MENDOCINO COUNTY LODGING BUSINESS IMPROVEMENT DISTRICT 2015–2016 ANNUAL REPORT

ADVISORY BOARD MEMBERS

Coast Reps: Jim Hurst (Chair; Anchor Lodge)  Wendy Roberts (Vice-Chair; Water Tower Rental)
Inland Reps: Robert Pinoli (Skunk Train)  Anil Bhula (Fairfield Inn)
MCLA Board Rep: Pauline Zamboni (Inn at Victorian Gardens)
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 (BOS) by the BID Advisory Board (Advisory Board) approximately ninety (90) days before the start of each new fiscal year in which assessments will be collected. After unanticipated delays, this FY 2015-2016 Annual Report has been prepared by the BID Advisory Board to describe activities and accomplishments through the mid-point of FY 2014-2015 which ends on June 30, 2015, and to provide recommendations for the Supervisor’s consideration. This document:

1. Provides an introduction and background on the BID and tourism promotion in Mendocino County;
2. Documents the establishment, growth and accomplishments of Visit Mendocino County, Inc. (VMC) as the County’s Official Destination Marketing Organization (DMO);¹
3. Discusses current uncertainties, two studies commissioned to address them, the reports of the Board of Supervisors BID Ad Hoc Committee (BOS/BID Ad Hoc), and the BID Advisory Board recommendations for moving forward;
4. Endorses the three part implementation process recommended by Supervisors Dan Gjerde and John McCowen in their March 21 BOS/BID Ad Hoc Committee memorandum to the Board of Supervisors (Appendix II).
5. The steps presented in that report, are: “1) Renew the current BID, as is, including the 1% assessment, to insure continuity of BID operations; 2) Reform the governance structure in line with the recommendations supported by the MCLA and MCPA representatives; 3) Subsequently propose an increase in the BID assessment to 2% as a stand alone action subject to the protest process as mandated by state law;” and,
6. Introduces a preliminary plan for 2015-2016, subject to modifications dictated by possible changes in the BID assessment and/or governance structure.

¹ DMO is used here as defined by the Destination Marketing Association International as “… the principal organization of a given political division or subdivision that is organized to promote its respective destination to attract visitors and/or to solicit and service conventions.” See more at: http://www.destinationmarketing.org/topics/about-industry#sthash.djdmMbNl.dpuf
II. INTRODUCTION AND BACKGROUND

Promotion of the travel and tourism industry is vital to Mendocino County’s economy because of the profound impacts of visitor spending on tax payers, businesses and employees.

In 2012, the most recent year for which complete baseline information is currently available, visitor spending totaled $328 million dollars, generating approximately six hundred and four dollars ($604) of annual tax relief for every Mendocino County household. Several hundreds of tourism related businesses throughout the County employed more than 4,900 individuals. Collectively, they earned more than $125 million dollars.

The purpose of the BID Advisory Board is to help ensure that monies collected by lodging properties through the Mendocino County Lodging Business Improvement District assessment are used effectively and efficiently to increase overall visitor spending. This, in turn, will continue to create more tax relief, more employment opportunities and higher earnings for County residents, contributing to the overall growth and vibrancy of the County’s economy.

Approval of this FY 2015-2016 Annual Report by the Mendocino County Board of Supervisors will mark the beginning of the tenth year of the Mendocino County Lodging Business Improvement District. The County has contracted annually with Mendocino County Lodging Association (MCLA) to carry out promotional services, activities and programs authorized by County code referenced above in the Overview.

The Mendocino County lodging industry created the BID in the spring of 2006 with only twenty-six percent (26%) County-wide opposition. The BOS has supported the BID unanimously in each subsequent year, and there has been no formal opposition from lodging.

MCLA began its management of BID funds in 2006 by hiring a marketing agency based in San Francisco and committing seventy percent (70%) of the total BID funds to that agency. Also in 2006, MCLA established a sponsorship and partnership program to fulfill its charge under the BID Ordinance to: “Establish cooperative and financial partnerships with other agencies interested in and/ or performing promotional and marketing services, activities and programs in the District to enhance overall promotion of Mendocino County.”

As MCLA, and its local partners gained experience and expertise, they kept an increasingly large percentage of the promotional work and funds within the County. Keeping more of the work local has leveraged promotional dollars within Mendocino County’s economy. Local and regional partnerships have helped to increase both effectiveness and efficiency.

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2 Source: Dean Runyan & Associates (www.deanrunyan.com/CATravellImpacts/CATravellImpacts.html). Tax relief is calculated based on tax revenue generated from travel in 2012 ($20.6 million) and dividing by number of households (34,102); the source for number of households is: http://quickfacts.census.gov/qfd/states/06/06045.html.

3Source: County of Mendocino BOS Minutes of May 9, 2006.

4 The main partnership has been with the Arts Council of Mendocino County. Initially monthly funding was $800. This was increased to $1,000/month in July 2009 and to $1,200/month in July 2012.
From the outset, many committees have worked together to promote the County. Projects such as website redesigns, festival coordination, research studies, promotional videos and more have been initiated and successfully accomplished through these collaborative efforts.

In 2008, MCLA, the Mendocino County Promotional Alliance (MCPA), and the Wine Commission formed a joint marketing committee. The group contracted with Randall Travel Marketing, Inc. of Mooresville, North Carolina to conduct research and formulate recommendations to guide Mendocino County’s promotional efforts. The result was the Mendocino County Travel Research Study of 2008 (MCTRS), which contained detailed recommendations on how to strengthen and evaluate destination marketing of Mendocino County.3

Following a thorough review and discussion of the MCTRS, the MCLA Board accepted and approved the report at its November, 2008 meeting and declared its intent to implement two of the most important recommendations, calling for it to:

1. Become a research-based marketing organization; and,
2. Join MCPA to streamline and coordinate staffing by “…creating a DBA through which all MCLA and MCPA marketing occurs: Visit Mendocino.”

Becoming a research based marketing organization has taken much of the guessing out of how to market Mendocino County. Research allows MCLA and VMC to determine more precisely, where to market, what to market, and how to market in order to be most effective. Subsequent to the MCTRS, research based Annual Marketing Plans and Budgets have been used as the basis for investing BID and County funding. To the extent that it is possible to track progress and maintain current baseline data, each year’s approved Annual Marketing Plan and Budget is strengthened by assessment of the prior year’s performance, resulting in continuous learning and improvement.

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4 The phrase "doing business as" (abbreviated DBA, dba, d.b.a. or d/b/a) is a legal term used in the United States and Canada, meaning that the trade name, or fictitious business name, under which the business or operation is conducted and presented to the world differs from the name of record.
III. VISIT MENDOCINO COUNTY, INC.

A. VMC Established as a County-wide DMO:

Acting on a key recommendation of the 2008 MCTRS Study, MCLA and MCPA collaborated to establish Visit Mendocino County, Inc. as a not-for-profit 501(c) (6) organization on July 1, 2009 and entered into a contract with VMC to prepare and implement the County-wide Annual Marketing Plan and Budget for a three-year period from July 1, 2009 through June 30 2012.

A VMC Board of Directors was established, composed of five MCLA Board members, and five MCPA Board members. The four members of MCLA’s Executive Committee and one additional appointed MCLA Board member serve on the VMC Board. The MCPA Board of Directors appoints one member representing each of the following: the wine industry, the art industry, the Chambers, culinary/attractioons, and a member-at-large. This mix was intended to ensure a VMC Board with diverse viewpoints and experiences.

B. VMC Impact and Accomplishments:

By pooling their resources, MCLA and MCPA enabled the VMC Chief Executive Officer (CEO) and staff, who are responsible for day-to-day decisions, to: a) be more efficient in carrying out their marketing and administrative responsibilities; b) reduce duplication of effort; c) coordinate key VMC programs and activities with those of diverse visitor serving businesses and organizations; and, d) keep overhead as low as possible. This has resulted in more effective use of funds and development of more focused and better coordinated marketing strategies.

MCLA and MCPA have continued to work through VMC to implement many other MCTRS recommendations for how best to invest BID funds. Examples include website redesigns and regular updates, emphasis on social marketing and an on-going emphasis on data collection and program assessment.

On September 27, 2011, the Mendocino County Board of Supervisors designated Visit Mendocino County, Inc. as the Official Destination Marketing Organization of Mendocino County. On July 1, 2012, MCLA signed a second three-year contract with VMC beginning on July 1 2012 and ending on July 1, 2015. As described in the FY 2014-2015 Annual Report, “...A summary of the contract is as follows: MCLA desires to contract with VMC to have VMC provide marketing and administrative services for MCLA relative to the Mendocino County Lodging Business Improvement District (District), Chapter 5.140 of the Mendocino County Code (Code) on (Exhibit A) the terms and conditions set forth in this Agreement. VMC desires to receive payment for such services.”

Over the past five and one-half years, VMC has established a solid foundation for promoting Mendocino County, thereby enhancing the tourism and lodging sector and the overall vitality of the County’s economy. It has:

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7 A complete copy of the contract is available at: www.industry.visitmendocino.com/research.
• Established mutually beneficial partnerships with County businesses, organizations and State and local governments;
• Stayed attuned to marketing trends in order to take advantage of opportunities to promote the County as a travel destination;
• Streamlined operations to make the most efficient use of resources;
• Contracted with the North Coast Tourism Council (NCTC) to administer regional promotions, programs and activities on behalf of its member counties: Marin, Sonoma, Lake, Humboldt, Del Norte and Mendocino;
• Succeeded in consolidating efforts, coordinating strategies, improving professional management practices and providing leadership for other County businesses and organizations within the travel and tourism industry; and,
• Earned accreditation as a Destination Marketing Organization from Destination Marketing Association International (DMAI) after assessment and alignment of internal processes and procedures with industry standards as partially described by the graphs presented below.

COMPARISON OF VMC SPENDING BY CATEGORY WITH DMO INDUSTRY AVERAGE

The graphs below compare key spending categories in the VMC budget to industry averages. Destination Marketing Association International conducts its Organizational and Financial Profile Study every two years. Expenses are allocated into standardized categories and average percentages determined for spending on administration, personnel and marketing by typical DMOs of similar budget size. As part of the DMAI accreditation process, VMC adopted the standardized budget categories to permit it to benchmark against comparable organizations.

VMC also reviews key salaries against the Western Association of Convention and Visitor Bureau's annual CEO and Staff Salary and Benefits Survey. This survey is conducted annually and gives average salaries for many of the key positions found in typical DMOs based on budget size. VMC job descriptions with salary ranges are available from VMC on request.

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8 VMC receives an annual payment of $9,000 for these administrative services and Mendocino County is relieved of the usual $10,000 membership fee.
C. **The 2013-2014 Annual Marketing Plan and Budget:**

Fiscal year 2013-2014 is the most recent year for which complete financial information is available. Under the current BID Ordinance, once the Annual Marketing Plan and Budget is approved by the MCLA and MCPA Boards, they are responsible for working together to monitor implementation and ensure proper use of the funds throughout the year. VMC’s role is to implement the Annual Marketing Plan and Budget as developed by VMC’s committees and staff and subsequently approved by the MCLA and MCPA Boards.

The Annual Marketing Plan includes a Budget specifying how funds are to be allocated. Virtually all of the approved goals established in the FY 2013-14 Annual Marketing Plan and Budget were either met or exceeded through the cooperative efforts of VMC, MCLA, MCPA, the Arts Council of Mendocino County, and others. VMC’s implementation of the FY 2013-2014 Marketing Plan and Budget resulted in numerous noteworthy accomplishments reported below:
• Awarded 2014 Poppy Award by Visit California for “Why Travel Matters;”
• Awarded a silver Magellan Award by Travel Weekly for “In-County Visitor Services;”
• Awarded two bronze awards by the Hospitality Sales and Marketing Association International for public relations and festival efforts;
• Registered more than 30,000 Fans on Facebook (130% of goal);
• Increased the consumer mailing list to more than 26,000 subscribers (85% of goal);
• Maintained and improved VisitMendocino.com, the official travel website for Mendocino County and continued to publish the official Mendocino County Visitor Guide;
• Documented 146,235 unique website visitors; the five top keywords were Mendocino, Mendocino CA, Mendocino County, Mendocino California, and Visit Mendocino;
• Distributed more than 100,000 pieces of printed materials related to marketing within the County; including tear off maps, wine maps, event calendars, pet-friendly guides and meeting guides;
• Booked more than 1,200 room nights from group sales efforts;
• Placed more than 300 Mendocino County stories in print, broadcast and Internet media, resulting in $17 million in comparable advertising value (330% of goal);
• Recruited 37 members of the media (editors, producers, bloggers and freelancers) to visit Mendocino County, and distributed 13 press releases on various topics to local, regional, national and international media;
• Continued its partnership with Mendocino Winegrowers Incorporated, Mendocino County’s new winegrowers and vintner collaborative organization; and,
• Worked with numerous local, state and national entities to secure President Obama’s signature on a Presidential Proclamation adding the Point Arena Stornetta Public Lands to the previously established California Coastal National Monument.

VMC has earned recognition among travel professionals throughout the State. Its CEO currently holds elected positions as Co-Chair of California Tourism’s Rural Marketing Advisory Committee and Chair of the California Travel Association (CalTravel). He is also in the final stages of completing the rigorous DMAI professional certification program. These professional relationships are directly responsible for dozens of visiting media, article placements, and opportunities to showcase Mendocino and its products at special events throughout the year.

As an organization, VMC has earned credibility and trust with local businesses and organizations as the “go to” place for assistance with marketing and promotion of their individual unique events, stories, specials, packages, news, etc. VMC continues to provide many opportunities for local travel related businesses to partner, grow, and use their own marketing dollars effectively.
D. **2014-2015 Mid-Year Update:**
VMC is currently implementing FY 2014-2015 Annual Marketing Plan and Budget and is on track to meet and exceed even more ambitious goals. Efforts are focused on activities and programs selected on the basis of experience and as a result of the 2014 Marketing Study discussed below. VMC’s continued success is particularly noteworthy given persistent distractions attributable in part to the complexity of the existing governance structure.

During FY 2011-2012, MCLA commenced a rigorous internal evaluation that ultimately revealed two key areas in which action was urgently needed to ensure the continuing success of County-wide promotional programs.

The outdated baseline data provided by the 2008 MCTRS Study were no longer a sound basis either for strategic planning or to produce credible program evaluations. Very little information was available on where Mendocino County currently stands relative to competing destinations or how it might position itself to earn a greater market share among likely visitors. It was recognized that updated marketing information, statistics, and evaluation metrics were essential to ensure optimal investment of BID funds and to document VMC’s effective management of those funds.

In addition, divisions had emerged within and among MCLA, MCPA, and VMC, the three organizations who share responsibilities for all aspects of the County’s tourism marketing activities. The size and complexity of the governance structure emerged as a significant obstacle that was diverting attention and resources from the promotional programs.

Recognizing the need to address these issues, the MCLA and MCPA Boards voted to seek professional guidance and to jointly fund two new studies; one a Marketing Study, the other a Governance Study. Members were appointed from the MCLA, MCPA and VMC Boards to serve on an ad hoc Governance and Marketing Committee (GMC). The GMC charge was to develop Requests for Proposals (RFP), select qualified consultants and implement the research process and presentation of resulting recommendations to the stakeholders.

E. **The 2014 Marketing Study and Recommendations:**
Carl Ribaudo of the Strategic Marketing Group conducted the 2014 Marketing Study. He reported his findings and recommendations in a report dated July 2, 2014.\(^9\) The stated objective was 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.”** Research included a Situation Analysis, an Out of Market Survey, and a Visitors’ Survey. The report provides updated marketing information and a thorough analysis of VMC’s marketing approach, activities, programs, plans and budget, in relationship to established goals and benchmarks. While it concluded that Mendocino County’s promotional programs are under funded relative to the markets in which we compete, the report also provided guidance on how to strengthen the return on investment within the existing budget. Some changes were

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\(^9\) Complete study is available at [www.industry.visitmendocino.com/research](http://www.industry.visitmendocino.com/research).
possible within the FY 2014-2015 budget, including reallocation of funds to hire a media planner and fund better tracking of return on investment from media placements. The FY 2015-2016 Annual Marketing Plan and Budget were significantly influenced by the 2014 Marketing Study recommendations to:

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. Increase marketing focus to key lifestyle and passion segments including outdoor/recreation, wine, food and romance;
4. Increase the role of technology and digital marketing efforts in order to broaden the reach and increase effectiveness;
5. Develop and implement a marketing dashboard that tracks key indicators for the destination and VMC and distribute that information in an effort to educate and support the tourism industry; and,
6. Implement research that tracks the effectiveness of the VMC website and the influence it has on persuading visitors to visit Mendocino County.

F. The Governance Study and Recommendations:

Michael Ward of HighBar Global Consulting conducted the 2014 Governance Study. It included a comprehensive analysis of all three organizations, MCLA, MCPA, and VMC, and the interactions among them based on researching past and present issues among the three organizations; one-on-one interviews with all members of the three Boards of Directors; and gathering information through an online survey giving the opportunity for all lodging and other tourism oriented businesses to provide input. Based on information collected, the report recommended changes in five key areas, in order to achieve a healthy and productive governance structure:

1. Strengthen Visit Mendocino County (VMC) as a fully realized Destination Marketing Organization (DMO) with one oversight Board;
2. Change significantly how you recruit, select, onboard, educate, and facilitate, development and succession of Board Members;
3. Shift your governance focus from tactical/operational to strategic as reflected in all policy development, oversight functions, and meeting processes;
4. Commit to foster a governance culture that will attract new board members and sustain healthy relationships; and,
5. Significantly improve overall “information governance” to the stakeholder community through a fully transparent continuing education and outreach process.

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10 Studies referenced in this report are available at [www.industry.visitmendocino.com/research](http://www.industry.visitmendocino.com/research).
The “Mendocino County Destination Marketing Organizational Chart” shown below illustrates the existing, overly complex, governance and organizational structure.

G. Status of Process to Address Governance Issues:

Recommendations from both studies were initially accepted and approved by the Boards of all three organizations, who also voted to move forward with implementation. However, the new MCLA Board, seated in July 2014 rescinded MCLA’s approval at the August 2014 meeting. While the MCPA Board continued to support the recommendations and proceeded with a proposal for revisions to the BID Ordinance, the MCLA Board voted at its August meeting to discontinue all support for implementation and established an ad hoc committee to further review the recommendations proposed in the Governance Study. The following month, the Board voted to terminate its contract with VMC, effective October 1, 2014. In response to correspondence from County Council at the direction of the BOS, that decision was subsequently modified to reinstate the original MCLA/VMC contract end date of June 30, 2015.

As this Annual Report was being developed, the Mendocino County Board of Supervisors formed the BOS/BID Ad Hoc Committee consisting of Supervisors John
McCown and Dan Gjerde and comprising five representatives appointed by the MCLA Board and five appointed by the MCRA Board. MCLA is represented by John Dixon, Renata Dorn, Jitu Ishwar, Marcus Magdaleno and Roger Martin. MCRA representatives are Cally Dym, John Kuhry, John Meyer, Jennifer Seward and Hal Wagenet. The work of this committee and that of the BID Advisory Board have proceeded concurrently but independently.

In a report released by the BOS/BID Ad Hoc on February 10, 2015, MCLA and MCRA representatives unanimously recommended that their respective boards endorse twelve (12) key points as a step in the on-going process to increase the BID assessment and streamline the governance structure. On March 20, 2015, the committee released an amended report “Final MCLA—MCRA Business Improvement District Recommendations” with a total of 17 points which were subsequently endorsed by the MCLA, MCRA and VMC Boards. This report is attached as Appendix I. Also attached, as Appendix II, is the March 21 BOS/BID Ad Hoc Committee memorandum to the Board of Supervisors with an attachment concerning extension of the County/MCLA contract. Six (6) of the seventeen (17) points and the attachment regarding the VMC contract extension are addressed below.

H. Advisory Board Response to BOS/BID Ad Hoc Committee Recommendations

The BID Advisory Board acknowledges the effort invested to reach the current degree of consensus. As indicated on the first page of this Annual Report, Advisory Board members unanimously endorse the three part implementation process recommended by Supervisors Dan Gjerde and John McCown in the BOS/BID Ad Hoc Committee March 21 memorandum to the Board of Supervisors. While the BID Advisory Board is in general agreement with most of the seventeen (17) points included in the BOS/BID Ad Hoc Committee’s March 20 report, Advisory Board members respectfully ask that as the process proceeds, the Supervisors also consider the following:

1. Regarding Point 2: That the benchmark for establishing the allowable percentage to be budgeted for administrative expenses be specified as the DMAI industry-wide average for organizations of similar budget size. The Advisory Board also recommends that key salaries and staff benefit packages be assessed relative to the Western Association of Convention and Visitor Bureau’s annual CEO and Staff Salary and Benefits Survey;

2. Regarding Point 6: That nominees for the BID Advisory Board be encouraged from throughout the lodging community as well as those nominated by the MCLA Board;

3. Regarding Point 7: That the Governance Board be subject to the full Brown Act with no modifications;

4. Regarding Point 8: That the term core business be defined as meaning an applicant’s primary source of business or employment income when this term is used to determine eligibility for a seat on the Governance Board;

5. Regarding Point 9: That at least one of the 3 seats allocated to Large Properties be held by an inland property owner to ensure at least a modest degree of
geographic diversity; and,

6. Regarding Point 12: That careful consideration be given to ensuring both geographic and sector diversity when appointing Chamber seats and the At Large seat.

I. **Further Recommendations to Mitigate Risks and Address Management Issues:**

The Advisory Board shares in the broad consensus that the current BID governance structure must be streamlined. An over-arching concern is to avoid any further disruption of the positive momentum that VMC has created as Mendocino County’s Official Destination Marketing Organization. The marketing consultant jointly retained by MCLA and MCPA was explicit in warning of the harm that would result from any disruption of VMC’s on-going programs.

While the Advisory Board fully endorses the recommendation to preserve VMC’s brand and assets for continuing promotional programs, members also strongly recommend steps to protect and preserve its existing structure, leadership and staffing during the transitional period.

In an attachment to its March 21, 2015 memorandum to the Board of Supervisors (Appendix II), the BOS/BID Ad Hoc Committee recommends an extension of the current contract between MCLA and VMC for a period of one year from July 1, 2015 to June 30, 2016 or until the new BID Governing Board has been seated, whichever comes first. In addition to this essential contract extension, the BID Advisory Board recommends that further steps be taken to protect and preserve VMC’s brand and assets and its existing structure, leadership and staffing during the transitional period. Toward that end, the Advisory Board recommends that the contract between the County and MCLA be written to:

1. Recognize that Mendocino County has designated VMC as its Official Destination Marketing Organization and Require that MCLA recognize VMC as Mendocino County’s Official Destination Marketing Organization and use BID assessments and the County match to fund VMC as its exclusive DMO contractor;

2. Require that MCLA, as well as the new Governing Board (when seated) formally adopt the principles of the Ralph M. Brown Act and that all MCLA Board members receive Brown Act training prior to July 1, 2015;

3. Transfer the current responsibility to maintain a one hundred thousand dollar ($100,000) Reserve Account from MCLA, as the current oversight organization, to VMC, with the conditions that this sum is to be held in an interest bearing account and be reflected as a line item on the VMC balance sheet and that expenditures require approval of the VMC Board or the new Governing Board, when it is seated. Allowable uses would remain those recommended and approved in the FY 2007-2008 Advisory Board Report with the additional
allowance for use to cover lower than budgeted assessment income, as discussed in the FY 2009-2010 and FY 2014-2015 Annual Reports.\textsuperscript{11}

4. Require that BID assessment revenue in excess of currently projected amounts will also be transferred to VMC for uses that are approved with the Annual Marketing Plan and Budget, including assigned priorities for funding that are contingent on additional revenue becoming available;

5. Limit to budgeted administrative costs, the amount of Bid assessment funds that may be held for use by the current, or future Governing Board and require that all BID assessment funds in excess of this amount be transferred to VMC within thirty (30) days of the time they are received from the County to be invested in the services, activities and programs defined in Section 5.140.050 of the Mendocino County Code for the purpose of benefiting lodging by promoting tourism in the District; and,

6. Continue to require that MCLA undergo an annual financial review (with audits triggered by any substantial irregularity in the review). VMC should continue to have an annual audit.

IV. BASIS FOR FY 2015-2016 PLANNING AND BUDGETING

Should the District boundary for the BID assessment remain unchanged for FY 2015-2016, then the classification of businesses would also remain unchanged; and would therefore, continue to include all “hotel” or ”lodging” establishments, as defined by Section 5.140.030 of the Mendocino County Code, in the County of Mendocino, City of Ukiah, City of Willits, City of Fort Bragg and the City of Point Arena, California.

Pursuant to Section 5.140.060 each lodging establishment which collects rent and benefits from overnight guests, and operates in the District will be assessed a share of the costs of the services, activities and programs, according to the rent revenues and the benefits to be received; with the assessment levied as one percent (1%) on gross rent. This assessment is calculated on a daily basis from gross rent revenues collected by each lodging establishment. It is levied on the operators of the lodging establishment on a daily basis, and is due to be collected on a monthly basis.

As previously discussed, planning for FY 2015-2016 has been strongly influenced by the 2014 Marketing Study and is based on the prevailing BID Ordinance. Should a revised BID Ordinance be adopted, the BID Advisory Board recommends that it be

\textsuperscript{11} As approved by the Board of Supervisors, the FY 2007-2008 BID Advisory Board Annual Report establishes the following allowed uses for the Reserve Fund: … unexpected District expenses that are consistent with applicable laws and the annual contract by and between the County of Mendocino and the Mendocino County Lodging Association. Those expenses could include promotional events, special publications, or promotional and public relations efforts to help the District recover from natural disaster or other adverse, unexpected events having extreme administrative and program costs and threat to the local tourism economy. The approved FY 2009-2010 and FY 2014-2015 Annual Reports state that the funds may also be used cover lower than budgeted assessment income.
reconvened to develop and submit a revised Annual Report and Budget to the Board of Supervisors within sixty (60) days of the official date of adoption.

V. PRELIMINARY PLAN FOR FISCAL YEAR 2015-2016

For the second consecutive year, the County-wide lodging community strongly encourages the County of Mendocino to revisit the feasibility and benefits of adding Transient Occupancy Tax (TOT) and BID assessment requirements to private campgrounds throughout the County. This addition would not only bring more tax resources to the County, but would also enhance overall marketing efforts and their economic impact on our communities. The lodging community is in support of private campgrounds paying TOT and BID assessments on fees paid for by short term visitors, but excluding sites designated as affordable long term and/or temporary residential shelter.

The services, activities and programs to be provided through the BID in FY 2015-2016 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, and carried out by VMC, are as follows:

- The general promotion of all lodging establishments operating within the Business Improvement District (District);
- The marketing of products and events that have a connection with the lodging industry operating in the District; and,
- The marketing of the District to the media and travel industry in order to benefit local tourism and the lodging establishments in the District.

Activities permitted under the Parking and Business Improvement Law of 1989, being Section 36500 to 36551 of the California Streets and Highways Code are included as specified costs in this FY 2015-2016 Annual Report, subject to adoption by the Mendocino County Board of Supervisors. They include:

- Marketing, advertising and promotion of Mendocino County as a premier destination, focusing on activities and destinations that encourage overnight visitors;
- Providing public outreach and community relations to connect District funded services, activities and programs with lodging operators in the District;
- Establishing cooperative and financial partnerships with other agencies interested in and/or performing promotional and marketing services, activities and programs in the District to enhance overall promotion of Mendocino County;
- Providing administration and project management of District activities and efforts, including research and development of statistical reports for quantitative analysis of District marketing strategies;
• *Maintaining the established reserve fund to ensure financial viability and flexibility in the support of services, programs, and activities that benefit the lodging operators in the District;*

• *Developing, supporting and providing fulfillment programs and related activities with the cooperation of MCPA and/or MCLA, primarily funded by the County of Mendocino’s matching funds; and,*

• *Continuing to improve communication of MCLA activities to its members via web, written newsletter, annual membership meeting, and other outreach channels.*

**VI. FY 2015-2016 ESTIMATED REVENUE AND COST OF SERVICES**

Pursuant to Section 5.140.050 of the Mendocino County Code, the County of Mendocino has entered into an agreement with MCLA to provide the services, activities and improvements for the District. The balance sheet and profit and loss statements regarding budget vs. actual reports are provided on a quarterly basis to the County.

In FY 2013-2014 the Mendocino County Tax Collector recorded BID payments to MCLA in the amount of six hundred, seventy-seven thousand, forty-five dollars and seven cents ($677,045.07) 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.

In the first eight months of FY 2014-2015, the County of Mendocino BID paid to MCLA five hundred, forty-three thousand, twenty-six dollars and eighty-two cents ($543,026.82).

Based on a conservative estimate of anticipated revenue, the budgeted cost of services, activities, and programs for the District in FY 2015-2016 is six hundred, seventy-five thousand dollars ($675,000).

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<th>Percentage</th>
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<td>Visit Mendocino County</td>
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<td>Partnerships</td>
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</tbody>
</table>

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; however, said amount is not to exceed one percent (1%) of the assessments collected. The administration fee limit shall not apply to enforcement costs pursuant to Section 5.140.260 of the Mendocino County Code. This amount is estimated to be six thousand, seven-hundred and fifty dollars ($6,750).

The proposed Annual Marketing Plan and Budget for FY 2015-2016 does not include a further contribution to the Reserve Account because prior contributions have reached the one hundred thousand dollar ($100,000) goal that was recommended by the BID Advisory Board in FY 2009-2010.
The purpose of the Reserve Account is to provide funds that can be accessed to address shortfalls in revenue projections or for unexpected expenses consistent with applicable laws and the annual contract between the County of Mendocino and MCLA. Allowable uses might include promotional expenditures required to assist the District’s recovery from a natural disaster or other adverse, unexpected circumstance in which inadequate funding for administrative and program costs could pose a threat to the local tourism economy.

Funds intended for the Reserve Account are currently held by MCLA. To date, MCLA has not acted on the Advisory Board’s FY 2014-15 recommendation to revise its balance sheet to reflect the Reserve Account. With the goal of being efficient, effective and transparent, the BID Advisory Board recommends that these funds be transferred to VMC and that VMC show them on its Balance Sheet.

VII. CONTRIBUTIONS FROM MENDOCINO COUNTY MATCHING FUNDS

By contractual agreement, the County of Mendocino currently provides matching funds in an amount equal to fifty percent (50%) of the total BID assessments collected. The matching funds may only be directed to MCLA and/or MCPA, pursuant to Section 5.140.250 of the Mendocino County Code.

Before any matching funds can be allocated to MCLA and/or MCPA, the County and the recipient organization must enter into a contract. Currently, the County contracts with MCPA as the recipient of the matching funds and the entity responsible for ensuring that they are used to provide allowed services, activities, and programs to benefit the District.

The FY 2015-2016 Budget contained in this Annual Report is based on projected assessment revenue of six hundred, seventy-five thousand dollars ($675,000). This would result in the County of Mendocino budgeting three hundred thirty-seven thousand and five hundred dollars ($337,500) for matching funds for FY 2015-2016. The matching funds, together with the estimated assessments, will be used to implement the approved FY 2015-2016 Annual Marketing Plan and Budget in support of County-wide marketing and promotional activities.

VIII. PROPOSED FY 2015-2016 BUDGET

BID assessment revenue has surpassed pre-recession highs. While further growth is expected, Advisory Board members concur with the VMC staff proposal to submit a budget based on conservative projections. This base budget is accompanied by recommendations for additional marketing investments contingent on receipt of additional revenue. It is recommended that future budgets routinely specify priorities for the use of unanticipated revenue. Both the base budget and recommendations for additional spending reflect findings of the 2014 Marketing Study and consultation with Marketing Consultant Carl Ribaudo.
Mendocino County BID Budget
FY 2015-2016
(July 1 2015- June 30, 2016)

INCOME

Estimated gross income from BID assessment $675,000
Less: Estimated BID Administration Fees Paid to County 1% 6,750
Net available income from BID assessment $668,250

Expenses by Category Totals

<table>
<thead>
<tr>
<th>Category</th>
<th>Total</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Approved Annual Marketing Plan</td>
<td>$641,400</td>
<td>95%</td>
</tr>
<tr>
<td>Partnerships/Sponsorships</td>
<td>14,600</td>
<td>2%</td>
</tr>
<tr>
<td>MCLA Administrative Support</td>
<td>12,250</td>
<td>2%</td>
</tr>
<tr>
<td>County Administration</td>
<td>6,750</td>
<td>1%</td>
</tr>
<tr>
<td>TOTAL EXPENSES</td>
<td>$675,000</td>
<td>100%</td>
</tr>
</tbody>
</table>

Priorities for Revenue-Contingent Marketing Opportunities

<table>
<thead>
<tr>
<th>Priorities for Revenue-Contingent Spending</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Priority #1 – Search Engine Optimization; purpose – to drive more traffic to website, inspiring more overnight visitors</td>
<td>$20,000</td>
</tr>
<tr>
<td>Priority #2 – online advertising – increased messaging on already successful media campaign – to include Tripadvisor, Google Adwords, Pandora, etc</td>
<td>70,000</td>
</tr>
<tr>
<td>Priority #3 – Public Relations – additional hosting of media, and media tours in key markets (NorthWest, Chicago, Dallas, NY, Vancouver) to engage more “A” list media</td>
<td>30,000</td>
</tr>
<tr>
<td>Priority #4 – Print media – bring back advertising in Sunset &amp; VIA to increase leads and overall branding in key CA markets</td>
<td>30,000</td>
</tr>
<tr>
<td>TOTAL</td>
<td>$150,000</td>
</tr>
</tbody>
</table>
# Mendocino County BID Budget

**FY 2015-2016**

(July 1 2015–June 30, 2016)

## EXPENSES BY CATEGORY

### PARTNERSHIPS/SPONSORSHIPS

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Arts Council Sponsorships as defined by the MCLA Board</td>
<td>$14,600</td>
</tr>
</tbody>
</table>

### VISIT MENDOCINO COUNTY, INC. (VMC)

(Numbers are estimated and subject to change based on FY 2014-2015 MCLA Board approved Annual Marketing Plan and Budget)

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Advertising (including print, radio, outdoor, etc)</td>
<td>$250,400</td>
</tr>
<tr>
<td>Public Relations (Contracted agency, media tours/events)</td>
<td>175,000</td>
</tr>
<tr>
<td>Leisure/Group sales (travel shows, etc)</td>
<td>46,000</td>
</tr>
<tr>
<td>Website maintenance, search engine marketing, upgrades</td>
<td>60,000</td>
</tr>
<tr>
<td>Visitor Services/Fulfillment (Guides, festivals, visitor center)</td>
<td>100,000</td>
</tr>
<tr>
<td>General MCLA Administrative Support</td>
<td>10,000</td>
</tr>
</tbody>
</table>

**VMC** $641,000

### MCLA ADMINISTRATIVE SUPPORT

<table>
<thead>
<tr>
<th>Description</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td>Insurance - Board of Directors</td>
<td>$1,750</td>
</tr>
<tr>
<td>Accounting Fees</td>
<td>2,500</td>
</tr>
<tr>
<td>Legal Fees</td>
<td>3,000</td>
</tr>
<tr>
<td>Miscellaneous (MCLA designated conference phone, mcla.info, etc)</td>
<td>5,000</td>
</tr>
</tbody>
</table>

**MCLA ADMINISTRATIVE SUPPORT** $12,250

### COUNTY ADMINISTRATION FEE

**COUNTY ADMINISTRATION FEE** 6,750

### TOTAL BUDGET

**TOTAL BUDGET** $675,000
## SAMPLE FY 2015-2016 VMC ANNUAL BUDGET
INCLUDING BID ASSESSMENTS, MENDOCINO COUNTY MATCHING FUNDS AND
MISCELLANEOUS INCOME

<table>
<thead>
<tr>
<th>INCOME</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>MCLA BID Assessment</strong></td>
<td>$641,400</td>
</tr>
<tr>
<td><strong>County of Mendocino Matching Funds</strong></td>
<td>325,000</td>
</tr>
<tr>
<td><strong>Other Income (visitor guide and calendar advertising)</strong></td>
<td>60,000</td>
</tr>
<tr>
<td><strong>Other Income (misc.)</strong></td>
<td>30,000</td>
</tr>
<tr>
<td><strong>TOTAL INCOME</strong></td>
<td>$1,056,400</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>EXPENSES</th>
<th>Amount</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Advertising/Media</strong></td>
<td>$250,400</td>
</tr>
<tr>
<td><strong>Website and Electronic Marketing</strong></td>
<td>60,000</td>
</tr>
<tr>
<td><strong>Public Relations</strong></td>
<td>175,000</td>
</tr>
<tr>
<td><strong>Visitor Guide Distribution, Signage and Visitor Services</strong></td>
<td>50,000</td>
</tr>
<tr>
<td><strong>Festivals and Events</strong></td>
<td>25,000</td>
</tr>
<tr>
<td><strong>Sales</strong></td>
<td>41,000</td>
</tr>
<tr>
<td><strong>Partnerships/Sponsorships</strong></td>
<td>35,000</td>
</tr>
<tr>
<td><strong>Operations</strong></td>
<td>80,000</td>
</tr>
<tr>
<td><strong>Personnel</strong></td>
<td>340,000</td>
</tr>
<tr>
<td><strong>TOTAL EXPENSES</strong></td>
<td>$1,056,400</td>
</tr>
</tbody>
</table>
Appendix I

Date: March 20, 2015

To: Mendocino County Lodging Association (MCLA) Board of Directors; Mendocino County Lodging Association Membership (via MCN listserv) Mendocino County Promotional Alliance (MCPA) Board of Directors

From: John Dixon, President of MCLA Cally Dym, President of MCPA

Re: Final MCLA – MCPA Business Improvement District Recommendations

Background
The Board of Supervisors Business Improvement District (BID) Ad Hoc Committee (Supervisors Dan Gjerde and John McCowen) have been meeting with five representatives of MCLA (John Dixon, Renata Dorn, Jitu Ishwar, Marcus Magdaleno, and Roger Martin) and five representatives of MCPA (Cally Dym, John Kuhry, John Meyer, Jennifer Seward, and Hal Wagenet) in an effort to build consensus regarding proposed changes to the BID governance structure and assessment.

In a statement dated February 10, 2015, the MCLA and MCPA participants announced consensus on key issues and agreed to recommend approval to their respective Boards of Directors. The original 12 points of consensus were endorsed by the MCLA Board of Directors on March 4 and by the VMC Board of Directors on March 10.

The Ad Hoc participants have continued to meet and consensus has been reached on all outstanding issues, including a recommendation that the MCLA Board of Directors extend the current contract with VMC, provided VMC agrees to specific conditions. The recommendation and conditions for a contract extension are contained in a separate document which is included as an attachment.

Additionally, a comprehensive review of state BID law confirms that the existing governance structure can be reformed independently of the process for reauthorizing the BID or increasing the BID assessment. Therefore, it is recommended that a three part implementation process be followed: 1) renew the current BID, as is, including the existing 1% assessment, to insure continuity of BID operations; 2) reform the governance structure in line with all of the following applicable recommendations; 3) subsequently, propose an increase of the BID assessment to 2% as a stand alone action subject to the protest process as mandated by state law.

In order to reach agreement it was necessary for everyone to compromise on certain points in return for assurances on others. The participants believe that the package of agreed upon changes represents significant reform to the current BID process and will enhance our ability to efficiently and effectively promote Mendocino County. This statement has been reviewed and approved by Supervisors Gjerde and McCowen and each of the MCLA and MCPA participants listed above.

The MCLA and MCPA representatives unanimously recommend endorsement of the following points by their respective boards:

1. Elimination of the tiered BID proposal in favor of an across the board 2% assessment with a continuation of the 50% County match to be applied to all funds;
2. A guarantee that a high proportion of all new revenue shall be dedicated to direct promotion and marketing with administrative costs based on Destination Marketing Association International (DMAI) industry standards and fixed at, or below, the national average for organizations of comparable size;
3. The County shall retain copyright and use rights to all documents and work products of the BID to insure that these materials will always be available to promote Mendocino County, no matter what entity is hired to implement the approved Marketing Plan;
4. Formation of a single Governing Board to administer the BID and oversee the Destination Marketing Organization (DMO) and implementation of the approved Marketing Plan;
5. MCLA and MCPA may continue as independent organizations but will have no direct authority over BID funds or administration;
6. The BID Advisory Board shall continue to be appointed from a list of nominees prepared by the Board of Directors of MCLA; all nominees must be owners, operators, or employees of assessed hotels; two members shall be appointed to represent the inland area; two members shall be appointed to represent the coastal area; and one member shall be appointed to represent MCLA;
7. The Governing Board shall be subject to the Brown Act and shall provide for financial transparency in all DMO operations, including payroll;
8. Governing Board members:
   • shall be elected or appointed to three year terms based on their core business or organizational interest;
   • shall be subject to term limits of no more than two terms (except a member who has completed less than one half of a full term may serve two additional terms if duly elected or appointed);
   • shall be ineligible to serve for three years after being termed out;

9. The Governing Board shall be composed of eleven (11) members as follows:
   • five (5) Lodging;
   • two (2) Chambers of Commerce;
   • one (1) Winery or Winegrower;
   • one (1) Arts and Attractions;
   • one (1) Food and Beverage (includes culinary, beer and other spirits); and
   • one (1) At Large.

10. All Governing Board members shall be required to submit a resume showing relevant experience; complete a questionnaire demonstrating their interest and commitment in promoting Mendocino County; and be elected or appointed as follows:

11. Lodging members shall be directly elected by lodging operators (in a County conducted election) as follows: three (3) elected by and from large lodging operators; one (1) elected by and from medium lodging operators; one (1) elected by and from small lodging operators;

12. Non-lodging members shall be appointed by the BOS as follows: two (2) members nominated by local Chambers of Commerce; one (1) member nominated by Mendocino Winegrowers, Inc.; one (1) member who applies from or is nominated by an Arts organization, an Attractions governing board, or Attractions proprietor; one (1) member who applies from a food or beverage business including culinary, beer and other spirits; one (1) member who applies At Large;

13. The terms of Governing Board members shall be staggered so that no less than three or more than four members shall be elected or appointed in any one year (except to fill vacant unexpired terms) with initial terms elected or appointed as follows, with all subsequent terms to be for three years:

   • Large Lodging
     o 3 seats: a three (3) year term, a two (2) year term and a (1) one year term;
   • Medium Lodging
     o 1 seat: a two (2) year term;
   • Small Lodging
     o 1 seat: a three (3) year term;
   • Chambers of Commerce
     o 2 seats: a three (3) year term and a two (2) year term;
   • Winery or Winegrower:
     o 1 seat: a three (3) year term;
   • Arts & Attractions
     o 1 seat: a two (2) year term;
   • Food & Beverage
     o 1 seat: a one (1) year term;
   • At Large
     o 1 seat: a one (1) year term;

14. The BOS shall provide for public noticing of all vacancies; shall actively encourage multiple nominations for each open seat; and shall seek to provide for geographical diversity (for example: one member should be selected from nominees by the coastal chambers and one member selected from nominees by the inland chambers);

15. To facilitate the formation of the new Governing Board, the corporate identity of VMC, Inc. will be changed in favor of a new organization known as the Mendocino County Visitor’s Bureau, Inc. (MCVB) which will assume the responsibility for implementing the approved Marketing Plan to promote Mendocino County. MCVB will be organized in line with the points of consensus developed by the BID ad hoc group; will assume control of the assets of VMC, Inc.; and will continue to promote Mendocino County using the VMC brand. The corporate name change will clarify the relationship between the BID Governing Board and those who are hired or contracted to implement the Marketing Plan;

16. The new Governing Board shall be seated July 1, 2015, or as soon thereafter as is practicable; the revised BID assessment shall be effective no sooner than January 1, 2016;

17. MCLA and MCPA shall assist in providing comprehensive information to lodging operators and the public regarding the BID process, and that public meetings be held in Point Arena, Fort Bragg, Willits, Ukiah, and Anderson Valley to present the proposed BID changes and respond to questions.

cc: Mendocino County Board of Supervisors
Visit Mendocino County Board of Directors
Business Improvement District Advisory Board
Appendix II

CARMEL J. ANGELO Chief Executive Officer Clerk of the Board

CONTACT INFORMATION
463-4221 FAX: (707) 463-7237
Email: bos@co.mendocino.ca.us Web: www.co.mendocino.ca.us/bos

Date: To: From:

Re: COUNTY OF MENDOCINO BOARD OF SUPERVISORS

March 21, 2015
The Honorable Mendocino County Board of Supervisors and all other interested parties Supervisors Dan Gjerde and John McCowen

Business Improvement District (BID) Ad Hoc Committee Report

Following numerous meetings with representatives of the Mendocino County Lodging Association (MCLA), the Mendocino County Promotional Alliance (MC PA), and other interested parties, a broad based consensus has been reached on BID related issues. These meetings also produced a recommendation to extend the current MCLA/VMC contract but that matter is solely within their purview to decide. Please see the attached document (“Final MCLA – MC PA Business Improvement District Recommendations”) for specific details which, if implemented, will reform the current governance structure and significantly increase funding for countywide promotional efforts.

The current BID governance structure includes five (5) boards, fifty-six (56) board members, and four (4) overlapping contracts. The attached recommendations will retain the ultimate authority of the BOS and the BID Advisory Board, as required by state law, but will create one eleven (11) member governing board to implement the approved marketing plan, thereby increasing efficiency and accountability.

Mendocino County, based on the current 1% BID assessment, and the 50% match from the County General Fund, raises approximately $900,000 annually to promote Mendocino County. Increasing the BID assessment to 2%, with a continuation of the 50% match from the County General Fund, will double the amount of funding available for promotion.
A comprehensive review of State BID law and our local ordinance confirms that the current governance structure can be changed by amending our local ordinance independently of the process for reauthorizing the BID or increasing the BID assessment.

Therefore, it is recommended that a three part implementation process be followed: 1) renew the current BID, as is, including the 1% assessment, to insure continuity of BID operations; 2) reform the governance structure in line with the recommendations supported by the MCLA and MCPA representatives; 3) subsequently propose an increase in the BID assessment to 2% as a stand alone action subject to the protest process as mandated by state law.

We anticipate that the BID reauthorization process will proceed in a timely manner and that the BOS will approve the recommended reforms to the governance structure, provided those reforms are endorsed by the MCLA, MCPA and VMC Boards of Directors. We believe it is feasible to implement the governance reforms, including seating the new governing board, effective July 1, 2015 and to implement an increased BID assessment effective January 1, 2016. In addition to the lodging operators, the City Councils of Fort Bragg, Point Arena, Willits, and Ukiah must approve any increase in the BID assessment in order for it to apply within their jurisdictions.

We and the MCLA and MCPA participants are committed to providing comprehensive information to the elected officials and staff of the incorporated cities, lodging operators, and the general public. To that end, we plan on holding public meetings in Fort Bragg, Willits, Point Arena, Ukiah and Anderson Valley to present the proposed recommendations and respond to questions. We respectfully request your support for the recommendations as presented and the three part implementation plan.

cc: Mendocino County Lodging Association, Mendocino County Promotional Alliance, Visit Mendocino County, Mendocino County BID Advisory Board, Fort Bragg City Council, Willits City Council, Point Arena City Council, Ukiah City Council

THE BOARD OF SUPERVISORS

CARRE BROWN JOHN MCCOWEN TOM WOODHOUSE DAN GGERDE DAN HAMBURG First District Second District Third District Fourth District Fifth District
Appendix III

Attachment: MCLA/VMC Contract Extension Recommendations

The Board of Supervisors Business Improvement District Ad Hoc Committee (Supervisors Gjerde and McCowen), the MCLA representatives (John Dixon, Renata Dorn, Jitu Ishwar, Marcus Magdaleno, and Roger Martin) and the MCPA representatives (Cally Dym, John Kuhry, John Meyer, Jennifer Seward, and Hal Wagenet) have developed consensus recommendations regarding proposed changes to the BID governance and assessment. The above named individuals also support an extension of the current contract between MCLA and VMC in order to allow all parties to focus on approval of the recommended changes.

Accordingly, it is recommended that MCLA approve a contract extension with VMC, Inc., for a period of one (1) year (until June 30, 2016) or until the new BID Governing Board has been seated, whichever comes first, contingent on agreement by VMC to do all of the following:

1) assign to Mendocino County and its assignees all copyright and other use rights in any and all proposals, plans, specifications, designs, drawings, sketches, renderings, models, reports and related documents, (including computerized or electronic copies) respecting in any way the subject matter of the services that have been provided by VMC to date, or that may be provided in the future;

2) provide that all material and financial assets owned by VMC shall be transferred to any successor agency authorized to implement the approved Mendocino County BID Marketing Plan;

3) require that all out of state travel must be approved, either as part of the approved Marketing Plan, or by separate action of the Board of Directors; and that VMC (or the new Governing Board) shall adopt policies or review existing policies for Travel and Expense Reimbursement within ninety (90) days of the effective date of the contract extension;

4) amend the existing contract with the current VMC CEO/President as follows:
   a) change title from CEO/President to Executive Director;
   b) allow for termination without cause upon ninety days written notice;
   c) Immediately reduce and cap severance package to six months pay and benefits with a further reduction and cap to three months effective upon approval of the proposed BID governance structure and seating of the new Governing Board.