

LEGENDARY.
NAPA
VALLEY.

**Visit Napa Valley
Fiscal 2016 Annual Report**

Submitted to the Napa County Board of Supervisors
March 2017

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Fiscal Year 2016 was the sixth full funding year of the Napa County Tourism Improvement District (TID), a special assessment on lodging allocated to sales and marketing programs that drive overnight occupancy during need periods (Nov - April and midweek throughout the year).

I. Lodging Metrics

Occupancy, ADR, RevPAR and Revenue

Smith Travel Research (STR) data from July 2015 through June 2016 shows healthy Napa County growth in all key lodging metrics (80% of rooms reporting):

	FY16		
	Napa	Sonoma	Monterey
Occupancy (%)			
This year	73.2%	76.9%	71.2%
Last year	69.8%	75.3%	69.0%
% Change	4.9%	2.2%	3.2%
ADR			
This year	\$295.53	\$155.46	\$191.74
Last year	\$283.35	\$144.50	\$183.43
% Change	4.3%	7.6%	4.5%
RevPAR			
This year	\$216.19	\$119.62	\$136.47
Last year	\$197.66	\$108.79	\$126.48
% Change	9.4%	10.0%	7.9%
Revenue			
This year	\$373.1m	\$267.9m	\$588.2m
Last year	\$333.9m	\$245.1m	\$543.8m
% Change	11.7%	9.3%	8.2%

Napa County had a stellar performance in occupancy, average daily rate (ADR), RevPAR and Revenue. Comparing fiscal year 2016 to 2015, the occupancy rate for hotels reporting rose 4.9% to 73.2%, ADR rose 4.3% to \$295.53, RevPAR increased by 9.4% to \$216.19, due in part to Visit Napa Valley sales and marketing efforts leading to increased midweek occupancy levels. Lodging revenue was up 11.7% to a total of \$373.1 million. Visitors to Napa Valley spent a record \$1.27 billion in the county in 2015, which represents an 8.9% increase over 2014 and the highest percentage gain of all of California’s 58 counties, according to the 2015 Economic Impact report released May 2016 by Visit California. Total TOT generated for Napa County in FY2016 was \$47.3 million.

Outlook

Napa Valley continues as one of the strongest resort submarkets in California, driven by healthy demand and significant constraints on the development of new supply. With momentum from the Bay Area economy, lodging demand is expected to continue to strengthen through the near term, attracting both investors and developers. Proposed development of resort hotels over the next five to seven years is expected to generate more group meetings and event visitation to Napa Valley, broadening the market’s source of room night demand.

2. Financial Overview

FY16 Actuals v. Budget

	FY16 Actuals	FY16 Budget	Budget Variance (\$)	Budget Variance (%)	Notes
Revenues					
TID-1.5% Countywide	\$ 5,661,121	\$ 5,405,000	\$ 256,121	4.74%	
TID – 0.5% Unicorp County	\$ 390,000	\$ 390,000	\$ -	0.0%	
Special Projects TOT Funds	\$ 270,600	\$ 270,600	\$ -	0.0%	
Welcome Center	\$ 116,212	\$ 121,000	\$ (4,788)	-3.96%	
Partnerships	\$ 412,879	\$ 401,000	\$ 11,879	2.96%	
Flavor! NV	\$ 369,903	\$ 497,263	\$ (127,360)	-25.61%	1
Other Income	\$ 885	\$ -	\$ 885	100.0%	
Total Revenues	\$ 7,221,600	\$ 7,084,863	\$ 136,737	1.93%	
Expense					
Brand Marketing & Communications	\$ 3,038,094	\$ 3,100,834	\$ 62,740	2.02%	2
Groups/Meetings Sales & Marketing	\$ 1,726,145	\$ 1,757,255	\$ 31,110	1.77%	3
Direct to Consumer Marketing	\$ 578,460	\$ 585,502	\$ 7,042	1.2%	
Welcome Center	\$ 484,575	\$ 490,144	\$ 5,569	1.14%	
Research & Marketing Intellegence	\$ 65,388	\$ 50,000	\$ (15,388)	-30.78%	4
General & Administrative	\$ 755,852	\$ 708,828	\$ (47,024)	-6.63%	5
Community Relations	\$ 172,990	\$ 150,000	\$ (22,990)	-15.33%	6
Government Relations	\$ 28,875	\$ -	\$ (28,875)	-100.0%	7
NVTC Expenses	\$ 5,643	\$ 6,000	\$ 357	5.95%	
Guest Information Network	\$ 120,000	\$ 120,000	\$ -	0.0%	
Prior Year FY15 Balance		\$ 155,000	\$ 155,000	0.0%	8
Total Expense	\$ 6,976,022	\$ 7,123,563	\$ 147,541	2.07%	
Change in Net Assets	\$ 245,578	\$ (38,700)	\$ 284,278	634.56%	

NOTES

Revenue

- Revenue came in lower than Budget by \$127K or 26% due to shortfall in sponsorship and participation. Previously Flavor! NV reported as a separate entity

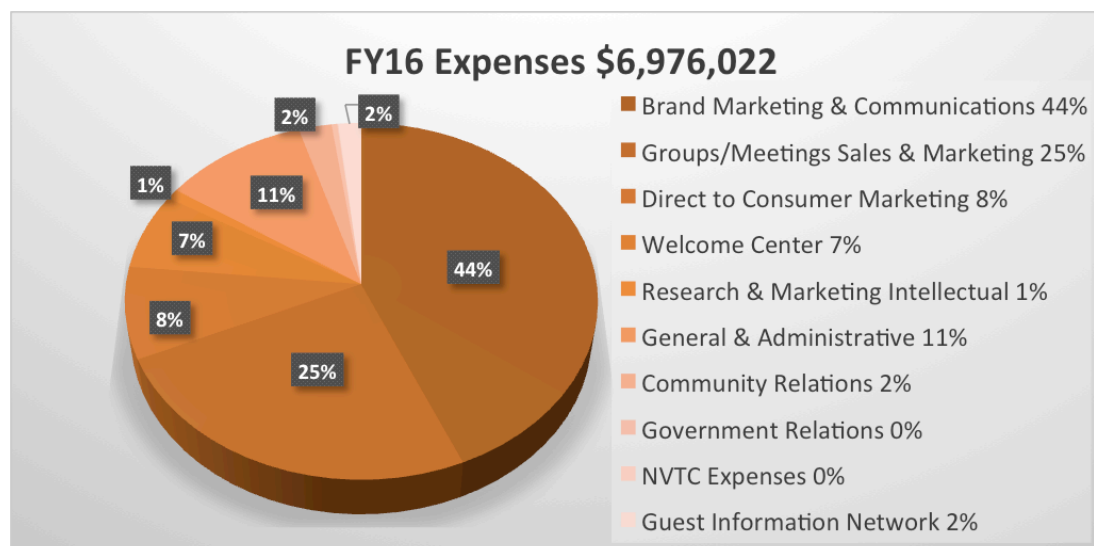
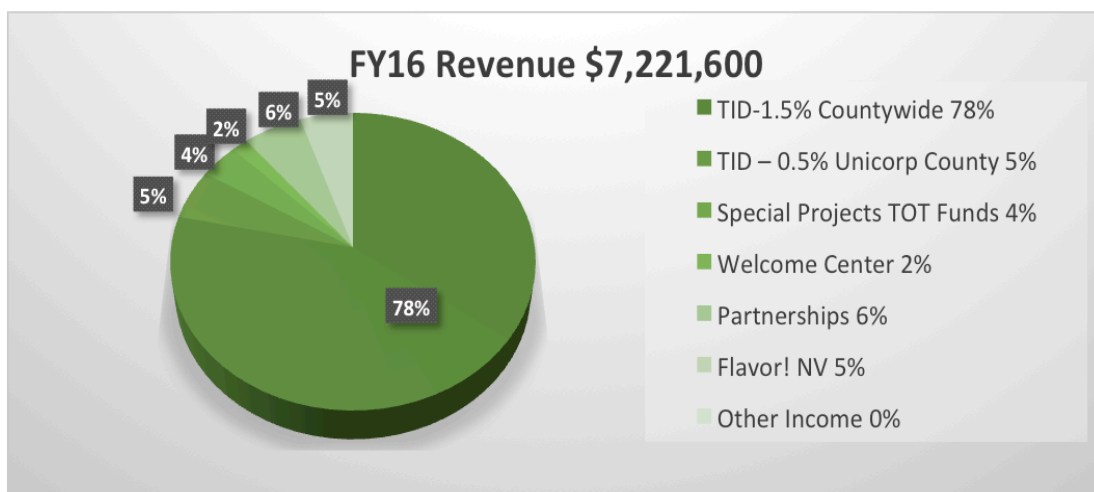
Expense

- Brand Marketing** - \$63K or 2% under budget predominantly due to smaller spend in Flavor! NV expenses because of revenue shortfall
- Group Sales** - \$31K or 2% under Budget predominantly due to greater participation from partners to share in sales activities expenses
- Research & Marketing** - \$15K or 31% over budget predominantly due to additional travel report analysis request to better inform and support partner trends

5. **General & Administrative** - \$47K or 7% over budget predominantly due to an unbudgeted increase in employee salaries, driven by replacement of previous marketing leader with a more senior level vice president
6. **Community Relations** - \$23K or 15% over budget predominantly due to contribution to aid people affected by the Valley Fire. Funds from a surplus in FY15 Activity Funds used to support this expenditure
7. **Government Relations** - \$29K or 100% over budget predominantly due to hiring of an outside consultant to work with Visit Napa Valley on 'Tourism Matters' communications to government and community constituents. Surplus in FY15 Activity Funds were used to support this expenditure
8. **Prior Year FY15 Balance** - \$155,000K or 100% under balance of fund from the prior year made available to support the budget variance for Community and Government Relations expenditures.

Change in Net Assets

Due to identified areas of cost savings and revenues above plan, net assets increased by \$284K over Budget.



3. Marketing & Communications

a. Brand Marketing

In FY16 the Visit Napa Valley marketing team continued to leverage a broad array of paid, owned and earned communications channels that have been developed to promote Napa Valley and its partners. Visit Napa Valley continued targeted marketing programs to increase occupancy during the key need period of November through April, branded as “Cabernet Season,” with a secondary emphasis on driving Sunday through Thursday night business through messaging, placements, and supporting Napa Valley partner events and VNV signature promotions. Lisa Poppen joined Visit Napa Valley as Vice President of Marketing & Communications in December 2016.

In partnership with the Unincorporated County TID incremental funding, Visit Napa Valley produced a new Legend Has It campaign and media program to build top of mind awareness with luxury travelers. This program included new photography and video assets and the development of a new positioning and Welcome Video. The paid media program targeted magazines and digital media for the luxury audience, elevating the brand image and supporting the Napa Valley as a premiere global destination for wine, food, arts, and wellness.

For the broader Cabernet Season and signature event support, Visit Napa Valley updated the destination brochure for consumer and group audiences and modernized the program logos. The paid media effort focused on a video content-rich approach and a zone-targeted strategy on cable television and digital, featuring more entertainment and strategic pillar-based programming on channels like Food Network, Golf Channel, HGTV, Bravo, and cable news and sports.

b. Public Relations

In collaboration with all its partners, Visit Napa Valley continues to drive robust media relations activity to build awareness of the benefits of visiting during off-peak periods via press releases and in conversations with visiting journalists we host throughout the Valley. Visit Napa Valley manages two PR agencies: Alice Marshall PR in NY for national and international PR activities, and local agency, Fuller & Sander, for regional PR support and an in-market presence. Visit Napa Valley has embraced bloggers and other influencers as another means to drive coverage and increase overall audience exposure.

The Super Bowl and 40th Anniversary of the Judgment of Paris drove additional opportunities for global journalists to cover the Napa Valley, and continues to attract A-list media coverage. FY16 brought total media impressions of 1.6 billion (with a B), an increase of 91% YOY. Visit Napa Valley hosted 73 press visits, and continued to broaden the press release contact list and increased frequency of issuance. Visit Napa Valley participates in domestic and international sales missions with San Francisco Travel and Visit California, as well as media tradeshows and events.

c. Website & Digital

Visit Napa Valley launched a new web site in May 2016, and has maintained an average of 100K unique visitors each month and provides a more visual and experiential taste of the Napa Valley. The website launched with a responsive design which ensures a good user experience across various devices including desktops, laptops, tablets, and mobile phones. For this reason, the Napa Valley app was phased out. Visit Napa Valley secured Simpleview as the partner to build the new site and maintain the Content Management System (CMS). This works with the Customer Relationship Management (CRM) sales and partner database, replacing Sales Force as we transitioned to the new site. The Napa Valley blog continues to drive significant traffic to the website, with 86 articles published and 300K unique visitors. The Email program ended the fiscal year with a database of 65K and was redesigned along with the new website in May, leading to a 23% click thru rate increase. Visit Napa Valley maintains a strong B2B communication program to update partners and other local constituents on our activities throughout the year.

d. Social Media

The Napa Valley brand continues to be active in the key social media channels, with accounts including Facebook, Twitter, Instagram, YouTube, Pinterest, and the highly engaging Napa Valley blog. Results in several key channels continue to be stellar, as Visit Napa Valley continues to grow the fan base of the Napa Valley community and increase exposure across social media networks through a combination of primarily organic (non-paid) placements and limited paid placements.

- Facebook: 123K followers up 39% YOY
- Twitter: 22K followers up 32% YOY
- Instagram: 31K up 206% YOY

Visit Napa Valley also embraced bloggers and influencers to build social media/blogosphere exposure and engagement. Some of the leading bloggers have massive audiences of up to 1 million or more followers, commensurate with many mainstream commercial media outlets. The selection criteria are equivalent to the criteria Visit Napa Valley deploys for any visiting media/journalist.

4. Programs

a. Restaurant Week January 24-31, 2016

This valley-wide restaurant promotion reduced the time period from one month to one week, making it easier for restaurants to participate and focused the timing for consumers. Menus were narrowed to one price for lunch, \$20, and two prices for dinner, \$36 and \$46, based on feedback from previous years' participants. More than 30 restaurants participated. VNV developed a marketing campaign that included print, digital and local collateral distribution. New this year was a charitable component collecting canned goods and corkage fees, which were donated to the Napa Food Bank. Total impressions were more than 73 million, up 27% YOY, highlights include:

- 3.4 million paid media impressions
- 70 million earned media impressions – 40% increase YOY
- 44K Facebook and 1,500 Blog Impressions
- January website traffic was up 4.4%; RW landing page 25K unique visitors
- January RevPAR up 7.6% YOY

b. Flavor! Napa Valley: March 17-20, 2016

Flavor! Napa Valley was held in March versus its former timing in November, and is a celebration of food & wine featuring local chefs/CIA grads and local winemakers from the Napa Valley. Silverado Resort & Spa continued its \$65K founding sponsorship level. The CIA was the beneficiary of the event with a \$25K grant from PG&E. It was the first year using San Francisco-based Andrew Freeman and Dominic Phillips, with their respective teams, to develop and produce the festival. AF&Co focused on the event development and securing sponsorship, while DPEM handled festival logistics and execution.

- 3,000 total attendees; 36% outside of California
- 163 million in paid and in-kind paid impressions
- 110 million earned media impressions
- 25K Flavor-specific social media community
- 37K unique visitors to FlavorNapaValley.com
- March RevPAR up 4.3% YOY

c. Arts in April 2016

In partnership with Arts Council Napa Valley (ACNV) and in support of the arts pillar, Visit Napa Valley developed a regional marketing campaign for Arts in April, including print, digital and a collateral program. More than 82 events were held throughout the month hosted by wineries, museums, artists, local municipalities, and 13 special lodging offers were created. Total impressions were 33 million, and highlights include:

- 6.6 million paid media impressions
- 26 million earned media impressions
- 5K social media impressions
- 55K website impressions
- April RevPAR was up 8% YOY

5. Sales

a. **Group**

For FY16, Visit Napa Valley sales team's top priorities were focused on growing direct lead volume by 10%, increasing Cvent (an online event sourcing tool) leads by 10% and closure above 5%. To achieve this goal, the group sales team had a full calendar of sales activities, including four sales missions, attendance with San Francisco Travel at seven trade events, attendance in domestic and international trade shows and more than 20 industry events to grow relationships in the incentive, 3rd party, travel trade and corporate market segments*.

The sales team held four sales domestic missions in the key feeder cities of New York, Texas, Northern California and Chicago. In September, Visit Napa Valley went to New York where we held two events, a luncheon and a reception in Mid-town Manhattan, with 100 planners and six partners in attendance. In November, the sales team had a sales mission in Texas, which encompassed a luncheon in Houston and a reception in Dallas. These events targeted corporate planners and 3rd party planners, with 90 planners and six partners in attendance. In March, the team targeted corporate travel planners, 3rd party and travel agents in Northern California and held two events where 102 planners and 11 partners attended. Additionally, the team targeted Chicago and held a reception in downtown Chicago and a luncheon in Rosemont. These events actualized 123 meeting planners in the corporate and 3rd party market segments and there were seven partners in attendance.

Targeted efforts to grow the incentive market segment included attendance at IMEX (Worldwide Exhibition for Incentive Travel, Meetings and Events), Collaboration Trade Show, American Express Interaction and Luxury Travel Summits. We also added a focus on international Incentive and attended IMEX Frankfurt and Incentive Works in Toronto.

The team continued efforts to grow the 3rd party segment through partnerships with HelmsBriscoe and Cvent. The sales team targeted face-to-face interactions at HelmsBriscoe luncheons and attendance at the Annual Business Conference. Visit Napa Valley increased exposure with Cvent through Napa Valley ads in competitive destination pages, targeted eBlasts and ownership of the destination page. These partnerships continued to increase lead volume with HelmsBriscoe by 42% and Cvent by 55%.

Visit Napa Valley continued to focus on leveraging our partnership with San Francisco Travel by attending the following events: Tour and Travel Receptors event in Los Angeles and New York, Chicago Sales Mission, IMEX Frankfurt, Chicago client event and Holiday Showcase.

Overall, the team attended more than 20 domestic trade shows, partner conferences and industry events, growing our database by more than 5,500 contacts and direct lead volume by 29%, Cvent leads by 55% and booked leads by 64%.

*market segment definitions: Incentive – award travel; 3rd Party – meeting procurement and site selection agency; Travel Trade – travel agent and tour operators; Corporate – company specific

b. Travel Trade

Visit Napa Valley maintained an international focus on mature travel markets: United Kingdom, Australia/New Zealand, and Canada and added representation in Scandinavia. China and Brazil were the focus for emerging markets. Efforts were expanded to include the domestic luxury market by entering into a partnership with Virtuoso Travel Network (a luxury travel agent network). Napa Valley's presence in the travel trade segment continued year round with our contracted representation in the UK, Australia, and Scandinavia. The contract representation in these regions helped to educate travel agents and tour operators by having our account managers attend tradeshow, conduct trainings, and facilitate meetings with key travel professionals on VNV's behalf.

The Travel Trade Team participated in three domestic based shows that focus on the international markets, Go West Travel Summit, IPW, and Virtuoso Travel Week. Visit Napa Valley's relationship with Visit California helped extend the Napa Valley message in China by participating in a multifaceted training package executed by the Visit California team in China, and the Travel Trade team also attended Visit California sales missions in China, Brazil, and the UK. Contacts acquired from these efforts are sent continuous updates on events, itineraries, and travel ideas to entice new and repeat visitors. In FY16, Visit Napa Valley's Travel Trade team participated in three International Sales Missions, eight Tradeshow, four Events, eight Trainings, and hosted 14 familiarization/product visits from eight countries.

6. Sponsorships

Visit Napa Valley marketed multiple partner events including the Frys.com Open, Napa Valley Film Festival, Napa Valley Marathon, Napa Valley Truffle Festival, Napa Valley Historic Wineries Tour, Festival del Sole, as well as approximately a dozen other events produced by the local TIDs/towns and Chambers of Commerce. In addition, Visit Napa Valley provided marketing investment for select opportunities to drive additional exposure for the Napa Valley:

a. Super Bowl 50

Super Bowl 50 was held on February 7, 2016, at the new Levi's Stadium in Santa Clara, CA. VNV and the Napa Valley Vintners (NVV) joined forces to promote America's leading wine region surrounding a major international sporting event. Many of Napa Valley's lodging, restaurant and winery partners created unique "Super Bowl 50" experiences for visitors to enjoy before, during or after the big game. The Napa Valley wine region has been named a "Destination Partner" by the Super Bowl 50 Host Committee, along with Pebble Beach and Sonoma County. VNV and NVV hosted a series of invitation-only, high profile targeted events that exclusively featured Napa Valley wines leading up to the big game festivities and used the designation to encourage sports fans to visit Napa Valley while they were in the area. There was no activation budget beyond the basic sponsorship fee for the marketing activities, which were focused on press, social media, and VNV's owned channels.

b. Great Wine Capitals

Napa Valley, in partnership with San Francisco, is internationally recognized as one of ten Great Wine Capitals. Visit Napa Valley continues to oversee and coordinate our region's participation in this marketing organization in partnership with San Francisco Travel, Napa County and the Napa Valley Vintners, through web, public relations and social media activities. Visit Napa Valley participated in the annual meeting in Bilbao, Spain. The long-term benefit of this program is the collaboration and learning from other top wine tourism regions, as well the honor of representing North American in the Great Wine Capitals, a message that VNV leverages across various communications programs and channels.

7. Community and Government Affairs

Visit Napa Valley identified the need for specific governmental relations services to ensure that Visit Napa Valley is communicating with the political leaders of the Cities and County, as well as other key opinion and organization leaders about issues affecting the Napa Valley hospitality industry. The role of Visit Napa Valley's government relations' consultant is to work closely with staff to engage policy makers and leaders, shape policy, and develop strategic efforts and messaging about critical issues.

In this ongoing effort, there has been outreach to and meetings with political leaders, decisions makers, and other organizations with appropriate and accurate information about issues affecting lodging/hospitality. Current issues include affordable housing, transportation, vacation rentals and the living wage.

Community Relations have focused on the hospitality industry's role in the community with participation in Adopt-a-School, the Napa Valley Clean Air Coalition and the Napa Valley Vine Trail. Additionally, existing tourism materials are being refined and coordinated for use by hospitality partners and elected officials to better understand and disseminate tourism data and its importance as a vital economic contributor to local budgets.

Visit Napa Valley views the Vine Trail as a strategic foundation to our "wellness" messaging pillar and believes there is tremendous potential benefit to the region to be gained from becoming a bike-friendly destination. Studies in other regions show that cycling tourists have similar demographic attributes to Napa Valley's targeted guests, and in practice they stay longer and spend more in the destinations they visit than their non-biking counterparts.

Visit Napa Valley continues its partnership with the Napa Valley Vintners to pledge \$5 million toward the Vine Trail. It's portion of the pledge is for \$2.5 million, to be paid over ten years, and includes the funding generated from fund-raising activities at lodging properties and commitments from local TID groups. Because Visit Napa Valley cannot fund a capital project from TID revenue, we have earmarked Partnership, Retail and Commission revenue to satisfy our part of the pledge.

8. Napa Valley Welcome Center and Guest Information Network

Six staff and 81 volunteer ambassadors at the Napa Valley Welcome Center served 139,367 guests in fiscal 2016 and collected consumer data from 15,067 visitors. The VNV team mailed 675 guidebooks and fielded 8,013 phone calls from guests requesting help planning their visits.

The Lodging Desk booked 1,086 room nights generating revenue of \$265,288.25 (driven mainly by the increase in advance phone call and email requests) with an average daily rate (ADR) of \$244.28. Activity bookings for the year totaled 273 for a revenue total of \$89,305. The Napa Valley Mercantile retail area of the Welcome Center generated \$200,735 in revenue and \$96,676 in profit.

The staff at the Welcome Center continues to develop and enhance their best-practice processes and training programs to ensure all of our volunteer ambassadors consistently represent the brand and deliver information efficiently. Additionally, they have worked closely with the other official visitor centers in the County, now known as the Guest Information Network, to ensure a consistent guest experience throughout the Napa Valley.

Visit Napa Valley continues to connect and support the local Chambers of Commerce through the Guest Information Network that operate official visitor centers in Calistoga, St. Helena, Yountville, and American Canyon. The goal is to provide a consistent visitor information experience throughout the region. A Memorandum of Understanding (MOU) serves as an agreement between each local Chamber of Commerce and Visit Napa Valley to use received contribution of \$30,000 to directly support the Napa Valley Guest Information Network. Funds may be used for staffing, aesthetic improvements, volunteer support services, marketing material or retail merchandise.

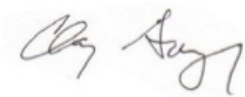
9. Research & Market Intelligence

Visit Napa Valley contracted with Destination Analysts to conduct the 2016 Visitor Profile Survey and Economic Impact of Tourism report. These reports will be completed and published in Spring 2017 and will be available to the public on Visit Napa Valley's website.

VNV purchases monthly lodging data from Smith Travel Research including occupancy, average daily rate, revenue per available room, and total lodging revenue for Napa County. Additionally, Visit Napa Valley purchased data from nSight Intelligence, which aggregates hotel search and booking data and analysis tools for travelers in the United States and internationally.

In closing, the Visit Napa Valley team wishes to thank the Napa County Board of Supervisors and County staff for their ongoing support and engagement. We look forward to another great year of collaboration to promote, protect and enhance the Napa Valley's position as America's premier wine, food, arts and wellness destination.

Sincerely,



Clay Gregory
CEO/President