properties are being licensed and will continue to operate and remit future taxes and fees.
5. The FY 2018-2019 BID Annual report contained a recommendation regarding the application of the Transient Occupancy Tax Ordinance to private campgrounds. County Counsel determined that the existing Ordinance applies to taxing revenue from fixed structures. The voter initiative regarding taxation of camp site revenue did not pass.
6. The 2018-2019 BID Annual report recommended modification of the MCTC contract to eliminate the required payment of \$1,200/month to the Arts Council of Mendocino County effective June 30, 2019. The County Board of Supervisors required that the Arts Council funding should continue through the current mechanism. The MCTC Board of Directors agreed with the stipulation that the Arts Council document their effective use of the funds. The Arts Council ED is now a member of the Marketing Committee.
7. The BID Advisory Board has recommended repeatedly that the BOS: a) direct the County Tax Administrator to revise TOT/BID collection forms and begin collecting data on: a) Average Daily Occupancy (ADO); and b) Average Daily Rate (ADR) as of July 1, 2018; and, b) provide software upgrades and technical assistance to enable quarterly reporting of the anonymous aggregated data to the contractor for the purpose of program assessment. This is an ongoing project for the Treasurer-Tax Collector and the ED and DMM maintain regular communication and have provided recommendations for adjustments to the reporting system in order to provide valuable data to MCTC.
8. Also, as previously recommended, given the underfunding of tourism promotion relative to nearby target markets, it is recommended that the BOS designate a member or working committee to research potential ways to further enhance revenue for this purpose.
Does the CEO currently have someone working on economic development?
9. The recommendation that the MCTC Board reference and apply the criteria listed in Appendix IV when appointing new members to the Board of Directors is now standard practice.

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VII. FY 2019-2020 BID ADVISORY BOARD RECOMMENDATIONS

A. Recommendations Actionable by Mendocino County Tourism Commission

TO BE COMPLETED

B. Recommendations Actionable by the County of Mendocino

Two areas for discussion and possible recommendations are:

- 1) MCTC needs clarity on whether the moratorium on VHR licenses applies to pre-existing properties that are being identified, fined, and taxed. Will they be licensed and brought into compliance, or fined and told to close. Is the county collecting taxes from unlicensed properties? Does MCTC require evidence of compliance when adding a property to its website?
- 2) Would it be productive for the Advisory Board to recommend that the BOS direct the CEO to reserve time on its May and June agendas for the two required presentations of the BID Annual Report?

TO BE COMPLETED

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WON'T FIX APPENDICES TILL THE REPORT TEXT IS MOSTLY FINAL

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. This can create inconsistencies between current and previously published data. Only TOT collected from Mendocino County lodging properties in unincorporated areas is 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 countywide, 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.

Note: For planning purposes, MCTC revenue projections shown in the FY 2019-2020 Budget are based on actual assessment receipts for the fiscal year ending 6/30/2018. These totals differ from the County's adjusted fiscal year-end results.

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APPENDIX II: MCTC Board Roster

Chair: John Kuhry; At Large Member
Current 3-year term expires 12/31/2019; Re-elected Chair 1/17/2019

Vice Chair: Cally Dym; Large Lodging Operator | Coastal
Initial 3-year term expires 12/31/2019; Elected Vice Chair 1/17/2019

Treasurer: Jennifer Seward; Arts/Attractions
2-year term expires 12/31/2020; Re-elected Treasurer 1/17/2019

Secretary: Bernadette Byrne; Winery/Winegrower
Current 3-year term expires 12/31/2021; Elected Secretary 1/17/2019

Directors

Sharon Davis; Regional Promotional |
Coastal Current 3-year term expires
12/31/2021

Jitu Ishwar; Large Lodging Operator |
Inland Current 3-year term expires
12/31/2021

Jan Rodriguez; Large Lodging Operator |
Inland 3-year Term expires 12/31/2020

Maegen Loring; Food & Beverage
Member Initial 3-year term expires
12/31/2021

Martha Barra; Small Lodging Operator |
Coastal Initial 3-year term expires
12/31/2021

Jay Epstein; Regional Promotional |
Inland Initial 3-year term expires
12/31/2021

Scott Connolly; Medium Lodging Operator |
Coastal Initial 3-year term expires 12/31/2021

All re-appointments or new appointments are for three (3) year terms

APPENDIX III: BID Advisory Board Roster

Wendy Roberts, Chair (At Large) 11/4/2013– 11/1/2019 (retiring as of 11/1/2019)

John Dixon (Coast) 11/1/2017-11/1/2019

Marcus Magdaleno (Inland) 11/1/2017-11/1/2019

Jon Glidewell (Coast) 11/1/18-11/1/2020

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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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