



**TOURISM MARKETING DISTRICT
FORMATION**

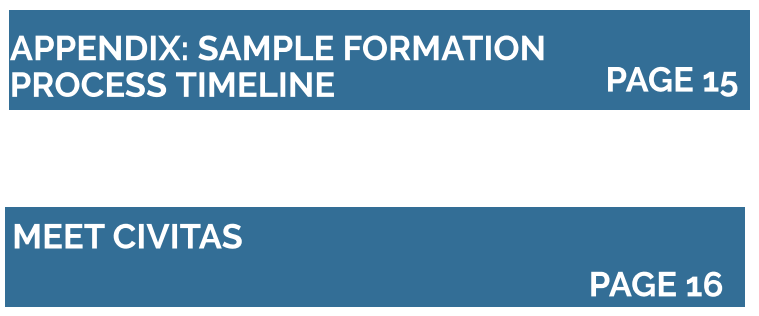
FEASIBILITY STUDY

April 2023



**TUOLUMNE
COUNTY, CA**

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EXECUTIVE SUMMARY

The purpose of this study is to determine the need for services and the feasibility of establishing a business-based Tourism Marketing District (TMD) to provide needed services in Tuolumne County. TMDs utilize the efficiencies of private sector operation in the market-based promotion of tourism districts. TMDs allow lodging business owners to organize their efforts to increase demand for room night sales. Lodging business owners within the TMD pay an assessment and those funds are used to provide services that increase demand for room night sales.

A TMD in Tuolumne County would provide destination marketing, sales and visitor service programs and related administration to increase demand for overnight tourism and market the payors as tourist, meeting and event destinations, thereby increasing demand for room night sales.

Civitas has worked diligently with Tuolumne County lodging business owners to determine what concerns they have regarding the long-term prosperity of the Tuolumne County tourism economy, and the services that are needed to drive overnight visitation to the area. Outreach thus far has taken place in the form of meetings, emails and phone calls to lodging business owners within the proposed TMD boundaries, and the creation of a robust Steering Committee. This study is intended to provide information to be utilized in upcoming increased outreach efforts. Additional outreach and education efforts are necessary to garner optimal support for Tuolumne County TMD formation.



TOURISM MARKETING DISTRICTS

Promotion of lodging businesses, the growing tourism economy in Tuolumne County, and the implementation of programs and marketing related to driving overnight visitation requires funding. Subsidizing promotional activities is often the burden of lodging businesses themselves, or a jurisdiction's economic development budget. These funds can be difficult to depend on, as budgets tend to fluctuate from year-to-year, and funds can be diverted for other purposes. The need to supplement such funding has become more urgent, due to recent threats to Visit Tuolumne County's funding. As a result of the increasingly pressing need to establish a stable funding stream, lodging business owners in Tuolumne County have championed the push to establish a TMD in an effort to provide a stable source of funding for lodging business activities and promotions in Tuolumne.

TMDs have fundamentally changed the financial structure of destination marketing organizations (DMOs) throughout the United States. TMDs as funding mechanisms help DMOs avoid the need to annually prove the DMO's worth to government legislative bodies by providing a new source of stable, dedicated funding. TMDs have ushered in a new era of sufficiency, stability, and predictability. Businesses within a TMD pay an assessment and those funds are used to provide services that increase demand for overnight visitation to assessed businesses. A TMD establishes a sustainable and dependable funding source for lodging business promotions, regardless of jurisdiction budget fluctuations. Creating a TMD gives assessed lodging businesses an opportunity to cohesively devise an enterprising marketing and promotions campaign to remain competitive against other destinations throughout the state. A TMD provides the unique opportunity for Tuolumne County lodging business owners to unite under a collective voice. Civitas was hired to conduct a feasibility study to explore the potential of forming a TMD in Tuolumne County, including the City of Sonora.



MANAGEMENT & OVERSIGHT

TMDs are funded through an assessment placed on lodging businesses within the district. The amount of the assessment is determined by the lodging business owners at the formation of the district, within particular legal guidelines. Funds raised through the assessment must be spent within the district for the benefit of the lodging businesses paying the assessment. Funds raised through the TMD cannot be diverted to government programs.

It is proposed that Visit Tuolumne County would serve as the TMD's Owners' Association. The Owners' Association is charged with managing funds and implementing programs in accordance with the Management District Plan, and must provide annual reports to the Tuolumne Board of Supervisors. If the TMD formation is pursued, Visit Tuolumne County may create a new committee to implement and oversee TMD programs. The committee would be responsible for determining the management of TMD funds and expenditures, and shall include representation from lodging businesses paying the TMD assessment.

Oversight for the proceedings and administration of the TMD, including ensuring all funds are used to benefit paying lodging businesses, is ensured by provisions of the Property and Business Improvement District Law of 1994, Streets and Highways Code section 36600 et seq. (94 Act). As managing entity of the TMD, Visit Tuolumne County would be required to submit an annual report to Tuolumne County to ensure that the district remains in compliance with the law. This annual report is accessible for review by the public. Furthermore, the managing entity of the TMD is required to be in compliance with the California Brown Act, ensuring all meetings are open to the public, as well as the Public Records Act. A TMD is a stable source of funding with legal assurances in place to ensure public transparency. This aspect of a TMD provides confidence to those participating that funds will always be utilized to benefit their businesses.



KEY ENGAGEMENT FINDINGS

To properly communicate the TMD formation effort, regular Steering Committee meetings have been implemented to further discuss TMD formation efforts, and early successful outreach efforts have been made to begin discussing the feasibility of the TMD with the lodging business community and the Tuolumne County Board of Supervisors. If lodging business owners choose to move forward with creating the TMD, such concerns will have the opportunity to be heard and discussed by the jurisdictions implementing the district formation process, which requires a public meeting and hearing as a component of forming the district. Overall, interest and enthusiasm from lodging business owners indicates a positive reaction should the process of forming the TMD be undertaken. However, more intensive education and outreach efforts should be made in the coming months, and increased communication with the County Board of Supervisors is needed to facilitate the formation process. The County will be responsible for facilitating essential data processes, such as the petition drive, so their cooperation is needed for a successful formation.



The following comp set represents the TMD budgets of DMOs similar to Visit Tuolumne County. As shown in the chart, the budgets of similar DMOs are supplemented by TMD funds anywhere in between \$1.3M to \$8.0M. The establishment of a TMD in Tuolumne County will undoubtedly help Tuolumne County remain competitive with destinations by increasing the marketing dollars available for Visit Tuolumne County to utilize.

Destination	TMD Budget	TMD Assessment	Other Guest Levies
Mammoth	\$6,668,250	1% - 2%	13.2%
North Lake Tahoe	\$6,000,000	1% - 2%	10.2%
South Lake Tahoe	\$2,680,000	\$3.00 - \$4.50/night	12.2%
Monterey	\$8,856,266	\$1.50 - \$7.50/night	10.2% - 12.2%
Napa	\$8,000,000	2%	12.2%
Placer County	\$3,800,000	\$6.50/night	6.2% -12.2%
Santa Cruz	\$2,900,000	\$2.10 - \$4.00/RevPar	11.2%
Tri-Valley	\$2,166,000	\$3.25/night	6.7% - 8.2%
Mariposa	\$2,391,807	1.5%	12.2%



POTENTIAL BUDGET & SERVICES

Assessment funds will be spent to provide specific benefits conferred or privileges granted directly to the payors that are not provided to those not charged. The privileges and services provided with the TMD funds are sales, marketing and visitor service programs available only to assessed lodging businesses.

Budget

The tables below represent the proposed budget percentage allocations for the first year of TMD operations, assuming an assessment rate of one percent (1%), one-and-one half percent (1.5%), and two percent (2%) of gross sales revenue of assessed lodging businesses, based on data provided by the Tuolumne County:

PROPOSED BUDGET		ASSESSMENT SCENARIOS		
Services	%	1%	1.5%	2%
County Wide Sales & Marketing	75%	\$436,743	\$655,115	\$873,486
Visitor Services & Visitor Centers	14%	\$81,525	\$122,288	\$163,051
Administration & Operations	5%	\$29,116	\$43,674	\$58,232
Contingency/Reserve	5%	\$29,116	\$43,674	\$58,232
County/City Collection Fee	1%	\$5,823	\$8,735	\$11,646
TOTAL	100%	\$582,324	\$873,486	\$1,164,648

Proposed Services

The TMD is currently proposed to include all lodging businesses located within the boundaries of the City of Sonora and the unincorporated area of Tuolumne County, as shown in the map included in this study. The following activities and services are proposed for the TMD:

County Wide Sales & Marketing

A sales and marketing program will promote assessed lodging businesses as tourist, meeting, and event destinations, with a central theme of promoting Tuolumne County as a desirable place for overnight visits. The programs will have a central theme of promoting the region as a diverse, exciting, four-season destination, and will have the goal of increasing overnight visitation and room night sales at assessed lodging businesses, especially during mid-week and non-peak seasons. These efforts will increase tourism, economic vitality, and community stability for the assessed lodging businesses within the TMD, and may include the following activities:

- Partnerships with state and local organizations to promote Tuolumne County throughout the United States and the world;
- Internet marketing efforts to increase awareness and optimize internet presence to drive overnight visitation and room sales to assessed businesses;
- Development of effective marketing efforts to promote Tuolumne County across paid, owned, and earned channels to increase awareness and generate website traffic to drive tourism at assessed businesses;
- Print ads in magazines and newspapers, social media and online digital ads, billboards, television ads, and radio ads targeted at potential visitors to drive overnight visitation and room sales to assessed businesses;
- Attendance of trade shows to promote assessed businesses;
- Sales blitzes for assessed businesses;
- Familiarization tours of assessed businesses;
- Preparation and production of collateral promotional materials such as brochures, flyers and maps featuring assessed businesses;
- Attendance of professional industry conferences and affiliation events to promote assessed businesses;
- Lead generation activities designed to attract tourists and group events to assessed businesses;
- Director of Sales and General Manager meetings to plan and coordinate tourism promotion efforts for assessed businesses;
- Development and maintenance of a website designed to promote assessed businesses.

Visitor Services & Visitor Centers

To further strengthen the visitor experience while in Tuolumne County, innovative services will include special activities and information programs. Visitor information centers operation services will ensure that visitors to the region have access to information for assessed business services. The program may provide the following services:

- Providing staffing at Visitor Centers;
- Developing materials and technologies to expand visitor information at various locations throughout the region;
- Providing comprehensive in-market visitor information including business referrals to assessed businesses;
- Tracking and analyzing information on the origin, destination, demographics, and interests of visitors to the region.

Proposed Services (continued)

Administration & Operations

The administration and operations portion of the budget shall be utilized for administrative staffing costs, office costs, advocacy, and other general administrative costs such as insurance, legal, and accounting fees.

Contingency/Reserve

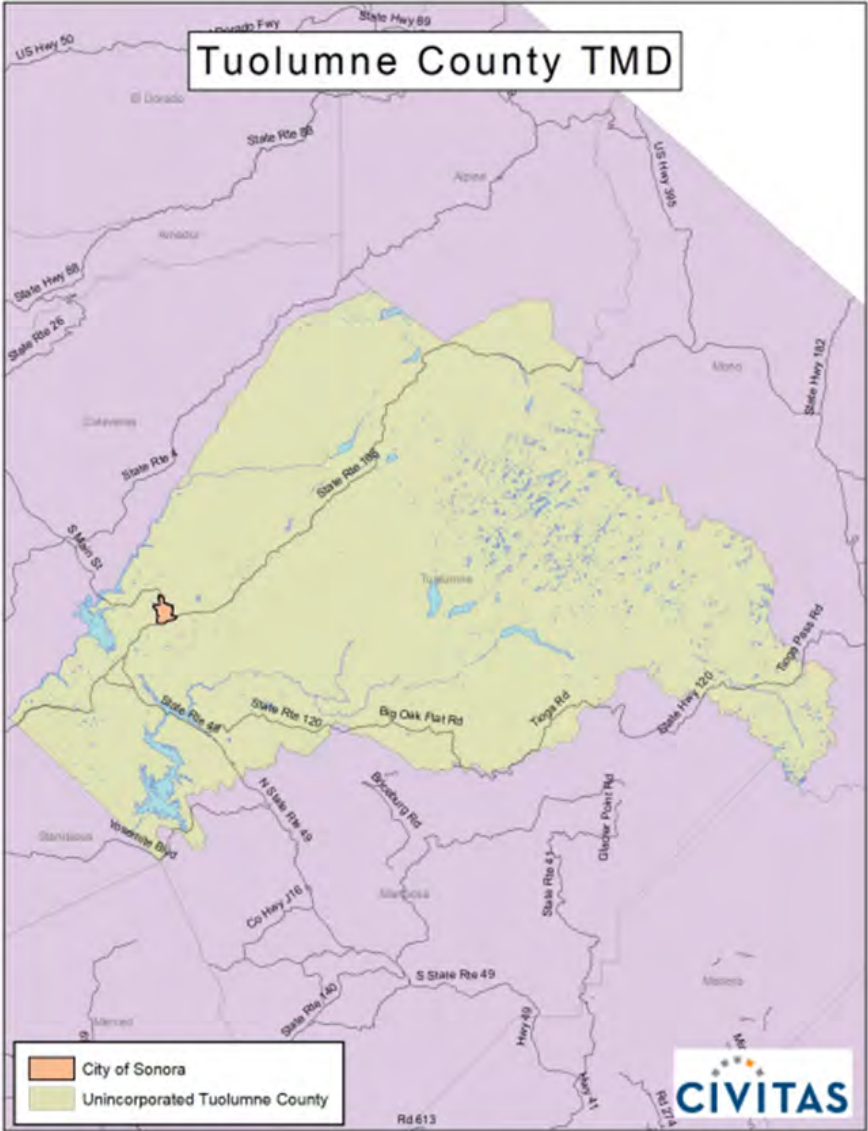
The budget includes a contingency line item to account for uncollected assessments, if any. If there are contingency funds collected, they may be held in a reserve fund or utilized for other program, administration, or renewal costs at the discretion of the Visit Tuolumne County Board. Policies relating to contributions to the reserve fund, the target amount of the reserve fund, and expenditure of monies from the reserve fund shall be set by the Visit Tuolumne County Board.

County/City Collection Fee

The County and City may retain a fee equal to one percent (1%) of the amount of assessment collected, within their respective jurisdictions, to cover their costs of collection and administration.



Civitas worked with the Steering Committee and Visit Tuolumne County to develop a proposed boundary. The TMD is currently proposed to include all lodging businesses located within the boundaries of the City of Sonora and the unincorporated area of Tuolumne County, as shown in the map below. Based on the current boundary, consent must be obtained from the City of Sonora for the County to successfully pursue the TMD formation process. The boundary may be reduced during the formation process.





ADDITIONAL CRITERIA

Assessment Rate

The annual assessment may be a percentage of gross short-term room rental revenue, or a fixed dollar per paid occupied room night.

An annual assessment increase option may also be explored and implemented. For the purposes of this study, below is a mock scenario based on similar districts, assuming an initial assessment rate of one percent (1%), and an annual increase of one half of one percent (0.5%) is implemented each year to a maximum of two percent (2%).

Year	County-Wide Sales & Marketing	Visitor Services & Visitor Center	Administration & Operations	Contingency/ Reserve	County/City Collection Fee	Total
2023	\$436,743	\$81,525	\$29,116	\$29,116	\$5,823	\$582,324
2024	\$655,115	\$122,288	\$43,674	\$43,674	\$8,735	\$873,486
2025	\$873,486	\$163,051	\$58,232	\$58,232	\$11,646	\$1,164,648
2026	\$873,486	\$163,051	\$58,232	\$58,232	\$11,646	\$1,164,648
2027	\$873,486	\$163,051	\$58,232	\$58,232	\$11,646	\$1,164,648
Total	\$3,712,316	\$692,966	\$247,488	\$247,488	\$49,498	\$4,949,754



Term

The proposed TMD could have up to a five (5) year life, with the term start date contingent on when the formation process begins. A formation process may take six (6) months to one (1) year to complete. After the initial five (5) year term, the TMD may be renewed again for up to ten (10) years if lodging business owners support continuing the programs.



CONCLUSION & NEXT STEPS

After engaging with lodging business owners in Tuolumne County, analyzing their feedback, and assessing the financial benefits of forming a TMD district in Tuolumne County, it is our opinion that forming a TMD poses an exciting opportunity to generate a stable source of revenue for Tuolumne County lodging businesses, especially in a time where the need for funding has become an urgent and immediate need for the region.

One important component of forming a TMD is conducting thorough outreach and communication with proposed to be assessed lodging businesses and officials from Tuolumne County and the City of Sonora. In order to pursue a successful formation process that reflects the needs and wishes of the lodging business community in Tuolumne County, additional outreach should be conducted in the form of lodging business owner meetings, presentations to lodging business owners, and education efforts concerning the TMD formation process. Further communication with Tuolumne County is encouraged and crucial to ensure a smooth formation process, such as conversations regarding the facilitation of essential data processes like the petition drive.

The proposed TMD will be formed pursuant to the 94 Law. The following steps must be taken in order to form a TMD in Tuolumne County:

1. CREATION OF FORMATION RESOURCES

The beginning of any successful formation process is the development of the project's infrastructure. The parameters of the project must be outlined to provide clear objectives and assignments to the appropriate parties. Additionally, a Steering Committee composed of stakeholders and lodging business owners must be formed to lead the project's education and outreach program in order to secure the requisite support for the project.

2. BUDGET CONFIRMATION

Civitas will work with the Steering Committee to ensure that the appropriate lodging businesses have been identified and compiled into a database. Civitas will provide assessment scenarios and budget projections, which will need to be confirmed by the County.

3. OWNER OUTREACH & EDUCATION

Owner outreach and education is a critical component of the formation process. Civitas will work with the Steering Committee to develop an effective outreach and education program. The program will include educating County and City staff and lodging business owners about TMDs and seeking their input on strategies for formation and TMD parameters.

4. DISTRICT PLAN DEVELOPMENT

As parameters for the TMD are being solidified during the outreach process, Civitas will draft the required documents for TMD formation. The Service Plan drafted by Civitas in collaboration with the Steering Committee will eventually become the basis for the Management District Plan (Plan). Once district parameters have been finalized, the Plan and a sample petition will be drafted. The Plan and sample petition will undergo a review process by the Steering Committee and County staff. Civitas will make final edits to the Plan and petition. Finally, the resolutions and notice needed for the hearing process will be drafted and sent to County staff for review during this step.

5. PETITION DRIVE

Before the hearing process can begin, a successful petition drive must be completed. Lodging business owners representing over fifty percent (50%) of the total assessments to be paid must submit petitions in favor of TMD formation to complete the petition drive. This step includes identifying key lodging business owners and collecting signed petitions. This process is led by the Steering Committee, whose outreach efforts prior to the petition process have primed the support needed to complete the petition drive. Data necessary for the petition drive has been retained by Tuolumne County. Thus, Tuolumne County will need to act as a monitor of the petition support threshold.

6. INITIAL HEARING

The initial hearing, referred to as the Resolution of Intention (ROI), is the first hearing held by the Tuolumne Board of Supervisors regarding TMD formation. Civitas will work with County staff to prepare for the ROI and provide the necessary documents to complete this step.

7. RESOLUTIONS REQUESTING CONSENT

Upon adoption of the Resolution of Intention, the Tuolumne Board of Supervisors must request consent from the City of Sonora to be included in the proposed TMD. Consent must be received from the City of Sonora prior to the final public hearing for the jurisdiction to be included in an established TMD.

8. NOTICE & PROTEST PERIOD

Shortly following the adoption of the ROI, a mailed notice must be sent to all lodging business owners proposed to be assessed. Civitas will draft the notice and work with County staff to mail the notice to lodging business owners. Mailing of the notice starts the mandatory forty-five (45) day window which must occur before the public hearing may be held. During the time between the mailed notice and the close of the public hearing, lodging business owners in opposition to the TMD may submit protests against formation of the TMD. If lodging business owners representing over fifty percent (50%) of the total assessments to be paid protest against formation of the TMD, the TMD shall not be formed.

9. PUBLIC MEETING & FIRST READING OF ORDINANCE

The public meeting is a requirement of the Property and Business Improvement District Law of 1994. The public meeting is held by the Tuolumne Board of Supervisors. The general public may provide comment regarding TMD formation. No action by the Board of Supervisors related to the TMD is taken at the public meeting.

The Board of Supervisors shall also conduct the first reading and introduce the Ordinance proposing formation of the TMD and levying the assessments.

10. PUBLIC HEARING & SECOND READING/ADOPTION OF ORDINANCE

The public hearing or Resolution of Formation (ROF) and the adoption of the Ordinance is the final step in the TMD formation process. The Tuolumne Board of Supervisors must hold the public hearing and allow for public comment. If there is no protest by lodging business owners representing over fifty percent (50%) of the total assessments to be paid, the Board of Supervisors may adopt the ROF levying the TMD assessments and forming the TMD. Following the adoption of the ROF, the Board of Supervisors shall conduct the second reading and final adoption of the Ordinance proposing formation of the TMD and levying the assessments. Following successful passage of the ROF and the Ordinance, the TMD is formed, and the Ordinance shall go into effect thirty (30) days after its successful passage.

APPENDIX: SAMPLE FORMATION PROCESS TIMELINE

Action	Date	Responsible Party
Business outreach and consensus building	March 2023-ongoing	Visit Tuolumne County, Steering Committee
Develop initial draft Management District Plan (MDP)	May 2023	Civitas
Submit draft MDP to Steering Committee; ongoing review	June 2023	Civitas, Steering Committee
Submit draft MDP and Petition to County; ongoing review	July 2023	Civitas, County
Final MDP and Petition approved by County	August 2023	County
Petition Drive	August-September 2023	County
Submit draft ROI, Notice, ROF, and Ordinance to County	September 2023	Civitas
Submit Petitions totaling over 50% of assessment to County	September 2023	County
Board of Supervisors ·Resolution of Intention ·Resolution Requesting Consent	October 2023	Civitas, County
Mail • Notice of Public Meeting/Hearing- <i>Should be mailed 1 day after ROI is adopted. Must be mailed 45 days before public hearing. Clerk certification of mailing is required.</i>	October 2023	County
City Council – Consent Hearing Resolution Granting Consent to Tuolumne County	Anytime before the final hearing	City of Sonora
Board of Supervisors – Public Meeting & First Reading of Ordinance ·Public Meeting – No action required- <i>Must be held at least 10 days after Notice of Public Meeting/Hearing is mailed and at least 7 days before Public Hearing is held.</i> ·Board of Supervisors will also conduct the first reading of the Ordinance to form the TMD and levy assessments	November 2023	County
Board of Supervisors – Public Hearing & Second Reading/Adoption of Ordinance ·Public Hearing & Adopt Resolution of Formation- <i>Must be held at least 45 days after Notice is mailed.</i> ·Second reading and final adoption of Ordinance to form the TMD and levy assessments	November 2023	Civitas, County
District begins collecting assessment	January 2024	Businesses



At Civitas, we specialize in igniting local economies, creating jobs and establishing stable funding for destination promotions and downtown improvements throughout the United States. With more than 20 years of experience, we provide expertise in all aspects of forming, modifying, and renewing improvement districts. With offices in Sacramento, Los Angeles, and New York, our team of professionals has guided over 150 districts through the formation, modification or renewal process. With its deep experience and expertise, Civitas has been commissioned by the U.S. Travel Association to conduct nationwide studies.

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