



Agenda Date: 11/15/2005  
Agenda Placement: 9A

## NAPA COUNTY BOARD OF SUPERVISORS Board Agenda Letter

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**TO:** Board of Supervisors  
**FROM:** Britt Ferguson for Nancy Watt - County Executive Officer  
Community Partnership Program  
**REPORT BY:** Bruce Wilson, Community Partnership Analyst, 259-8679  
**SUBJECT:** Proposed Contract with Napa Valley Conference and Visitors Bureau

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### **RECOMMENDATION**

County Executive Officer requests:

1. The Board decide whether the County will spend \$500,000 over two years to contract with the Napa Valley Conference and Visitors Bureau (NVCVB) to develop a countywide destination brand strategy and to provide general operational support for the NVCVB (this represents a \$250,000 increase over the original NVCVB request to the Board); and
2. If the Board agrees to provide the \$500,000 in funding, consideration of approval and authorization for the Chair to sign an agreement with NVCVB for a maximum of \$500,000 for the term November 15, 2005 through November 14, 2007 to coordinate, develop and administer a countywide destination brand strategy and to provide general operational support to the NVCVB.

### **EXECUTIVE SUMMARY**

The Napa Valley Conference and Visitors Bureau (NVCVB) has submitted a two year, \$500,000 contract proposal to:

1. Build public private relationships to support the development of a destination brand strategy through education and dialogue;
2. Develop a Countywide destination brand strategy;
3. Support the implementation of that strategy through project administration and management conducted by the NVCVB; and
4. Provide general operational capacity building support for current operations and functions of the NVCVB.

This contract proposal for \$500,000 represents a difference of \$250,000 from the original request of \$250,000 from NVCVB and the Napa Valley Economic Development Corporation (NVEDC) during their presentation to your Board at your July 26, 2005 meeting. There is no change in the scope of work compared to the original \$250,000

proposal, however the total project cost estimate has increased from \$508,000 to \$1.385 million, with the remaining funds to come from non-County sources.

The issues before the Board are: (1) whether to fund the project for \$500,000 as opposed to the original \$250,000 request; and (2) if so, are the specific terms conditions, scope of work and budget as outlined in the proposed contract consistent with the goals and expectations of the Board.

### **FISCAL IMPACT**

Is there a Fiscal Impact?	Yes
Is it currently budgeted?	No
What is the revenue source?	The Special Projects Fund. Based on Board direction, this Fund will receive approximately \$650,000 in revenues annually. According to Board policy, money in this Fund is to be spent on visitor management and parks programs. It is estimated that there would be sufficient resources in the Special Projects Fund to cover the cost of this project in FY2005/06 and 2006/07. In October, the Board approved a plan to spend approximately \$870,000 in Special Projects Fund money over the next four years on County parks operating costs. In addition, depending on a variety of as-yet unknown factors, parks acquisition costs charged to this Fund could range from 0 to \$1.8 million over the next five years. If parks acquisition costs were at the high end of this estimate and \$500,000 was spent on the destination brand project, it is possible that there would not be sufficient resources in the Fund to meet all of the potential obligations over the next 5 years. However, if parks acquisition costs are toward the lower end of the estimate, there should be sufficient funds to pay \$500,000 for the destination brand strategy and meet other Fund obligations.
Is it Mandatory or Discretionary?	Discretionary
Discretionary Justification:	The NVCVB and others believe that the Napa Valley is in danger of losing ground as a premier visitor serving destination. Thus, they have developed this proposal to develop a countywide destination brand strategy and are asking for funding to support their ongoing operations.
Is the general fund affected?	Yes
Future fiscal impact:	As proposed, this is a two year project, and would involve a \$250,000 Special Projects Fund commitment this year and next year. No County funding has been requested beyond this period, however, the destination brand strategy proposal contemplates an implementation phase following the work called for in the agreement now before the Board. It is possible that the NVCVB could ask for County funding for this phase.
Consequences if not approved:	Unknown
Additional Information:	None.

### **ENVIRONMENTAL IMPACT**

ENVIRONMENTAL DETERMINATION: The proposed action is not a project as defined by 14 California Code of Regulations 15378 (State CEQA Guidelines) and therefore CEQA is not applicable.

## **BACKGROUND AND DISCUSSION**

On July 26, 2005 the Board of Supervisors received a presentation from the Napa Valley Conference and Visitors Bureau (NVCVB) that included a request for \$250,000 from the County to assist in funding a two-year, \$508,000 program, designed to manage tourism in Napa County through the development a countywide destination strategy. Given that this was not an action item on the agenda, the Board requested that County staff work with the NVCVB to develop a specific scope of services and contractual agreement, including project deliverables, and return to the Board for action.

During the course of negotiations, staff became aware that the NVCVB was requesting an amended amount for the project for a total County investment of \$500,000. Based on this amended request, the County's share of cost would represent approximately 36% of a new total project budget of \$1.385 million. No additional work was included as justification for this increase. According to NVCVB, their original intent was to request \$500,000 from the County for a \$1.385 million project.

As originally proposed, and subsequently amended, the scope of work and budget for NVCVB's proposal was somewhat unclear. Staff worked with the NVCVB to gain a clearer understanding of the specifics of the destination brand strategy proposal and the detailed work tasks that are inherent in its development. Subsequently, the NVCVB formally submitted a two year contract proposal. The four core components of this proposal are:

1. Build the necessary public/private relationships required to support the development and implementation of a destination brand strategy through education and dialogue;
2. Develop a countywide destination brand strategy; (this component includes brand assessment, promise, blueprint, and culturalization process conducted by BrandStrategy, Inc., as well as other activities such as the design of marketing and media plans);
3. Administer and manage of the overall project; and
4. Enhance the operational capability of the NVCVB to enhance current programs in support of the Napa destination.

Component one involves the development of a broad base of stakeholders for the project, at a total cost of \$144,000, of which the County's share would be \$72,000. NVCVB has proposed to subcontract with the Napa Valley Economic Development Corporation for part of this component. The contract before you today, however, does not specify who the subcontractor will be nor the precise amount that will be paid to the subcontractor. Rather, it simply provides that NVCVB will subcontract for this service and that the County has right of approval of subcontractor, scope of work and budget.

Component two will be primarily conducted through a subcontract with BrandStrategy, Inc and will involve a four phased approach leading to the development of a Destination Brand Strategy for Napa. The four phases of this component include: Brand Assessment; Brand Promise; Brand Blueprint and Brand Culturalization. As staff understands it, this would essentially involve a thorough analysis of the existing Napa environment; a definition of the "essence" of Napa from a visitor's standpoint; development of tagline, story, and graphic representation strategies that capture said "essence"; and a training/implementation plan for stakeholders of the project. Other tasks in component two include graphic design work, media material and plan development, and intellectual property protection. The total cost of this component is estimated to be \$589,401 and the County's share would be \$372,905.

Component three of the proposal will provide for central leadership of the overall project through project administration and management. The NVCVB will be the lead agency, and this component includes the creation of a performance monitoring system, project coordination, longterm funding identification and reporting. The total cost of this component is \$431,365, and the County's share would be \$45,095.

Component four is intended to build the operational capacity of the NVCVB in order to fulfil its role as the agency with primary responsibility for destination marketing in Napa County. This would include costs related to the ongoing marketing and tourism promotion activities of NVCVB, such as advertising and other media services. The total cost of this component is \$220,500, and the County's share is \$10,000.

According to NVCVB, the destination brand strategy project outlined in this proposal will contribute to current efforts of the public and private sector to better manage tourism throughout Napa County. Specifically, the destination brand strategy will inform both the Napa County League of Governments Existing Conditions Report and the ongoing Visitor Profile Study being conducted by Purdue University on behalf of the NVCVB.

The requested County investment of up to \$500,000 represents 36% of the stated total cost of \$1,385,266 for the development of a destination brand strategy and capacity building support for the NVCVB. Please note that, under the contract before you, County funds would be used primarily for the more concrete deliverables associated with the destination brand strategy product, with the remaining funds being allocated (along with those of other funders) across the other line items presented in the budget. Staff asked for this allocation in light of the possibility that all of the other sources of funds might not ultimately become available. NVCVB is confident that they will be able to raise the additional \$663,571, but if that fund raising effort falls short, staff felt it important that the key element of NVCVB's proposal to your Board, the development of the destination brand strategy, be assured of completion. The table below provides a snapshot of the County's requested contribution and its distribution between the four contract components identified above along with the total cost of each component.

Component of Work	Year 1	Year 2	Total County	Other Sources	NVCVB In-Kind	Total Project Cost
Build Community Support	\$36,000	\$36,000	\$72,000	\$72,000	\$0	\$144,000
Destination Brand Strategy	\$194,000	\$178,905	\$372,905	\$216,496	\$0	\$589,401
Project Administration/Management	\$10,000	\$35,095	\$45,095	\$164,575	\$221,695	\$431,365
Enhance NVCVB Capacity	\$10,000	\$0	\$10,000	\$210,500	\$0	\$220,500
<b>Total</b>	<b>\$250,000</b>	<b>\$250,000</b>	<b>\$500,000</b>	<b>\$663,571</b>	<b>\$221,694</b>	<b>\$1,385,266</b>

In light of the above, there are two issues now before your Board for consideration. The first issue is whether to commit \$500,000 in County funds for this project. As noted above, this represents a \$250,000 increase from the level of funding originally requested by NVCVB. Your answer to this question may depend in part on how much value to the County you see this project as having. NVCVB has provided information on other regions that have developed brand strategies, however they are not aware of any quantitative data demonstrating the effectiveness of these types of programs in terms of such things as increased hotel occupancy, visitor volume or tourism spending. At your direction, staff could attempt to obtain this kind of data from the relevant regional agencies. Another factor you might want to consider is whether the County is paying its "fair share" of the cost of this project. NVCVB has not indicated precisely where the other \$663,571 in matching funding will come from, so it is not

possible to tell, for example, how much funding will be provided by the cities who also stand to benefit from this effort. (You could, if you wish, condition the County's participation in funding for this project on proportional participation by the various cities in the County.) Another factor to consider is how much of the money in the Special Projects Fund should be committed to this project. Essentially, the Board has earmarked this money for visitor management and parks programs and has already committed a certain amount for various parks programs. This project certainly falls within the general category of tourism management, but your Board has not adopted a policy that more clearly defines what your tourism management goals are.

The second issue, assuming the Board approves spending up to \$500,000 for this kind of project, is whether the terms, conditions, scope of work and budget as reflected in the proposed contract meets the Board's expectations for the project. If so, then the contract is ready for approval today. Some of the issues for your consideration here would include whether County funds are being allocated to the appropriate components of the project and whether the total amount of resources allocated to specific tasks is reasonable.

### **SUPPORTING DOCUMENTS**

- A . NVCVB 7-26-05 Proposal Request Letter
- B . NVCVB Proposed Scope of Work
- C . NVCVB Destination Project Budget Detail

CEO Recommendation: Approve

Reviewed By: Britt Ferguson