



CITY OF FORT BRAGG

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COUNCIL COMMITTEE ITEM SUMMARY REPORT

MEETING DATE: February 23, 2015
TO: Finance & Administration Committee
FROM: Linda Ruffing, City Manager
AGENDA ITEM TITLE: **Discuss Status of Mendocino County Board of Supervisor's Efforts to Restructure the Countywide Business Improvement District for Lodging**

ISSUE:

For several months, representatives of the Mendocino County Lodging Association (MCLA), the Mendocino County Promotional Alliance (MCPA) and the Mendocino County Board of Supervisors have been meeting to craft a proposal for a new structure for the countywide Business Improvement District (BID) that imposes a 1% surcharge on lodging rents for the purpose of promoting tourism in Mendocino County. Last week, 4th District Supervisor Dan Gjerde provided a status update. The matter will require eventual action by the City Council and is brought forward for discussion by the Committee at this time.

SUMMARY:

The following information was contained in an email from MCLA President John Dixon that was provided by Supervisor Gjerde. It includes a personal statement from Mr. Dixon and a joint statement issued by both the Presidents of the MCLA and the MCPA:

Dear MCLA Lodging Members:

Please see the joint announcement from a B.I.D. Issues Ad Hoc Committee with County Supervisors John McCowen and Dan Gjerde presiding with a committee made of five (5) members from each of the MCLA and Mendocino County Promotional Alliance (MCPA) Boards. The participants are listed in the announcement below.

The following preface is a note from me personally. I am not speaking for the MCLA Board, but as a person who has been involved with it for many years, sat on small committees that heard, organized, and attempted fix issues voiced by you and from others, and as one selected to serve on the Executive Committee of MCLA, as well as be on this Ad Hoc Committee.

As one can imagine there were varied and opposing opinions between the MCLA and MCPA groups. And those differing opinions still remain. But throughout the process of any negotiation, all participants must

give and take a bit as we all know. We all did just that in an effort to come to consensus on the items listed in the memo below.

The hope, of course, is that we can all come to agree on something that in the end can be successful and is beneficial to all in Mendocino County. Without fishing and lumber as the backbone industries of our County, tourism emerges as one of the most viable and hopeful of the County's economic engines, among others. It is reasonable to say that more dollars invested into advertising and marketing has the potential to be beneficial. The question is *When* and *How* do we do that.

What this new joint announcement does is answers *When* with now. *How* is a longer answer. The marketing organization currently known as Visit Mendocino County was born out of an agreement between the MCLA and MCPA Boards about eight years ago. It has been working with a budget that comes from a 1% BID plus a 50-cent on the dollar match from the County. The structure of governance and the intertwining of multiple contracts between the County, the Boards, and the Marketing entity VMC has always been confusing, inefficient, and in fact distracting from the task at hand of marketing the County. This new proposal seeks to do away with that inefficiency and streamline the oversight and management of the lodging self-assessment.

For many lodging operators who have been vocal about how the money has or has not been spent, this governance issue may have been secondary to the percentage dollar amount of the actual BID. The idea of 1% vs. 2% came up a few years ago -- it is a known hot-button number and issue. It was not a popular idea. Now this Ad Hoc Committee also proposes a 2% BID. An increase. So what's the difference? What's new this time around? First, there are others watching. The County is involved and is working with your lodging representatives. The process to date and the struggles between differing groups has been followed in the local newspapers. Elevated awareness is a good thing. What you will see now, as opposed to before in the 2% proposal, is a cap on the amount that can go to overhead with the vast percentage majority going directly to PR and Advertising. There is REQUIRED transparency including payroll, and the new Board will be under the rules of the Brown Act and its safeguards. The County will keep their 50-cent on the dollar match, increasing the overall PR and Advertising budgets from general fund monies.

The Joint Committee hopes that what it has worked hard to put together accomplishes an increased level of trust and accountability of the BID oversight as well as the efficiency, and effectiveness of the execution of the County's marketing with the dollars that you generate and collect.

In the end, the incorporated Cities will have to agree as well as you, the Lodging Operators. So this is the first view of the new idea. You will have an opportunity to let your opinion be known in the required lawful process that follows and MCLA will use this forum to announce those steps when they occur. As required, all operators will be noticed by mail from the County as to any proposed BID changes and the required steps of any future BID change processes.

If you have any questions or concerns please do not hesitate to contact me or any of the other four representatives on your MCLA committee who have also signed off on this document. They are Renata Dorn, Jitu Ishwar, Roger Martin, and Marcus Magdaleno.

With thanks for taking the time to read this announcement.

John Dixon, MCLA President

Date: February 10, 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: **MCLA and MCPA representatives reach consensus on key Business Improvement District Issues**

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. During a joint meeting held February 6, 2015, the MCLA and MCPA participants reached consensus on key outstanding issues and agreed to recommend approval to their respective Boards of Directors. 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 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 (but yet to be determined) proportion of all new revenue will be dedicated to direct promotion and marketing, not administration;
3. The County shall retain copyright and use rights to all documents and work products of the BID;
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 Governing Board shall be subject to the Brown Act and shall provide for financial transparency in all DMO operations, including payroll;
7. 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;
8. The Governing Board shall be composed of eleven (11) members as follows:
 - five (5) Lodging;
 - two (2) Chambers of Commerce;
 - one (1) Mendocino Winegrowers, Inc.;
 - one (1) Arts and Attractions;
 - one (1) Food and Beverage (includes culinary, beer and other spirits); and
 - one (1) At Large.
9. 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:

10. Lodging members shall be directly elected (in a County conducted election) by and from lodging operators as follows: three (3) elected by large lodging operators; one (1) elected by medium lodging operators; one (1) elected by small lodging operators;
11. 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; and
12. 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).

(NOTE: This process remains a work in progress with at least one additional meeting of the Ad Hoc members and the MCLA and MCPA participants in order to further refine the details of the new governance structure. Our intention is to present an updated recommendation for consideration by the MCLA and MCPA Boards of Directors at their next regularly scheduled meetings.)

cc:

Mendocino County Board of Supervisors
Visit Mendocino County Board of Directors
Business Improvement District Advisory Board

RECOMMENDATION:

This is an informational item only.

ATTACHMENTS:

None.