

CITY OF SANTA ROSA
CITY COUNCIL

TO: MAYOR AND CITY COUNCIL
SUBJECT: SANTA ROSA TOURISM BUSINESS IMPROVEMENT
AREA ANNUAL REPORT
STAFF PRESENTER: DANIELLE O'LEARY, ECONOMIC DEVELOPMENT
MANAGER
ECONOMIC DEVELOPMENT & HOUSING
AGENDA ACTION: MOTION

ISSUES

1. Will Council, by motion, approve the 2012/2013 Annual Report and adopt the 2013/2014 Work Plan for the Santa Rosa Tourism Business Improvement Area?
2. Will Council, by motion, appoint Raissa de la Rosa from Economic Development and Housing as the City's alternative SRTBIA Advisory Board Representative?

COUNCIL GOALS AND STRATEGIES

Create a strong, sustainable economic base.



BACKGROUND

1. The Santa Rosa Tourism Business Improvement Area (SRTBIA) was established on September 3, 2010 via Ordinance #3946. The Ordinance established a 3% assessment on the room rate of each hotel in Santa Rosa and was estimated to produce approximately \$1 million annually, split between the Santa Rosa Convention & Visitors Bureau (CVB) (70%) and the City of Santa Rosa's Economic Development Program (30%), after a 2% administrative fee.
2. The SRTBIA is Santa Rosa's second Business Improvement Area (BIA) dedicated to securing a share of the tourism market. The Sonoma County Tourism (SCT) is funded through a BIA established in 2004 that assesses room nights on certain hotels within Santa Rosa, Rohnert Park, Petaluma, Cloverdale, Cotati, Sebastopol, Windsor and unincorporated areas of Sonoma County. While the SCT promotes tourism to Sonoma County in general, the SRTBIA focuses exclusively on promoting Santa Rosa as a business and leisure travel destination.
3. Per Ordinance #3946, the SRTBIA must provide an annual report to the City Council, detailing the following:

- a. Recommended changes to boundaries;
 - b. Improvements and activities provided for Fiscal Year 2012/2013;
 - c. Estimate of cost of providing improvements and activities for 2012/2013 and 2013/2014;
 - d. The method and basis of levying assessments;
 - e. Amount of any surplus or deficit revenues to be carried over;
 - f. Amount of contributions made from sources other than assessments; and
 - g. Recommendations for FY 2013/2014.
4. The Annual Report is due to the Director of Economic Development and Housing by June 1 of each year.

ANALYSIS

1. The attached Annual Report includes all elements required by Ordinance #3946 and highlights activities and expenditures that have occurred during FY 2012/2013.
2. During the past year, the SRTBIA Advisory Board, the Santa Rosa Convention & Visitors Bureau and the City's Economic Development staff collaborated on activities to promote Santa Rosa as a destination for leisure, sports and business travel, while also working independently to raise traveler awareness for Santa Rosa.
3. This year the SRTBIA Advisory Board experienced turnover with the resignation of full-service hotel board representative Keo Hornbostel from the Hyatt Vineyard Creek; Council recently appointed Max Childs to fill the vacant hotel-at-large position. Max brings a wealth of hotel knowledge and experience to the board. The SRTBIA board is still actively looking for a full-service hotel representative.
4. The Economic Development Manager is recommending Raissa de la Rosa from Economic Development and Housing serve as the alternate City SRTBIA Advisory Board representative when Danielle O'Leary, Economic Development Manager, is not available.
5. The SRTBIA Advisory Board met on May 8, 2013 and approved the attached Annual Report, including the Work Plan for 2013/2014, and recommends approval by Council.

RECOMMENDATION

It is recommended by the Department of Economic Development and Housing, that the Council, by motion: (1) approve the 2012/2013 SRTBIA Annual Report prepared by the

Department of Economic Development and Housing and approved by the SRTBIA Advisory Board, and approve and adopt the SRTBIA Work Plan for 2013/2014; and (2) appoint Raissa de la Rosa from Economic Development and Housing as the City's alternative SRTBIA Advisory Board Representative.

Author: Danielle O'Leary, Economic Development Manager

Attachments:

- Santa Rosa Tourism Business Improvement Assessment Ordinance #3946
- 2012/2013 Santa Rosa Tourism Business Improvement Area Annual Report and 2013/2014 Santa Rosa Tourism Business Improvement Area Work Plan
- City of Santa Rosa Historical Transient Occupancy Tax
- 2012 Annual County Tourism Report

ORDINANCE NO. 3946

**ORDINANCE OF THE COUNCIL OF THE CITY OF SANTA ROSA, ESTABLISHING
THE SANTA ROSA TOURISM BUSINESS IMPROVEMENT AREA**

THE PEOPLE OF THE CITY OF SANTA ROSA DO ENACT AS FOLLOWS:

Section 1.

(a) Pursuant to the Parking and Business Improvement Area Law of 1989, Streets and Highways Code Sections 36500, et seq. (Law), May 25, 2010, this Council adopted Resolution No. 27641 entitled "RESOLUTION OF THE COUNCIL OF THE CITY OF SANTA ROSA DECLARING ITS INTENTION TO ESTABLISH A TOURISM BUSINESS IMPROVEMENT AREA IN THE CITY OF SANTA ROSA, TO PROVIDE FOR THE LEVYING OF ASSESSMENTS ON SPECIFIED LODGING BUSINESSES CONDUCTED WITHIN SUCH AREA, DESCRIBING THE BOUNDARIES OF THE PROPOSED AREA, THE AUTHORIZED USES TO WHICH THE PROPOSED REVENUES SHALL BE PUT, THE RATE OF SUCH ASSESSMENTS, FIXING JULY 13, 2010 AT 4:00 P.M. AND JULY 20, 2010 AT 5:00 P.M. AS THE DATES FOR A PUBLIC MEETING AND A PUBLIC HEARING TO BE HELD BY THE COUNCIL TO CONSIDER THE ESTABLISHMENT OF SUCH AREA AND THE LEVY OF ASSESSMENTS, AND AUTHORIZING AND DIRECTING THE GIVING OF NOTICE," declaring its intention to form a business improvement area within the boundaries of the City of Santa Rosa, to be known as the "Santa Rosa Tourism Business Improvement Area," providing for the levy of an assessment and charge to be imposed therein, fixing the times and places for a public meeting and a public hearing, and giving notice of the meeting and hearing.

(b) Resolution No. 27641 was duly published, and copies thereof were mailed as provided by the Law.

(c) As specified in Resolution No. 27641 a public meeting pursuant to Government Code Section 54954.6 concerning the formation of the area and the levy of assessments was held on July 20, 2010, before this Council in the Council Chamber at 100 Santa Rosa, Santa Rosa.

(d) As specified in Resolution No. 27641 a public hearing pursuant to Government Code Section 54954.6 concerning the formation of the area and the levy of assessments was held on July 27, 2010, before this Council in the Council Chamber at 100 Santa Rosa, Santa Rosa.

(e) At the public hearing all protests, both written and oral, made or filed, were considered and duly overruled and denied, and this Council determined that there was no majority protest to the formation of the Area within the meaning of Section 36523 of the Law.

(f) With respect to Government Code Section 87103 and Section 18707.4 of Title 2, Division 6 of the California Code of Regulations, the Council finds and declares (i) that the persons serving on the Advisory Board designated by this Ordinance are appointed to represent and further the economic interest of lodging owners and other businesses that rely upon tourist

visits to the City of Santa Rosa, (ii) that these members are required to have this economic interest, (iii) that decisions made by the Advisory Board will not have a reasonably foreseeable financial effect on any other economic interest held by the members, other than the economic interest they are appointed to represent, and (iv) the decisions of the Advisory Board will financially effect the member's economic interest in a manner that is substantially the same or proportionally the same as the decision will financially effect a significant portion of the persons the member was appointed to represent.

Section 2. Chapter 6-56 Article IV, pertaining to the creation of the Santa Rosa Tourism Business Improvement Area, is added to the Santa Rosa City Code to read as follows:

**“CHAPTER 6-56 Article IV.
SANTA ROSA TOURISM BUSINESS IMPROVEMENT AREA**

6-56.260 Authority.

This chapter is adopted pursuant to the “Parking and Business Improvement Area Law of 1989,” Sections 36500 et seq. of the California Streets and Highways Code, and Resolution No. 27641 adopted by the Council on June 8, 2010. Such resolution was published and mailed as provided by law, and public meetings and hearings thereon were held by the Council on July 20, 2010, and July 27, 2010, at which time all persons desiring to be heard, and all objections or protests made or filed, were fully heard and considered. The Council duly concluded the hearing on July 27, 2010, and determined that protests objecting to the formation of the Area had not been received from the owners of lodging businesses in the proposed Area which would pay 50 percent or more of the Assessments proposed to be levied. The Council finds that the Assessments levied on owners of lodging businesses pursuant to this Chapter are based upon the estimated benefit to the owners of assessed lodging businesses within the Area, and that all owners of lodging businesses in the Area against whom Assessments are proposed to be levied will be benefited by the expenditure of funds raised by the Assessments.

6-56.270 Definitions.

Except where the context otherwise requires, as used in this Chapter:

“Administrative Fee” means a fee equal to the actual costs of collection and administration, not to exceed two percent (2%) of the amount of Assessments collected, which the Tax Collector is entitled to retain from the Assessments collected.

“Advisory Board” means the advisory board designated by the City Council pursuant to this Chapter.

“Annual Report” means the annual report required by Section 36533 of the Law.

“Area” means the Santa Rosa Tourism Business Improvement Area created by this Chapter and as delineated in 6-56.280.

“Assessment” means the levy imposed by this Chapter for the purpose of funding activities and programs promoting tourism in the Area.

“City” shall mean the City of Santa Rosa.

“Council” means the Santa Rosa City Council.

“Contractor” means a non-profit or for-profit entity with which the City contracts to carry out the services, activities, and programs to be funded by revenues from Assessments.

“Lodging” means any accommodation consisting of one (1) or more rooms or other living spaces which are occupied or intended or designed for occupancy by Transients for dwelling, lodging, or sleeping purposes. Such term includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, apartment house, dormitory, public or private club, mobile home or house trailer at a fixed location, or other similar structure or portion thereof. The term “Lodging” does not include an organized camp, as that term is defined in Section 18897 of the Health and Safety Code, or any establishment operated by a public or non-profit entity exclusively for the purpose of providing temporary shelter for the homeless.

“Marketing Activities” means 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.

“Occupancy” means the use or possession, or the right to the use or possession, of any one or more rooms or portion thereof, or other living space, in any Lodging for dwelling, lodging, or sleeping purposes.

“Operator” means the person who is the owner of a Lodging business, whether in the capacity of an owner, lessee, sublessee, mortgagee in possession, or licensee of the real property upon which the Lodging business is located, or other capacity. When the Operator performs his or her functions through a managing agent of any type or character other than an employee, the managing agent shall also be deemed an Operator for the purposes of this article, and shall have the same duties and liabilities as his or her principal. Compliance with the provisions of this article by either the principal or the managing agent shall, however, be considered compliance by both. For purposes of the imposition of Assessments pursuant to 6-56.300, the term “Operator of a Lodging establishment” shall include persons or entities who manage the rental of individual residential units to Transients, even if such units are not owned by such Operator.

“Parking and Business Improvement Area Law of 1989” or “Law” means the provisions of California Streets and Highways Code Sections 36500 to 36551, as they now exist or are hereafter amended. Businesses in the Area shall be subject to any amendments to the Law.

“Person” means an individual, firm, partnership, joint venture, association, social club, fraternal organization, joint stock company, corporation, estate, trust, business trust, receiver, trustee, syndicate, or any other group or combination acting as a unit.

“Rent” means the consideration charged, whether or not received, for the occupancy of a space in a Lodging valued in money, whether to be received in money, goods, labor, or otherwise, including all receipts, cash, credits, property, and services of any kind or nature, without deduction therefrom whatsoever.

“Santa Rosa Tourism Business Improvement Area” means that area created by this Chapter as a business improvement area pursuant to the Parking and Business Improvement Area Law of 1989.

“Santa Rosa Tourism Business Improvement Area Fund” or “Fund” means the fund created pursuant to 6-56.320 of this Chapter.

“Tax Collector” means the Tax Collector of the City.

“Transient” means any person who exercises occupancy or who is entitled to occupancy by reason of concession, permit, right of access, license, or other agreement for a period of thirty (30) consecutive calendar days or less, counting portions of calendar days as full days. Any such person so occupying space in a Lodging shall be deemed to be a Transient until the period of thirty (30) days has expired unless there is an agreement in writing between the operator and the occupant providing for a longer period of occupancy. In determining whether a person is a transient, uninterrupted periods of time extending both prior and subsequent to the effective date of the ordinance codified in this chapter may be considered.

6-56.280 Area Established – Description.

Pursuant to the Parking and Business Improvement Area Law of 1989, a parking and business improvement area is hereby established, to be known as the “Santa Rosa Tourism Business Improvement Area.” The boundaries of the Area are the same as the boundaries of the City.

6-56.290 Authorized Uses.

The purpose of forming the Area as a business improvement area under the Law is to provide revenue to defray the costs of services, activities, and programs that promote and encourage tourism within the Area, which will benefit the Operators of Lodging establishments paying Assessments in the Area through the promotion of the scenic, recreational, cultural, and other attractions in the Area. Revenues from Assessments shall be used to conduct Marketing Activities designed to increase overnight visits to the Area. Revenues from Assessments may also be used for programs, services, and activities inside or 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 or reimburse administrative costs incurred by the Contractor or the City in connection with the creation of the Area and the ongoing administrative costs associated with the Marketing Activities. Administrative costs paid or

reimbursed pursuant to this 6-56-4.290 shall not be subject to the limit set forth in 6-56.310; provided, however, that the City's reimbursement for Assessment collection costs is limited as provided in 6-56.310. Revenues from Assessments collected in the Area may not be used for any purposes other than those set forth above.

6-56.300 Imposition and Collection of Assessments.

(a) Each Operator of a Lodging establishment shall pay as an Assessment a sum equal to three percent (3%) of the Rent charged by the Operator.

(b) Each Operator of a Lodging establishment subject to assessment under this Chapter shall, on or before the last day of the month following each calendar quarter, or at the end of any shorter reporting period that may be established by the Tax Collector, make a return to the Tax Collector, on forms provided by the Tax Collector, of the total rents charged by the Operator and the amount of Assessments owed for such calendar quarter. At the time the return is filed, the full amount of Assessments owed for such calendar quarter shall be remitted to the Tax Collector.

(c) The Operator of a Lodging establishment subject to assessment under this Chapter shall be solely responsible for paying all Assessments when due. Notwithstanding the foregoing, in the event that the Operator of a Lodging establishment elects to pass on some or all of the Assessment to Transient customers of the Lodging establishment, the Operator of the Lodging establishment shall separately identify or itemize the Assessment on any document provided to a customer. Assessments levied on the Operators of Lodging establishments pursuant to this Ordinance and passed on to customers are not part of a Lodging establishment Operator's rent, gross receipts, or gross revenues for purposes of this Chapter or Chapter 3-28 of the City Code.

6-56.310 Administrative Fee; Registration.

(a) The Tax Collector shall be entitled to charge an amount equal to its actual costs of collection and administration, not to exceed two percent (2%), of the Assessments collected from Operators of Lodging establishments to defray the administrative costs incurred by the Tax Collector.

(b) The Tax Collector may require each Operator subject to assessment under this Chapter to register with the Tax Collector and to provide such information as the Tax Collector deems necessary to enable the Tax Collector to collect Assessments due under this Chapter.

6-56.320 Special Fund.

A special fund designated as the "Santa Rosa Tourism Business Improvement Area Fund" is hereby created. The Tax Collector shall place all Assessments collected or remitted hereunder into the Fund. The revenue from the levy of Assessments within the Area shall not be used for any purposes other than those set forth in 6-56.290 of this Chapter.

6-56.330 Deficiencies; Penalties.

(a) Any Operator subject to assessment under this Chapter who fails to remit any

assessment imposed by this Chapter within the time required shall pay a penalty of ten (10) percent of the amount of the assessment in addition to the amount of the assessment.

(b) Any Operator subject to assessment under this Chapter who fails to remit any delinquent remittance on or before a period of thirty days following the date upon which the remittance first became delinquent shall pay a second delinquency penalty of ten (10) percent of the amount of the assessment, in addition to the amount of the assessment and the ten percent penalty first imposed.

(c) If the Tax Collector determines that the nonpayment of any remittance due under this Chapter is due to fraud, a penalty of twenty-five (25) percent of the amount of the Assessments due shall be added thereto, in addition to the penalties set forth in subsections (a) and (b) of this section.

(d) In addition to any penalties imposed hereunder, any Operator who fails to remit any assessment imposed by this Chapter when due shall pay interest at the rate of one-and-one-half percent (1.5%) per month on the unpaid balance of the assessment, from the date on which the assessment first became delinquent until paid.

6-56.340 Determination of Assessment upon Nonpayment

(a) If any Operator subject to assessment under this Chapter shall fail to make any report or remittance of Assessments within the time provided in this Chapter, the Tax Collector shall proceed in the manner it deems best to obtain facts and information upon which to base its estimate of the assessment due, and shall thereafter determine and assess against the Operator the assessment, penalties, and interest due pursuant to this Chapter. In any case where such determination is made, the Tax Collector shall give a notice of the amounts so assessed by serving it personally or depositing it in the United States mail, postage prepaid, addressed to the Operator at its last known place of address.

(b) The Operator may, within ten (10) calendar days after the serving or mailing of such notice, make application in writing to the Tax Collector for a hearing on the amount assessed. The application is considered made when mailed. If application by the Operator for a hearing is not made within the time prescribed, the Assessments, penalties, and interest, if any, determined by the Tax Collector to be due shall become final and conclusive and immediately due and payable. If the Operator makes timely application for a hearing, the Tax Collector shall give not less than ten (10) calendar days' written notice to the Operator as provided herein of the time and date of the hearing. At the hearing, the Operator may appear and offer evidence as to why the amounts specified in the Tax Collector's determination should not be fixed.

(c) After such hearing, the Tax Collector shall determine the proper assessment, penalties, and interest to be remitted, and shall thereafter give written notice of same to the Operator, within thirty (30) calendar days of the hearing. The Tax Collector's determination shall be presumed to be correct. The amount determined to be due shall be payable after fifteen (15) calendar days from the date of mailing of the determination, unless an appeal is taken

pursuant to 6-56.350 of this Chapter. At any appeal, the Operator has the burden of proving that the Tax Collector's determination is incorrect.

6-56.350 Appeals

Any Operator subject to assessment under this Chapter aggrieved by any decision of the Tax Collector with respect to the amount of Assessments, penalties, or interest imposed under this Chapter may appeal to the Council by filing a notice of appeal with the City Clerk, and a copy on the Tax Collector, within fifteen (15) calendar days of the serving or mailing of the determination by the Tax Collector. The Council shall fix a time and place for hearing such appeal, and the City Clerk or the Tax Collector shall give notice to the Operator by mailing such notice to the Operator at its last known place of address. The time of the hearing shall be at least 15 calendar days after the mailing of the notice. The Tax Collector shall present the matter to the Council and include evidence submitted by the Operator. The Tax Collector shall also include proposed findings and a resolution of the appeal. At the hearing, the Tax Collector and the Operator shall have an opportunity to explain their case and introduce other statements or evidence. The Council may impose reasonable time limits on each party's presentation. The findings of the Council shall be final and conclusive, and shall be served on the Operator as provided in 6-56.340 of this Chapter. Any amount found to be due shall be immediately due and payable.

6-56.360 Assessments Due Deemed Debt to City; Actions to Collect

Any assessment, penalty, or interest required to be paid by any Operator subject to assessment under this Chapter shall be deemed a debt owed by the Operator to the City. Any assessment collected from a Transient by an Operator which has not been paid to the City shall be deemed a debt owed by the Operator to the City. Any Operator owing money to the City for Assessments under this Chapter shall be liable to an action brought in the name of the City for the recovery of the amount of the debt. The City shall be entitled to recover from an Operator found liable for the debt, or any part thereof, any costs, including attorneys' fees, personnel costs, or other expenses incurred by the City because of the failure of the Operator to timely remit Assessments, penalties, or interest to the City.

6-56.370 Refunds.

If an assessment, penalty, or interest imposed by this Chapter has been overpaid or paid more than once or paid in error, or has been illegally collected or received by the City, a refund may be sought by filing a claim according to the procedure set forth in Title 3, Chapter 3-28.080 of this Code.

6-56.380 Violations.

Any Operator violating any of the provisions of this Chapter shall be guilty of a misdemeanor and shall be punishable therefore as provided in Title 1 Section 1-28.010 of this Code. In addition, the Tax Collector may pursue on behalf of the City any civil or administrative remedy otherwise available for failure to comply with the requirements of this Chapter. If the City prevails in such action or proceeding, the City shall be entitled to recover its costs, including attorneys' fees, personnel costs, or other expenses incurred because of the failure to comply with the provisions of this Chapter.

6-56.390 Records.

Every Operator of a Lodging establishment subject to assessment under this Chapter shall keep and preserve, for a period of three years, all records as may be necessary to determine the amount of such assessment as he may have been liable for the collection of and payment to the Tax Collector, which records the Tax Collector shall have the right to inspect at a reasonable time and following twenty-four (24) hours' prior written notice.

6-56.400 Advisory Board.

An Advisory Board is hereby created, which composition shall be made up of five (5) members appointed as follows:

One (1) Santa Rosa Chamber of Commerce employee

One (1) City of Santa Rosa employee

Three (3) hotel operators, at least one of whom is employed by a full service hotel and one of whom is employed by a select service hotel.

The Advisory Board shall thereafter be subject to Council Policy No. 000-06. Notwithstanding any Council Policy that may now or hereafter exist to the contrary, City employees shall serve on the Advisory Board. The Advisory Board shall advise the City Council on the amount of the Area's Assessments and on the services, programs, and activities to be funded by the Assessments, and shall perform such other duties as required by the Law, including preparing the Annual Report required by Section 36533 of the Law. The Advisory Board shall meet as often as necessary to accomplish its goals, but no less than once each calendar quarter.

6-56.410 Administration.

(a) The City may contract with a Contractor to carry out the services, activities, and programs to be funded by 70% of the revenues from Assessments, as set forth in this Chapter and the Law, and as specified in the applicable Annual Report. The Santa Rosa Chamber of Commerce is hereby designated to act as the initial Contractor. Any contract between the City and the Contractor shall conform to the provisions of this Chapter.

(b) The contract with the Contractor shall reasonably specify the services, programs, and activities to be provided by the Contractor, which services, programs, and activities shall be in conformance with the applicable Annual Report. The Contractor may provide any services, programs, or activities that promote tourist visits to the Area, without regard to the limitations set forth in 6-56.290, provided that services, programs, or activities not authorized by 6-56.290 may not be paid for using revenues from Assessments. Prior to contracting with a Contractor, the City shall obtain a budget from the Contractor showing to the satisfaction of the City that the revenues from Assessments and all other sources to be paid to the Contractor are sufficient to permit the Contractor to carry out the services, programs, and activities set forth in the annual plan. The contract with the Contractor shall contain provisions allowing the City to inspect the Contractor's records, to perform audits and investigations, or to obtain reports from the Contractor as the City deems necessary to ensure that revenues from Assessments are used only as set forth in the contract and as permitted under this Chapter and the Law. The contract shall

provide that it may be terminated by the City, with or without cause, on no less than thirty (30) days' notice.

(c) The Council may, in its sole discretion, remove the initial or any successor Contractor at any time. Upon such removal, the Council may either (1) select and contract with a successor Contractor or (2) provide the services, program, and activities set forth in the applicable Annual Report with the City's own forces, in which case, the City may fund services performed and expenses incurred from revenues from Assessments.

(d) The contract with the Contractor shall be administered on behalf of the City by the Director of the Economic Development and Housing, who may authorize disbursements from the Santa Rosa Tourism Business Improvement Area Fund solely for the purposes set forth in 6-56.290.

6-56.420 Modification or Disestablishment of the Area.

(a) The Council, by ordinance, may modify the provisions of this Chapter and may disestablish the Area, after adopting a resolution of intention to such effect. Such resolution shall describe the proposed change or changes, or indicate that it is proposed to disestablish the area, and shall state the time and place of a hearing to be held by the Council to consider the proposed action.

(b) If the Operators of Lodging establishments which pay 50 percent or more of the Assessments in the Area file a petition with the CITY Clerk requesting the Council to adopt a resolution of intention to modify or disestablish the Area, the Council shall adopt such resolution and act upon it as required by 6-56.420(d) below and the Law. Signatures on such petition shall be those of a duly authorized representative of the Operators of Lodging establishments in the Area that paid Assessments in the prior calendar quarter.

(c) In the event the resolution proposes to modify any of the provisions of this Chapter, including changes in the amount or authorized uses of Assessments, such proceedings shall terminate if protest is made by the Operators of Lodging establishments paying 50 percent or more of the Assessments in the Area.

(d) In the event the resolution proposes disestablishment of the Area, the Council shall disestablish the Area; unless at such hearing, protest against disestablishment is made by the Operators of Lodging establishments paying 50 percent or more of the Assessments in the Area.”

Section 3. Severability. If any section, subsection, sentence, clause or phrase of this ordinance is for any reason held to be unconstitutional and invalid, such decision shall not affect the validity of the remaining portion of this ordinance. The Council hereby declares that it would have passed this ordinance and every section, subsection, sentence, clause or phrase thereof, irrespective of the fact that any one or more sections, subsections, sentences, clauses or phrases be declared unconstitutional or invalid.

Section 4. Effective Date. This ordinance shall be and the same is hereby declared to be in full force and effect from and after thirty (30) days after the date of its passage and shall be published once before the expiration of fifteen (15) days after said passage, with the names of the Council members voting for or against the same, in *The Press Democrat*, a newspaper of general circulation published in the County of Sonoma, State of California.

IN COUNCIL DULY PASSED AND ADOPTED this 3rd day of August, 2010.

AYES: (6) Mayor Gorin, Councilmembers Bender, Sawyer, Jacobi, Vas Dupre and Olivares

NOES: (0)

ABSENT: (1) Vice Mayor Wysocky

ABSTAIN: (0)

ATTEST: Jandi Bliss
Deputy City Clerk

APPROVED: Susan Gorin
Mayor

APPROVED AS TO FORM:

Cecelene L. Jura
City Attorney



Santa Rosa Tourism Business Improvement Area (SRTBIA)
2012 Annual Report & 2013/14 Work Plan

2012 ANNUAL REPORT HIGHLIGHTS

Santa Rosa Tourism Business Improvement Area (SRTBIA)

Background

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SRTBIA BACKGROUND

The Santa Rosa Tourism Business Improvement Area (SRTBIA) was created in June 2010 as a collaborative public and private partnership between Santa Rosa Hoteliers, the Santa Rosa Chamber of Commerce, the Santa Rosa Convention of Visitors Bureau (SRCVB) and the City of Santa Rosa to create a dedicated funding source to support tourism programming and increase overnight stays, Transient Occupancy Taxes (TOT) and local sales taxes.

The City of Santa Rosa has been contracting with the Santa Rosa Chamber of Commerce and the SRCVB since the early 1990s. In FY 2007/2008 the effects of the 'Great Recession' took its toll on the City's General Fund, and subsequently caused an 18% reduction to the CVB services contract, followed by an additional reduction in FY 2009/2010, and culminating with the elimination of General Fund support in FY 2010/2011.

In June 2010, Santa Rosa lodging operators and the Santa Rosa Chamber of Commerce approached the City with a request to form a Business Improvement Area to secure a stable revenue stream and continue CVB Welcome Center operations, while increasing tourism programs by adding a 3% surcharge for lodging operators within Santa Rosa City limits. Proceeds from the surcharge are programmed to increase overnight stays, Transient Occupancy Taxes (TOT) and local Sales taxes through marketing and branding campaigns.

The City receives a 2% administrative fee for revenue collection, after which the remaining revenues are dispersed with the SRCVB receiving 70% to support their programs and services and the City's Economic Development tourism programming receiving 30% respectively.

The SRTBIA programs focus on:

- **SRCVB Group Sales:** brings groups and organizations to the community for meetings, events and conventions.
- **Cooperative Event Support and Attraction:** sustains current event programming and grows future event programming opportunities to encourage overnight stays in Santa Rosa.
- **Marketing and Promotions/Public Relations:** conducts tourism marketing to brand Santa Rosa as a destination in the heart of Sonoma County wine country, one of the top wine travel destinations in the world.
- **SRCVB Welcome Center Operations:** directs visitors to various community amenities including, hotels, restaurants, retail and local attractions and events in the community.

TOURISM STATISTICS

SONOMA COUNTY ANNUAL TOURISM REPORT 2012

The Sonoma County Economic Development Board (EDB) and Sonoma County Tourism (SCT) produce an annual report with research partner, Moody's Economy.com to highlight economic trends and indicators:

- Sonoma County's tourism recovery is strengthening. Although the industry suffered a setback in the middle of 2011 along with the broader U.S. economy, the pace of improvement among visitor-dependent industries is once again gathering momentum.
- The long-term outlook for Sonoma County's tourism industry remains positive. The region's recognition is growing as a premiere tourist destination, and its proximity to Bay Area attractions and airports will continue to support growth.
- Tourism indicators show that travelers are returning to Sonoma County and supporting the local economy through spending.
- Lodging indicators and occupancy rates also increased in 2011 and the 2012 data suggests travel is returning to Sonoma County.
- A recent local business survey shows businesses have a relatively positive outlook for tourism in the coming year, and more businesses have expanded operations over the past year than in the year before.
- Air traffic through Charles M. Schulz–Sonoma County Airport (STS) grew 10% from 2010 to 2011, surpassing the airport's pre-recession peak and setting an all-time high.
- Leisure and hospitality is one of Sonoma County's largest drivers in 2012, but some risks to labor market improvements exist, which will weigh on local demand for hospitality services. An uptick in visitors and stronger pricing power has allowed hotels and other hospitality industries to increase payrolls.
- Sonoma County received the #1 US wine destination ranking by Trip Advisor.

INDUSTRY EMPLOYMENT

Sonoma County ranks first against comparable counties of Napa and Santa Barbara with 16,540 jobs generated by tourist destination spending, Napa had 11,530 in tourism jobs and Santa Barbara added 16,100 in 2010. Sonoma County's 2010 job figures show a 0.6% decrease from 2009, up from a year-over-year decline of 2.0% from 2008-2009.

Distribution of employment within Sonoma County's tourism industry is similar to previous years, with 51.9% of employment coming from accommodations and food services, 38.3% in arts, entertainment and recreation, and 8.6% in retail. In coming years, air transportation is expected to be a new source of employment, due to the opening and expansion of air services to Sonoma County.

TOURISM STATISTICS

VISITOR SPENDING

Visitor spending includes all spending for accommodations, wine activities, retail and other tourism related purchases. The most recent inflation-adjusted figures show that Sonoma County's visitor spending was up 8.87% from \$1.25 Billion in 2009 to \$1.35 Billion in 2010. Visitors spent a majority of their dollars towards accommodations (\$661.7 million), followed by food and beverage services (\$375.6 million).

The 8.87% increase in visitor spending was a positive indicator for tourism in Sonoma County, following the 7.20% decrease in the prior year. This increase indicates that direct spending is on track with pre-recession levels. This growth has outpaced Santa Barbara and Napa County and the California average in 2010. Early statewide 2011 figures indicate that this positive trend will continue.

TOURISM GENERATED TAXES

Santa Rosa Transient Occupancy Tax (TOT) increased by over 12%

YEAR	1ST QUARTER	2ND QUARTER	3RD QUARTER	4TH QUARTER	ANNUAL TOTAL
2011	\$577,394	\$857,815	\$1,217,602	\$774,822	\$3,427,633
2012	\$639,225	\$974,865	\$1,327,717	\$902,002	\$3,843,809

PROGRAM HIGHLIGHTS 2012/2013

CITY PROGRAM

Goal: Increase awareness of Santa Rosa as a desirable travel destination.

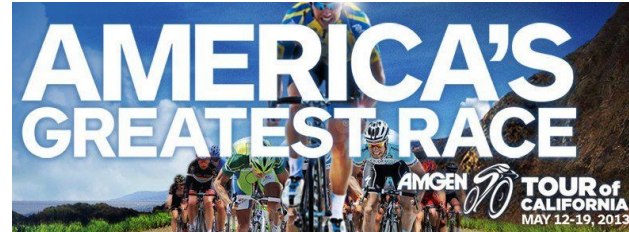
- Primary Audience: Prospective vacationers from other cities that fly into Charles Schulz-Sonoma Airport.
- Second Target Audience: Local community ready to rally around their hometown.

PROGRAM HIGHLIGHTS 2012/2013

CITY WORK PLAN

California's Great Cycling Race AMGEN Tour of California (TOC)

For the seventh year the City of Santa Rosa will serve as a host City for the 2013 Amgen Tour of California. This year the City received the honorable distinction as the overall race finish. Staff efforts to support this high-profile event included chairing the Local Organizing Committee (LOC), packaging and submittal of a formal host city bid proposal, creation and distribution of Santa Rosa specific marketing materials including print and web design, social media services and race fundraising efforts. The City created TourROSA.com website has already received 11,932 unique webpage visits in the first few months of existence.



Amgen TOC Return on Investment (ROI)

The Tour's return on investment has been calculated in two parts: (1) impacts specifically related to the 2013 Overall Finish host city obligations, and (2) impacts related to activities derived from the Tour and its history in Santa Rosa. Under the first category, the economic impacts directly related to the 2013 event are estimated at approximately \$1.2 million with 21 jobs created, and approximately \$35,500 in sales and transit occupancy taxes. The estimated total of economic impacts to date resulting from the 2006 through 2013 Tours is approximately \$20 million. Calculating impacts for the second category of ROI is challenging, but has been estimated based on the increased popularity of local cycling events, and of Santa Rosa as a training destination for recreational and professional cyclists. A rough calculation of economic impact points to over \$4 million in tourist output and personal income.

Cycling offshoots

Leveraging off of Santa Rosa's Amgen Tour of California legacy, staff has been working with local cycling groups to increase cycling and sports tourism. This focused staff effort affectionately referred to as 'Tour Rosa' supports grass roots cycling and sports events that bring significant economic return to our community. Most notable events this year include Levi's Grand Fondo and the upcoming debut of the Iron Girl athletic competition. Staff also worked in collaboration with the SRCVB and Bike Monkey to encourage other sports attractions and professional cycling team tourism throughout the year.



PROGRAM HIGHLIGHTS 2012/2013

CITY WORK PLAN

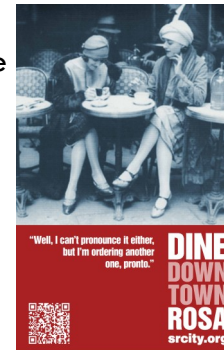
Horizon Corridor Visitor Campaign with Young Nomad

Santa Rosa is teaming up with Sonoma County creative firm Young Nomad to increase awareness of Santa Rosa as a desirable travel destination along the horizon corridor. Goals of the new program include positioning Santa Rosa as a destination city by raising awareness and appeal to vacationers from Los Angeles, Seattle and Portland to increase overnight stays in Santa Rosa. The primary audience from these target markets include vacationers that fly into Charles Schulz-Sonoma Airport. The marketing campaigns will focus on Santa Rosa's inclusive vs. exclusive visitor experience and emphasize our diverse offerings including artisanal beers, world-class wines, cycling, arts and entertainment.



Stay, Shop and Play ROSA

City staff coordinates a Stay, Shop and Play ROSA campaign. This year staff worked to personalize the branding of the marketing collateral including the City's website and pole-mounted banners. The City also partnered with Sonoma County Go Local to highlight local independents that reinforce the unique visitor attributes of Santa Rosa. The City's Stay, Shop and Play ROSA web page had over 56,028 unique visits and Santa Rosa's Downtown page had an additional 40,697. Social media accounts also grew with over 3,236 followers on Twitter, 3,310 Facebook likes and 294 Pinterest followers, with staff placing a strong emphasis on growing fans and followers outside Santa Rosa City limits.



Sonoma County Economic Development Board (EDB) & Sonoma County BEST Identity Taskforce

City staff participated in the EDB and Sonoma County BEST's joint tourism identity taskforce to help identify and map tourism assets to improve communication and collective tourism knowledge around Sonoma County. At the culmination of this process, a strategic plan was developed and presented to the Sonoma County Board of Supervisors to serve as a tourism marketing roadmap. Included in the report were ideas to develop strategic assets, improve communication between organizations and ways to use tourism assets in workforce and business attraction efforts for the region.



PROGRAM HIGHLIGHTS 2012/2013

CITY & SRCVB COOPERATIVE WORK PLAN

Event Grants

- Amgen Tour of California 2012 & 2013
- Levi's Gran Fondo 2012 & 2013
- Iron Girl
- Wine Country Senior Games
- National Heirloom Exposition
- Green Music Center Grand Opening
- Santa Rosa Marathon
- Santa Rosa International Film Festival
- Eat, Sip and Be Merry
- Latin Jazz Festival
- Wine Country Big Q
- Peggy Sue's Cruise
- La Crosse Tournament



PROGRAM COSTS

2012/2013 Appropriated Budget (based on a full year)

	CVB 2012 Calendar Year	CITY FY 12/13	Total
SRCVB Group Sales	\$168,804	- 0 -	\$168,804
Event Support & Attraction	\$40,000	\$50,000	\$90,000
Marketing, Promotions, Public Relations	\$183,223	\$197,000	\$380,223
SRCVB California Welcome Ctr.	\$131,364	- 0 -	\$131,364
Operations/Administration	\$219,611	127,686	\$347,297
Total	\$743,002	\$374,686	\$1,117,688

PROGRAM HIGHLIGHTS 2012/2013

PROGRAM COSTS

2012/2013 Budget Actual (reflects 3 Quarters of Revenue Collection)

	CVB 2012 Actual		City FY 12/13 Actual
SRCVB Group Sales	\$152,897		- 0 -
Event Support & Attraction	\$46,706	Event Support & Attractions	\$43,000
Marketing, Promotions, Public Relations	\$167,086	Marketing, Promotions, Public Relations	\$134,429
SRCVB California Welcome Ctr.	\$129,427		- 0 -
Operations/Administration	\$192,120	Operations/Administration	\$102,957
Total	\$688,236		\$280,386

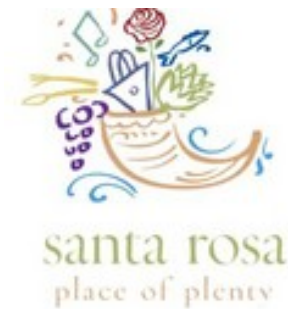
SANTA ROSA CONVENTION AND VISITORS BUREAU: WORK PLAN

Group Business

CVB room nights booked for the 2012 calendar year were 5,605 an increase of 1,868 room nights over 2011. In addition SRCVB booked over \$106,350 in other non-hotel revenues in 2012 including restaurants, winery groups and transportation.

Welcome Center

California Welcome Center assisted 45,648 walk-in visitors to the Santa Rosa community, handled 3,547 tourism related phone calls, and answered over 1,238 email requests for additional information on lodging, attractions and activities. The Welcome Center provided over 7,498 direct referrals for winery visits, 4,122 restaurant recommendations and 2,270 accommodation requests and reservations.



PROGRAM HIGHLIGHTS 2012

SANTA ROSA CONVENTION AND VISITORS BUREAU

CVB print and web media

SRCVB contracted for print advertising with VIA and Sunset Magazine. Ads proved to be very successful at increasing traffic to the SRCVB web site and requests for information: 3,673 leads were generated from this ad campaign. Lastly, the SRCVB web site enjoyed a healthy stream of 271,833 unique web visits for the 2012 calendar year and increase of 48,359 unique visitors.

SRTBIA ADMINISTRATION 2012/2013

CHANGES TO BOUNDARIES

None.

CONTINUE METHOD AND BASIS OF LEVYING ASSESSMENT

No change. Assessment method and detail located in the SRTBIA Ordinance attachment.

ADVISORY BOARD CHANGES

The SRTBIA Board is a five member appointed advisory board by the Santa Rosa City Council which includes: one Santa Rosa Chamber of Commerce employee, one City of Santa Rosa employee and three hotel operators, at least one of whom is employed by a full-service hotel and one of whom is employed by a select-service hotel. This year the SRTBIA board accepted the resignation of full-service hotel representative Keo Hornbostel from the Hyatt Vineyard Creek and welcomed Max Childs from the Courtyard Marriott to serve as the hotel-at-large representative. The SRTBIA Advisory Board is still actively looking for a full-service hotelier to serve on the board. The Board roster is as followed:



Max Childs

Max Childs	Courtyard Marriott	Hotel-at-Large Representative
Donna Rentera	Best Western Garden Inn	Limited-Service Hotel Representative
Jonathan Coe	Santa Rosa Chamber President	Chamber of Commerce Representative
Danielle O’Leary	Economic Development Manager	City of Santa Rosa Representative
OPEN Hotel Seat	(Undergoing recruitment)	Full-Service Hotel Representative

SRTBIA ADMINISTRATION 2012/2013

CONTRIBUTIONS FOR OTHER SOURCES

The CVB received the following additional contributions for the 2012 calendar year:

- \$31,000 County of Sonoma Welcome Center
- \$32,944 Merchandise Sales
- \$3,250 Display and Advertising Sales
- \$6,737 Certified Folder Contract Fees

The City of Santa Rosa receives no additional contributions from tourism promotions at this time, but is exploring ways to grow and augment additional revenue streams.

SURPLUS OR DEFICIT REVENUES TO BE CARRIED OVER

The remaining balance of the City's FY 2012/2013 appropriated budget will be carried over to FY 2013/2014. This amount will be determined when the fiscal year books are closed in early July. The CVB operates on a calendar year, therefore some of the funds will carry over into the City's new fiscal year as well as the CVB's calendar year. Those funds will be determined at year-end.

CITY WORK PLAN 2013/2014

MARKETING OBJECTIVES

- Increase awareness of Santa Rosa as a visitor destination through an effective PR and social media campaign.
- Develop and implement an annual local public relations plan communicating the benefits of SRTBIA funded activities and the importance of tourism to the local economy.
- Maximize the effective use of SRTBIA funds through the implementation of a coordinated work plan with the SRCVB.
- Advocate to develop tourism infrastructure in the community; promote place-making and cultural programming of public spaces.

CITY WORK PLAN 2013/2014

CITY MARKETING OBJECTIVES

Objective: Increase awareness of Santa Rosa as a visitor destination through an effective PR and social media campaign.

Benchmarks: Web-Based - Website traffic, social media traffic/fan count/likes, participation in engagement campaigns (e.g. contests), content production.

PR - media releases generated promoting Santa Rosa as a business and leisure destination, media requests, media impressions.

Activities: Sustain and grow strong social media presence for increased brand engagement with a goal of increasing overnight stays (revenues).

Refresh (ongoing) and maintain City's visitor, residents, and business web presence and digital offerings with a goal of converting or increasing visitor and business traveler overnight hotel stays.

Generate media releases promoting Santa Rosa as a business and leisure destination for out-of-area media outlets.

Develop a web and print-based media kit that is flexible for the needs of leisure, family, business, and sports travel.

Create marketing campaigns that reinforce cycling tourism and brand affinity, wine and culinary "place of plenty" and "farm-to-table" themes to travelers, and encourage corporate event utilization.

CITY WORK PLAN 2013/2014

CITY MARKETING OBJECTIVES

Objective: Develop and implement an annual local public relations plan communicating the benefits of SRTBIA funded activities and the importance of tourism

Benchmarks: Number of speaking engagements related to local economic drivers, increase in media mentions regarding the importance/benefits of tourism.

Activities: Develop a dynamic presentation illustrating the positive economic and cultural impacts of the tourism industry incorporating facts, figures, and anecdotal stories.

Seek speaking opportunities with business, professional, social, educational, etc., groups.

Insert tourism related economic and cultural impacts into media releases and media opportunities.

Develop a list of statistics and talking points about economic and cultural impacts to the community resulting from tourism activities and overnight stays; disseminate these talking points to council members and others.

Objectives: Maximize the effective use of SRTBIA funds through the implementation of a coordinated work plan with the SRCVB

Benchmarks: Coordinated programs should benefit Santa Rosa's strategic tourism assets and increase visitor awareness of Santa Rosa as a tourism destination within greater Sonoma County.

Activities: Implementation of this coordinated marketing plan, as well as other agreed upon projects and clearly communicate with the Chamber and CVB on SRTBIA activities and use of funds.

CITY WORK PLAN 2013/2014

MARKETING OBJECTIVES

Objectives: Advocate the development of tourism infrastructure in the community; promote place-making and cultural programming of public spaces

Benchmarks: Creation of City policies and/or initiatives to improve the visitor experience (e.g. busking programs, outdoor dining opportunities, bike trails and lanes, etc.)

Number of community events underwritten that support the “place of plenty” brand concept.
Participation in groups and committees advocating for and/or planning activities affecting or related to the tourism infrastructure and cultural programming.

Activities: Promote and coordinate special event programming, underwriting and promotion of community and cultural arts programming activities via the SRTBIA grant process.

Grow and retain events by support of local non-profit organizations and community groups in their development of place-making and cultural activities that bring visitors to and/or prolong visitors’ overnight stays in the area, and/or create a sense of destination in Santa Rosa. This support will take the form of seeding and/or supporting the production of events through the grant process, and/or using ED staff expertise, knowledge, connections to consult on the project.

Work with other City departments, agencies, and outside organizations to integrate tourism infrastructure into the planning process for appropriate projects and/or advocate for specific tourism infrastructure projects to be implemented.

Participate in the Arts Steering Committee of the Community Foundation of Sonoma County, the purpose of which is to elevate the arts in Sonoma County so that it is a viable factor in the county’s destination identity and a solid amenity to Santa Rosa visitors.

CITY WORK PLAN 2013/2014

BUDGET RECOMMENDATIONS FOR FY 2013/2014

The City’s programming model supports programs and events that grow long-term tourism opportunities and increases visitor awareness for Santa Rosa as a tourism destination. City marketing, promotion and communication efforts will reinforce Santa Rosa as the central hub of Sonoma County where one can enjoy food and wine, arts and culture, sports and leisure in a centralized wine country location.

FY 2013/2014 Budget	\$375,000
Administrative Costs	\$167,515
Salary 1.22 (FTE)	(\$107,308)
Benefits	(\$49,281)
City Overhead	(\$10,926)
AVAILABLE PROGRAMMING	\$207,485
Event Support/Attraction	\$50,000
Marketing/Promotions/Communication	\$157,485
Total Program Costs	\$375,000

Forecasting for fiscal year 2013/2014, staff assumed a very conservative flat budget projection; any funds received over the forecasted amount (which is likely) will be appropriated to City visitor programming with Council approval for the following fiscal year.

The City program will also undergo minor staff realignment to ensure reliability of service and stable management of the SRTBIA program. To address the needs of this categorical funding source, two job classifications are needed to transition from a redevelopment-based Program Specialist position to a Marketing and Outreach Coordinator; and a Senior Administrative Assistant to an Administrative Technician position to ensure marketing and web programming efforts that have been assumed in-house vs. an independent contractor are maintained year-after-year. There is also a modest salary shift for the Director of Economic Development and the Economic Development Manager’s time spent servicing the program. These realignment efforts resulted in a total salary increase of \$24,298 and a \$12,717 benefits increase.

CVB 2013 WORK PLAN

CVB ACTIVITIES 2013

CVB operations are overseen by Brad Calkins, Executive Director, who is hired by and reports to the Chamber President. The Executive Director is responsible for providing support to the CVB Board by monitoring its expenditures and budget, implementing CVB programs and overseeing the operation of the Welcome Center. The Executive Director supervises staff members who are funded by the CVB budget in order to achieve its goals. In addition to the Executive Director, current staff includes a Sales Coordinator and a Director of Sales.

Staff Responsibility

Director of Sales

- Primary Market: Group business including local host.
- Retention and growth of existing Santa Rosa events and solicitation/creation of new events including sporting events.
- Secondary Markets: Leisure sales including packaging, food/beverage, arts and online sales program.

Sales Coordinator

- Assist clients with non-hotel needs such as destination management companies, transportation, off-site venues, attractions, team-building and all other hospitality services to maximize member benefits.
- Manage online group lead program.

Group Sales

- The CVB positions Santa Rosa as the best place to meet for conferences, reunions and tour planners. Programs such as the Local Host program, cycling community outreach, sales missions and reverse familiarization trips to the greater Bay Area are part of the strategy.
- This effort is directed by a full-time sales manager charged with selling groups and meetings directly into Santa Rosa hotels.

Events and Attractions

- Attract new events with grants and promotion. Partner with existing boards and committees to market existing events.

CVB 2013 WORK PLAN

CVB ACTIVITIES 2013

Marketing, Advertising and Public Relations

Because Sonoma County Tourism (SCT) has a broad branding message and covers the major print outlets to market Sonoma County and its destinations, the CVB will be more strategic using advertising to drive hotel night sales in Santa Rosa while continuing to leverage cooperative opportunities such as the Official Visitor Guide presented by the SCT. Print advertising will be in publications such as:

- AAA Tour book and website
- VIA Magazine Travel Guide
- Sunset Magazine
- Official Sonoma County Visitor Guide & Map
- 101 Things to Do

Social Media and Website

The CVB will utilize electronic media to engage customers, improve customer service, and create loyalty and drive hotel nights by developing and using new video outreach pieces to be placed on the Web and other sites focusing on Facebook and Twitter while continuing to use other platforms. Facebook Fans at the end of 2012 were 15,541. The CVB also creates goals and monitors social media engagement including sharing of post, comments on post and retweet of messages.

Internet & Mobile

Continue and expand our website reach through creating new content and a SEO/WSO (search engine optimization) programs. In 2012 we increased unique visitors by 20% to VisitSantaRosa.com and with the proliferation in the use of smart phones during travel. The CVB made their website mobile friendly in 2012 and started a paid Google campaign to direct in market traffic searches to visitsantarosa.mobi.

Collateral Material

New collateral was created in 2012 including group sales pieces and a new Santa Rosa visitor guide.

Niche Markets—Food & Wine

Augment and expand locally specific advertising and marketing efforts promoting Santa Rosa as a food & wine country, and regional service destination. Activities include promoting Sonoma County Restaurant Week by highlighting Santa Rosa dining opportunities.

CVB 2013 WORK PLAN

CVB ACTIVITIES 2013

Niche Markets—Arts and Culture

Expand collaboration on events that drive overnight room nights and co-marketing and branding to boost this niche market’s potential for overnight stays including venues such as the Santa Rosa Symphony’s Grand Opening and the Grand opening of the Green Music Center. This is in addition to the Wells Fargo Center and the Charles M. Shultz Museum.

Cycling

Create partnerships on events that drive room nights and co-marketing and branding to boost cycling related activities potential for overnight stays. Continue to showcase all the Amgen Tour of California events since 2006 and promote Santa Rosa as a year-round cycling destination.

California Welcome Center (CWC) Operations

The CWC will continue its mission of providing excellent customer service to visitors to Santa Rosa while making an economic difference to the local business community as follows:

- Maintain daily Welcome Center operation with professional staff and volunteers;
- Update and promote VisitCWC.com in conjunction with the State of California;
- Conduct ongoing training programs for staff and volunteers;
- Track monthly referrals to local businesses and Chamber Members; and
- Track visitor requests, walk-ins, web, and phone inquiries.



SRCVB Budget 2013	
SRCVB Group Sales	\$181,085
Event Support and Attraction	\$50,000
Marketing, Promotions, Public Relations	\$222,126
California Welcome Center	\$141,906
SRCVB Operations	\$242,090
Total	\$837,207

WORK PLAN METRICS 2013/2014

METRICS

These performance measures are used to measure work plan success collectively and for the individual partners.

Revenue Benchmarks

- Increase in TOT collection
- BIA assessment increases in revenue in future years

Marketing & Sales Benchmarks

General Marketing Measures

- Quantity and reach of brand marketing campaigns
- Quantity, frequency and reach of niche marketing programs
- Anecdotal attendance figures when available

Leisure Sales, Group Sales and Events

- Room nights
- Room and food and beverage revenue/delegate spending
- Group services
- Economic impact
- Internet
- Online bookings and packages

California Welcome Center Operations

- Walk in visitors
- Wear the Bear referrals tracked from businesses
- Referred business submit monthly sales figures
- Phone and web visitor requests monthly tally
- Chamber member referrals daily tally



Social Media Benchmarks

- Email Newsletters
- Open rate and booking conversion

Twitter, Facebook & You Tube

- Followers, fan counts, “likes” and views
- Level of engagement
- Content production

Number of Community Events Supported

- Resulting in overnight hotel stays
- Affirms “Place of Plenty” brand theme
- Affirms cycling and sports
- Destination brand theme



Annual Tourism Report

2012
SONOMA
COUNTY



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Annual Tourism Report

June 2012

The Sonoma County Economic Development Board (EDB), in partnership with the Sonoma County Tourism Bureau, is pleased to bring you the 2012 Annual Tourism Report. The 2012 Annual Tourism Report contains three sections integrating findings on the local tourism industry. The first section contains research conducted by our research partner, Moody's Economy.com. The next section of the report highlights key economic indicators produced by the California Travel & Tourism Commission and Smith Travel Research. The last section provides updated results of the EDB Annual Tourism Industry Survey.

Moody's Economy.com is a leader in economic research and provides key quantitative and qualitative analysis on Sonoma County's tourism industry. Key findings from Moody's Economy.com 2011 Annual Tourism Update Include:

- Sonoma County's tourism recovery is strengthening. Although the industry suffered a setback in the middle of 2011 along with the broader U.S. economy, the pace of improvement among visitor-dependent industries is once again gathering momentum.
- The long-term outlook for Sonoma County's tourism industry remains positive. The region is growing in recognition as a premier tourist destination, and its proximity to Bay Area attractions and airports will continue to support growth.

The California Travel & Tourism Commission provides a 'Travel Impacts by County' report each year. This report provides the latest available economic impact figures on Sonoma County and, along with the most recent lodging statistics, these are the primary sources for the Tourism Industry Indicators. Key findings include:

- Key tourism indicators show that travelers are returning to Sonoma County and supporting the local economy through spending.
- Lodging indicators and occupancy rates also increased in 2011. The 2012 data suggests travel is returning to Sonoma County.

Each year the EDB conducts an annual tourism industry survey of Sonoma County business owners and executives involved in tourism. The survey focuses on complete industry strength, confidence, and opportunities. Key findings from this survey include:

- Businesses have a relatively positive outlook for tourism in the coming year, and more businesses expanded operations over the past year than in the year before.

Thank you for your interest in the Economic Development Board's research. For additional information, questions, comments, or suggestions please contact us at (707) 565-7170 or visit www.sonomaedb.org.

Sincerely,

Ben Stone
Executive Director



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Recent Performance

Sonoma County's tourism recovery is strengthening. Although the industry suffered a setback in the middle of 2011 along with the broader U.S. economy, the pace of improvement among visitor-dependent industries is once again gathering momentum. Leisure and hospitality payrolls in April were up 1% from a year earlier and were at their highest level since the first half of 2010. After slipping behind other industries last year, tourism in Sonoma County is once again outpacing the rest of the economy, reverting back to pre-recession and early recovery patterns.

Overall, tourism indicators improved in 2011 and showed no signs of slowing in the first quarter of 2012. Air traffic through Charles M. Schultz-Sonoma County Airport (STS) grew 10% from 2010 to 2011, surpassing the airport's pre recession peak and setting an all-time high. Passenger traffic at San Francisco International Airport (SFO) increased 4% in 2011, finally surpassing the 41 million passenger mark set in 2000 at the height of the tech boom. SFO is the primary aviation gateway for visitors to wine country, particularly from abroad, so growth there is a positive sign for the area.

Hotel occupancy in the county is showing strong trends as well. In the first four months of 2012, occupancy and room rates have increased 4% and 6%, respectively, reflecting momentum for county points of interest ahead of the peak summer travel season.

Conditions for the travel industry have improved beyond hotels, indicating that consumers are increasing their discretionary spending. Nationwide, spending on tourism increased 8% in 2011, marking the second consecutive annual increase and surpassing the pre recession and all-time peak set in 2008.

Macro Drivers

The U.S. economy is expanding steadily, partially assisted by a record warm winter that fueled recent sizable gains in employment in early 2012. Output slowed in the first quarter to an annualized percentage rate of 2.2%, but remains above 2011's disappointing rate of 1.7%. U.S. GDP will rise by 2.4% in 2012 before accelerating to 2.8% in 2013 and to almost 4% in 2014. Downside risks to this forecast of solid, if not exciting, growth are plentiful, including a price spike in the tightly supplied global oil market, the worsening sovereign debt crisis in Europe, the fiscal cliff in the U.S., and the ongoing foreclosure crisis.

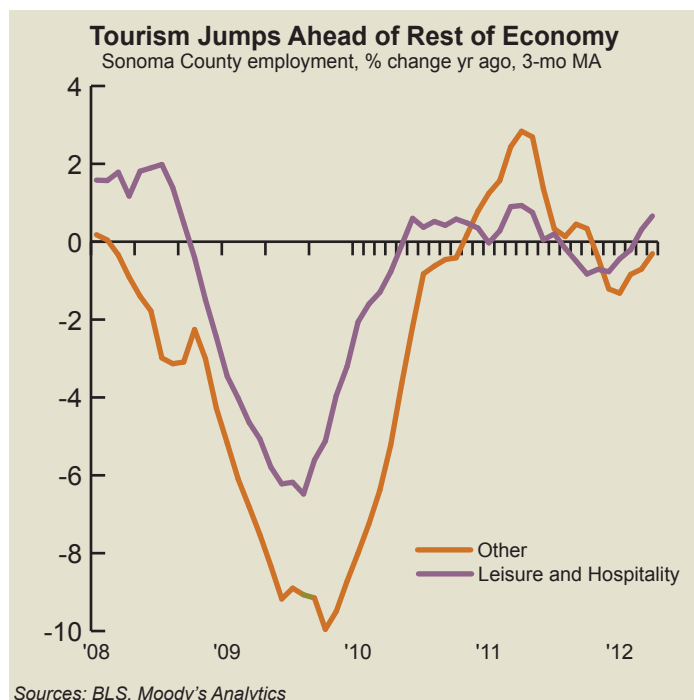
Despite the soft employment data in March and April, more than 2 million jobs should be added this year and next. A mild winter allowed for weather related industries such as construction, trucking and distribution, and leisure and hospitality to keep on or bring back workers quicker than in a normal winter, skewing economic data in early 2012. By the end of the spring, as the effects of the mild winter fade, monthly job gains should return to more seasonal patterns.

Other labor market improvements will continue over the year, with the unemployment rate poised to dip below 8% by the close of 2012.

However, much of the decline in the unemployment rate will be attributable to the slow recovery of the labor force. Among the factors holding back the labor force have been the slowdown in international migration and the increasing pace of retirements as the leading edge of the baby boomers turns 65. Inter-national migration will increase once again as the economy strengthens, but not at the pace of the last decade when the housing boom created millions of construction jobs for immigrant labor. Younger would-be workers are returning to or remaining in school, delaying their entry into the work force. More and more workers are reaching retirement age. High gas costs and expiring extended unemployment benefits in many states are discouraging labor force entry for others.

Industry Drivers

Consumer confidence will improve but at a slow pace. Confidence took a tumble in the middle of last year as natural disasters and man-made policy shocks weighed on consumers. The absence of a similar clustering of shocks, and relief from another extended surge in gas prices in recent months has allowed consumers' assessments of current conditions to more than recover from last year's setbacks according to The Conference Board. However, expectations remain lower than at the beginning of 2011.



Leisure and hospitality will be among Sonoma County's largest drivers in 2012, but some risks to labor market improvements exist, which will weigh on local demand for hospitality services. An uptick in visitors and stronger pricing power has allowed hotels and other hospitality industries to increase payrolls. However, another year of reduced spending by local governments, on K-12 education in particular, has resulted in layoffs and other cuts. Tech manufacturers have also slowed hiring. As a result, workers in these industries will be less likely to increase their spending on restaurants.

Industry Drivers (cont.)

The impact of weakened expectations is visible on consumers' vacation plans. The per-cent age of consumers expecting to take a vacation in the next six months fell to below 40% according to The Conference Board, down from close to 45% in December. The April figure is roughly equal to 12 months earlier reflecting the pattern of the past two years of relatively high optimism at the beginning of year being dashed by unforeseen circumstances by the middle of the year.

Household net worth will improve in the near term, offering support to confidence. However, the drivers of improvement will be increasingly switched from previous years. With house prices approaching a final bottom in many areas of the U.S., gains in real estate net worth will soon begin to outpace net worth derived from financial assets. Financial markets have rallied to their pre recession levels, but risks to their continued growth are present. These are mainly the expiration of the Bush-era tax cuts and other stimulatory measures at the beginning of 2013 and the continued European debt crisis, either of which could reduce the profitability of firms or darken the macroeconomic outlook.

Having already surpassed their pre-recession peak, real personal consumption expenditures will accelerate in 2012. Growth in food services and accommodations expenditures will slow in 2013, but will continue to outpace total expenditures.

Elevated oil prices will not offer much relief for business travelers and vacationers who fly or drive considerable distances to Sonoma County, contributing to the slowdown in expenditures.

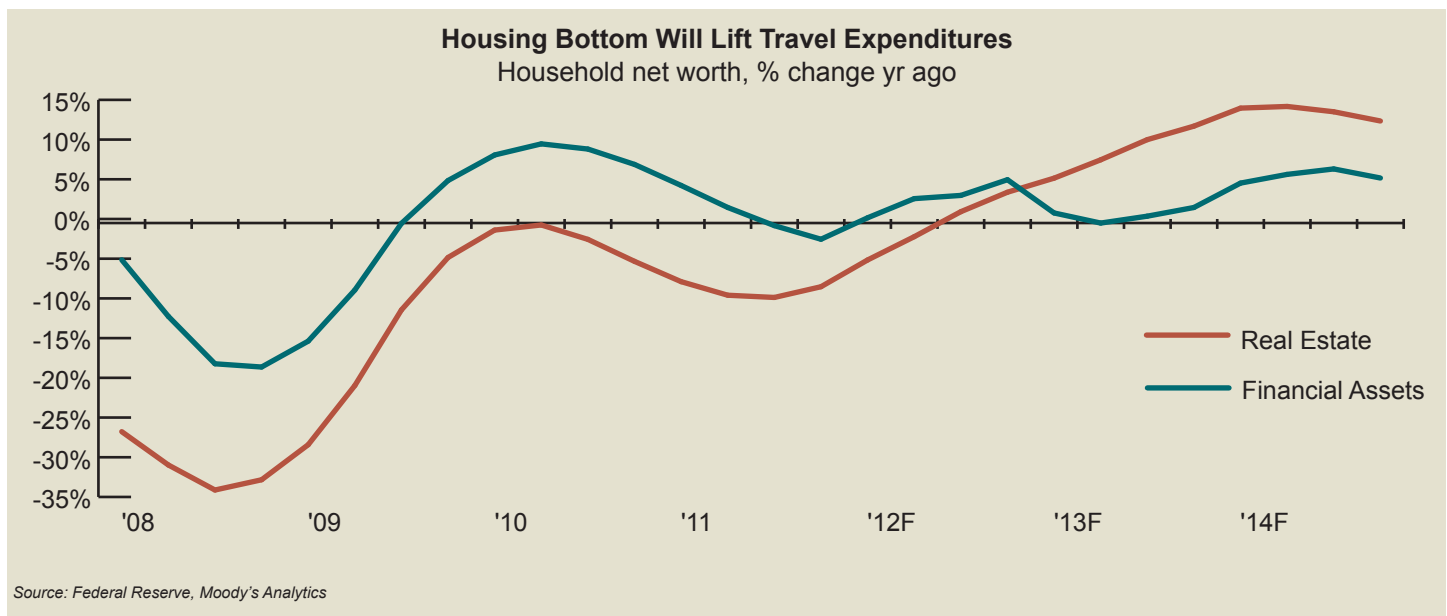
The West Texas Intermediate price of a barrel of oil will remain above \$100 but is not forecast to deviate much from current levels in the second half of 2012 absent a global shock. Keeping oil prices stable but elevated are tight global oil production and early impacts of the soon-to-be implemented global embargo on Iranian oil.

Businesses are planning to grow and expand over the next six months to a year according to most measures of business sentiment, including surveys from the Institute for Supply Management and the Manufacturers Alliance. Like consumer sentiment, business sentiment took a tumble in 2011 but has yet to return to the post-recession highs reached in the first quarter of last year. In order to increase production in the face of slowing productivity gains, employers will need to ramp up hiring, increasing income for would-be travelers.

Many local retailers and restaurants draw overlapping business from tourists and local residents. Hence, Sonoma County's endogenous economic conditions play an important role in tourism's performance. The county is rebounding from a sharp slowdown in the second half of 2011. However, poor state and local government finances are hindering public sector employment. As a result, the county's economic performance will improve further in 2012, but public sector cuts will be a sizable weight.

Pricing

Pricing power has returned for hospitality firms. No longer needing deep discounts to attract customers, hotels are increasing room rates amid rising room occupancy rates. Helping to fuel the responsiveness of rates to increasing demand is the slow growth in available hotel rooms in recent years.



The belated bottom to the U.S. housing market will help replenish net worth for consumers who have scaled back spending on travel or have become more budget-focused since the recession. Nationally, a brief rise in foreclosure filings following the agreement between state attorney generals and lenders will drive prices down by half of a percentage point from the first quarter of 2012 to early 2013. After reaching bottom, pent-up demand for housing and depleted inventories of homes for sales will push up prices, helping homeowners to bolster lost home equity and travel budgets.

Pricing (cont.)

Nationwide, Moody's Analytics forecasts prices for food consumed outside of the home to increase by 2% this year. But the local industry should outperform, given the strength of food tourism in Sonoma County, and restaurants should fare better as consumers make a return to quality dining experiences.

Operating Expenses

Operating expenses will grow modestly in the near term. Labor costs, which are a major input for tourism, will still stay relatively low as the U.S. unemployment rate is expected to hover around 8% in 2012. Lower-value-added services will continue to have an especially ample labor pool as construction remains weak.

The rapidly improving commercial real estate market will place upward pressures on rents. Vacancy rates have fallen below 6%, a decline of 3 percentage points from the peak reached in the first quarter of 2010 according to Keegan & Coppin Company.

Food costs will increase in 2012, raising expenditures for restaurants, but will remain below their prerecession peak.

Profitability

The profit outlook is much improved for 2012 and 2013. According to data from Smith Travel Research, Sonoma County's average hotel occupancy rate increased 4 percentage points from 2010 to 2011 to 64%, the second consecutive annual increase and surpassing the 2008 average rate of 61%. Similarly, hotels benefited from higher demand by raising the average daily rate (ADR) 7% to \$109, the highest since the 2008 ADR of \$121.

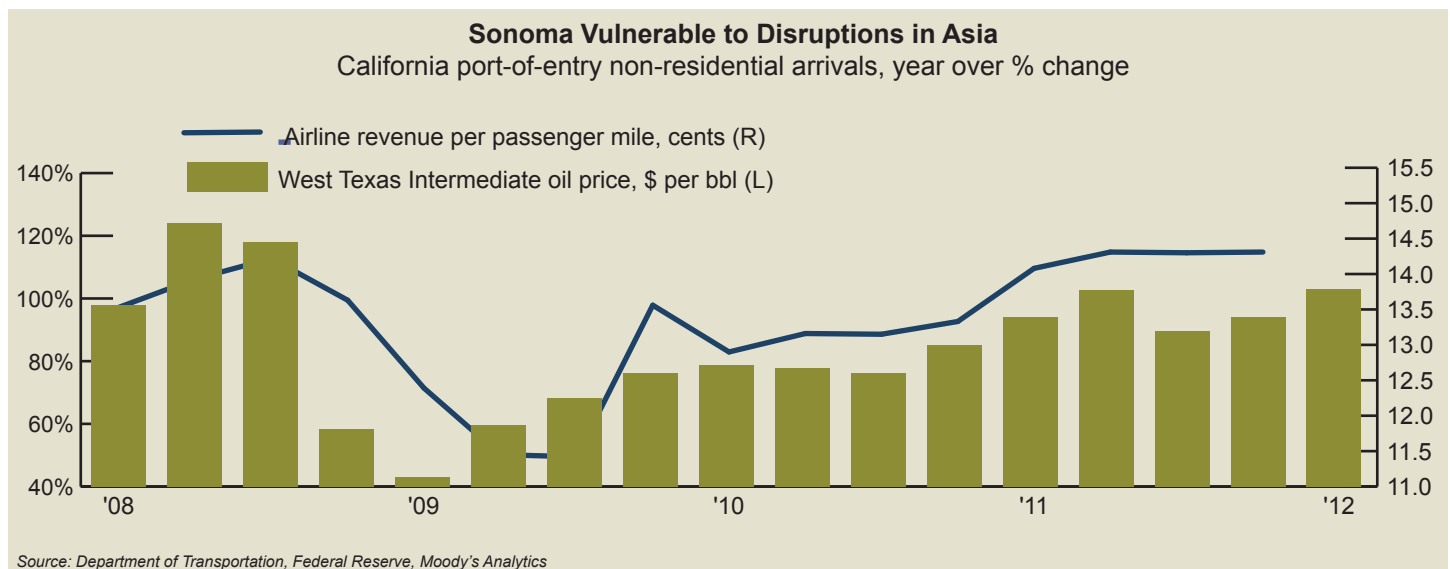
Sonoma County still lags behind the pace of improvements in neighboring Napa County. Regardless, improvements in the county and the entire wine country region indicate that the high-end consumer group is driving the improvements. Additional job gains and the addition of wealth over the next year will boost the profitability for Sonoma's high-end market for visitor-dependent industries.

Higher food prices will squeeze restaurant and hotel margins slightly. Food accounts for about a third of restaurant expenses, and will combine with real estate costs to place some pressure on balance sheets. However, firms will find it somewhat easier to pass food costs on to customers than in previous years particularly for high margin items such as wine by the glass.

Depleted wine inventories and an emerging statewide shortage of wine grapes will be among the major near-term drivers driving up prices of wine bottles served at restaurants and hotels. On-premise sales of wines are registering double digit gains after languishing when consumers purchased wines for home consumption during the recession and the first part of the recovery. The return of events and meetings is also lifting the catering sales of wine bottles by hotels.

Long Term Outlook

The long-term outlook for Sonoma County's tourism industry remains positive. The region is growing in recognition as a premier tourist destination, and its proximity to Bay Area attractions and airports will continue to support growth. Direct air access is a plus and plans to expand the capacity of Charles M. Schulz–Sonoma County Airport are advancing.



Airlines will increasingly seek additional revenues in the face of elevated oil prices, increasing costs for business and leisure travelers. In the aftermath of the recession, airlines were quick to reduce their flight networks, canceling unprofitable or low profit generating flights. Airlines have also been aggressive in implementing fees for checked baggage and charging premium fares for extra leg room. With oil prices not expected to decline from their current level over the next 12 to 18 months, many airlines are trying to advance their purchase of newer and more fuel efficient aircraft.

Long Term Outlook (cont.)

Moreover, the popularity of wine and the wine-related culture and its expanding linkages between local food offerings and health and wellness activities underpin a positive fundamental outlook for the industry. The growing popularity of cooking and food reality shows and the highlighting of the California wine region as a premier artisan food destination also contribute to an increasingly positive outlook for tourism.

Demographic trends are also favorable, with some of the fastest-growing states within driving distance and increased access to inter-national tourists from Asia and Latin America. Wine consumption is growing among the top portion of the "millennial" generation now aged 20 to 31. This pool of potential visitors will grow as incomes for this cohort steadily increase over the next few years.

Upside Risks

Greater improvement in the job market for young adults and lower-end consumers would benefit Sonoma County. Although the county certainly caters to the higher end as well, it derives a benefit in affordability relative to nearby Napa.

Sonoma County would also benefit from faster growth in Agritourism. Wine and food education tours represent a growing industry, and given the acceleration in the local food and organic food movements, the county's wide range of offerings has extra appeal.

Better than expected business spending over the coming year could lead to a stronger outcome for Sonoma County. Business optimism has yet to fully recover from last year's global and domestic shocks and vigilance continues on gatherings and face-to-face meetings. Recent increases in business travel spending have been more a result of higher costs rather than an increase in travel according to the Global Business Travel Association.

Downside Risks

Despite the relatively positive outlook for the economy, there are a number of downside risks that could possibly derail expected growth for tourism-related industries in Sonoma County.

A worsening of the European debt crisis, including the exit of troubled economies from the euro zone, could have a similar adverse impact on tourism as the financial crisis of 2008 and the subsequent Great Recession did. While the U.S. financial system has been relatively immune to Europe's economic and financial woes, banks and other financial institutions would be impacted by a worldwide decrease in liquidity that a breakup of the euro would entail, damaging confidence of business and vacation travelers everywhere.

A harder or more pronounced slowdown of Asian economies, China in particular, presents another risk for Sonoma County's visitor-dependent industries. China represents a fast-growing international segment of wine consumers and tourists.

In addition, an explosion of airports to service China's burgeoning population centers has put international travel closer to the country's growing ranks of middle and upper-income households.

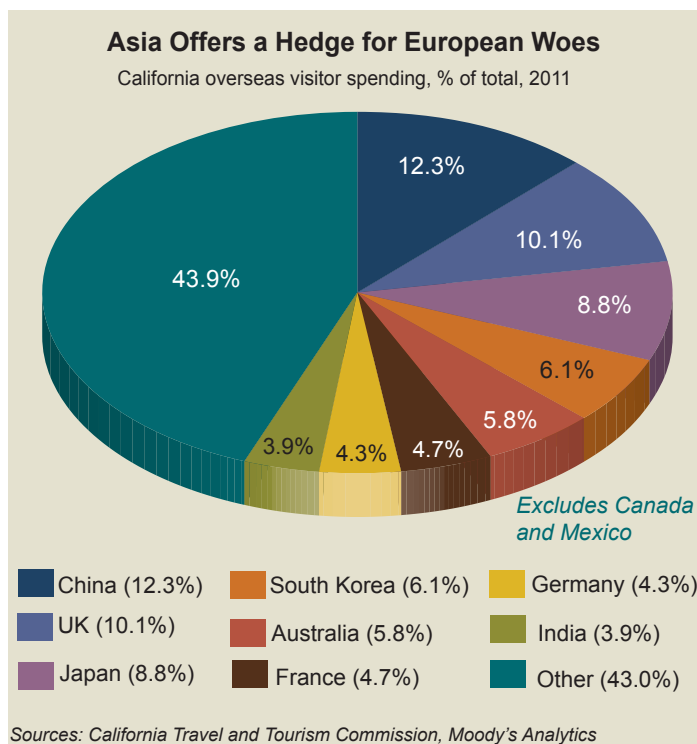
Thus, any disruption to Asian growth represents a down-side risk for a major tourism driver.

Further declines in immigration could also disrupt labor flows in Sonoma County. Net migration from Mexico to the U.S. has fallen to zero according to the Pew Research Center in the aftermath of the collapse of the U.S. housing market and lower birthrates and greater economic opportunities in Mexico. Combined with stronger enforcement and a rash of state immigration laws, the flow of foreign workers at hotels and restaurants may be slow to increase even as demand increases, placing strain on employers.

Produced by
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May 2012, Moody's Analytics
www.economy.com

About Moody's Analytics

Moody's Analytics helps capital markets and credit risk management professionals worldwide respond to an evolving marketplace with confidence. Through its team of economists, Moody's Analytics is a leading independent provider of data, analysis, modeling and forecasts on national and regional economies, financial markets, and credit risk.



California's growing appeal to rapidly developing Asian economies will help to partially buffer Sonoma County tourism against the ex-tended debt crisis and stalling economies in Europe. In 2011, China posted the largest increase in visitors, 33%, among the state's top tourism export markets according to the California Travel and Tourism Commission. At approximately, \$1.5 billion, Chinese tourists are the largest source of total tourism spending in California surpassing the top European country, the United Kingdom, and Japan.

Annual Tourism Report

Tourism Industry Indicators

Sonoma County Tourism Industry Indicators

The Tourism Industry Indicators section is based on data prepared for the California Travel & Tourism Commission by Dean Runyan and Associates, industry data from Smith Travel Research and Sonoma County's Transient Occupancy Tax receipts. Where applicable, the data and graphs in this section have been adjusted for inflation using the U.S. Bureau of Labor Statistics Consumer Price Index.

Santa Barbara and Napa are used as comparison counties because of their similarities in offerings, size, and geographical location. The featured data is the latest available from the California Tour and Travel Commission.

Key Findings

- In 2009, Sonoma County destination spending, industry earnings and industry employment experienced a year-over decrease from 2008 after adjusting for inflation. However, the decrease was less than 2008's year-over data. This suggests travel is slowly returning to Sonoma County following the economic downturn.
- In 2010, Sonoma County's year-over average daily rate decreased 2.5% when adjusted for inflation. This is a smaller decrease than 2009's year-over data.
- Sonoma County's Transient Occupancy Tax receipts totaled \$20.4 million in 2010 after adjusting for inflation.

Annual Tourism Report: Tourism Industry Indicators

Destination Spending

Destination spending is the total amount spent by visitors in Sonoma County. This indicator includes all spending for accommodations, wine activities, retail, and other tourism related purchases. The most recent inflation-adjusted figures show that Sonoma County's destination spending was up 8.87% from \$1.25 billion in 2009 to \$1.35 billion in 2010.

Destination Spending

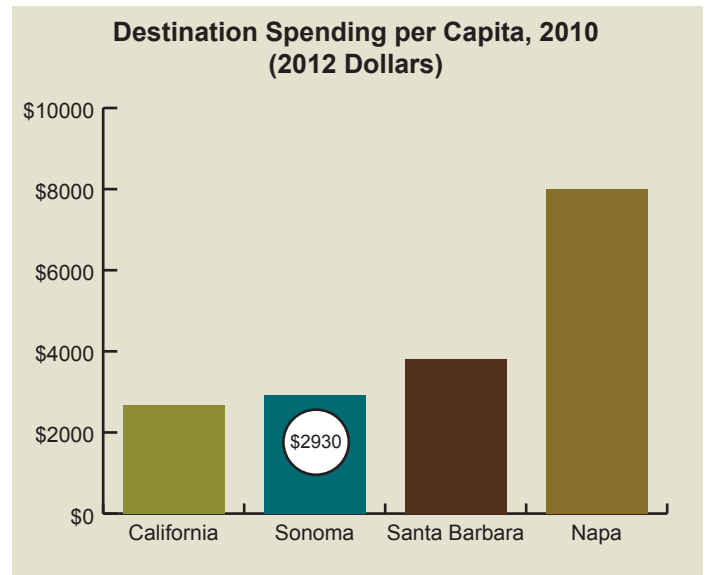
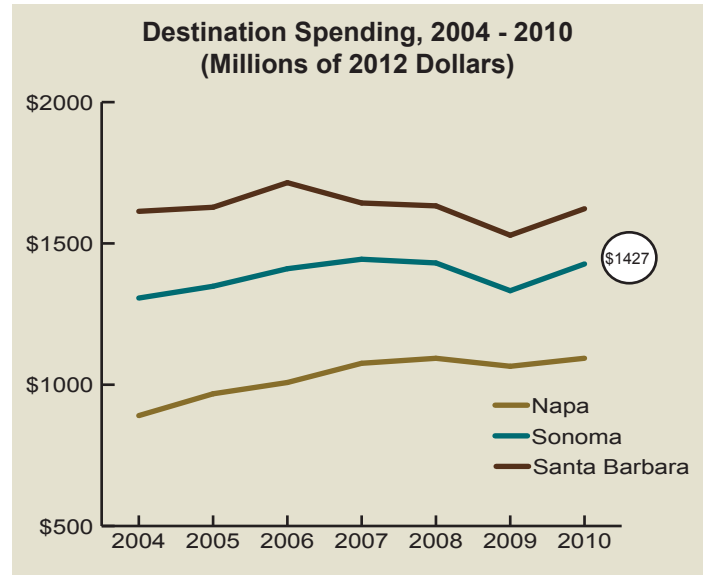
Destination Spending is sensitive to the economic climate. As a result, Sonoma County experienced decreases in destination spending in both 2008 and 2009. This was a common trend as all of the competitive destinations also experienced decreases. However, 2010 figure indicate that tourism is making a strong comeback in Sonoma County as well as in other destinations.

Destination Spending per Capita

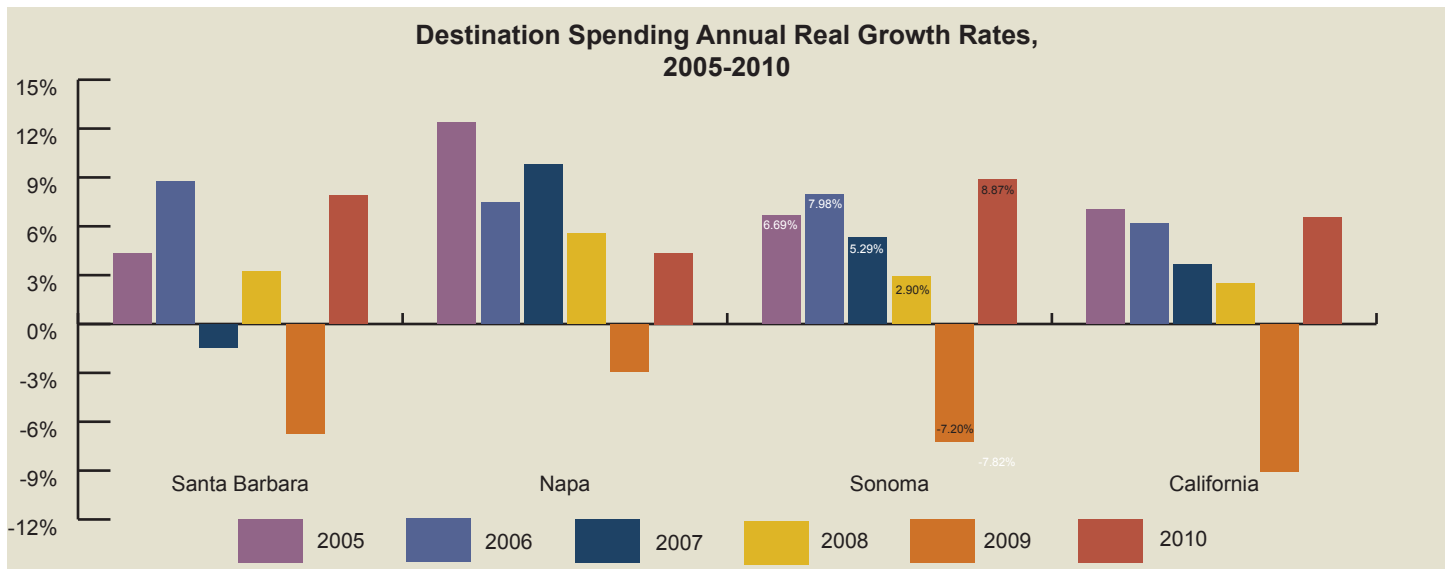
For each of Sonoma County's 487,125 residents, \$2,930.0 dollars in destination spending were generated. Santa Barbara County, with a population of 426,189 generated \$3,807 per capita and Napa County generated the highest per-capita spending at \$8,012. for each of its 138,484 residents. Napa County consistently has high per capita destination spending due to its relatively small population. Sonoma County's destination spending per capita fell short of Napa and Santa Barbara Counties, but outpaced the statewide average of \$2,667.3 per capita.

Destination Spending Annual Real Growth Rates

The 8.87% increase in destination spending was a positive indicator for tourism in Sonoma County, following the 7.20% decrease in the year prior. This increase indicates that direct spending is on track with pre recession levels. This growth also outpaced that of Santa Barbara and Napa County and the California average for 2010. Early statewide 2011 figures indicate that this positive trend continued into 2011, at least.



Source for all data: California Travel Impact by County, 2011



Annual Tourism Report: Tourism Industry Indicators

Destination Spending Breakdown

As in previous years, the overall distribution of commodity based visitor spending in Sonoma County is comparable to the featured competitive counties and the statewide average. However, there are several areas where Sonoma County appears to be somewhat unique.

Distribution of Visitor Spending by Commodity

Visitors to Sonoma County devote a smaller share of their spending towards accommodations than other destinations - 17% of all spending, compared to 22.9% in Santa Barbara County and 24.6% in Napa County. Sonoma County visitors spend an approximately equal share of total spending on accommodations (17%), and arts, recreation and entertainment (19%). They spend the largest amount on food and beverage services (27%) and on retail sales (20.5%). Visitors to both Napa and Sonoma County spend more than the state average on arts, entertainment and recreation, and retail sales.

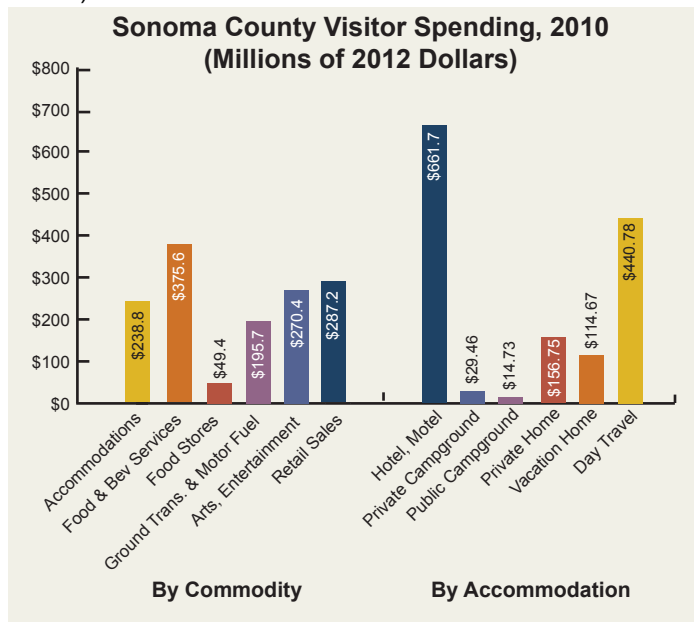
Distribution of Visitor Spending by Accommodation

In comparison with the state and other competitive counties, a smaller share of visitor spending in Sonoma County comes from visitors who are staying in a hotel or motel (47% compared to 67%, 63% and 53% for Napa County, Santa Barbara County and California, respectively). Instead, a significant share of Sonoma County visitor spending is received from day travelers (31.6%) compared to 26% for Napa, 25% for California and 22% for Santa Barbara County. A comparatively larger share of spending in Sonoma County comes from visitors who stay in vacation homes (8.1%).

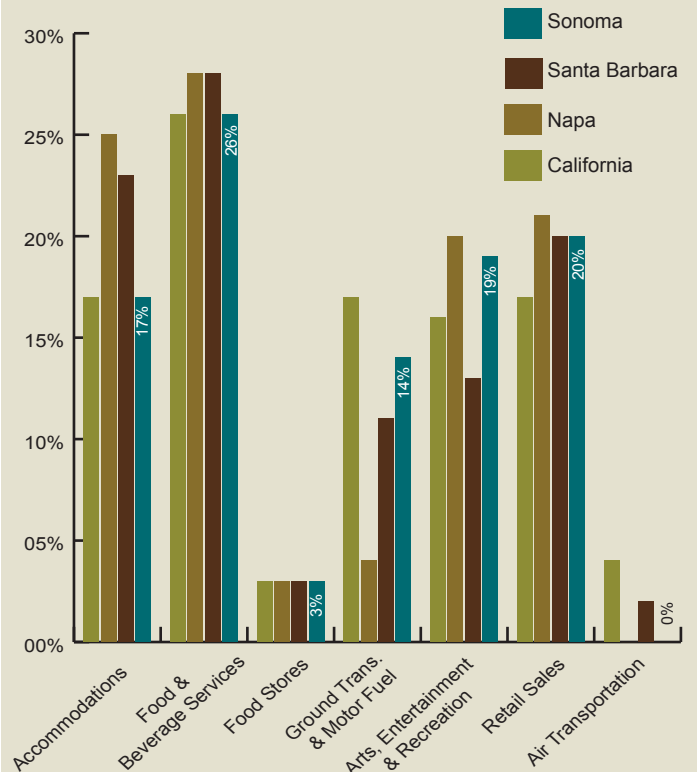
Sonoma County Visitor Spending

With a total visitor spending equal to \$1.35 billion, the most money spent is spent by visitors who stay at hotels or motels (\$661.7 million) and on food and beverage services (\$375.6 million).

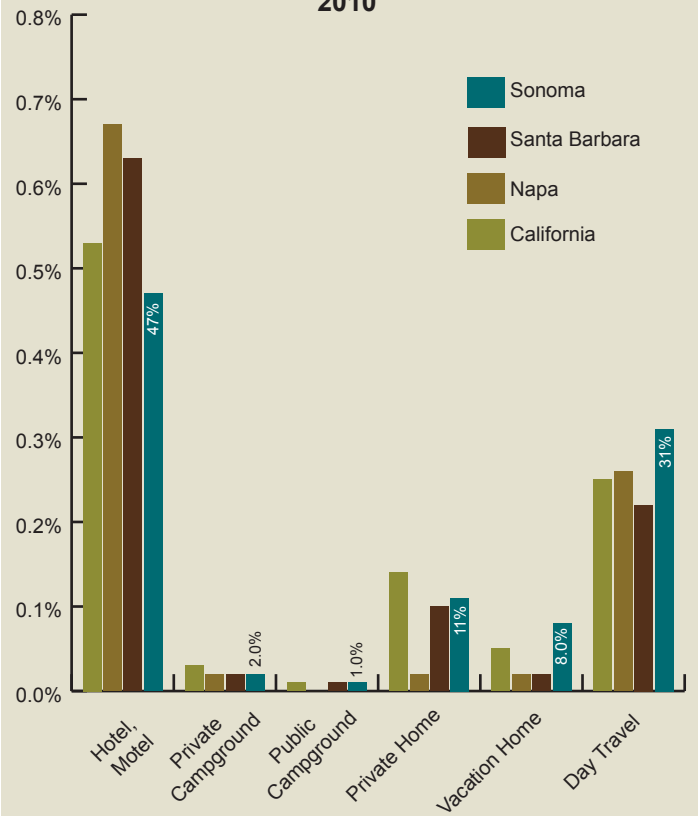
Source for all data: California Travel Impacts by County, 2010



Distribution of Visitor Spending by Commodity, 2010



Distribution of Visitor Spending by Accommodation, 2010



Annual Tourism Report: Tourism Industry Indicators

Industry Employment

With 16,540 jobs generated by tourist destination spending, Sonoma County ranks first against comparable counties - Napa had 11,530 tourism jobs and Santa Barbara had 16,100 tourism jobs in 2010. Sonoma County's 2010 job figures show a 0.6% decrease from 2009, up from a year-over decline of 2.0% from 2008 to 2009.

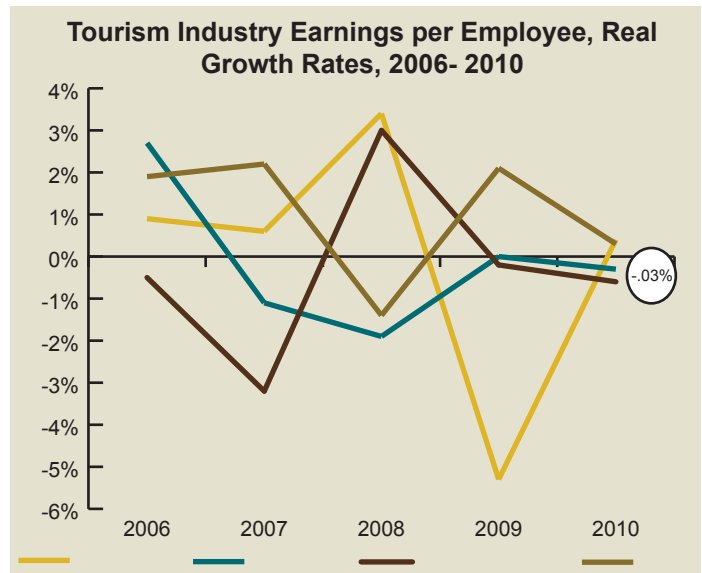
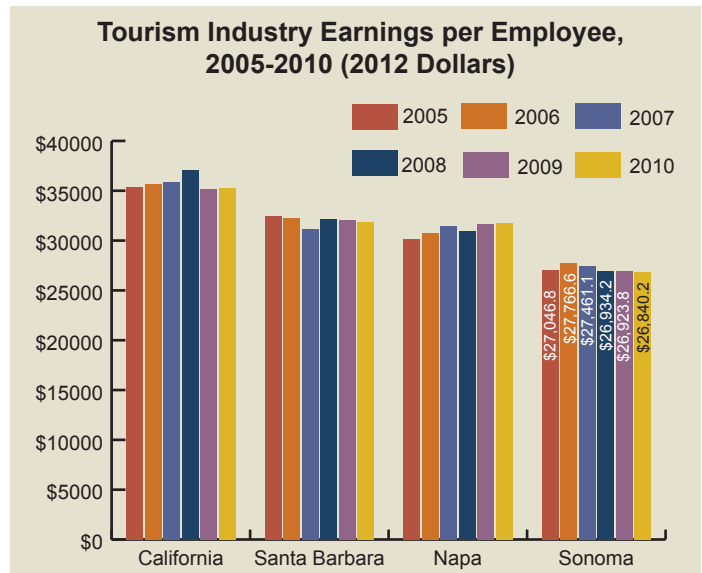
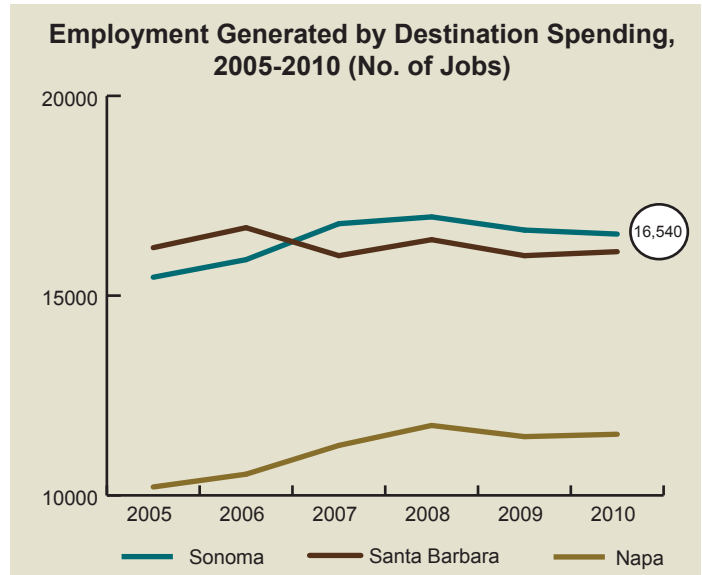
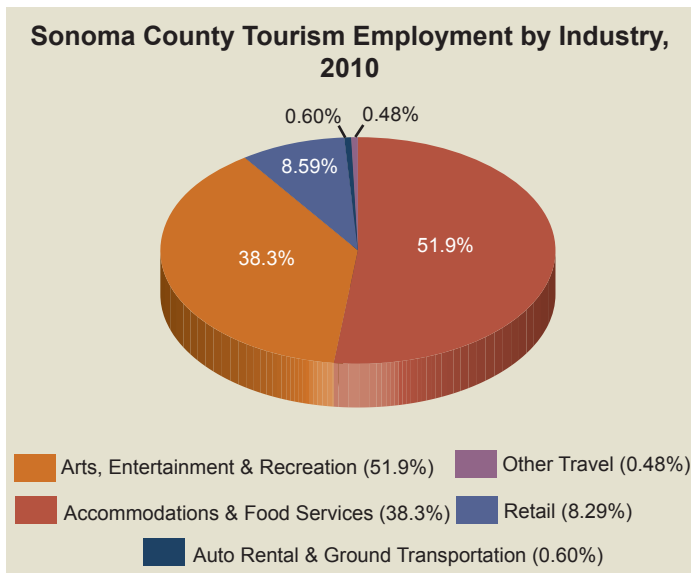
Tourism Industry Earnings per Employee, Real Growth Rates

Partly as a result of Sonoma County's decline in destination spending in 2008 and 2009, employment levels in the tourism industry decreased in 2009 and 2010. Even as destination spending has increased, businesses are hesitant to add staff. Because of Sonoma County's significant increases in destination spending from 2006 to 2007 and its overall size, the County still employs more tourism industry employees than Napa and Santa Barbara, counties which total destination spending consistently outpaces that of Sonoma County. Due to discrepancies in growth between inflation-adjusted industry earnings (-0.9%) and industry employment (-0.6%), earnings per employee decreased 1.0% in 2010. Santa Barbara County and California experienced declines in earnings per employee in 2010 (-0.6% and -0.4%, respectively), while Napa County experienced increased earning per employee (0.3%).

Sonoma County Tourism Employment by Industry

Distribution of employment within Sonoma County's tourism industry is similar to previous years, with 51.9% of employment in accommodations & food services, 38.3% in arts, entertainment and recreation, and 8.6% in retail. In the coming years, air transportation is expected to be a new source of employment, due to the opening and expansion of air services to Sonoma County.

Source for all data: California Travel Impact by County, 2009



Annual Tourism Report: Tourism Industry Indicators

Lodging & Hospitality Assessment

As page 8 illustrates, visitors staying in hotels and motels are the single largest source of destination spending in Sonoma County, with an estimated \$629.0 million in spending in 2010 (2012 dollars). Lodging figures from 2011 suggest that travelers are returning to Sonoma County following the national economic downturn, indicating that we can expect a growth in destination spending from 2010 to 2011.

Annual Lodging Occupancy Rates

Sonoma County's occupancy rates stayed relatively stable amid expansion in Sonoma County's room offerings through 2007. During 2008 and 2009, however, average occupancy dropped as the recession decreased discretionary consumer spending. However, occupancy rates have been steadily increasing and the average for 2011 was 64%.

Annual Average Daily Rate (ADR)

Average daily rate (ADR) continued to decrease from the record set in 2007 of \$138.00 (2012 dollars). However, the year-over decline was less significant than that from the previous two years.

Revenue per Available Room

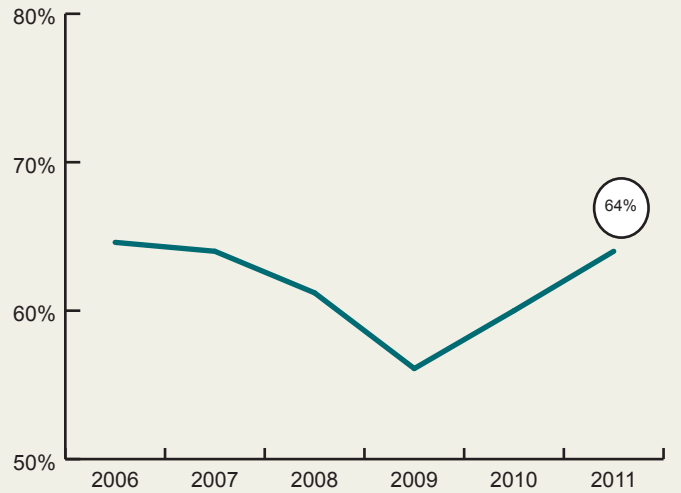
Revenue per available room (RevPAR) for Sonoma County increased in 2009. While it has not reached the high levels of 2007 and 2008, RevPAR grew 7.5% from \$68.0 in 2009 to \$73.10 (2012 dollars) in 2010.

Real Growth Rates of RevPAR and ADR

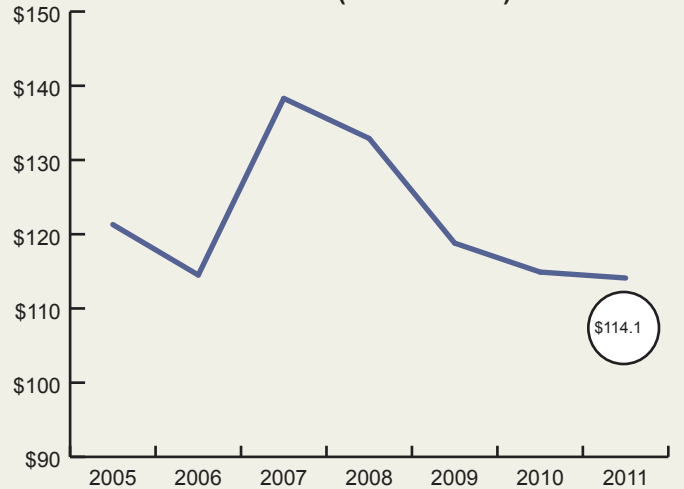
Revenue per available room increased from 2009 to 2010, while average daily rate experienced a decrease. This indicates that lower average daily rates have been offset by increases in occupancy to maintain, or increase, previous revenue per room standards.

Source for all data: Smith Travel Research, 2011

Annual Lodging Occupancy Rates, Sonoma County, 2006-2011



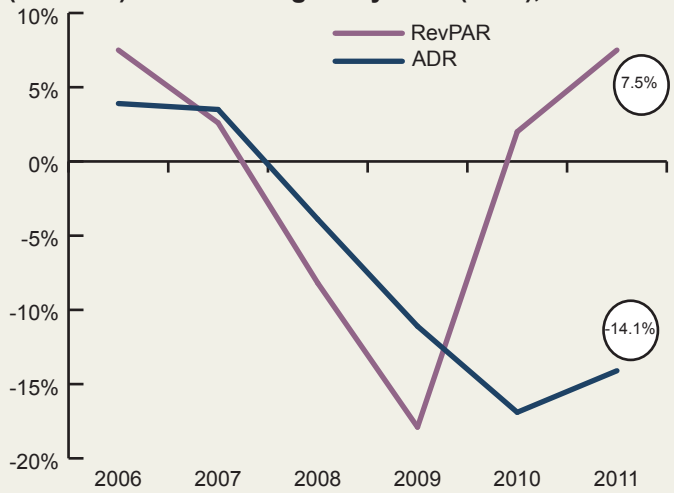
Annual Average Daily Rate (ADR), Sonoma County, 2006 - 2011 (2012 Dollars)



Revenue Per Available Room (RevPAR), Sonoma County (2012 Dollars)



Real Growth Rates of Revenue Per Available Room (RevPAR) & Annual Avg. Daily Rate (ADR), 2006-2011



Annual Tourism Report: Tourism Industry Indicators

TOT Revenue Updates & Spending

Transient Occupancy Tax (TOT) is a local tax on room rental revenue in lodging properties located in Sonoma County. The TOT rate varies between 9% and 12% from city to city.

Annual TOT Collections

TOT revenues in Sonoma County increased 12.0% to \$22.3 million in 2011 when adjusted for inflation. Beginning in quarter 2 (calendar year) of 2008, cities and unincorporated areas began experiencing stagnant and decreased year-over growth as the recession began to negatively affect visitor traffic and spending nationwide. Figures from 2010 and 2011 suggest that travel is rebounding..

TOT Revenue Spending Areas

TOT funds are distributed to different spending areas. The majority of TOT funds go to regional park maintenance and operation (26.1%), tourism marketing (18%), or are transferred to the general fund in each city or area (25%).

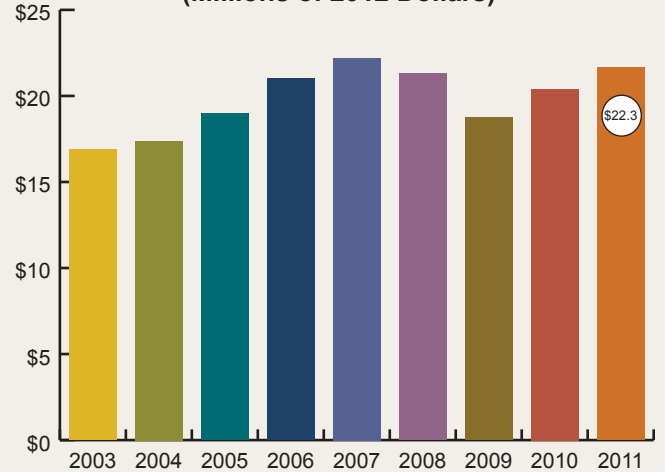
Tax Receipts Generated by Travel Spending

Spending by day travelers and overnight visitors to Sonoma County generates a significant amount of tax for state and local governments. Total local taxes collected, including TOT, from visitors to Sonoma County were estimated at \$29.8 million in 2010, after adjusting for inflation. The state collected \$62.1 million from Sonoma County visitors in 2010, after adjusting for inflation. This is an increase from 2009 figures.

Percentage of Annual TOT Revenue by City

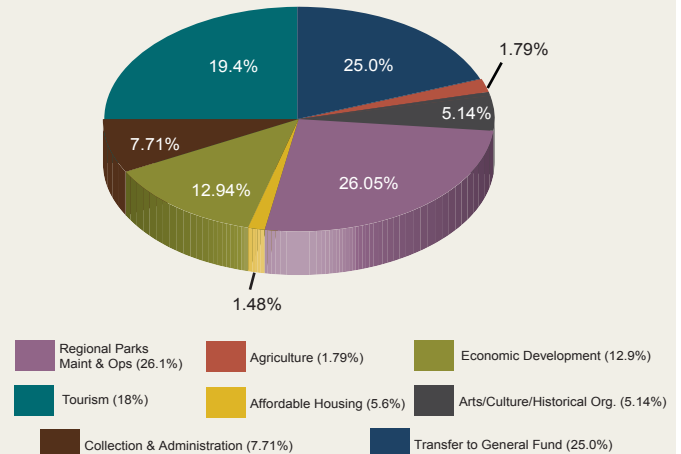
Revenues from TOT are divided between the County of Sonoma (which receives revenue from lodging properties in unincorporated regions) and the individual cities in the county. Collectively, the incorporated cities generated 60% of all revenue in 2010, while the unincorporated areas of the county generated 40%.

Annual TOT Collections, Sonoma County 2003-2011 (Millions of 2012 Dollars)

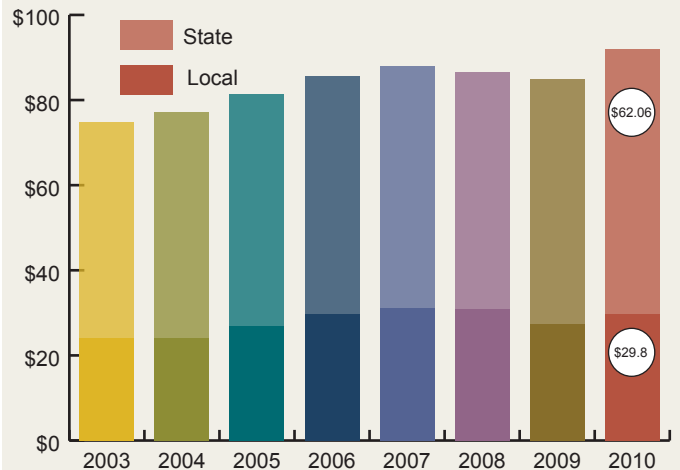


Source: Transient Occupancy Tax Reports, 2010

Fiscal Year 2011 - 2012 (July - June)
County of Sonoma TOT Budget Breakdown by Spending Area

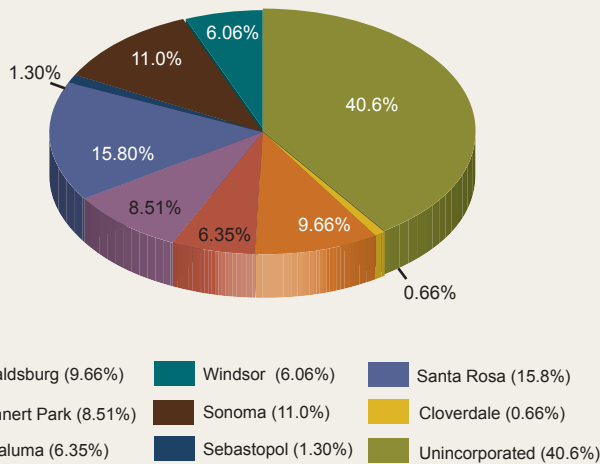


Tax Receipts Generated by Travel Spending, 2002-2009 (Millions of 2012 Dollars)



Source: Smith Travel Research, 2010

Percentage of Annual TOT Revenue by City, 2011



Source: Transient Occupancy Tax Reports, 2011

Annual Tourism Report

2011 Tourism Industry Survey

Tourism Industry Survey: Results Summary

The 2011 Tourism Industry Survey is an annual survey of Sonoma County tourism businesses updated by the Sonoma County Economic Development Board (EDB). Over 260 respondents representing local wineries, restaurants, lodging establishments, tours & transportation, spa & wellness services and tourism-related businesses responded to questions regarding economic outlook visitor and business demographics, and marketing strategies.

The source for all data in the following section is the 2011 Annual Tourism Survey conducted in April and June 2011 by the Economic Development Board.

Key Findings

- Businesses have a relatively positive outlook for tourism in the coming year, and more businesses expanded operations over the past year than in the year before.
- Most respondents believe that Sonoma County has a high potential to attract visitors overall, and the diversity of attractions and activities, and Sonoma County's scenery and climate are its greatest assets besides wine reputation/ culture.
- The most commonly identified opportunities for Sonoma County tourism in niche markets were Cycling, Eco-tourism/ Agritourism and International Tourism.
- Respondents feel local government agencies can make a positive difference in the tourism industry by assisting with licensing and permits and providing workforce education and training. Local promotion agencies can best assist respondent businesses through marketing, PR and media visits and tourist industry trend reports.

Survey Respondent Demographics

Owners and executives of more than 180 diverse tourism businesses responded to the EDB's 2012 Tourism Industry Survey. The following graphs outline the types of businesses that responded to our survey, Please note: respondents were asked to classify their own business/ operations type.

Tourism Industry Businesses

'Other' and 'Lodging' were the most common primary operations of responding businesses at 46.1% and 38.3%, respectively. The lodging classification of respondents is broken down further below. Businesses that classified themselves as 'other' include art galleries, museums, visitor centers and retail shops. Other respondents included businesses whose primary operations were 'restaurant' (18.0%), 'tour and transportation service or support' (7.2%), 'winery' (4.8%), 'recreation service provider or outfitter' (4.2%), and 'spa and wellness' (3.0%). The surveyed businesses reflect the diverse strength of Sonoma County's tourism industry.

Lodging Classifications

Full Service Lodging

Properties offering a full range of on-premises food and beverage service, cocktail lounge, entertainment, conference facilities, shops and recreational activities provided by uniformed staff on duty 24 hours. Of 'lodging' respondents, 20.3% indicated they were classified as full service.

Vacation Rentals

These properties are fully-furnished condominiums, town homes or single family homes - featuring amenities such as games, beach equipment, DVD libraries, and a stocked kitchen - rented on a temporary basis to tourists as an alternative to a hotel. Of 'lodging' respondents, 26.6% indicated they were classified as vacation rentals.

Bed & Breakfast

Smaller establishments emphasizing a more personal relationship between operators and guests. Guest units tend to be individually decorated. Rooms may not include some modern amenities and may have a shared bathroom. They are usually owner-operated. A continental or full, hot breakfast is included in the room rate. Of 'lodging' respondents, 26.6% indicated they were classified as bed & breakfasts.

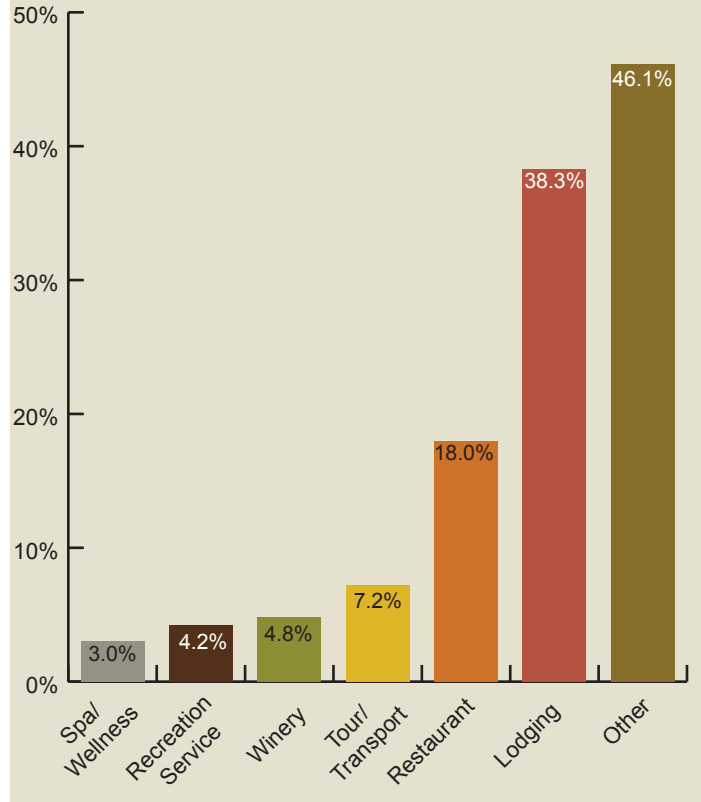
Limited Service Lodging

Only the basic services and facilities are available. Self-service aspects are predominate. Commonly, a continental breakfast may be offered rather than having a restaurant on premises. Of 'lodging' respondents, 21.9% indicated they were classified as limited service.

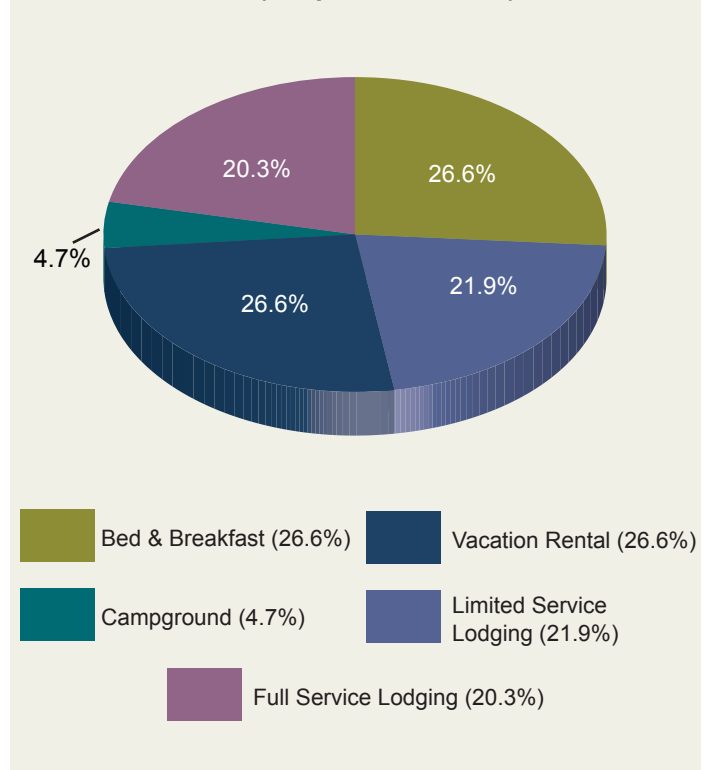
Campground

A place useful for overnight stay in the outdoors, where an individual, family or group may camp. Consists of open pieces of ground where a camper can pitch a tent or park an RV. Some campsites have amenities including fire pits, picnic tables, utility hookups, shower facilities, and more. Of 'lodging' respondents, 4.7% indicated they were classified as campground.

Primary Operations of Tourism Industry Business, 2012 (Respondent Based)



Demographic Profile of Lodging Properties, 2012 (Respondent Based)



Annual Tourism Report: Industry Survey

Survey Respondent Demographics (cont.)

From responses given, local tourism industry businesses may be described as independent, long established and relatively small. The following graphs outline more details about the characteristics of Sonoma County's tourism businesses.

Number of Years in Business

A significant percentage of respondents indicated that they have been in business for more than 20 years. Almost equal numbers of businesses have either opened in the last 5 years (19.8%), been open for 6-10 years (18.6%) or have been open anywhere from 11-20 years (22.8%). This suggests that there is room for growth but tourism business is also sustainable in Sonoma County.

Independently Owned in Sonoma County

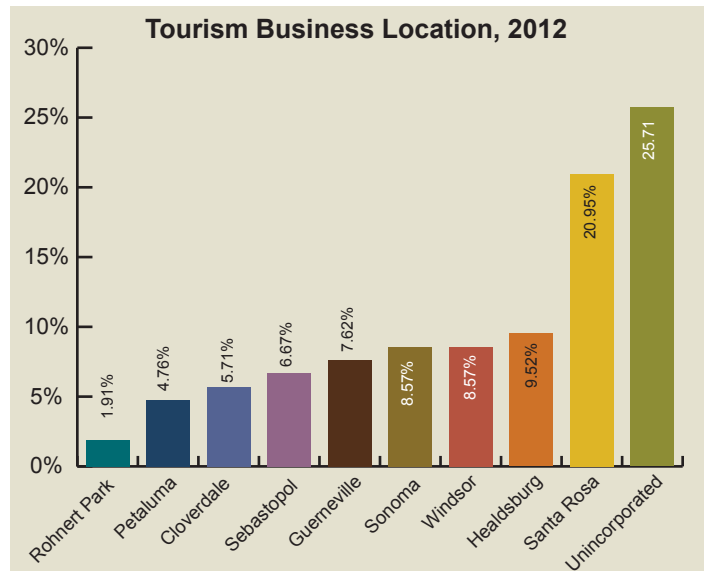
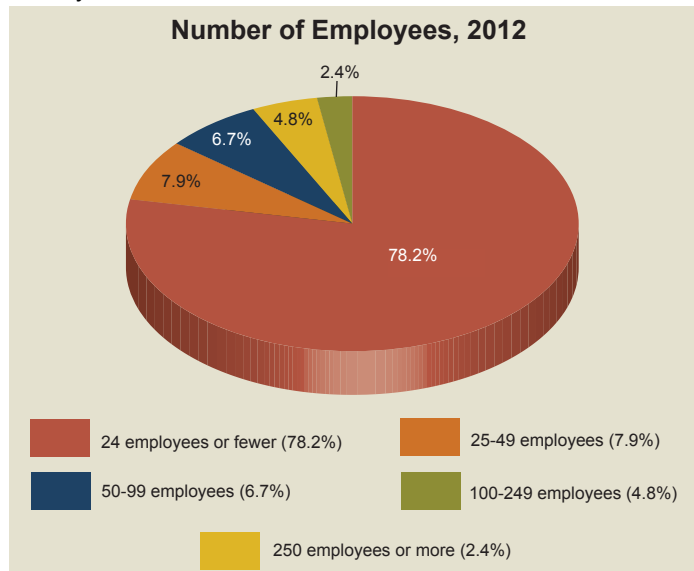
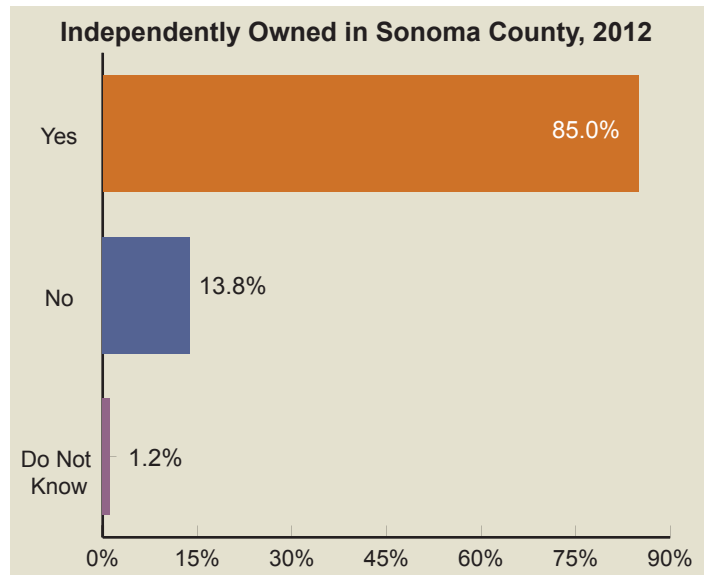
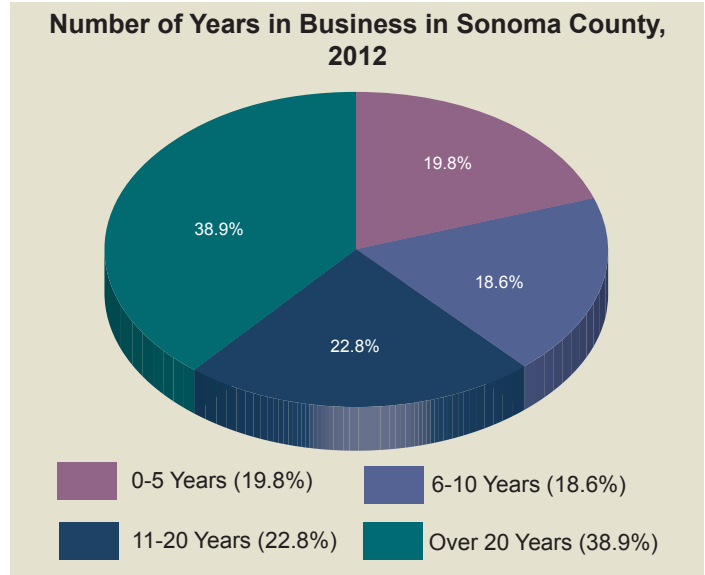
The majority of businesses that responded to the tourism survey indicated that they are independently owned in Sonoma County (85.0%). Of those that are independently owned in Sonoma County, 6.8% indicated that they were a franchise.

Tourism Business Location

The majority of Sonoma County's tourism related businesses that responded are located in unincorporated county (25.71%), Santa Rosa (20.95%), and Healdsburg (9.52%). Other areas of the county include coastal cities like Bodega Bay, Jenner and the Sea Ranch, as well as smaller towns within Sonoma County.

Number of Employees

A vast majority of tourism businesses in Sonoma County employ 24 or fewer people (78.2%). On average, 50% of employees at business who employ 24 or fewer employees are part time. There was a significant variance in the reported part-to-full time mix by all respondents, reflecting the diverse employment needs of different industries within Sonoma County.



Annual Tourism Report: Industry Survey

Industry Confidence & Outlook

Respondents were asked to indicate their perception about the tourism industry and whether they had expanded operations in the past year. Survey responses indicate that local tourism-related businesses are optimistic about the economy and travel industry but have been cautious in the recovery.

Tourism Industry Outlook

More than 80% of the tourism-related businesses that responded to the survey indicated that they were 'optimistic' (38.8%) or 'somewhat optimistic' (45.5%) about the tourism portion of their business in the next year. This is a significant increase over the percentage of respondents who had some hope for the tourism industry last year. Less than 10% of respondents indicated that they were 'concerned' (3.0%) or 'somewhat concerned' (3.0%) with the tourism portion of their business over the next year.

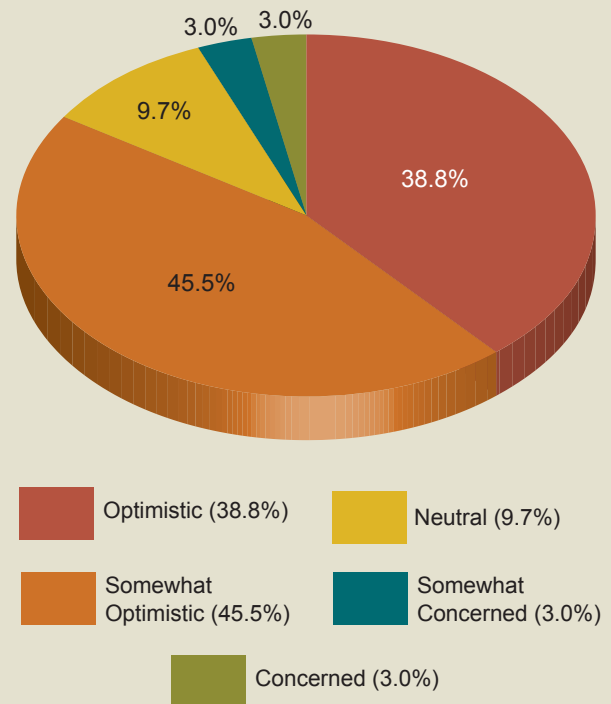
While industry optimism seems to be on the rise, this seems to have only minimally affected the decision for businesses to expand their operations in the past year.

Operation Expansion over Last 12 Months

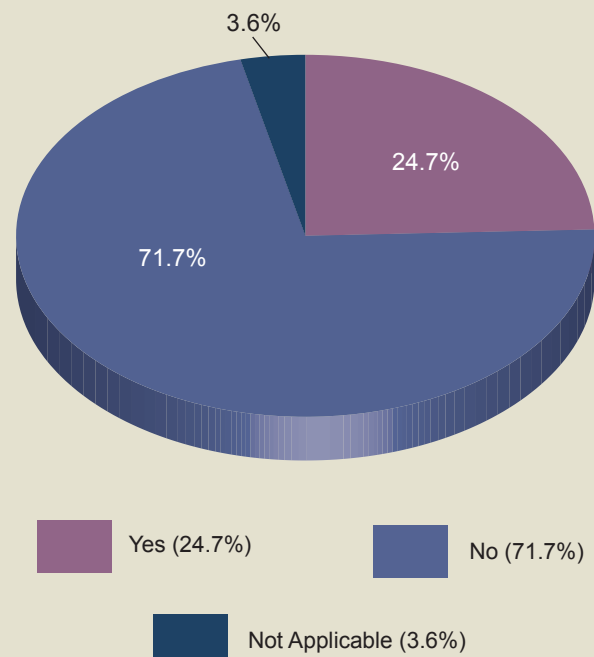
Tourism-related businesses did expand their operations despite the economic downturn. Of responding businesses, 24.7% indicated that they had expanded operations in the time between June of 2011 and June of 2012. Those that expanded indicated that they anticipate an increase in demand of their good or service in the near future, or that they were already starting to see an increase in business and spending. The majority of businesses did not expand operations from June 2010 to June 2011 (71.7%). Those who did not expand indicated concern over the future of the general economy citing concerns over the effects of financial issues in Europe, or lack of economic resources like financing.

It is possible that tourism businesses will expand their operations in the coming year or two in response to travel and tourism rebound and if the national and regional economy continues to stabilize amidst global pressure.

**Sonoma County Tourism Industry Outlook, 2011
(Respondent Based)**



Percentage of Respondents that Expanded Operations over Last 12 months, 2012



Annual Tourism Report: Industry Survey

Marketing & Government & Promotional Assistance

Sonoma County's tourism industry is a diversified market of service-oriented businesses and segmented markets. The diversification results in a wide range of marketing channels and budgets to reach out to customers. There is also a variety of areas where tourism businesses feel they can be assisted by local government agencies and promotion agencies.

Potential for Local Government Assistance

Tourism-related businesses indicated that the largest potential for government assistance to their business is concerning licensing and permitting (64.9%), and education and training (57.1%). These concerns remain unchanged from 2011. Respondents also indicated that local government could help them with 'other' things which include destination marketing, less taxes, and more county unity.

Potential for Local Promotion Agency Assistance

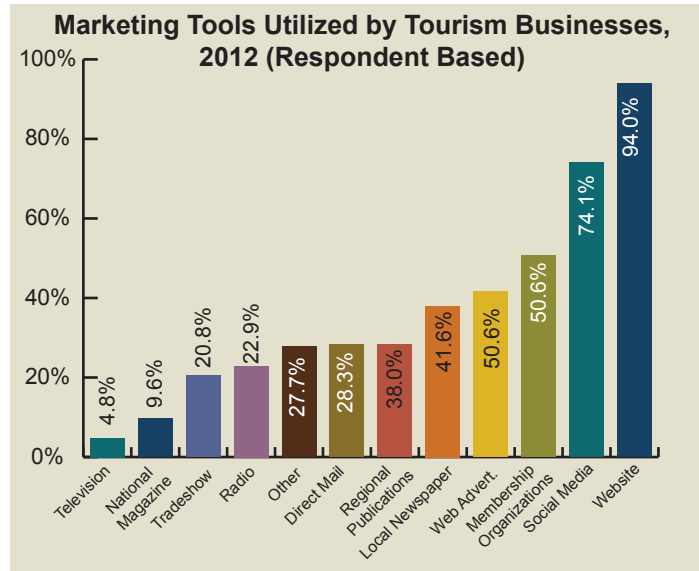
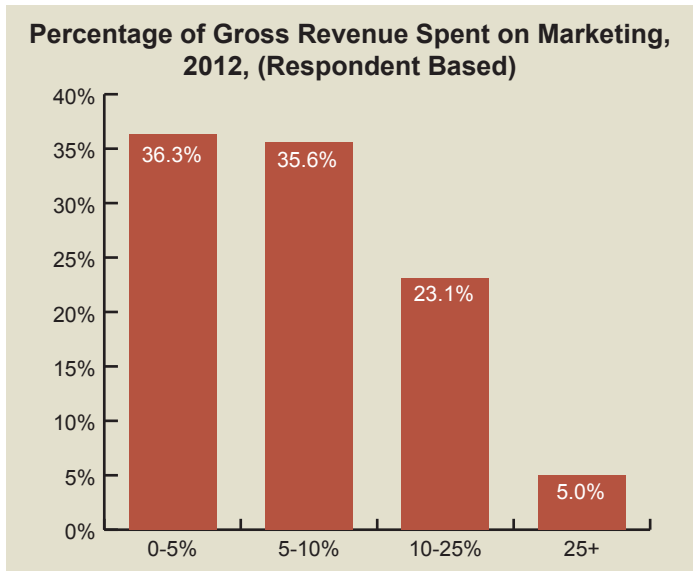
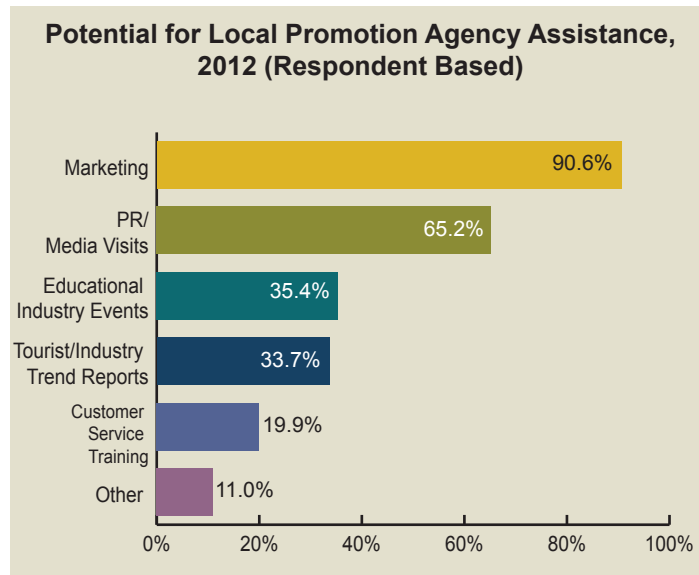
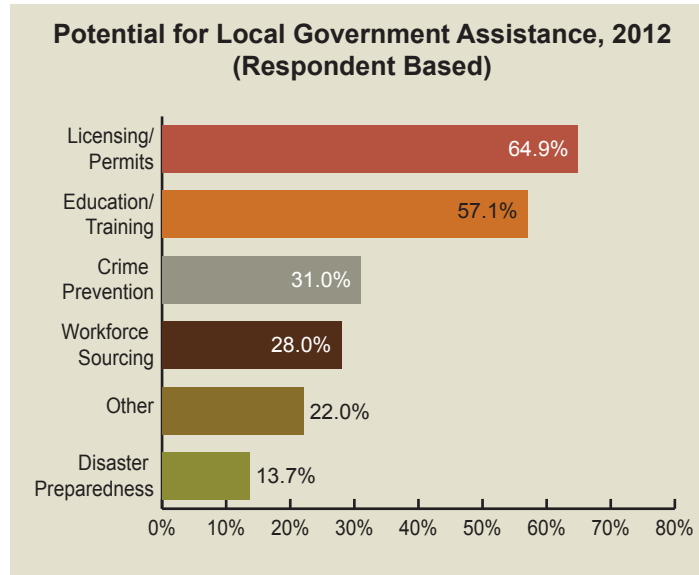
The potential for local promotion agencies to help tourism-related businesses exist in marketing (90.6%) and PR/ media visits (65.2%) and 33.7% of respondents indicated they found trend reports useful.

Marketing Tools Utilized by Tourism Businesses

The most widely used marketing tool among tourism businesses was a business website (94.0%), this was followed by social media (74.1%) and then by membership organizations (50.6%). The least used marketing outlets were television (4.8%), national magazines (9.6%) and tradeshow (20.8%).

Percentage of Gross Revenue Spent on Marketing

The majority of tourism related businesses spend between 0-5% and 5-10% of gross revenue on marketing efforts, 36.3% and 35.6% respectively. Fewer respondents indicated spending in the 5-10% bracket than in 2010, but more respondents indicated that they spent between 10-25% and more than 25% of their gross revenue on marketing.



Annual Tourism Report: Industry Survey

Attractions & Potential Market Opportunities

Tourism-related businesses were asked to indicate what tourism assets were most attractive to potential visitors to Sonoma County and in what markets there was room for growth. Please note: respondents were asked to identify which three niche markets they felt were the biggest opportunity for Sonoma County. As a result, the percentage in the corresponding graph indicates the number of times a niche market was selected as a top three.

Potential for Attracting Visitors

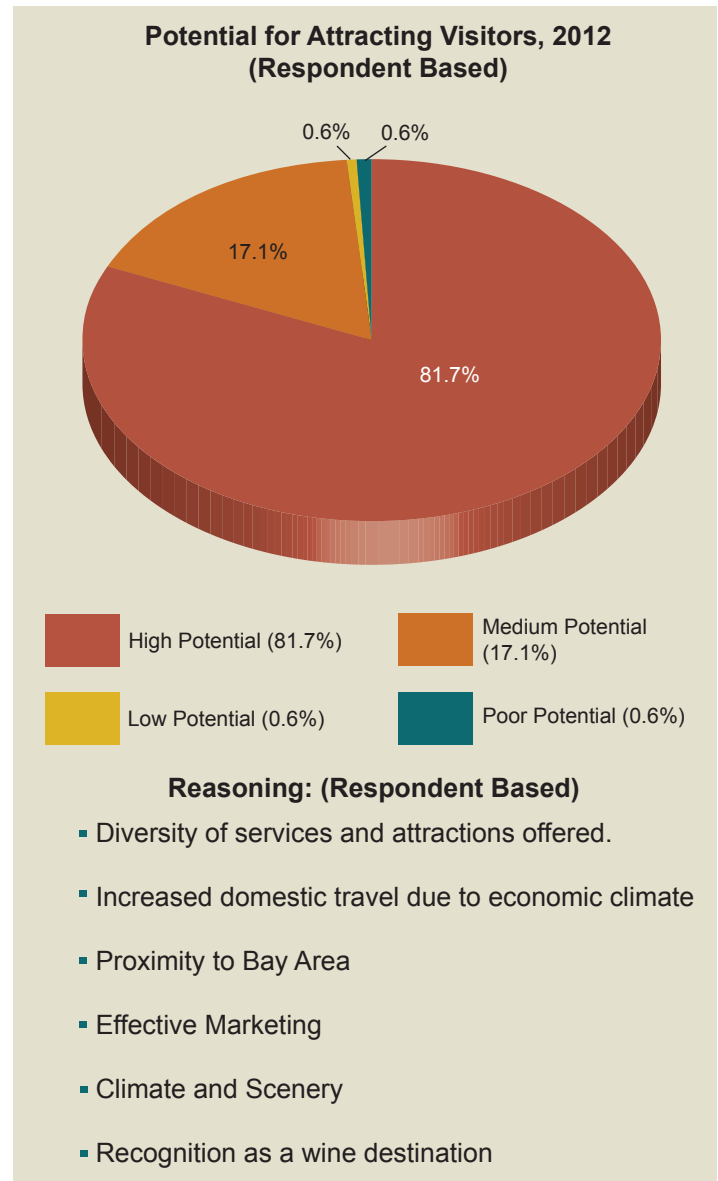
More than 75% of respondents felt that Sonoma County had a high potential to attract visitors (81.7%). This was largely due to the diversity of services and attractions available to visitors and the climate and scenery. Of those who indicated otherwise, the largest concern was competition from Napa County and the Bay Area.

Pull Attraction in Sonoma County

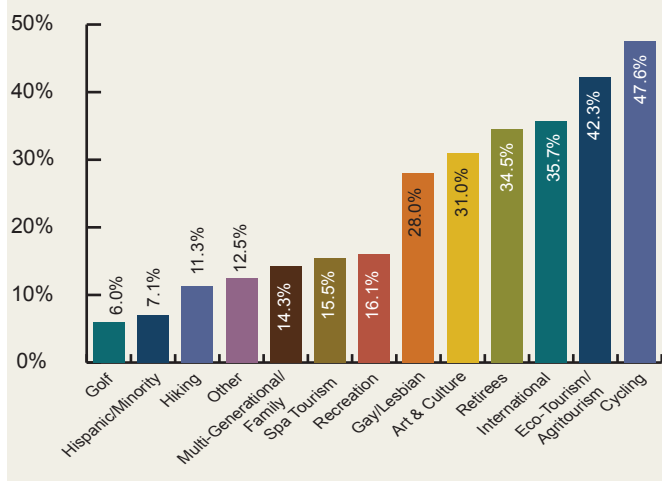
Tourism-related businesses indicated that besides wine reputation, the most attractive assets to visitors are scenery (Average rating of 4.32), culinary offerings (3.95) and outdoor recreational activities (4.15).

Niche Market Opportunities for Sonoma County

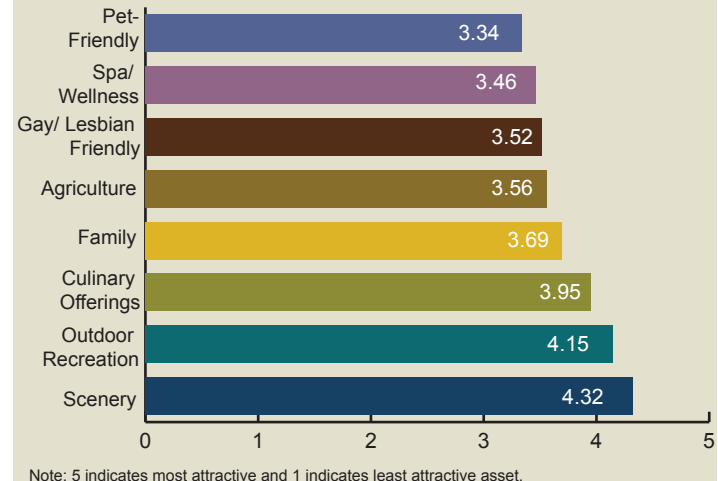
Markets that tourism businesses felt would be good opportunities for Sonoma County were varied. The most reported niche market was cycling (47.6%), followed by eco-tourism/ agritourism (42.3%) and international (35.7%). Respondents who indicated 'other' (12.5%) suggested culinary market and wine.



Niche Market Opportunities for Sonoma County, 2012 (Respondent Based)



Pull Attractions in Sonoma County, 2012 (Excludes Wine, Respondent Based)



Marketing Initiatives & Agency Involvement

Industry respondents cited many marketing opportunities to showcase Sonoma County's tourism assets. Responses indicate that there is more opportunity for businesses to collaborate with promotional agencies like Visitor Centers and the Tourism Bureau.

Effectivity of Marketing Initiatives

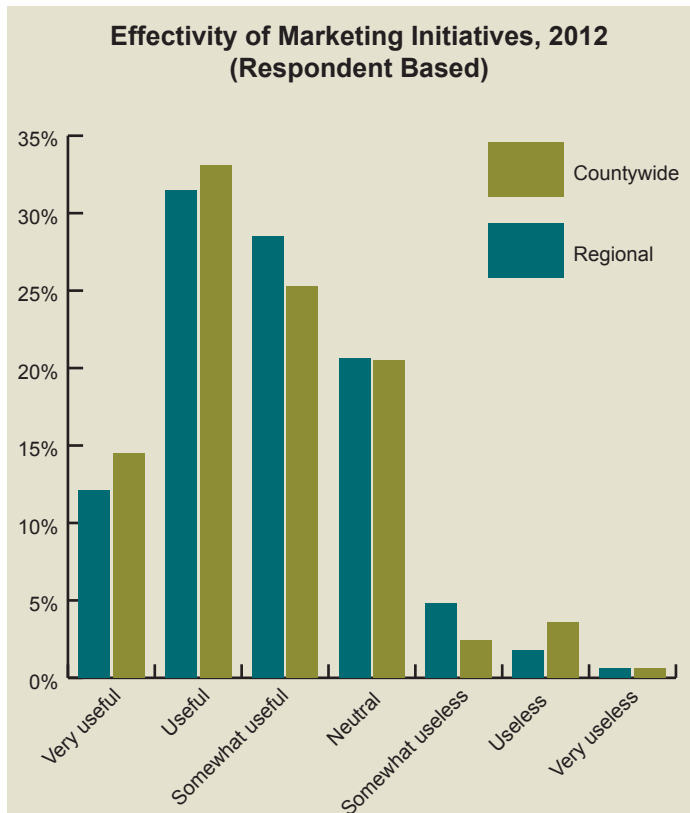
The majority of respondents indicated that tourism marketing initiatives were 'useful' for countywide marketing (33.1%) and 'useful' for regional marketing (31.5%). Very few respondents felt that regional marketing initiatives were 'somewhat useless' to 'very useless' for regional or countywide marketing. However, many respondents indicated suggestions to improve marketing. These included more region-specific marketing, more non-wine activity promotion and expanding marketing efforts nationwide and internationally.

Involvement with Sonoma County Tourism Bureau

Respondents were asked to indicate how involved they were in working with the Sonoma County Tourism Bureau (SCTB). The majority indicated that they are somewhat involved with the Sonoma County Tourism Bureau (54.5%). Of those who worked with the SCTB, a larger percentage felt that regional and countywide marketing initiatives were 'useful' than 'somewhat useless' to 'very useless'.

Involvement with Sonoma County Visitors Center

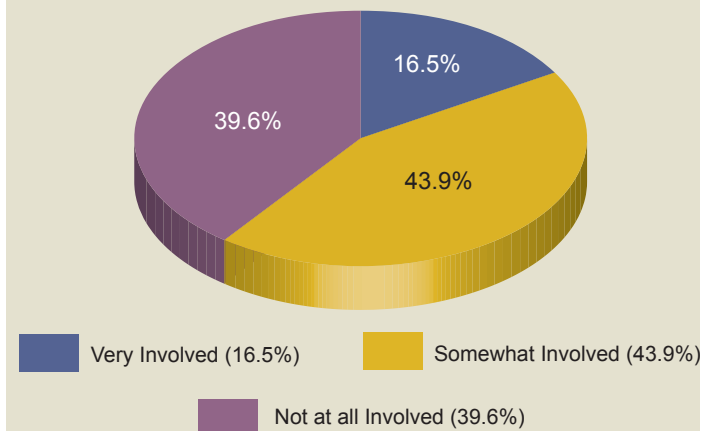
Respondents were also asked to indicate whether they worked with a local Sonoma County visitor center. The majority of respondents indicated that they were somewhat involved in working with Sonoma County Visitor Center (47.7%). Of those that were not working with a Visitor Center, the majority felt that the regional and countywide marketing efforts were only 'somewhat useful'.



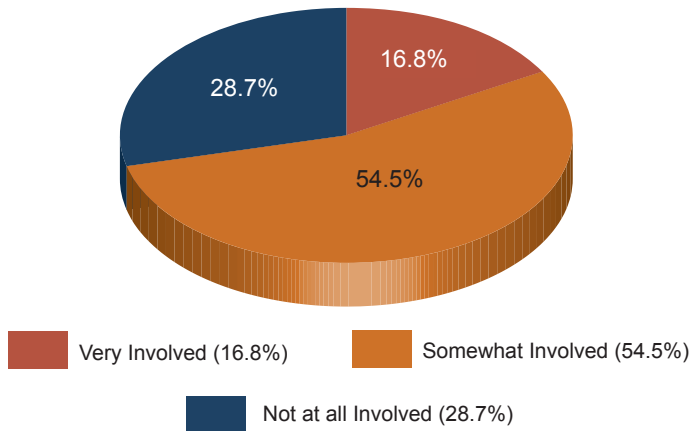
Suggestions for Improved Marketing, 2011

- Market non- wine activities
- Market specific regions and locations within the county more heavily
- Gather a focus group for input from tourism businesses
- Increase specific niche marketing
- More national and international marketing

Involvement with Sonoma County Visitor Center, 2012 (Respondent Based)



Involvement with the Sonoma County Tourism Bureau, 2012 (Respondent Based)



Methodology

The Sonoma County Economic Development Board (EDB) conducted its 2012 survey of Sonoma County tourism businesses in relation to the tourism industry. Owners and executives of more than 180 tourism businesses rated their confidence in the industry and identified changes and needs they expect at their businesses in the near future. The responses covered businesses in a broad range of tourism establishments. The survey asked tourism-centered businesses to respond to a broad array of questions about their market and marketing efforts, their visitor demographics, their expansion plans, the demographics of the industry, and their opinion on key county tourism policies. This report represents the findings from that survey as well as an analysis of those responses.

In addition to the survey responses, the Sonoma County 2012 Annual Tourism Report includes general background information for the tourism industry on a regional and national level. Statistics presented represent the most recently published data from the Travel Industry Association (TIA), www.tia.org, Smith Travel Research, and the California Travel and Tourism Commission's 2011 California Travel Impacts by County, prepared by Dean Runyan & Associates and updated April 2012, www.visitcalifornia.com. The EDB used the U.S. Bureau of Labor Statistics' Consumer Price Index to adjust some data for inflation, <http://www.bls.gov/>. Lodging classifications were defined by AAA, www.AAA.com. The EDB collected and compiled all TOT data from each Sonoma County jurisdiction.

Please note that all survey data contained in this report is based on the information self-reported by respondents, which was not factually verified by the EDB. The responses were then gathered into a database for analysis. Due to the fact that survey respondents may provide no responses to some questions, the category percentages indicated in the graphs for those questions may not add up to 100%. Where replies are mutually exclusive, percentages may be slightly off due to rounding. Where replies are not mutually exclusive, percentages may total more than 100%. As mentioned above, it was our intention to obtain averages that provide a general "snapshot" of various issues for the hospitality/tourism industry in Sonoma County. Accordingly, the data averages are not weighted by any factor or interest.

Moody's Economy.com Section I:

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Acknowledgements

The 2012 Annual Tourism Report would not have been possible without the contributions of many individuals.

Most of the credit for this study belongs to the local businesses that participated in the survey. Their responses created the foundation upon which the tourism sector could be studied and analyzed.

Special acknowledgement is also due to Ken Fischang and Tim Zahner at the Sonoma County Tourism Bureau for their invaluable suggestions and generous provision of statistical data on the tourism sector in Sonoma County.

Finally, Lauren Ward, Tourism Project Coordinator with the EDB, contributed a significant amount of time and effort to the report through surveying administration, compilation, and organization of the report, data, and survey findings. Lauren Ward updated and consolidated the data sources and statistics from previous years to create this comprehensive analysis, and deserves special thanks.

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City of Santa Rosa
TOT Revenue

Year	1 st Quarter	2 nd Quarter	3 rd Quarter	4 th Quarter	Annual Total
1983	89,776	149,649	188,518	130,060	558,003
1984	119,090	177,562	208,313	169,003	673,968
1985	154,845	221,498	282,132	149,739	808,214
1986	168,423	229,847	292,805	194,937	886,012
1987	175,673	257,324	307,789	206,367	947,153
1988	182,939	215,583	321,741	233,185	953,448
1989	246,689	335,497	412,654	304,513	1,299,353
1990	270,359	374,066	474,549	319,899	1,438,873
1991	281,442	381,739	485,072	339,973	1,488,266
1992	279,941	418,071	501,110	285,599	1,484,721
1993	283,941	410,320	498,558	331,238	1,524,057
1994	309,969	437,632	565,546	390,187	1,703,334
1995	346,892	470,617	600,483	448,237	1,866,229
1996	352,269	531,366	653,218	452,559	1,989,412
1997	392,526	582,698	723,840	497,228	2,196,292
1998	461,095	647,140	828,754	590,251	2,527,240
1999	480,461	706,452	917,064	657,206	2,761,183
2000	567,412	847,800	1,069,218	804,511	3,288,941
2001	615,790	885,658	956,274	659,686	3,117,408
2002	566,310	808,609	998,490	702,509	3,075,918
2003	596,595	802,335	1,031,549	684,985	3,115,464
2004	561,113	773,369	1,018,159	725,482	3,078,123
2005	595,852	896,985	1,176,149	774,645	3,443,631
2006	663,594	975,400	1,230,230	864,001	3,733,225
2007	680,012	1,045,132	1,309,685	902,546	3,937,375
2008	733,276	1,027,031	1,221,170	761,227	3,742,704
2009	544,743	791,316	1,006,062	703,559	3,045,680
2010	531,501	819,705	1,095,239	765,413	3,211,858
2011	577,394	857,815	1,217,602	774,822	3,427,633
2012	639,225	974,865	1,327,717	920,002	3,861,809
2013	676,866				

Note: These numbers can change. When a new quarter is updated, appropriate adjustments are done on the past quarter(s).