



## Staff Reports

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**To:** Honorable Mayor and Members of City Council

**From:** Dr. Peter Pirnejad, Assistant City Manager - Development Services

**Prepared By:** Shari Cooper, Development Project Coordinator

**TITLE:**

Napa Tourism Improvement District's Operating Policy Amendment; FY 2018-19 Budget and Work Plan; and Agreement for Services for Marketing, Advertising, Public Relations, Event Planning & Related Services.

**RECOMMENDED ACTION:**

(1) Adopt a resolution amending the Operating Policy for the Napa Tourism Improvement District City of Napa Local Governing Committee; (2) adopt a resolution approving the Napa Tourism Improvement District Local Governing Committee Budget and Work Plan for Fiscal Year 2018-19; and (3) approve an Agreement for Services with D. Augustine & Associates for Marketing, Advertising, Public Relations, Event Planning & Related Services in an amount not to exceed \$588,000, authorizing the City Manager to execute the contract on behalf of the City.

**DISCUSSION:**

Background

On June 15, 2010, the Napa County Board of Supervisors approved the Napa Valley Tourism Improvement District (the "District"). The District was renewed for a 10-year term (effective July 2015 -June 2025) and levies a two percent assessment upon the "rent" charged by "lodging businesses" (defined to include short term rentals of 30 days or less in hotels, motels, bed and breakfasts, and inns; and to exclude vacation rentals and campgrounds). The City Council consented to the formation of the countywide district within the City limits on March 16, 2010, and consented to the extended term on February 21, 2017. The City of Napa collects the two percent District assessment for lodging businesses within the City, and transmits 74% of the revenue to Napa County (who transmits the funds to the Napa Valley Tourism Corporation, a non-profit corporation who manages the overall non-local destination tourist promotion and marketing activities). From the remaining revenues, the City retains 1% for administration costs, and deposits the remaining 25% into the Napa Tourism Improvement District ("Napa TID") fund.

This fund is managed by the City, with the oversight of the Napa TID Local Governing Committee ("LGC"), as defined by the Management District Plan ("MDP"). The LGC is comprised of seven members; five of whom represent the lodging industry, one member who represents the City, and one member who holds an at-large seat representing a visitor-serving or destination-marketing entity. The current LGC membership consists of the following individuals:

1. Chair, Reynaldo Zertuche, Embassy Suites Napa Valley

2. Vice-Chair, Sara Brooks, Napa River Inn
3. Chair-Elect, Jamie Cherry, Inn on First
4. Member, (vacant seat designated to be filled by a lodging representative)
5. Member, Michael Collins, Archer Hotel
6. Member at-large, Craig Smith, Napa Downtown Association
7. City Representative, Robin Klingbeil, Economic Development Division

#### Napa TID LGC Operating Policy

On February 21, 2017, the City Council approved Resolution R2017-019, which adopted the Napa TID LGC Operating Policy. This policy provides general operating norms for the LGC. Article I, Section 1.3.1 establishes April as the deadline date for the LGC to produce their annual proposed budget and work plan. Article I, Section 1.3.2. of the policy sets forth procedures the LGC shall follow in overseeing the annual expenditure of funds in accordance with the approved budget and work plan (see Exhibit “A” to Attachment 1: Napa TID LGC Operating Policy Proposed Amendments).

As part of this Agenda Item, staff requests the Council to consider and approve the following changes to the LGC Operating Policy:

1. Move the LGC’s annual budget deadline from April to March 30<sup>th</sup> because the City begins its budget process so early in the year,
2. Codify and formalize an existing oversight process for funding requests to the Operating Policy, because the LGC receives frequent funding requests from outside organizations; and
3. Provide for the Napa TID Chair and Co-Chair to make expenditure decisions during urgent times (e.g. during the fires of October 2017) when it is not practical to call a Committee meeting. During such times, the Chair and Vice Chair may determine that certain expenditures can be made to address the urgent demand as long as the expenditures are consistent with the approved annual budget and work plan. The Napa TID would then provide review and oversight after the expenditure is made.

#### Annual Napa TID Budget and Work Plan

Each year the LGC works with City staff to develop a proposed budget and work plan for City Council consideration and approval. This proposal includes the production of a comprehensive marketing strategy for Napa lodging facilities with the specific objective of increasing hotel stays through reinforcement of the “DoNapa” brand, which is also a requirement of the MDP.

The City’s Finance Department studies the Napa TID revenue trends and produces a projected revenue amount that the City expects to collect in the new fiscal year. For Fiscal Year 2018-19, the City Finance Department estimates that the City will collect approximately \$1,029,000 in revenue designated for use by the Napa LGC, representing 25% of the total two percent TID revenue collected overall. This estimate is a slight increase over the prior fiscal year revenue projection of \$910,500.

At their March 27, 2018 meeting, the LGC approved the FY 2018-19 Budget and Work Plan (see Exhibit “A” to Attachment 2: Napa TID FY 2018-19 Budget and Work Plan). Total planned operating expenditures are budgeted at \$1,113,740. The corresponding work plan consists of four expenditure categories: 1) Administrative Support for \$45,740, 2) Collateral Materials for \$30,000, 3) Advertising and Marketing for \$663,000, and 4) Funding Grants to Other Organizations for \$375,000. There is also a proposed \$200,000 transfer of funds from the current fiscal year budget into the “Contingency

Reserve Fund” (CRF) for FY 2018-19. This proposed transfer is in keeping with the LGC’s Operating Policy, which was established “to build and protect reserves for usage during periods of extended economic downturn and uncertainty, unanticipated events that may impact travel and hospitality in the region, or emergency/natural disasters.”

Consistent with past years, the most significant expenditure in the budget is the line item for “Contract Marketing.” This budget line item reflects the most critical part of the Work Plan - the professional consultant work for Marketing, Advertising, Public Relations, Event Planning & Related Services that must be performed to meet the NVTID assessment’s purpose and intent.

#### Agreement for Services for Marketing, Advertising, Public Relations, Event Planning & Related Services for FY 2018-19

The FY 2018-19 “Contract Marketing” line item proposes utilizing Augustine Ideas, the same consultant the LGC worked with in FY 2017-18. Because the LGC routinely seeks proposals every three years, the LGC voted to not issue a “Request for Proposals” for FY 2018-19. Instead, the LGC will seek professional marketing and public relations proposals for the 2019-20 fiscal year.

The amount of the proposed Agreement for Services with Augustine Ideas totals \$588,000 for FY 2018-19. This amount is \$179,062 higher than the prior fiscal year for two primary reasons:

1. The Agreement for Services with D. Augustine & Associates (“Augustine”) includes an optional item for “Optional Responsive Marketing” in an amount not-to-exceed \$100,000 (see pages 9-11 on Attachment 3: “Services Agreement with D. Augustine & Associates). This approach is similar to prior year “Add-On Items” wherein Augustine would propose special projects - on a project by project basis - to the LGC. If the LGC and the City approve the proposal, then, and only then, could Augustine perform work and invoice the City for the work. This year, the LGC decided that this type of responsive marketing would work best given marketing opportunities that might arise during the upcoming year.
2. To evaluate the FY 2017-18 work plan, Augustine Ideas examined and evaluated statewide tourism research to strategize a more focused work plan for Napa in FY 2018-19. In reviewing what competing destinations spend on their advertising and marketing efforts, Augustine identified both new tactics and tactics that need to remain to best position Napa against other competing wine destinations, who are aggressively challenging our region for a larger share of this tourism sector. To accomplish the new strategy, Augustine based their pricing on a) the actual costs of what it took to successfully accomplish each project in years past, and b) an incremental increase in the general cost of doing business in the North Bay region.

#### Augustine Performance in FY 2017-18

In the 2017-18 fiscal year, Augustine executed the Council-approved contract (in the amount of \$408,938) performing a variety of work tasks designed to help increase tourism in the City of Napa. Some of their accomplishments include:

##### **Digital**

- Executed an advertising campaign that targeted four main audiences:
  - Couples/Groups of Couples Travel
  - Food & Wine Enthusiasts

- Girls Getaway
- LGBTQ
- Kicked off a digital retargeting campaign that promoted lodging specials around Napa;
- Maintained a Customer Relationship Management (CRM) campaign that included a pop-up on the DoNapa website and a “Welcome Series” for new email subscribers; the pop-up occurs over the homepage and encourages visitors to sign up for the monthly newsletters. Once they sign up, they receive two separate “welcome” emails. The first email thanks the visitor for signing up and the second email previews the type of content they’ll be receiving each month.
- Published monthly eNewsletters for the DoNapa.com email subscriber list, which promotes various activities and news around the city. This communication experienced higher-than-average results when compared to industry standards.
- Improved the design and functionality of DoNapa.com, which included:
  - a) integrating video on the website’s homepage to improve the overall appearance and make the homepage more dynamic;
  - b) adding content on the Downtown Napa Association (DNA) and PBID to the “About Napa” page;
  - c) featuring “Do Napa” in 30 second video series on the “See Napa Now” page to help potential visitors generate itinerary ideas; and
  - d) simplifying the homepage to better highlight lodging and events.

## Social Media

- Produced a series of digital images and videos that encouraged prospective visitors to “Do Napa in 30 Seconds” including:
  - Unique Eats: Marketing Downtown Napa as the ultimate foodie destination.
    - 1. Model Bakery (featuring their English muffin)
    - 2. Gott’s Roadside (featuring their Impossible Burger)
    - 3. Bounty Hunter (featuring their Beer Can Chicken)
  - Get Inspired: Promoting Napa’s art scene
    - 1. Cru @ The Annex
    - 2. Napa Art Scene Hotspots
    - 3. Gordon Huether Studio
  - Oxbow Public Market: Showcasing Napa’s premiere shopping market
    - 1. Kara’s Cupcakes
    - 2. Hog Island Oyster Co.
    - 3. Fieldwork Brewing
  - Get Outdoors: Highlighting various outdoor activities to do around Napa
    - 1. Biking
    - 2. Kayaking
    - 3. Hiking
- Increased engagement across all social media channels resulting in:
  - Facebook: Increased by over 2,400 followers
  - Instagram: Increased by over 3,900 followers
  - Twitter: Increased by over 2,700 followers;
- Led Visit Napa Valley Instagram Takeovers (2 completed to date), showcasing different City of

Napa hotspots and events; generating over 80,000 impressions in just the two days.

## **Public Relations**

- Generated over 1 billion media impressions by engaging in monthly media relations efforts (i.e. daily pitching, blog writing, and partnership opportunities with Visit Napa Valley and Visit California) to increase media exposure;
- Produced on-site social media content during major Napa events including the Napa Valley Film Festival in November and BottleRock in May;
- Initiated a social media influencer campaign by inviting 5 key influencers from drivetime markets to Napa and provide them with a hotel stay at a partner property. Three additional influencers will visit Napa by the end of the fiscal year.
  - Year-to-Date Results:
    - 7 blog posts
    - Over 55 social media posts tagging Do Napa
    - Social posts created 9,435 impressions
    - Reaching over 418,149 people and exposing them to the Do Napa brand
- Led two media familiarization tours (FAMs) of Napa with a total of 10 writers, which generated numerous travel articles and grew social media audiences; and
- Managed the planning and production of six “Culinary Crawls,” which were created to entice guests to add a Thursday room night to their weekend stay.

Augustine Ideas will provide a full presentation to the Council recapping their work during the past year and will also share some of their new ideas for the upcoming fiscal year.

## Summary

Because the LGC is pleased with Augustine’s past years’ performance, and approved the FY 2018-2019 Budget and Work Plan at their meeting on March 27, 2018, City staff recommends approval of the attached Agreement for Services. Staff also recommends the Council review and approve the FY 2018-19 Budget and Work Plan recommendations of the LGC. LGC Operating Policy’s proposed amendments will enable the Napa TID to better plan and operate in the event on an emergency and therefore staff recommends approval of the amendments.

## **FINANCIAL IMPACTS:**

There is no financial impact on the City’s General Fund. The Napa Tourism Improvement District (NTID) was formed by Napa County through a two percent assessment of gross room rentals received from lodging businesses throughout the county. NTID funds are to be expended for tourism promotion in accordance with the approved Management District Plan. The City retains 25 percent of the assessment revenue collected within the City limits, to be used for promotion purposes as set forth in an annual work plan and budget prepared by the Napa TID and approved by City Council. The City also retains one percent of the assessment revenue as an administrative fee. No activities implemented as a part of the Napa TID budget are supported by the General Fund. The marketing allocation is the revenue source for funding the Augustine agreement. The proposed not-to-exceed contract amount of \$588,000 is within the proposed FY 2018-19 Budget and Work Plan as recommended by the Napa TID.

## **CEQA:**

The Assistant City Manager has determined that the Recommended Action described in this Agenda Report is not subject to CEQA, pursuant to CEQA Guidelines Section 15060.

**DOCUMENTS ATTACHED:**

ATCH 1 - Resolution - Napa TID LGC Operating Policy Amendments  
EX A - Napa TID LGC Operating Policy Proposed Amendments  
ATCH 2 - Resolution - Napa TID FY 2018-19 Budget and Work Plan  
EX A - Napa TID FY 2018-19 Budget and Work Plan  
ATCH 3- Services Agreement with D. Augustine & Associates

**NOTIFICATION:**

The Napa Tourism Improvement District Local Governing Committee and the staff of D. Augustine & Associates have been notified of this agenda item and an agenda has been posted in publicly accessible locations as required by law.