



**SONOMA COUNTY TOURISM
FISCAL YEAR 2021-2022 MARKETING PLAN and BUDGET
FISCAL YEAR 2019-2020 ANNUAL REPORT**

TO BE FILED WITH THE OFFICE OF THE CLERK OF SONOMA COUNTY
PURSUANT TO STREETS AND HIGHWAYS CODE SECTION 36533
SUBMITTED: MARCH 8, 2021

**I.
BACKGROUND**

A. Sonoma County Tourism Business Improvement Area

On November 2, 2004, the Sonoma County Board of Supervisors ("Board") adopted Ordinance No. 5525 ("Ordinance") creating the Sonoma County Tourism Business Improvement Area ("SCTB BIA"). Under the Ordinance, lodging establishments generating annual room revenue of \$350,000 or more during the preceding fiscal year must pay an assessment equal to 2% of such revenue. Proceeds from assessments are used to pay for activities designed to increase the number of overnight visitors to the area.

In January 2005, the Board appointed five members to the Sonoma County Tourism Business Improvement Area Advisory Board ("Advisory Board"), a body established pursuant to the Parking and Business Improvement Area Law of 1989 (Streets & Highways Code section 36500 et seq., the "Act") which is charged with advising the Board on the amount of the SCTBBIA assessments and on the services, programs and activities to be funded by the assessments. In 2011, the Board amended the Ordinance, appointing the board of directors of Sonoma County Tourism Bureau, Inc. ("SCTBB") to serve as the Advisory Board for the SCTBBIA. This decision was based on recommendations of a 2010 County audit of the organization.

B. Sonoma County Tourism Bureau, Inc.

The Ordinance authorized the County to enter into an agreement with a contractor to carry out the services, activities, and programs to be funded from the assessments, and designated SCTB to serve as the initial contractor. In June of 2005, the Board executed an agreement with SCTB to carry out services, activities and programs promoting tourism to Sonoma County, with funding from both SCTB BIA assessments and from transient occupant tax (TOT) revenue allocated to SCTB by the Board. As noted above, in 2011, the SCTB Board of Directors also was appointed to serve as the Advisory Board. The Ordinance requires a 22-member Board of Directors for SCTB, the composition of which must comply with a matrix that provides representation from each supervisorial district, and from each size category of lodging establishment. Appointments to the SCTB board are made on a pro rata basis in accordance with the respective contributions made to the SCTBB budget by SCTB BIA assessments and by County TOT allocations. The Sonoma lodging industry appoints the number of directors resulting from SCTB BIA assessments, and the Board appoints the number of directors resulting from TOT allocations.

C. Boundaries

The SCTB BIA was the first county-wide tourism Business Improvement Area formed in California. For assessments to be collected from lodging establishments within the incorporated cities in the County, the councils of each City had to consent to formation of the SCTB BIA. Consent was given by the Cities of Santa Rosa, Petaluma, Rohnert Park, Sebastopol, Cloverdale and Cotati, and the Town of Windsor. Accordingly, the boundaries of the SCTB BIA include the territory within the boundaries of those seven cities plus all of the unincorporated territory within the

County. These boundaries have remained unchanged since the SCTB BIA was formed, and SCTB does not recommend any changes to the boundaries in the upcoming year.

D. Assessment

Lodging establishments within the boundaries of the SCTB BIA generating annual room revenue of \$350,000 or more during the preceding fiscal year must pay an assessment equal to 2% of such revenue. Lodging establishments in the unincorporated territory of the County forward the assessment to the County tax collector. Lodging establishments in the municipalities that consented to formation of the SCTB BIA allocate the assessments to the collecting entities within their respective municipalities. Those collecting entities, in turn, remit the collected assessments to the County in accordance with written agreements between the County and each municipality.

E. Purpose and Specific Benefit

The Ordinance requires that revenues from assessments must be used to conduct marketing activities designed to increase overnight visits to the area. The term “area” is defined as the territory within the boundaries of the SCTB BIA, and the term “marketing activities” is defined as activities designed to market the area as a tourist destination, including the expenditure of funds to place advertising in any media, conduct public relations campaigns, perform marketing research, promote conventions and trade shows, and foster improved contacts within the travel industry, for the purpose of promoting tourism within the area. Revenues from assessments may be used for programs, services, and activities outside the area, if such programs, services, and activities are designed to promote and encourage overnight visits to the area. Revenues from assessments may also be used to pay the ongoing administrative costs associated with the marketing activities.

The focus on increasing overnight visits to the area constitutes a specific benefit to the lodging establishments that pay the assessments. This specific benefit is what distinguishes the assessments from taxes that are subject to voter approval requirements. The fact that others may receive incidental benefits from the expenditure of assessments, such as restaurants, attractions, wineries, retailers and parks, does not change the characterization of assessments as a specific benefit to lodging establishments because no additional cost is imposed on the lodging establishments to provide those incidental benefits. During 2020, with the COVID-19 global pandemic, SCTB shifted some of its focus to providing consumer insights and industry monitoring to help keep the tourism industry aware of the constantly shifting environment. SCTB took a greater role within the public good with its Safe Travels Promise and Labor Day Sacramento-area radio campaign to encourage visitors to be responsible stewards of the natural resources mostly especially the coast and Russian River.

F. Annual Report

Pursuant to Ordinance, and in accordance with section 36533 of the Act, the SCTB must present an Annual Report to the Board for its approval that includes a program of activities intended to be implemented within the SCTB BIA during the upcoming fiscal year, together with an estimate of related expenditures. The SCTB must also include in the Annual Report an outline of the previous year’s revenues and how those revenues were spent. The SCTB obtains annual audits from independent auditors each year. The most recent annual audit is submitted as part of this Annual Report, providing a detailed analysis of the sources and uses of funds. Looking forward, the annual budget for the upcoming year submitted herewith describes the anticipated revenues and expenditures. The balance of this Annual Report will provide additional information concerning programs and activities completed in the prior year, as well as those planned for the upcoming year. The Board’s consideration and requested approval of this Annual Report is the act which constitutes the levy of the assessment for the upcoming year.

ANTICIPATED USE OF REVENUE

A. Fiscal Year 2021-2022 BIA Revenue

For fiscal year 2021-2022, we are projecting BIA Revenue to come in around \$3,963,694. This is a growth of 39% over our projection for BIA revenue for the fiscal year 2020-2021. This is however still a 29% decrease from where we anticipated to finish fiscal year 2019-2020 before the effects of Covid-19. We have used several sources to help us project our revenue including Smith Travel Research (STR) reports, US Travel and Tourism Economics webinars and forecasts and overall projections for the recovery of travel in the United States. Given our position as a drive destination for the Bay Area and beyond and the makeup of Sonoma County as an outdoor destination, we felt that our recovery would be faster than some others and have shown a slightly more optimistic return of overnight revenue.

B. Fiscal Year 2021-2022 TOT Revenue

For fiscal year 2021-2022, we are projecting our TOT Revenue to come in at approximately \$1,902,572. This is a growth of 29% over our projection for TOT revenue for the fiscal year 2020-2021. We have purposely shown that TOT is not growing as aggressively as BIA revenue in fiscal year 2021-2022 as it is actually outperforming BIA in fiscal year 2020-2021. Our projection for this budget is still down 18% from pre-covid expectations. The improved performance in TOT revenue comes mostly from the vacation rental market which has proven to be stronger even in the pandemic. The SCTB uses similar projections and forecasts for the TOT revenue in addition to actual data extrapolated from both the Smith Travel (STR) report for the lodging industry and the AirDNA report that tracks vacation rental revenue.

C. Recommendation

SCTB, in its capacity as the Advisory Board, recommends that the Board confirm this Annual Report and continue to levy the SCTB BIA annual assessment for Fiscal Year 2021-2022 pursuant to the Parking and Business Improvement Area Law of 1989 (California Streets and Highways Code section 36500 et seq.), subject to the following findings and recommendations:

- 1) That the boundaries of the SCTB BIA should remain the same, with the recognition that the properties within the cities of Santa Rosa, Petaluma, Rohnert Park, Sebastopol, Cloverdale and Cotati, and the Town of Windsor, continue to participate in the SCTB BIA with support from each of the cities;
- 2) that SCTB continue to serve as the Advisory Board for the SCTB BIA;
- 3) that the method and basis of levying the assessment remain unchanged, and in accordance with the terms of the Ordinance in fiscal year 2021 – 2022 (July 1, 2021 – June 30, 2022);
- 4) that the revenues generated by the assessment be used in accordance with the requirements of the Ordinance to conduct marketing activities designed to increase the number of overnight visits to the County; and
- 5) that SCTB retained the services of an independent certified public accounting firm, Pisenti & Brinker and to audit the SCTB financial statements for the 2019-20 fiscal year (July 1, 2019 to June 30, 2020). Their findings continue to show a “clean” report - no material weaknesses or significant audit findings were found in relation to SCTB’s books and records. This report is included with this document. SCT will continue to conduct annual audits with County-approved firms.

D. Activities, Marketing, Advertising, and Public Relations Program Expenditures

Due to the COVID-19 pandemic, Sonoma County Tourism downsized its operations to meet the forecasted budget, but continued to operate an efficient integrated sales and marketing effort. In FY20-21, the staff was reduced from 25 FTEs to 15 FTEs. We anticipate the possibility of adding one and one half additional FTEs during the upcoming year, should the budget allow. The key components of this new paradigm are: Consumer Marketing & Communications, Group Business Development, Community Engagement and Administration. The programming currently outlined in the financial accounting system conveys that integrated approach. The type of activities allocated and intended to be funded by the SCTB through BIA and TOT revenues include: (1) Advertising on paid and owned media channels; (2) Marketing materials and distribution; (3) Tradeshow attendance; (4) Sales and marketing promotions; (6) Research; (7) Public relations; (8) Sales and marketing tools; (9) Labor; and (10) Administrative expenses. Community Engagement is not currently noted within this template, but is a critical component to our local engagement and destination stewardship efforts.

Because of the protracted nature of the COVID-19 recovery, SCT will continue to monitor the regulations and timing of the County's movement through the state-mandated reopening tiers and will continue to be flexible in its programming and messaging until such time that the County returns to a more normal environment.

The programs listed herein are fundamental to the success of a destination organization. The need for flexibility in terms of how each is deployed will be dependent on the County's ability to welcome visitors.

1. Paid Advertising

As Sonoma County emerges into recovery, paid advertising will be done mostly on digital platforms within key travel endemic sites as well as our owned social media channels. The year will begin with outreach primarily to northern California, but as the year progresses an increasingly broad geographic footprint will be added. As of this report, we anticipate allocating \$1,235,400 to paid advertising, which may seem like an adequate amount, but the next 12 months will undoubtedly be the most cluttered marketing environment destination marketers have ever experienced. To ensure a highly focused and effective approach, we will center our advertising around four major themes: Food/Wine, Sustainability/Purpose-driven Travel, Wellness and Outdoors. These are themes that not only match Sonoma County's vast assets, but also are those experiences that resonate with travelers. It bears repeating that as a Destination Stewardship Organization, SCTB is committed to messaging the need to protect and preserve the area's natural and cultural resources while in the destination. A more specific media buy for FY 21-22 will be released in April 2021. This will reflect the recovery time period of April – June 2021 and the full FY22.

2. Marketing Materials and Distribution

For FY21-22, the lion share of consumer marketing materials will move to the digital space. The only large-scale printed piece will be the map, which we'll reprint just prior to the start of the FY21-22 year. The 2021 annual visitors guide will transform into a twice-yearly Inspiration Guide and will provide a more cost-efficient platform for partner advertisers as well as more timely information and events calendar. SCT will continue to create niche publications including digital versions of: Weddings Guide, Incentive Guide, Meetings Guide, Wellness Guide and a Luxury Guide. The guides will be distributed through customized outreach to planners in each of the group, including consumers, travel trade and meeting/event planners.

3. Trade Shows and Sales Missions

SCTB, along with destination organizations across California, is still uncertain about when gatherings associated with in-person trade shows will be allowed to occur. Until that time, we will participate in virtual trade shows as appropriate. These are generally less expensive, allowing funds to be used for projects such as a general sales video and e-guides. These will be important components of future trade show appearances.

4. Sales and Marketing Promotions

Funds within this line item are used for sales and marketing programs in targeted US and international markets. Due to COVID-19, international travel will not exist for the foreseeable future. Until such time, funds are being used to engage potential clients via virtual trade shows, marketing partnerships to raise awareness and gather information from future visitors, social media and email marketing, AND memberships in industry groups to gain market insights.

5. Destination Development

All formal destination development (master planning) projects are on hold until funding is available. This effort has been challenged since its inception by wildfire and COVID-related funding redirection. The destination stewardship focus will, however, continue, helping ensure marketing messages attract travelers who respect and preserve the natural and cultural resources.

6. Research

To maintain competitiveness and gauge effectiveness of programs, the SCTB conducts ongoing proprietary research as well as purchasing customized reports from tourism industry organizations. During FY20-21, SCTB contracted with Longwoods International for general visitation research (Advertising ROI research is done every other year.) The report showed a slight reduction in overall visitors from 10.6 million in 2018 to 10.2 million in 2019. Studies show an uptick in overnight visitors to 5.4 million (+.9%) and a reduction in day trippers to 4.9 million (-10.2%) mainly in 4th quarter due to the fires) showed that marketing in direct flight and outer markets was working.

7. Public Relations

Public Relations will take a key role in promoting Sonoma County during FY20-21. It has always been the most efficient form of outreach, but this year we'll need it to work harder than ever. As is the case with paid advertising, media relations will focus on the Bay Area and Northern California plus the drive markets and short flight cities such as Los Angeles, San Diego, Portland and Seattle. The SCTB will continue to assist journalists with developing positive stories about Sonoma County and conveying messages that elevate the Life Opens Up brand. On March 2020, SCTB cancelled all contracts with its international media relations representatives in the U.K., Australia, Scandinavia and Canada and has no plans to enter into formal, long-term agreements in FY21-22.

8. Sales and Marketing Tools

Funds for sales and marketing tools are used to subscribe to programs that produce sales leads, provide a client training platform as well as to maintain the database systems that track clients, partners and leads and provide a platform for connecting with potential visitors. The SCTB uses the robust Simpleview database to track all programs included those listed above as well as community engagement outreach.

9. Labor

Labor expenses for marketing and communications, group meeting sales and partner development activities will be funded by BIA Assessments. Labor costs for administrative personnel will be funded by TOT revenues. During the FY 20-21 fiscal year no raises were provided to employees. We hope to be able to provide a cost-of-living raise to employees for FY21-22.

10. Administrative Expenses

Administrative expenses will be funded by TOT revenues. Given both a reduction in the number of employees and overall revenue coming into the organization, SCTB is committed to taking an efficient approach to all expenses. We were able to negotiate a reduction in the office rent along with consolidating space with the Sonoma County Vintners provided significant cost savings.

11. Capital Expenditures

The SCTB will continue to replace outdated and end-of-life computers based on its 4-year replacement schedule. All other expenditures continue to be on hold.

11. Reserves

The SCTB has a 3-month (90-day) reserve level to provide funds for significant future cash demands arising from both planned and unplanned events or circumstances. During 2018, the SCTB reduced its reserve target from a 6-month level to a 90-day level.

III. BUDGET
Sources & Uses of Funds - DRAFT
July 1, 2021 - June 30, 2022

	Fiscal Year <u>2021-2022</u>
<u>Revenues</u>	
BIA Assessments	\$ 3,963,694
Transient Occupancy Tax	1,902,572
Interest and Other Income	23,382
Total Revenues	<u>\$ 5,889,648</u>
<u>Expenditures</u>	
Advertising	\$ 1,235,400
Client Events Fams & Entertainment	152,840
Tradeshows & Sales Missions	194,026
Digital Engagement	505,451
Research, Tools and Memberships	230,613
Contract Services	408,850
Professional Development	140,500
Destination and Industry Programming	398,298
Labor	2,315,045
Administrative Expenses	632,474
Total Uses	<u>\$ 6,213,497</u>
TOTAL REVENUES LESS USES	<u>\$ (323,849)</u>
<u>Reserve Usage Capital Items</u>	
Depreciation	\$ 38,400
TOTAL SOURCES LESS USES	<u>\$ (285,489)</u>

Expense Details FY 2021-2022

Advertising	Budget
Domestic	\$1,235,400
International	0
Total	\$1,235,400

Client Events Fams and Entertainment	Budget
Client Events and Meals	\$ 59,450
Site and Press Tours	81,500
Promotional Items	9,000
Travel – Mileage and Local	2,890
Total	\$ 152,840

Tradeshows & Sales Missions	Budget
Event Fees & Expenses	\$ 131,026
Travel	63,000
Total	\$194,026

Digital Engagement	Budget
Website	\$ 153,363
Media Tools	18,388
Email Campaigns	33,800
Photography and Video	149,900
Content	150,000
Total	\$ 505,451

Expense Details FY 2020-2021 (Cont.)

Research, Tools and Memberships	Budget
Research Studies	82,300
CRM Systems and Sales Tools	111,050
Memberships	37,263
Total	\$ 230,613

Contract Services	Budget
Account Management	\$ 214,450
Outside Representation	90,000
Design	88,500
Printing	15,900
Total	\$ 408,850

Professional Development	Budget
Industry Education	\$ 17,200
Board & Community Development	15,050
Professional Development	85,500
Meetings and Retreats	22,750
Total	\$ 140,500

Destination & Industry Programming	Budget
Sustainability	\$ 250,000
CTA Program	12,498
Community Event Sponsorship	20,300
Marketing Partnerships	12,000
Industry Sponsorship	13,500
Group Business Development Incentive	90,000
Total	\$ 398,298

Expense Details FY 2020-2021 (Cont.)

Labor	Budget
Wages	\$ 1,919,085
Payroll Taxes and Workers Compensation	163,791
Benefits and 401K	230,968
Temporary Staffing	0
Recruiting	1,200
Total	\$ 2,315,045

Administrative Expenses	Budget
Technology	139,794
Office Supplies & Equipment	70,716
Fees and Licenses	192,022
Facilities Expense	191,542
Depreciation	38,400
Total	\$ 632,474

FY20-21 Program Area Percentage of Overall Budget	
Marketing/Public Relations	37.10%
Research	1.23%
Group Business Development	10.81%
Community Engagement	1.87%
Personnel/Professional Development	37.49%
Administration (other than labor)	11.40%
TOTAL	100%

IV. ANNUAL REPORT **FY19-20 Results**

As part of its biennial strategic plan, SCT determines both overarching and programmatic KPIs. These overarching KPIs are aspirational by design and constructed to be achieved throughout a two-year cycle. Due to the aspirational nature and the impacts such as COVID-19 and the wildfires of 2020, some of the KPIs established in 2019 were not achieved. SCT did revise some of its KPIs due to the impacts of the pandemic, however, the deadline for these is not until June 30, 2021. For FY19-20, the following KPIs were established. The results for each are reported below.

1. Increase revenue to Sonoma County by 2% (\$43.5 million) year-over-year through tourism-based activities. Funding will be realized with the Transient Occupancy Tax (TOT) funding stream and as identified as visitor spending in the Dean Runyan economic impact study.

Achievement: 25%

- Both the crises have made organic visitation increases and associated revenue gains incredibly challenging. We continue to work on messaging and other programming to help drive revenue related to increased visitation, especially from longer haul markets aligned with the increased number of direct flights.

2. Initiate an incremental funding model for Sonoma County Tourism that “grows the pie” for the organization’s sales and marketing budgets.

- Year 1 Goal: \$500,000
- Year 2 Goal: \$1 million

Achievement: 25%

- SCT is working on a number of initiatives to increase revenue. During FY19-20, the Revenue Generation Committee was formed, with the goal of creating ideas around and avenues for increased revenue. SCT is working with our partners across the county on revising the BIA to help make-up for the revenue lost due to the COVID-19 pandemic. At this point, the work is to get SCT back to pre-COVID levels rather than incremental to the budget in place at the start of this plan.

3. Develop and begin to implement a Destination Master Plan designed to identify a responsible long-term approach to destination planning and development.

Achievement: 10%

- SCT did meet with the Coraggio Group team to start the process, but that was just before the Kincade Fire. We stalled the project for the FY19-20 year with plans to restart in FY20-21, but we have stalled again. This project is on hold for the foreseeable future.

4. Create new sales, marketing and international outreach cooperative sales and marketing partnerships that provide local partners the chance to build business and enhance the Life Open Up brand through partner alignment.

Achievement: 100%

- SCT did develop additional business building opportunities for partners within all market segments, for example:
 - Travel Trade: Virtual trade show – opportunities to connect 1:1 with domestic agents and operators, ILTM France offered chance for partners to connect with international luxury buyers

- Group Business Development: Photo shoot offered partners opportunity to showcase their space in a social distancing environment; Gather in Sonoma San Francisco event provided opportunities to connect with local meeting planners, travel trade and media.
- Marketing: Cooperative marketing program was begun helping partner reach new audiences.

5. Reconstruct the organization's financial operations including financial management, contracting, investments and accounts payable and receivables -- all within a fully transparent environment.

Achievement: 100%

- SCT's new VP Finance and Operations did a full-scale overhaul of the methodology and format for providing financials. She also initiated a migration to a new financial software system. With Piscenti & Brinker, annual audits were completed and provided.

6. Review, and revise as needed, Sonoma County Tourism Bureau guiding ordinances and bylaws to reflect current needs and opportunities.

Achievement: 50%

- SCT reviewed the ordinances and bylaws as they pertain to any revisions to the BIA. We have not made substantive changes to the either as the foundation continues to be sound.

COVID-19 Organizational Pivots

During March of 2020, Sonoma County Tourism quickly recognized the impact of the COVID-19 pandemic and made significant changes to its organization and programming. This was largely due to the dramatic loss of funding when travel and tourism ceased to operate. Some of the changes included:

- Ended contracts with vendor agencies – PR, international trade/PR
- Paused paid consumer, group and travel trade advertising
- Reduced executive team salary by 20% (March – June), suspended auto allowance
- Furloughed six positions, eventually reducing staff from 22 FTEs to 15 FTEs
- Developed Coronavirus page on SonomaCounty.com offering latest travel restrictions, business openings, consumer engagement (virtual tastings, culinary demonstrations, holiday shopping, etc.)
- Engaged consumers through videos and social media posts

As the year unfolded, SCT was engaged on the local, state and federal level to help partners businesses, travelers and travel professionals:

- Provided ongoing industry insights to partners/stakeholders via the Performance & Insights newsletter, Partner Alert, Tourism Industry Partner newsletter.
- Advocated alongside state and federal organizations for inclusion of 501 c6 organizations in federal stimulus packages.
- Managed traveler communications around the Wallbridge and Glass fires.
- Continued digital engagement with travel media, meeting planners, travel agents and tours operators.

Additional COVID-19 response detail will be provided in the FY20-21 annual report.