



napa valley vintners

## memo

**Date:** July 9, 2015  
**To:** APAC  
**Subject:** NVV Compliance Proposal: Mandatory Annual Reporting  
**From:** Peter McCrea

Representing 525 Napa Valley wineries, the Napa Valley Vintners (NVV) has been the non-profit trade association representing the Napa Valley wine industry since 1944. Achieving compliance with winery use permits has been a high priority for our association for many years and we are proud to be a partner with the County in this important endeavor. Since 2007, we've held 10 compliance-focused workshops which have been attended by more than 1000 vintners and their employees.

Over the past several months, NVV has been engaged in discussions around a proposed idea to institute a mandatory annual compliance report for wineries in Napa County in lieu of the audit system currently in place. The benefits of the proposed concept are clear to us: assurance of use permit compliance by all wineries in the County versus the 20 selected to be in the random audit presently in place.

On an annual basis, a principal officer of each winery would be required to submit to the County, or ideally an independent auditing firm hired by the County:

- The amount of wine they are permitted to produce as stipulated within their use permit;
- The amount of wine they actually produced;
- TTB reports and CDFA reports that independently verify that data, as well as adherence to the County's 75% rule, as it applies.

Due to the inclusion of proprietary business agreements, it is important that the data be kept confidential.

Additionally, the County should continue to utilize the three-year averaging chart (attached) that has been in place for the past decade. Napa Valley wine grapes are an agricultural commodity and the averaging system recognizes the farming aspect of the wine industry. Using three year average accommodates what Mother Nature provides.

If a winery is found to be non-compliant with any of the initial data submittal described above, it would be reasonable to assume that other aspects of their use permits may have issues as well and should be looked into more closely by County staff, including:

- Visitation

- Marketing events
- Food and wine pairings, including compliance with Environmental Health standards
- Retail merchandise sales

Essentially, any and all other aspects of the winery's use permit would receive close scrutiny. This proposal would be augmented by the County's longstanding complaint-driven system of assuring use permit compliance.

We believe the community and the industry would benefit from the County employing a greater level of consistency as it relates to use permit interpretation, application and enforcement.

Finally, in addition to the rise in use permit modifications experienced in recent years due to the audits and NVV's member outreach and education, it's reasonable to speculate that mandatory annual reporting may trigger even greater use permit modification requests in the near term. With our shared goal of having all wineries in compliance, NVV hopes that we can maintain a streamlined, positive, collaborative spirit in achieving this objective while getting wineries through the modification process.

Thank you for the opportunity to submit this proposal.