

Mendocino County Promotional Alliance

Since 1998, public funds have been allocated under contract to the Mendocino County Promotional Alliance (Alliance). Although the Alliance has fulfilled all of the terms of the contract, the contract itself is flawed in that it does not require evidence of measurable outcomes or return on investment. The Grand Jury recommends that the Board of Supervisors (Board) cease funding the Alliance at the completion of the current contract.

Method of Investigation

The Grand Jury interviewed two County Supervisors, the County Administrator, the Tax Assessor, the Executive Director of the Alliance, an Economic Development Specialist, and employees from County Administrative Offices in four comparable counties. The Grand Jury reviewed County Code, section 5.17.060, websites from the California tourism board, the job description for the County's Economic Development Coordinator, notes from Board meetings concerning the Alliance proposal to the Board, the current contract between Board and Alliance, Alliance press packet, recent newspaper articles regarding the Alliance, a Joint Tourism and Agricultural Promotion Feasibility Study, Alliance financial statements prepared by their accountants, Alliance marketing activities for the first quarter of 2000-01, Alliance incorporation papers, by-laws, financial statement, three-year plan, and history of the organization.

Background Information

In 1996, a private organization promoting the wine industry met with an ad-hoc committee of lodging operators to create a promotional partnership between the wine and tourism industries. The committee's goal was to obtain public funding to promote tourism and agriculture within the County.

In 1997, the Board obtained grant funding from the United States Department of Forestry to study ways of softening the financial effects of the economic downturn in the timber industry. The then County Economic Development Coordinator was charged with the preparation of the grant proposal, which eventually led to a consultant-prepared study titled Mendocino County Joint Tourism and Agricultural Promotion Feasibility Study (Study). As a part of the Study, a twenty-person advisory committee (Committee), including 13 participants representing the wine and hospitality industries, created a proposal to the Board to create a public-private partnership.

Response (Mendocino County Alliance): *We agree that the winery and lodging industries began to organize the Alliance in 1996. But the goal was not to obtain public funding, it was to create a marketing partnership between those industries. There were only 8 wine and hospitality industry representatives on the Advisory Committee – not 13.*

Before the winery and lodging industries began organizing the Alliance in 1996, the first step towards creating the Alliance occurred in 1995 when the “Mendocino Winegrower’s Alliance” (MWA) set a goal of creating such a promotional partnership. Before 1997 the County was not involved in these efforts. Two things in that year involved the County. First, in 1997 the first of two ballot initiatives involving the Transient Occupancy Tax (TOT) rate was on the ballot. A County sponsored ballot initiative to maintain the TOT rate at 10% failed and the rate was reduced to 8%. County officials asked the groups that were creating the Alliance and other business associations to organize a campaign to increase the rate back to 10%. These groups organized “Citizens for Measure G” and provided nearly all the funding and organization for the campaign. Measure G won. If the rate had not been raised to 10%, the County would have received about \$800,000 less TOT during the 2000-2001 fiscal year. The industries that created and supported the campaign do not feel that the success of that campaign created any entitlement to TOT funding. Also during 1997 the County and two private sector sponsors obtained federal funding to conduct the Study described by the Grand Jury above. (See Finding 1 below) The private groups organizing the Alliance and the County realized they were addressing many of the same issues. They agreed to meet together by forming the Advisory Group for the Study. Shortly after the completion of the Study several private sector associations completed the organization and incorporation of the Mendocino County Promotional Alliance, which operates as the “Mendocino County Alliance”.

The Study recommended that the Board accept the Committee’s proposal to create a public-private partnership, between the County and the Mendocino County Promotional Alliance, a non-profit corporation, to promote tourism and agriculture for the County. The Alliance’s original mission statement, included in the proposal, stated,

“The mission of the Mendocino County Promotional Alliance is to:

- Promote the broad categories of high quality goods and services produced in Mendocino County for which the concept of Mendocino County as origin adds value;
- Promote such Mendocino County products that are sold to consumers living outside the County;
- Develop and promote a general image of Mendocino County that enhances the marketing ability of all Mendocino industries with compatible products;
- Promote the use and cross marketing of local products by our local industries and consumption of local products by local consumers;
- Emphasize promotions which can lead to significant growth in jobs and private earnings and increase the tax base, particularly the Transient Occupancy Tax, Sales Tax, and Property Tax;
- Operate as a private-public partnership based on the real commitment of significant resources from both the public and private sectors.

The Alliance *will not*:

- ❑ Duplicate the mission of the Economic Development and Financing Corporation or other economic development entities by financing or promoting new firms or industries or product categories in the County;
- ❑ Promote products made outside of the County except as it helps to enhance the image of Mendocino County;
- ❑ Assist any individual firm, but rather will concentrate on industry and countywide promotions.”

The Alliance received \$277,000 from the County general fund for the 1998-99 fiscal year. The funding was increased to \$421,000 the following year. During the 2000–2001 budget hearing, the Board rejected Alliance’s request to increase funding to \$683,000, and kept funding at \$421,000.

The Alliance continues a contractual relationship with the Board. Included in the contract is Exhibit A. Exhibit A lists 17 intended programs and four goals. The four goals are, “Further develop accounting programs for tracking private sector participation in MCPA programs; Develop further private sector financial support for the Alliance; Remit payment of Mendocino County’s fees for Redwood Empire Association membership; Develop a County wide Calendar of Events.”

Findings

- 1. The Alliance operates independently under contract with the Board, financed with money from the general fund. The current focus of the Alliance is to promote existing wine and lodging businesses for its members.**

Response (Board of Supervisors): The Board agrees with the first sentence. To clarify the relationship of the parties involved, the Board of Supervisors has entered into a contract with the Alliance to secure certain services. Contractual agreements are common practice with all public agencies who require firms and individuals having specialized skills or ability to perform comprehensive activities which are determined by the local governing body as being necessary for the general welfare of the public at large.

The Board disagrees with the second sentence. The Alliance does not maintain a “membership” of select businesses. No sole individual or business receives unique or direct benefit from actions of the Alliance. The Alliance is an “association of associations” (e.g. Chambers of Commerce, Mendocino Winegrower’s Alliance, Mendocino County Lodging Association, Farm Bureau etc.). The County wishes to extend benefit to the residents of the County through certain services provided by the Alliance. The County does expect the Alliance to solicit contributions from the business community to be pooled with County provided funding.

As background, representatives from the County and a number of tourism and agriculture related industries cooperatively formed an Advisory Group that provided input to prepare the 1998 Joint Tourism & Agriculture Marketing and Promotion Feasibility Study (Study). The purpose of the federally financed Study was to define the economic damage done to our economy by the decline of the timber industry and to identify the best and quickest way to overcome that damage. Prior to receiving federal funding, several private sector organizations had been discussing the development of a cohesive marketing and promotion effort to assist the tourism and agriculture industries develop the local economy. After receiving the federal grant, a team of qualified economic development consultants coordinated this investigation and applied several methods to collect information, including discussions with the advisory group and an intensive interview process with representatives of business and private organizations. After the consulting team completed their economic analysis, they prepared the Study that made “specific recommendations to assist in the development of a promotional marketing organization and strategy to expand the tourism and agriculture industries.” After the Study was completed, several of the same nonprofit and business organizations continued to spearhead the development of a cohesive marketing and promotional alliance and incorporated a nonprofit organization “Mendocino County Alliance” (Alliance) of associations; an “association of associations” like most convention and visitors bureaus. The County was not directly involved nor did it finance the incorporation of the Alliance. The Alliance Board of Directors is an 18-person assembly, mostly composed of representatives of those associations and three positions for County representation to insure portrayal and representation of public affairs.

Response (Mendocino County Alliance): Agree with the County Response with these additions. First, both the County and private sector participants fund the Alliance. The County provides funds from the County General Fund to the Alliance based on a planning formula tied to collections of the TOT. Private sector participants provide significant inkind and cash resources as well.

Second, the County agreed to support the Alliance’s initial focus of increasing room occupancy and sales of locally made wine because the Study (see above) showed that this is the fastest way to overcome the substantial economic damage done to the County’s economy by the decline of the timber industry.

In 1970 thirty six percent of Mendocino County’s jobs were provided by the timber industry. Today the number is about 6%. In 1970 both our tourism and the agriculture/wine/food industries each provided about one-fifth of the jobs provided by timber. Today each provides roughly the same or even more jobs as our greatly reduced timber industry. Even so, the growth of these two industries has not filled the gap left by timber’s decline. Today almost half our rooms are

unrented and we ship half our grapes out of the County. If we were able to move occupancy up to a little better than 70%, cut our grape exports in half and channel most of those grapes into small locally owned wineries, we would just about entirely fill the gap left by timber's decline. For example, according to the State of California, visitors to Mendocino County today spend around \$300 million in our County. That's over \$3500 for each woman, man and child who lives here. Visitors directly generate nearly \$30 million in taxes. And we receive those economic benefits at only a little more than 50% occupancy. There are strong markets for both tourism and wine. The Study found no other opportunities to overcome the economic damage caused by timber's decline in the County that come close to these two.

2. The contract specifies quarterly payments without requiring the Alliance to submit a line item budget or an accounting of expenditures.

Response (Board of Supervisors): The Board agrees with this finding. However, the Alliance does provide, at the end of each quarter, a summary report of activities and a financial statement including an income and expense report to the County.

At the beginning of each County budget cycle, the Alliance submits a budget proposal that is considered by the Board of Supervisors (Board). Other groups and organizations also submit proposals at this time, and occasionally throughout the year, for consideration for funding by the Board. Many of those same organizations receive annual revenue from the County either as direct payment or reimbursement for work performed or delivered product. This is common practice of cities and counties.

At the end of the term of the Agreement, the Alliance is required to retain the services of a Certified Public Accountant to conduct a complete financial review of all books and records of the Alliance, which pertain to services performed by the Alliance under the terms of the Agreement. This special practice is withheld for major public funded projects or grant and loan programs with special state or federal regulatory overlay requirements. This requirement is usually cost prohibited with minor funding requests.

Response (Mendocino County Alliance): Agree with the County Response with these additional comments.

Collectively, the Alliance Board of Directors has some of the most significant management experience in Mendocino County. The management and staff of the Alliance have decades of professional experience. The hundreds of firms and thousands of owners and employees involved with the Alliance together have very broad and deep experience in their industries, their markets and in numerous professional roles. The County itself can't possibly replicate this level

of knowledge and expertise in the management of such a promotional organization.

We believe that the Board of Supervisors is most interested in knowing that the funds provided to the Alliance are effective in moving the County towards its larger economic goal of replacing the economic gap left by the decline of timber. We believe that the Board of Supervisors recognizes that in addition to the controls discussed in the County response, the Board of Directors of the Alliance is uniquely qualified to make sure the Alliance properly manages its operations. Further, the Alliance Board of Directors has no interest in allowing the Alliance to be inefficient or ineffective.

3. The Alliance is providing promotional activities to private industry with public funds.

Response (Board of Supervisors): The Board agrees with this finding. The Alliance is providing promotional activities with public funds that stimulate consumer demand for products and services supplied by the business community who provide jobs, tax revenue, and other worthwhile contributions to the public at large. This is common practice for states, counties and cities throughout the United States.

Response (Mendocino County Alliance): Agree with the County Response. In addition, every city and county in California that has a Visitors Bureau provides public funding to that Bureau. (Annual Budget Survey of the Western Association of Convention and Visitors Bureaus - "CVB") About 90% of those CVBs are organized exactly as is the Alliance – private nonprofit corporations that receive funding from a local city or county under the terms of a promotional contract. There is absolutely nothing unusual or improper about the Board of Supervisors entering into an agreement with and providing funds to the Alliance based on the Alliance's organization.

4. The industries benefiting from the Alliance were growing rapidly without outside support. The Study conducted in 1998 indicated that during 1992-95 "Mendocino County attracted more new visitor spending than all other of the other coastal counties....real tourism expanded by 20%.....Mendocino County's tourism and agricultural sectors are both on the rise, and they are 'shining stars' of Mendocino's economy. Tourism is expanding rapidly...The Mendocino County wine industry is expanding rapidly on its own with minimal assistance from government and tourism promotion entities."

Response (Board of Supervisors): The Board agrees with this finding. The 1998 Mendocino County Joint Tourism & Agricultural Marketing and Promotion Feasibility Study (Study) indicates that percentage growth of visitor spending in Mendocino County far-exceeded percentage visitor spending in many other

counties. The Study also clearly recognizes two other county economic studies that “reveal that two such sectors show evidence of the strongest current and prospective job and sales growth are the tourism and agricultural sectors.” The study also recognized that Mendocino County is highly successful in creating quality products, although three major factors have contributed to hampering the ability to fully capitalize on our local assets to create jobs and tax revenues. These include: 1) “local efforts to promote tourism and agriculture have historically been fragmented.” 2) “Local marketing efforts have not been strategic and consistent.” and 3) “ That local leaders perceived that the most limiting factor to achieving significant market presence in either tourism or agriculture product market, has been the overall lack of public and private investment in promotion.”

True, the residents and businesses of Mendocino County are fortunate to have had the strong and thriving wine and tourism industries help pull the local economy through a declining timber industry. During the same period of timber industry job losses, jobs were created in the lodging and agriculture sectors. The Study shows those 8,800 agricultural and tourism jobs as roughly one third of all local jobs. The Study also projects opportunity to increase the capacity of those sectors through marketing and promotion to create more jobs and revenue for our local economy.

Response (Mendocino County Alliance): The Study Report is several hundred pages long. We believe the Study’s conclusions are different than those reported by the Grand Jury. The growth of these industries resulted from strong market demand during that period that caused similar industries in other California counties to grow as well – not from the strength of our local industries. Our industries have significant weaknesses. Our lodging occupancy rate is only slightly better than 50%. Hundreds, perhaps thousands of people lose their jobs because of low winter occupancy. The statement “The Mendocino County wine industry is expanding rapidly on its own” is not correct. Increased wine grape production has mostly been to supply wineries outside the County and Fetzer Vineyards. Fetzer, an excellent local employer and part of a large international corporation, has increased production rapidly. But locally owned wineries have not increased production significantly. Fifty percent of our grapes are shipped out of the county and less than ten percent of our grapes go to locally owned wineries. Mendocino County’s historical role in the California wine industry has been to grow grapes to be made into wine in Napa and Sonoma wineries. But for every job in a vineyard, there are three jobs in wineries – somewhere. Unfortunately, we ship those good paying jobs out of the County every year.

Mendocino County is different from other major California tourism and wine counties. Our lodging establishments are the smallest in California. Our locally owned wineries are small. Family farmers still own most of our farmland. These

small family firms struggle just to get their work done. Their tiny marketing budgets can't compete against the large well-financed corporate businesses in our chief competitive counties. This unequal competition is made much worse because County governments in all those other counties have provided millions of dollars for decades to support their industries against ours. If a strong marketing alliance doesn't provide the "Mendocino" marketing that our small tourism, wine and food firms can't do themselves, they will not be able to capture the jobs, incomes and tax base that today are wasted in unrented rooms and shipped out grapes. Unemployment rates will remain too high, family incomes too low, and local governments will not be able to provide the services we desire.

- 5. In May, 2001, the County hired an Economic Development Coordinator, who is directly supervised by the County Administrator, to provide business relations, community development block grants, tourism and filming promotion, housing, and redevelopment.**

Response (Board of Supervisors): The Board agrees with this finding. The County Economic Development Coordinator increases the capacity of the County Administrative Office and other County departments to provide economic development services to the community. Economic development is a comprehensive multi-faceted discipline combining business expansion and recruitment, business retention, entrepreneurial development, community capacity building, and leadership development together to accumulate community wealth and maintenance of a sustainable quality of life. The County uses several independent contractors to provide those comprehensive services in programs such as Community Development Block Grant, redevelopment, micro-enterprise assistance, marketing and promotion. The Economic Development Coordinator assumes a leadership role in facilitating those services as directed by the Board of Supervisors and County Administrative Officer.

Response (Mendocino County Alliance): Agree with the County Response. In addition, as stated above, the Alliance is organized in the same way as nearly 90% of the Visitors Bureaus in California – independent non-profit corporations that enter into contracts with one or more of their local governments. Cities and counties choose to fund private nonprofit industry-based promotional organizations for several key reasons. Local governments have learned that they are more likely to achieve their economic goals when the firms that will actually accomplish the increases in jobs, incomes and tax base become partners and actors in those goals. Creating a fund for local promotional efforts was an original justification for the creation of "Bed Taxes". Local governments want to enlist their local industries that will benefit from these promotions to provide leadership for these organizations because they have the industry experience

necessary for these organizations' success. Local industry provides considerably more cash and volunteer support for private promotional organizations for which they are responsible as compared to government agency promotional offices. And finally, cities and counties rarely want to be in the business of running marketing or promotional organizations; that is not their expertise.

- 6. Alliance administration publicizes their contention that they are entitled to a portion of the Transient Occupancy Tax collected by the County. The Grand Jury finds nothing to support this contention. In fact, pursuant to County Code, section 5.17.060, Transient Occupancy Taxes collected by the County "shall be used to fund general governmental functions of the County."**

Response (Board of Supervisors): The Board neither agrees nor disagrees with first two statements. Historically, other organizations have publicized or debated with the County that they are entitled to a portion of the Transient Occupancy Tax (TOT) collected by the County. The Alliance has made reference to the operations of convention and visitors bureaus that receive contributions or percentages of Transient Occupancy Tax to fund those bureaus' operations. However, the County is not aware of any direct statement from the Alliance administration contending that the Alliance is "entitled to a portion of the Transient Occupancy Tax collected by the County."

The Board partially disagrees with third sentence. The County presumes that the Grand Jury is referencing County Code Chapter 5.20. Tax Imposed on Transients. Of that Chapter, Section 5.20.031(B) states, "The revenue raised by this tax shall be used to fund the general governmental services and operations of the County of Mendocino." The Tax Imposed on Transients or, as commonly recognized, "Transient Occupancy Tax" (TOT) is general revenue. Collected TOT has the same unencumbered utility as other general revenue, such as sales and property taxes. General revenue is considered as 'discretionary funds' meaning that the Board of Supervisors has discretion to divide and spend these funds as approved by a majority vote of the Board.

Response (Mendocino County Alliance): Agree with the County Response. In addition, the Alliance's leadership has never said that the Alliance is "entitled" to any funding from the County, including from the Transient Occupancy Tax (TOT). We believe that the County should fund the Alliance because convincing evidence has shown that it is in the public interest to do so.

- 7. A State of California Travel and Tourism Board Commission Study of 1999 recommends measures for return on investment to be written into tourism promotional contracts. Measures should be adopted which meet the following three tests:**

- a. **Goals and objectives should include outcomes that are quantifiable, reflect actual visitor behavior, and specify a time frame;**
- b. **Results should be clearly and logically traceable to deliberate marketing actions;**
- c. **The return to the community or region directly attributable to marketing activities must be greater than the cost of the program.**

Response (Board of Supervisors): The Board partially disagrees with this finding. The article Determining the Return on Investment from Destination Marketing by Tiffany Urness, Research Manager for the California Division of Tourism “proposes the steps that convention and visitor bureaus, chambers of commerce and other DMOs [destination marketing organizations] can take to set up credible measures of the effectiveness and value of their programs.” The article does not state a recommendation that measures for return on investment to be written into tourism promotion contracts.

Response (Mendocino County Alliance): Agree with the County’s response.

- 8. **The contract between the Board and the Alliance has no requirement for financial return on investment.**

Response (Board of Supervisors): The Board agrees with this finding. The contract agreement between the Board and the Alliance stipulates that the “[Alliance] has been selected by the Board of Supervisors to implement a comprehensive program which will promote and foster increased tourism in Mendocino County and which will promote and foster the marketing of agricultural products which are produced in Mendocino County.”

Response (Mendocino County Alliance): Agree with the County’s response, with the addition that when the Board of Supervisors provided funding to the Alliance during the County budget process in summer of 2000 they also directed the County’s Chief Administrative Officer to work with the Alliance to propose measures that would strengthen the relationship between MCA and the County. This requirement was written into the contract between the County and the Alliance for the current fiscal year. Included in these measures was consideration of whether or not a Return on Investment system should be developed. This requirement was accomplished as described in Recommendation D below.

Recommendations

- A. **The Board cease funding the Alliance at the completion of the current contract. (Findings 1, 2, 3, 4, 7, 8)**

Response (Board of Supervisors): This recommendation of the Grand Jury would undermine purposeful public policy established by the Board of Supervisors (Board). The Board has invested into a comprehensive marketing and promotion program provided by the Alliance as an activity to enhance the County's overall economic development portfolio. The County's portfolio includes programs coordinated through the County Administrative Office on behalf of the Board of Supervisors to support activities related to business expansion and retention, business recruitment, entrepreneurial development, community capacity for business and housing, workforce development, and leadership development of cooperative programs with other agencies and organizations.

The County does not have an identified Economic Development Department. The functional equivalent to such department is the County Administrative Office employing an Economic Development Coordinator. Mendocino County uses this non-departmental function to reduce bureaucracy to streamline policy direction from the county administrative officer and elected officials. This system provides for the most rapid response to local economic development opportunities. It is common practice of counties and cities to employ economic development coordination through county administrative or city manager offices. It is also common practice to use independent contractors rather than employing county staff for specialized comprehensive services related to community development block grants, redevelopment, marketing and promotion, feasibility studies and strategic planning.

The County Economic Development Coordinator is empowered to forge those above identified activities and any available fiscal and professional resources into an all-inclusive program. The Board of Supervisors frequently advances these activities to the citizens of the county through the use of independent contractors. The use of independent contractors strengthens the County's capacity and builds upon staff expertise found in existing county departments to pursue and accomplish activities beneficial to the public at large or targeted to less fortunate individuals or complex projects. The County Economic Development Coordinator has experience managing professional service contracts and is administering contracts with independent contractors providing specialized technical expertise related to redevelopment, block grants, micro-enterprise business assistance, marketing and promotion, and feasibility studies. The Coordinator also provides direct business relations and serves as the County ombudsmen to local business and service organizations.

As recommended by the 1998 Mendocino County Joint Tourism & Agricultural Marketing and Promotion Feasibility Study (Study), the Board has supported opportunities to capitalize on existing growth industries with the goal of

improved quality of life for citizens and diversifying Mendocino County's historical economic dependence on the timber industry. In 1970 36% of the private sector jobs in Mendocino County were provided by the timber industry. Current State Employment Development Department figures estimates that workforce percentage to be about 7%. The Study investigated the local economy for ways to recoup those job losses. The resulting recommendations contained in the Study recognized the potential for continued economic growth in industries related to tourism, wine, certain agricultural products, and processed foods and beverages of Mendocino County origin. The increase of occupancy in existing lodging establishments and retention of grapes that are being shipped out of the County were identified as being the greatest opportunity for continued job and revenue growth.

As acknowledged by the Board at its May 1, 2001 workshop with the Alliance, the County has invested a minor portion of its discretionary revenue to provide promotional and marketing activities in support of industries that have potential for job growth. Those industries of tourism and agriculture also have potential to contribute discretionary funds to the County budget. In the lodging industry alone, the Study documents the opportunity for job and revenue growth, "it is estimated that the county's annual occupancy rate is approximately 53 percent, nearly 20 points below the figure of a 'healthy' tourism industry. Peak season rates are estimated at 72 percent and off-season rates between 30 and 40%. These figures suggest that even during the busiest season, the lodging industry is not at or near capacity. Capacity is generally acknowledged in the trade to be 80 percent."

Currently, those parts of the Mendocino County tourism, wine production and agriculture industries promoted and marketed through a contractual relationship, between the County and the Alliance, support approximately one third of the County's workforce, 8,800 jobs. Potentially, most of those workers live in Mendocino County and pay rent or mortgages, buy groceries, and rely on essential public services. Growth of those tourism and agriculture industries means improved quality of life for citizens. Increase processing of locally grown grapes in local wineries and increased visitation of local lodging establishments means higher incomes, more discretionary income to county coffers for essential public services, and lowered cost of other services for social and criminal justice programs catering to unemployment and poverty.

The Board has contracted for services provided by the Alliance for its program to provide comprehensive promotion services with awareness that Mendocino County is in competition with neighboring California counties and cities for the same consumers and visitors necessary for continued growth of our agriculture and tourism industries. The combined public investment of sister counties and

cities is into tens of millions of dollars for similar marketing and promotion efforts; effort expended to advance local communities, to increase community wealth, employment, and capture of local revenue. The Board made a commitment to the public to realize those same positive changes through use of the Alliance, to compete against neighboring jurisdictions, to support agriculture and tourism that employ one third of our citizens and return hundreds of millions of dollars throughout our community.

This year a task force composed of County and Alliance representatives worked for several months to study the potential for an annual working relationship to provide comprehensive marketing and promotional activities. At the conclusion of that effort, the Board held a workshop with the Alliance on May 1, 2001, to receive the report prepared by the task force. The workshop ended with the Board's acceptance of the report containing suggestions about how to continue to strengthen the County's ongoing working relationship with the Alliance. Included in those suggestions are mechanisms establishing improved accountability of the Alliance to the County, an approach to developing a reasonable tracking of the return on the County's investment, and specific requirements of private sector commitments of money and materials to support marketing and promotional efforts. Those contract provisions require further research and consideration by the Board.

The Alliance currently submits a quarterly financial statement and a report of quarterly activities with submittal of their payment invoice. At the end of term of the Agreement, the Alliance is required to retain the services of a Certified Public Accountant to conduct a complete financial review of all books and records of the Alliance that pertain to services performed by the Alliance under the terms of the Agreement. The County Economic Development Coordinator provides contract administration and works cooperatively with the Alliance to evaluate results of marketing strategies and promotion efforts. There is no current consideration to reverse those procedures.

Response (Mendocino County Alliance): Agree with the County's response.

B. The Board refuse to give public funds to promote private organizations, which serve a small spectrum of the population. (Findings 1, 3, 4)

Response (Board of Supervisors): This recommendation would undermine purposeful public policy established by the Board. See Above.

Response (Mendocino County Alliance): What happens to a community when it loses its economic foundation?

In 1970 thirty six percent of the jobs in Mendocino County were provided by the wood products industry. Today it's about six percent. Thousands of people lost their jobs. Local spending dried up. Economic decay spread. A host of ills befell individuals, families and communities all across the County.

Employees, consumers and businesses pay the taxes that support our County. If they aren't economically healthy, our County can't afford to provide the services we desire. When businesses fail, employees lose their jobs, and families fall into economic crisis, our County budget suffers. Many people may blame County government for not providing one or another service, but if the County doesn't have the tax base to support those services they can't afford to provide them.

The population of Mendocino County is too small to support a self-contained local economy; we must sell a significant amount of goods and services to consumers who live outside our county. This is as true today as it was in the 1850's. Without strong sustainable "export" industries our County budget will face periodic crises, unemployment will be too high, and too many families will not be financially secure.

No one, least of all the Alliance, claims that the 8000 or so employees, managers and owners of our tourism, wine, agricultural and food processing businesses and their families are more deserving of a comfortable economic life than any other honest hard working residents of our County. What we know is that this County needs an economic foundation. Timber and the other resource-based industries can no longer play that role. Tourism and wine can assume that role by renting rooms we already have and making wine out of grapes we already grow. They can assist our small food processors and create demand for a diversity of other Mendocino products. They can be a strong economic foundation in the middle of our entire community. Without that strong economic foundation, our entire public and private community will suffer.

C. Through the Economic Development Department, the Board fund programs that benefit the general population of the County. (Findings 3, 4, 5, 6)

Response (Board of Supervisors): The Board agrees with this recommendation. This recommendation has been implemented. See Above.

Response (Mendocino County Alliance): Agree with the County response.

D. Any promotional contract have measures for return on investment as defined by the California Travel and Tourism Commission's Study of 1999 and an exact line item accounting method quarterly. (Findings 2, 7, 8)

Response (Board of Supervisors): This recommendation would undermine purposeful public policy established by the Board. The contractual relationship

between the County and the Alliance recognizes that ongoing development of monitoring practices are key to evaluate performance of marketing and promotion strategies to ensure proper investment and stewardship of public dollars. At the May 1, 2001 workshop the Board revisited this topic. It is unclear if a return on investment formula can be developed that accurately reflects the economic return of the investment of the County's investment. Given the need to track and evaluate such an extensive number of local, state and nationwide economic variables, development of a accurate methodology to produce a precise evaluation or demonstrate a valid outcome of investment may not be achievable. See Above.

Response (Mendocino County Alliance): Agree with the County response with this addition, as in regards to "exact line item reporting", see Finding 2.

Comment

When granting contracts, the Board and the County Administrator ensure that more oversight power is written into contracts.

Response Required

Mendocino County Board of Supervisors

Response Requested

Mendocino County Promotional Alliance

