



# *CITY COUNCIL AGENDA REPORT*

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**MEETING DATE:** May 7, 2013

**ITEM NUMBER:** NB-1

**SUBJECT:** BUSINESS IMPROVEMENT AREA (BIA) REAUTHORIZATION AND RESOLUTION OF INTENTION, AND REVIEW OF ANNUAL REPORT

**DATE:** APRIL 29, 2013

**FROM:** CITY CEO'S OFFICE

**PRESENTATION BY:** CHRISTINE CORDON, SPECIAL EVENTS COORDINATOR  
PAULETTE LOMBARDI-FRIES, PRESIDENT, COSTA MESA CONFERENCE AND VISITOR BUREAU

**FOR FURTHER INFORMATION CONTACT:** Christine Cordon, Special Events Coordinator, (714) 754-5121

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## **RECOMMENDATION:**

Staff recommends that the Council:

1. Provide direction regarding the Business Improvement Area (BIA) annual report for Fiscal Year 2012-13 (Attachment 1).
2. Receive and file audited financial report for Fiscal Year 2011-12 (Attachment 2).
3. Approve Resolution No. 13-xx: A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, DECLARING ITS INTENTION TO LEVY AN ANNUAL ASSESSMENT FOR FISCAL YEAR 2013-2014 FOR A BUSINESS IMPROVEMENT AREA COVERING CERTAIN COSTA MESA HOTELS AND MOTELS AND SETTING THE TIME AND PLACE FOR A PUBLIC HEARING ON PROPOSAL. (Attachment 3)

## **BACKGROUND:**

The California Legislature adopted the Parking in Business Improvement Area Law of 1989 (Streets and Highways Code, §36500), which enables cities to impose an assessment fee on businesses within an area designated by the city.

On July 5, 1995, the City Council adopted Ordinance No. 95-9 to establish a Business Improvement Area (BIA) for the purpose of assisting the hotel and motel industry in its promotion of tourism within the city. The BIA imposed a one percent (1%) assessment on the sale of hotel and motel overnight guest room stays. This money was to be used for the establishment and maintenance of a local tourism and promotion council. The Costa Mesa City Council authorized the city manager to enter into an agreement with the Costa Mesa Tourism and Promotion Council to develop and administer the BIA. In 2001, the Costa Mesa Conference & Visitor Bureau (CVB) became the administrator of the BIA.

In accordance with the CVB's bylaws (Attachment 4), the CVB's Board of Directors is currently comprised of 10 general managers from the 10 participating hotels, one member of the City Council, and the City Chief Executive Officer's designee.

In January 2000, the participating hotels requested an increase in the assessment from one percent (1%) to two percent (2%), which was approved. In October 2010, the participating hotels requested an increase to the assessment from two percent (2%) to three percent (3%). The increase was approved by Council resolution and became effective on November 1, 2010. The BIA benefit zone encompasses all areas within the boundaries of Costa Mesa.

### **ANALYSIS:**

Currently the number of properties included in the BIA assessment levy is limited to the 10 hotels that have expressed an interest in participating in the program as detailed in the resolution of intention (Attachment 3). Upon adoption of the resolution of intention, property owners of the participating hotels will be notified in writing within seven days of the assessment renewal, and the resolution will also be published in the Daily Pilot at least seven days prior to the public hearing scheduled for June 4, 2013 at 7 p.m. City staff will also notify all the hotels and motels in the city not currently included in the BIA to allow them the opportunity to be included in the BIA.

Property owners will be provided an opportunity to protest the annual assessment or address any concerns regarding the BIA at the public hearing. The City Council will vote to adopt or deny the resolution levying an annual assessment for the upcoming fiscal year, and makes the ultimate decision as to the size of and the properties to be included in the BIA. Once the annual assessment is approved, the assessment is collected along with the city's Transient Occupancy Tax (TOT). The hotels and motels included in the BIA are required to itemize the BIA levy as a separate assessment. The CVB staff manages the day-to-day activities and provides all services to administer the BIA.

Per the agreement between the City of Costa Mesa and the CVB and as required by Streets and Highways Code (§36533), the CVB is required to provide an annual review describing the programs and activities implemented during the previous fiscal year as well as the status of the programs and activities implemented during the current fiscal year (Attachment 1). The City Council may make recommendations and revisions to the annual report, which will ultimately be approved at the public hearing as part of the resolution to levy an annual assessment.

Also in accordance with the agreement between the city and the CVB, the annual audit for the 2011-12 Fiscal Year has been completed by Geller, Eperthener and McConnell, LLP, an independent auditor, and paid for by assessment funds. The audit is intended to ensure that the assessment revenue is expended for public purposes as specified within the resolution and that no expenditures are made in a manner contrary to the agreement. The Council is asked to receive and file the audit (Attachment 2).

### ***Highlights of the 2012-2013 Fiscal Year***

The CVB focused on marketing the "City of the Arts" over the past fiscal year with the goal of marketing the city's location and amenities and making Costa Mesa a desirable tourism destination. Through online marketing, print and social media, the CVB focused on the city attributes that would entice overnight guests to stay in Costa Mesa. The

CVB's campaign featured three pillars or highlights throughout the year -- "Art of Fashion," "Art of the Stage," and "Art of Dining."

The CVB partnered with the city on local programs, and sponsored Costa Mesa Restaurant Week, OC Marathon and the ONE Travel Conference. Focused on need times, the CVB created "50 Reasons to Stay," a successful new hotel package that ran during the summer and holiday timeframes.

The hotels within the CVB continued to make enhancements to their properties. Ayres Hotel and Suites renovated 171 elegant guestrooms that comprise the hotel main building as well as their on-site restaurant, Le Chateau Garden Bistro. Hilton completely renovated all of their guest rooms and the Avenue of the Arts Wyndham Hotel remodeled their lobby, added a gift shop and a new bar with direct street access from Avenue of the Arts. The Westin South Coast Plaza reinvented their waterfall terrace and the Ramada Inn and Suites added an exterior dining patio for the Sunset Grille and Lounge. The Hotel Hanford became a branded hotel and is now the Crowne Plaza.

New restaurants found their homes in Costa Mesa, which include Shuck and ARC at the OC Mix, Blackmarket Bakery and Umami Burger at The CAMP, and Sidecar Doughnuts and Coffee on 17th Street. Further enhancements and renovations include The Triangle and the addition of El Corazon and Saddle Ranch Chop House, and the amphitheater at the OC Fair and Event Center.

The travel industry continues to drive growth to the state economy. According to Visit California, travel-related spending within the state was projected to reach \$107 billion in 2012. Total visits to the state of California are forecasted at 221 million. Smith Travel Research reported for calendar year 2012, occupancy growth for the state was +3.6 percent with a 5.8 percent increase in average daily rate, and revenue per available room (REVPAR) +9.6 percent compared to 2011. For 2012, REVPAR was at \$86.54 for our participating Costa Mesa hotels (nine out of 10 report to Smith Travel Research) an increase of 7.4 percent compared to 2011. Average room rate was +2.9 percent and occupancy was +4.4 percent. The weekend segment gained the most (vs. weekday) with an overall REVPAR of \$77.10, which is an increase of 9.7 percent. Occupancy was +7.4 percent and average room rate was +2.2 percent.

In August 2012, the CVB added a fourth full-time member to the team to ensure the continued success of the CVB for future years to come.

### **ALTERNATIVES CONSIDERED:**

The Council may vote to deny the resolution of intention, which will prevent a public hearing from taking place to consider the levying an annual assessment for the upcoming fiscal year.

### **FISCAL REVIEW:**

The recently completed audit shows the CVB's cash equity as of June 30, 2012 to be \$1,288,743. According to the 2012-2013 annual report, the CVB has a total of \$1,796,354 in BIA actual revenues through April and is estimating to generate an additional \$300,000 for the months of May and June for an estimated fiscal year total of \$2.1 million. Total projected revenue and expenditures for Fiscal Year 2013-2014 is \$2.1 million.

The city receives one percent (1%) of the BIA revenue/assessment as partial reimbursement for its collection and administrative costs. The one percent (1%) allocated to the city for reimbursement is estimated at \$21,000 for the 2013-2014 Fiscal Year. This fee will sufficiently cover the costs incurred by the City of Costa Mesa in assisting the CVB. Examples of CVB expenditures include an advertising campaign, media relations, brochures/promotional items, video production, administration, special promotions, and hotel niche marketing.

**LEGAL REVIEW:**

Legal counsel has prepared the resolution of intention and reviewed the documents and approved as to form.

**CONCLUSION:**

Adoption of the resolution of intent is the initial step in the reauthorization of the BIA assessment. State law mandates the specific procedure to be followed in the establishment of such an area. Staff will make a presentation to the City Council on the implementation of the BIA assessment at the public hearing on June 4, 2013, but the City Council must approve the proposed resolution of intention before the hearing can be scheduled to consider the levying of an annual assessment.

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DAN JOYCE  
Public Affairs Manager

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THOMAS R. HATCH  
Chief Executive Officer

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THOMAS DUARTE  
City Attorney

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BOBBY YOUNG  
Finance & IT Director

DISTRIBUTION: Costa Mesa Conference & Visitor Bureau

- ATTACHMENTS:
- 1 Fiscal Year 2012-13 Annual Report for the BIA
  - 2 Completed Audit of Fiscal Year 2011-12
  - 3 Proposed Resolution of Intention
  - 4 Bylaws of Costa Mesa Conference & Visitor Bureau

# Costa Mesa Conference and Visitor Bureau

## Annual Report

Fiscal Year Ending June 2013





**Dear Costa Mesa City Council Members,**

It is with pleasure the Costa Mesa Conference and Visitor Bureau (Bureau) shares the successes we have made over the last fiscal year as we focused on marketing the City of the Arts™. The goal of the Bureau is to market our city's location and amenities, making Costa Mesa a desirable tourism destination. Through online marketing, print and social media, the Bureau focused on the city attributes that would entice overnight guests to stay in Costa Mesa. The three pillars used throughout this year are the *Art of Fashion*, *Art of the Stage*, and *Art of Dining*.

The Bureau continues to partner with the city on local programs, sponsoring Costa Mesa Restaurant Week, OC Marathon and the ONE Travel Conference. Focused on need times, we created *50 Reasons to Stay*, a successful new hotel package that ran during the summer and holiday timeframes. The Bureau will continue to collaborate with the Orange County Visitors Association and John Wayne Airport in an effort to educate our feeder cities and select international destinations on the uniqueness of Orange County and our location.

Our hotels continue to make enhancements to their properties. Ayres Hotel and Suites renovated 171 elegant guestrooms that comprise the hotel main building as well as their on-site restaurant, Le Chateau Garden Bistro. Hilton completely renovated all of their guest rooms and the Avenue of the Arts Wyndham Hotel remodeled their lobby, added a gift shop and a new bar with direct street access from Avenue of the Arts. The Westin South Coast Plaza reinvented their waterfall terrace and the Ramada Inn and Suites added an exterior dining patio for the Sunset Grille & Lounge. The Hotel Hanford became a branded hotel and is now the Crowne Plaza. Exciting new restaurants found their homes in Costa Mesa, which include but are not limited to Shuck and ARC at the OC Mix, Blackmarket Bakery and Umami Burger at The CAMP, and Sidecar Doughnuts & Coffee on 17<sup>th</sup> Street. Further enhancements and renovations include The Triangle and addition of El Corazon and Saddle Ranch Chop House and the amphitheater at OC Fair and Event Center.

The travel industry continues to drive growth to the state economy. According to Visit California, travel-related spending within the state was projected to reach \$107 billion in 2012. Total visits to the state of California are forecasted at 221 million. Smith Travel Research reported for calendar year 2012, occupancy growth for the state was +3.6% with a 5.8% increase in average daily rate, and revenue per available room (REVPAR) + 9.6% compared to 2011. For 2012, REVPAR was at \$86.54 for our participating Costa Mesa hotels (9 out of 10 report to Smith Travel Research) an increase of 7.4% compared to 2011. Average room rate was +2.9% and occupancy was +4.4%. The weekend segment gained the most (vs. weekday) with an overall REVPAR of \$77.10, which is an increase of 9.7%. Occupancy was +7.4% and average room rate was +2.2%.

In August of 2012, the Bureau added a fourth full-time member to the team. The dedicated and driven staff will continue to ensure the success of the Bureau for future years to come. We will continue to create excitement as an overnight destination in Orange County and look forward to building upon the recognizable, dynamic brand – The City of the Arts™.

Paulette Lombardi-Fries  
*President, Costa Mesa Conference and Visitor Bureau*



## Mission Statement

The Costa Mesa Conference and Visitor Bureau enhances and promotes the destination brand experience, further increasing visitor spending for industry and community economic viability, sustainability and quality of life.

## Vision Statement

The Costa Mesa Conference and Visitor Bureau is the engaged destination marketing leader, supporting and selling the city's distinct visitor brand experiences and advocating community tourism benefits.



## Partnership Development

### John Wayne Airport

The Bureau has been collaborating with John Wayne Airport (JWA) in an effort to expand our marketing reach as a desirable Southern California destination. US Airways magazine highlighted Orange County's creative side showcasing Costa Mesa, JWA and other neighboring cities in the February 2013 edition.



JWA served more than 8.85 million passengers in 2012; the airport saw an increase of 2.9% compared to 2011. Exciting new international nonstop destinations were added last year contributing to the growth. AirTran Airways, and Interjet launched nonstop service from JWA to Mexico City, Guadalajara and Cabo San Lucas. Southwest Airlines added nonstop service to Houston's Hobby Airport. JWA also launched a nonstop convenience marketing campaign promoting new services via print and online ads.

### John Wayne Airport Monthly Airport Statistics December 2012

	December 2012	December 2011	% Change	Year-to-Date 2012	Year-to-Date 2011	% Change
Total passengers	735,626	697,512	5.5%	8,857,944	8,609,008	2.9%
Enplaned	365,639	344,588	6.1%	4,417,599	4,287,955	3.0%
Deplaned	369,987	352,924	4.8%	4,440,345	4,321,053	2.8%
Air Cargo Tons <sup>1</sup>	1,630	1,393	17.0%	17,870	15,569	14.8%
Total Aircraft Operations	19,139	18,593	2.9%	255,688	252,943	1.1%
General Aviation	12,135	11,791	2.9%	171,873	169,870	1.2%
Commercial Aircraft	6,781	6,548	3.6%	80,691	79,658	1.3%
Commuter <sup>2</sup>	188	221	-14.9%	2,631	3,188	-17.5%
Military Operations	35	33	6.1%	493	227	117.2%
1. All-Cargo Carriers: 1,293 tons Passenger Carriers (incidental belly cargo): 337 tons (Current cargo tonnage figures in this report are for November 2012) 2. Aircraft used for regular schedules air service, configured with not more than seventy (70) seats, and operating at weights not more than ninety thousand (90,000) pounds.						

## Orange County Visitors Association



Orange County Visitors Association (OCVA) is a destination leadership organization that represents Orange County as one of the world's premier travel destinations by providing brand marketing, information dissemination, collective industry advocacy and educational opportunities. The OCVA, which was established 20 years ago, is the voice for the visitor's industry and is the only organization that promotes the entire county. The Bureau sits on the OCVA Board of Directors and co-chairs the marketing committee. Over the past year, OCVA accomplished the redesign of [www.visittheoc.com](http://www.visittheoc.com), developed a China marketing initiative, developed an annual conference bringing together industry leaders and government officials and is working with California State University, Fullerton to expand the Center for Entertainment and Tourism Communications.

California is the gateway to the US for Chinese visitors. The China market is California's 4th largest overseas market with approximately 517,000 visitors to California in 2011, which is an increase of almost 30 percent from the prior year. This is the fastest growing market for CA, with double-digit, year-over-year increases in visitors every year since 2007. The Bureau is proud to be included in the OCVA's China marketing initiative, which showcases Costa Mesa as one of the must-see destinations when coming to Orange County. Costa Mesa is highlighted in print brochures, OCVA's translated Chinese website, a video and the action plans of our dedicated sales manager based in Shanghai, Cherrie Yang. Cherrie works specifically for OCVA and represents cities that have provided financial investments to this new endeavor.

## Visit California



The California Travel and Tourism Commission, doing business as Visit California, is a private nonprofit corporation formed in 1988 to market California as a desirable tourism destination. Visit California works in close coordination with California's Division of Tourism — while Visit California conducts marketing programs that drive visitation, the Division of Tourism oversees the assessment program that helps to fund these initiatives. Visit California serves as the industry leader for more than 100 statewide destination marketing organizations and more than 60 tourism business districts. In partnership with the state's travel and tourism industry, Visit California aims to keep California top of mind as a premier global travel destination.

The Bureau will continue to assess all marketing and international opportunities presented by Visit California relevant to the Bureau's goals and mission. The Bureau participated in the Vancouver Summit Event with Visit California. We met with 30+ media members, building relationships and PR opportunities to feature our city as a great Orange County getaway. Vancouver is a newly targeted market for the Bureau as 1.5 million people per year visit California and John Wayne Airport offers nonstop service to this destination.

## California Tourism Summary

California Tourism Summary (Annual % change)					
	2011	2012	2013	2014	2015
<b>Total Visits</b>	3.3%	2.5%	2.2%	2.5%	2.7%
Domestic Leisure Visits	3.1%	2.2%	2.0%	2.3%	2.6%
International Leisure Visits % change	9.1%	5.5%	4.5%	4.4%	4.3%
Overseas	10.5%	5.0%	5.1%	5.0%	5.6%
Mexico	8.5%	6.6%	4.1%	3.9%	3.4%
Canada	6.4%	2.6%	4.0%	4.2%	3.8%

Source: Tourism Economics. Historical sources: TNS Global (domestic); CIC Research, OTTI (international)

## Domestic Leisure Trips

### Annual Domestic Leisure Trips to California

(Annual % change)

	2011	2012	2013	2014	2015
<b>Total</b>	3.1%	2.2%	2.0%	2.3%	2.6%
<b>California</b>	3.0%	2.0%	1.8%	2.1%	2.4%
<b>Primary Markets</b>	5.2%	2.9%	3.2%	3.6%	3.7%
Arizona	5.2%	3.5%	3.2%	3.3%	3.5%
Nevada	6.3%	1.3%	3.0%	4.6%	4.4%
Oregon	2.6%	3.9%	2.4%	2.7%	3.4%
Washington	6.5%	3.3%	3.6%	3.2%	3.0%
Utah	4.9%	2.8%	4.1%	4.0%	3.9%
Colorado	5.1%	3.1%	3.4%	3.7%	4.0%
<b>Opportunity Markets</b>	3.5%	3.3%	3.3%	3.5%	4.1%
Texas	4.4%	3.9%	4.4%	4.7%	5.0%
New York	1.2%	2.1%	1.8%	1.9%	3.1%
Illinois	5.1%	3.8%	3.2%	3.4%	3.5%
<b>Rest of U.S.</b>	1.3%	2.7%	2.1%	2.2%	2.5%

Source: Tourism Economics. Historical sources: TNS Global

**Note on volatility of historical data and treatment in forecast:** Due to smaller sample sizes and relatively smaller visitor volumes in absolute terms, the historical data of origin markets tends to be more volatile than total visitor volumes.

## International Leisure Trips

### Annual International Leisure Trips to California

(Annual % change)

	2011	2012	2013	2014	2015
<b>Total</b>	9.1%	5.5%	4.5%	4.4%	4.3%
China	29.8%	36.9%	20.4%	12.4%	14.9%
Canada	6.4%	2.6%	4.0%	4.2%	3.8%
Mexico	8.5%	6.6%	4.1%	3.9%	3.4%

Source: Tourism Economics. Historical sources: CIC Research, OTTI

**Note on volatility of historical data and treatment in forecast:** Due to smaller sample sizes and relatively smaller visitor volumes in absolute terms, the historical data of origin markets tends to be more volatile than total visitor volumes.

## Year End Forecasts Costa Mesa & Orange County

<b>2012 &amp; 2013</b> <b>Actuals and Calendar Year End Forecasts</b> Orange County information provided by PKF Consulting		
2012 Actuals	Occupancy	ADR
Orange County	75% + 3.2% YOY	\$150.20 + 5.4% YOY
*Costa Mesa	72.3% + 4.4% YOY	\$119.75 + 2.9% YOY
2013 Forecast	Occupancy	ADR
Orange County	74.5% + 1% YOY	\$135.18 + 4.2% YOY
* Costa Mesa	73.3% + 1% YOY	\$120.94 + 1% YOY
* Costa Mesa YTD thru March 2013	73.7%	\$118.98

\*Costa Mesa hotels include the 9 hotels that provide results to Smith Travel Research, Inc.

# **BIA Advisory Board & Bureau Staff**

## **Executive Committee**

**Mike Hall**, Chairman of the Board, General Manager, The Westin South Coast Plaza

**Susan O'Brien Moore**, Vice President, General Manager, Ayres Hotel & Suites

**Sue Cooke**, Treasurer, General Manager, Residence Inn by Marriott Costa Mesa

**Charles Haber**, Secretary, General Manager, Crowne Plaza

## **Directors**

**Kandee Anderson**, General Manager, Costa Mesa Marriott

**Rob Gauthier**, General Manager, Hilton Orange County/Costa Mesa

**Naj Ekhlas**, General Manager, Best Western Plus, Newport Mesa Inn

**Chris Ramirez**, General Manager, Ramada Inn and Suites

**Dan Joyce**, Public Affairs Manager, City of Costa Mesa

**Gary Monahan**, Council Member, City of Costa Mesa

**Stephanie Escamilla**, General Manager, Holiday Inn Express

**Paul Sanford**, General Manager, Avenue of the Arts Hotel Wyndham

## **Advisors**

**Terry Dwyer**, President, Segerstrom Center for the Arts

**Werner Escher**, Executive Director of Domestic and International Markets, South Coast Plaza

**Peter Papagelis**, General Manager, Mastro's Steakhouse

## **Bureau Staff**

**Paulette Lombardi-Fries**, President

**Lisa Janulewicz**, Operations Manager

**Kim Glen**, Marketing Manager

**Nathan Wheadon**, Marketing Coordinator

## BIA Participating Bureau Hotels

Hotel Name	Property Address	Business Owner	Property Owner
Ayres Hotel & Suites	325 & 345 Bristol Street, Costa Mesa	Newport Country Inn & Suites, Inc. 355 Bristol Street, Suite A Costa Mesa, CA 92626	Newport Country Inn & Suites, Inc. 355 Bristol Street, Suite A Costa Mesa, CA 92626
Best Western Plus Newport Mesa Inn	2642 Newport Blvd., Costa Mesa	James Hsuen & Shang-Pu Lee 2642 Newport Blvd. Costa Mesa, CA 92627	James Hsuen & Shang-Pu Lee 2642 Newport Blvd. Costa Mesa, CA 92627
Hilton Costa Mesa	3050 Bristol Street, Costa Mesa	Ashford TRS CM LLC 14185 Dallas Parkway Suite 1100 Dallas, Texas 75254	Remington Lodging & Hospitality LP 14185 Dallas Parkway Suite 1100 Dallas, Texas 75254
Crowne Plaza	3131 Bristol Street, Costa Mesa	Brighton Management 1901 Main Street, Suite #150 Irvine, CA 92614	3131 Bristol Property UC, LLC 2711 Centerville Rd. Ste 400 Wilmington, DE 19808
Holiday Inn Express Hotel & Suites	2070 Newport Blvd., Costa Mesa	Narendra B. Patel 2070 Newport Blvd. Costa Mesa, CA 92667	Narendra B. Patel 2070 Newport Blvd. Costa Mesa, CA 92667
Costa Mesa Marriott	500 Anton Blvd., Costa Mesa	Marriott International 10400 Fernwood Rd. Bethesda, MD 20817	Host Hotels & Resorts 6903 Rockledge Dr. Suite 1500 Bethesda, MD 20817
Ramada Inn & Suites Costa Mesa	1680 Superior Ave., Costa Mesa	B.D. Inns Inc./Ramada Ltd. 1680 Superior Ave. Costa Mesa, CA 92627	B.D. Inns Inc./Ramada Ltd. 1680 Superior Ave. Costa Mesa, CA 92627
Residence Inn by Marriott	881 Baker Street, Costa Mesa	Marriott International 10400 Fernwood Rd. Bethesda, MD 20817	ING Clarion Partners 2650 Cedar Springs Road Suite 850 Dallas, TX 75201-1491
The Westin South Coast Plaza	686 Anton Blvd., Costa Mesa	Host Hotels & Resorts 6903 Rockledge Dr. Suite 1500 Bethesda, MD 20817	CJ Segerstrom & Sons c/o South Coast Plaza 686 Anton Blvd. Costa Mesa, CA 92626
Avenue of the Arts Wyndham Hotel	3350 Avenue of the Arts, Costa Mesa	Rosanna Inc. 3350 Avenue of the Arts, Costa Mesa	Rosanna Inc. 3350 Avenue of the Arts, Costa Mesa

## Financial Summary July 2012 to June 2013

<i>Revenues</i>	<i>Actual 2012/2013</i>	<i>Projected 2013/2014</i>
July	\$162,971.69	\$166,230.00
August	\$192,960.25	\$196,819.00
September	\$228,769.69	\$233,344.00
October	\$198,755.92	\$202,730.00
November	\$162,677.41	\$165,930.00
December	\$216,110.66	\$220,432.00
January	\$149,640.24	\$152,632.00
February	\$141,194.01	\$144,017.00
March	\$153,976.30	\$157,055.00
April	\$189,298.06	\$166,980.00
May	*not received	\$165,994.00
June	*not received	\$160,779.00
<b>TOTAL:</b>	\$1,796,354.23	\$2,132,942.00

## Expense Projections Fiscal Year 2013/2014 (pending board approval)

<i>Total Marketing Expense</i>	\$1,411,243.00
Online Marketing/Display Ads/Eblasts Familiarization Tours/Promotions/Print Advertising Sponsorships/Community/Video Production Tradeshows/Brochures/Hotel Marketing Fund	
<i>Total Employee Expenses</i>	\$385,104.70
Salaries/Payroll Taxes/Workers Comp Employee Benefits/ (cost of service FSA, health insurance for (1) associate only, 401K 3% bureau contribution) Payroll Services/Incentives	
<i>Total Administrative Expenses</i>	\$141,589.28
City Collection/Accounting Audit/Mileage/Bank Charges/Dues & Subscriptions/Insurance/ Office Supplies/Rent/Parking/Postage/Telephone/Travel/Meetings & Conferences	
<i>Total Legal Expenses</i>	\$195,000.00
<b>TOTAL EXPENSES:</b>	<b>\$2,132,936.98</b>

**Contingency Fund:** \$500,000.00

This fund is set aside for natural disasters or unforeseen emergencies. This reserve would enable the Bureau to operate while the Board of Directors reassesses the budget and create contingency plans.

# Costa Mesa Conference and Visitor Bureau

## Marketing Report

Fiscal Year Ending June 2013



# 50 Reasons to Stay Promotional Package

In summer of 2012 the Bureau created a promotional offer to drive incremental hotel room nights to their hotels during need times. The Board was particularly interested in increasing occupancy by bringing in leisure travelers during the weekend.

The Bureau worked with Myriad Marketing to develop the “50 Reasons to Stay” package, where guests would book a hotel night stay and receive a \$50 Visa gift card and a Costa Mesa VIP card (containing discounts from local businesses) upon check in.

The Bureau built a marketing campaign around the promotion, including advertising on Expedia and TripAdvisor targeting people interested in Orange County, and specific feeder markets such as Los Angeles, San Diego, Phoenix and San Francisco. The promotion ran from July through September of 2012 and was very successful, driving over 1,400 room nights to partner hotels. The Bureau intends to run this program again in the summer of 2013.

# TravelCostaMesa.com – New Developments

The Bureau has continued to build on the TravelCostaMesa.com website over the past year, with the site now containing just over 8,200 pages. Pages are added to the website daily, the goal being a representation of the top restaurants, shops and attractions of Costa Mesa.

TravelCostaMesa.com's mobile site was launched in August of 2012. Optimization of the site for mobile was an important step for the website as it has a higher than average ratio of mobile and tablet users (industry average 22%, TCM.com 28-30% mobile and tablet users). Development of the mobile site allowed for optimization for a variety of device sizes and browsers used. Also, paid search campaigns were able to launch in August 2012 specifically to target mobile users.

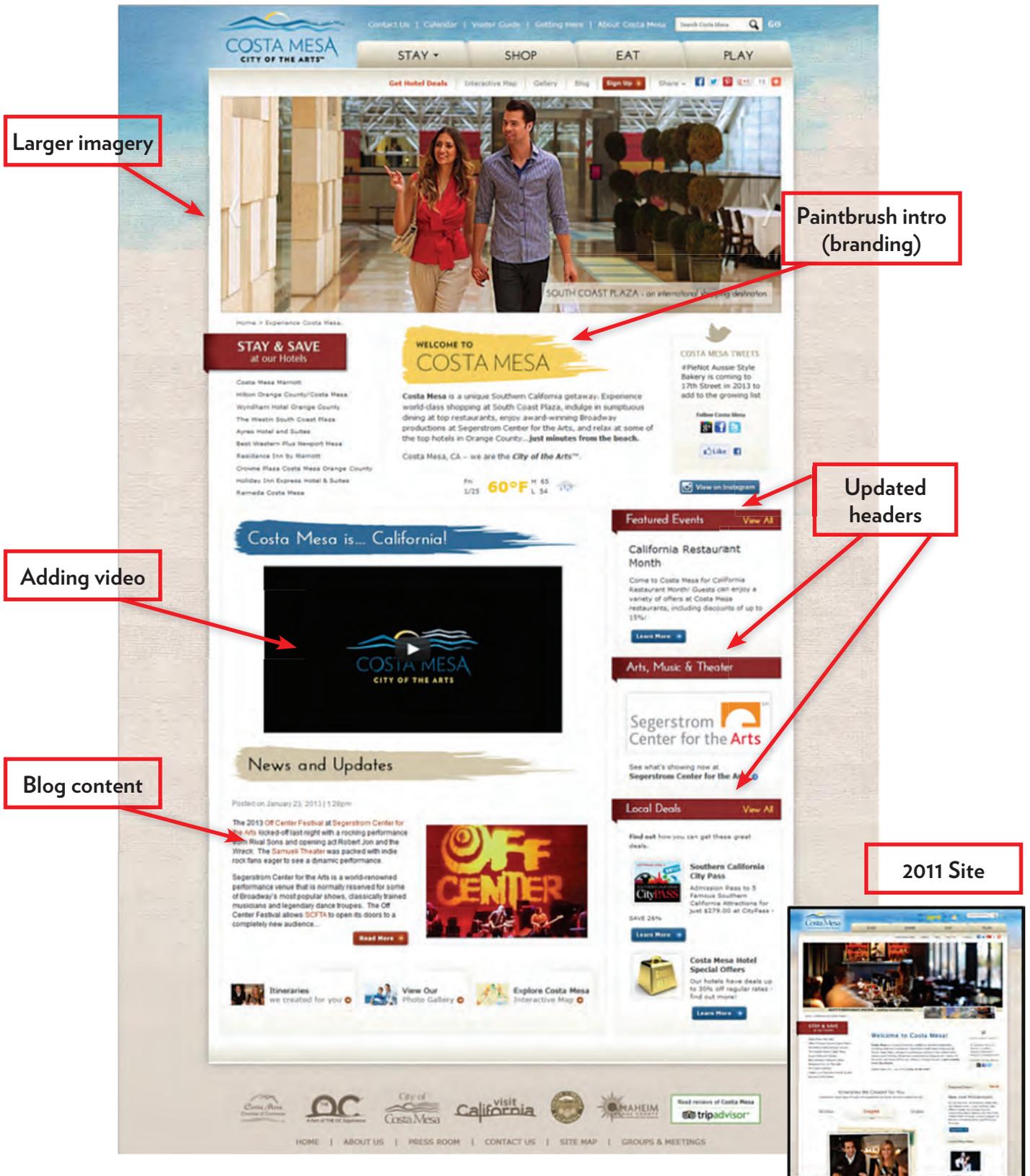
The Bureau is in the process of translating the site into simple Chinese to become a planning resource for the increasing number of Chinese tourists to Southern California. Once this project is completed in FY 2013-2014, the Bureau will begin to develop a Spanish-language version of the site as well.

There were a variety of new pages and web campaigns developed in FY 2012-2013. Here are some samples:

## New Pages Developed



The most significant update of TravelCostaMesa.com this year (April 2013) was updating the look and enhancing usability of the website from its initial design of February 2011.



Larger imagery

Paintbrush intro (branding)

Updated headers

Adding video

Blog content

2011 Site

## Social Media

The Bureau's social media initiatives continued to expand in FY 2012-2013, with the addition of accounts on Flickr and Tumblr. As images become more widely searched and appear in search results, it becomes more critical that Costa Mesa images are widely circulated and linked to on the Internet. The Bureau saw large increases in its social media following, including:

	Jul-12	Apr-13	% Increase
<b>FB</b>	1850	2875	<b>36%</b>
<b>Twitter</b>	4785	6605	<b>28%</b>
<b>G+</b>	675	1063	<b>37%</b>
<b>4Square</b>	180	344	<b>48%</b>
<b>Pinterest</b>	55	213	<b>74%</b>
<b>Instagram</b>	154	277	<b>44%</b>

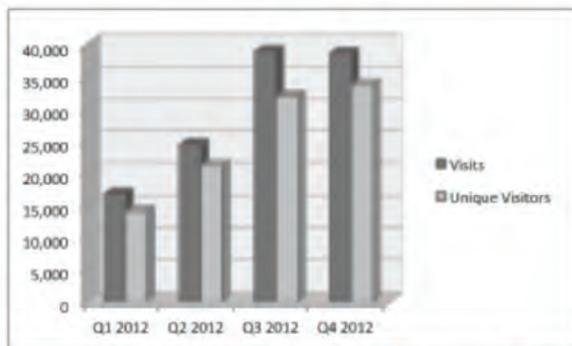
**YouTube** over 13,000 views (+3,000 views in FY 2012-2013)

Facebook was our #1 external referring site in FY 2012-2013.



# TravelCostaMesa.com Website Traffic Report

## Traffic Trends



- Overall traffic and unique visitors continued its growth
- 34.7% increase on average quarter over quarter
- Search is the largest traffic source: 62.67% of total traffic
- Anchor Text Keyword Expansions: 15,000+ organic keywords used by visitors to reach site



Top 5 Sources	Q1 2012	Q2 2012	Q3 2012	Q4 2012
Google (organic)	8,231	12,376	16,639	13,491
Direct	1,682	2,775	6,211	7,052
Google (CPC)	2,125	3,713	6,767	5,005
Bing	363	449	724	576
Yahoo	386	479	953	903

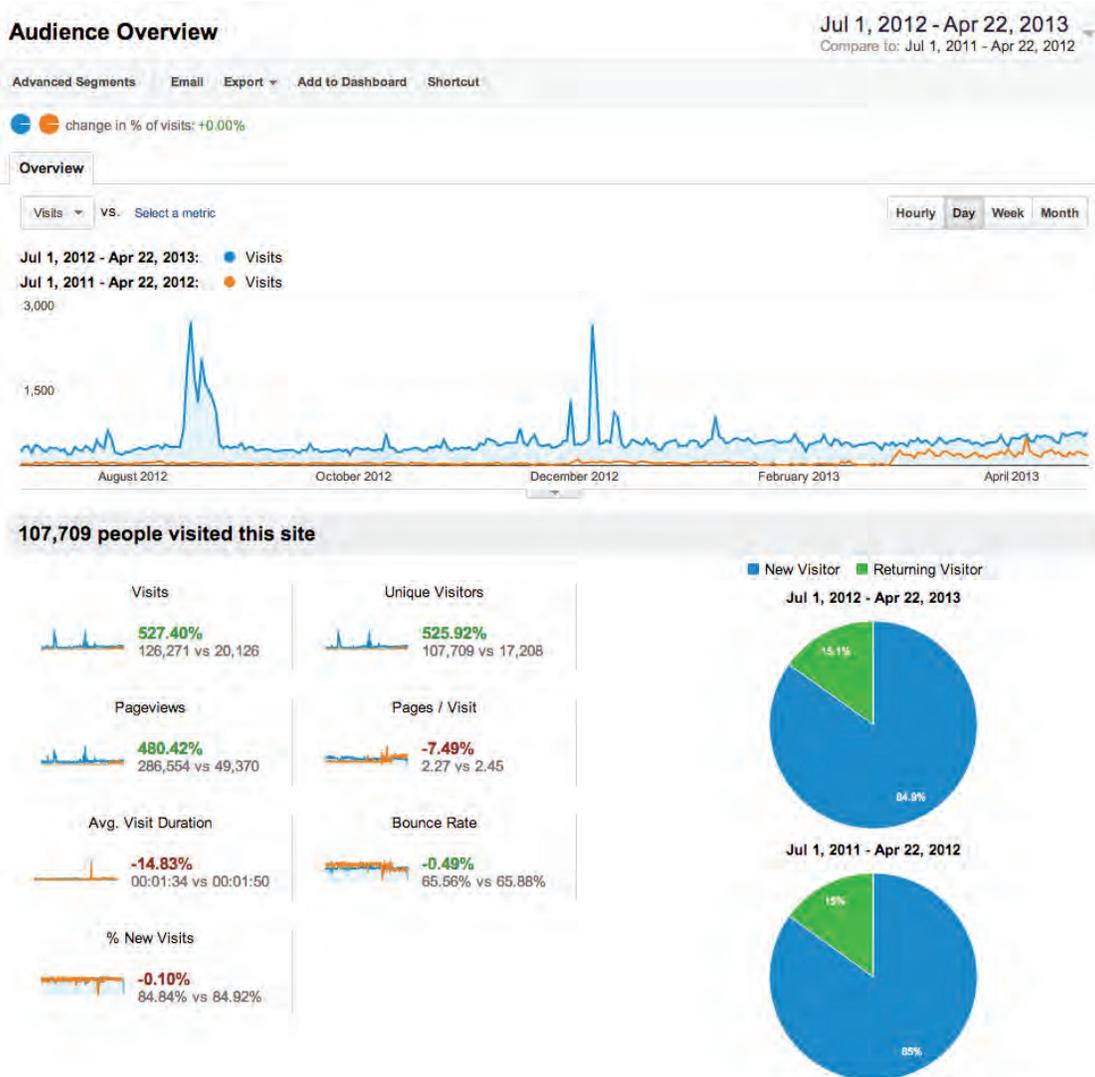
Source: Google Analytics

Google Organic was the largest single source with 50,737 visits.



# TravelCostaMesa.com Website Traffic Report – YOY Numbers

TravelCostaMesa.com has made significant increases in traffic over the previous year due to a large increase in online ad spending for our branding campaign and a great deal of back-end search engine optimization work. By researching top keywords and creating well-written and relevant online content on these keywords, the website has had very large increases in natural search traffic over the past year as well. The new website and development of large-scale ad campaigns produced traffic increases that are uncommon in most YOY comparisons – we expect next year’s number comparison to be less substantial but still increasing in the 10-15% range year over year.



# Audience Demographics from TravelCostaMesa.com\*

## Audience Demographics: Top Devices



## Audience Demographics: Top 5 States



\*These statistics are from the first 3 months of 2013.

# PR/Media Highlights from FY 2012

The Bureau continues to work hard to seek new PR opportunities to spread the word about Costa Mesa. Following are some editorial pieces and exposure via PR initiatives.

**Go-California** facebook twitter Google+

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## Costa Mesa, California

Travel Information, Tourist Attractions, Activities,...

Costa Mesa is nestled strategically in the heart of Orange County, minutes away from miles of sparkling beaches, John Wayne Airport, all of So Cal's major freeways and numerous other cities: Newport Beach, Irvine, Santa Ana, Anaheim and Huntington Beach, among others and just 35 miles from Los Angeles.

Costa Mesa is within close proximity to champion Honda Center, Discovery Science Center, UD and

Costa Mesa is home to internationally-acclaimed shopping experience as they depart on a virtual v

Known as "the city of the arts," Costa Mesa is ho performing and visual arts centers in the nation. Segerstrom Center for the Arts and South Coast I visual art pieces.

Costa Mesa is home to sidewalk cafes, bistros or alone in and around the arts district, all offering featuring cuisine from around the globe.

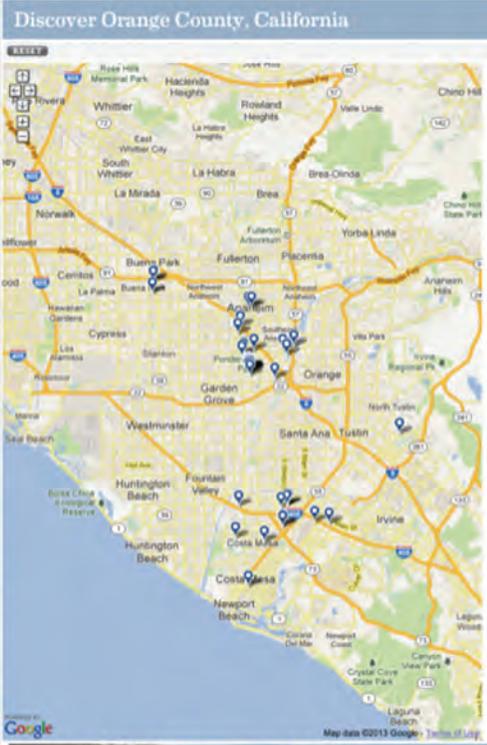
Come to Costa Mesa for a unique, upscale destin events and activities appealing to cultural tourists

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### Discover Orange County, California



#### Points of Interest

- 17th Street Promenade
- Anaheim Convention Center
- Anaheim Gardens/Hotels
- Anaheim Orange County Visitor & Convention Bureau
- Angels Stadium
- The CAMP
- The Catch Restaurant
- Costa Mesa Country Club
- Crowne Plaza Anaheim
- Destination Irvine
- The Disneyland Resort
- Downtown Anaheim
- Embassy Suites Anaheim - South
- Hempden Inn Garden Grove
- Hilton Garden Inn Anaheim/Garden Grove
- Homewood Suites Garden Grove
- Honda Center
- Hyatt Regency Orange County
- John Wayne Airport, Orange County
- KnoX's Boney Fambro Theme Park
- The LAB Art-Mall
- Marriott Suites Anaheim
- MasterCard Times Dinner & Tournament
- Museum
- OC Fair and Event Center
- OC Mart/MX
- The Outlets of Orange
- Piazza's Diner Adventure
- Residence Inn Garden Grove
- Segerstrom Center for the Arts
- Sheraton Anaheim
- Sheraton Garden Grove - Anaheim South
- Hotel
- South Coast Plaza
- South Coast Repertory
- Tustin Ranch Golf Club



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Spotlight Destination



Costa Mesa offers a palette of award-winning performances at Segerstrom Center for the Arts, world-class fashion at South Coast Plaza, exquisite dining and endless relaxation at an exceptional selection of hotels. The City of the Arts™ sets the stage for the ultimate Southern California retreat—centrally located just minutes from beaches and Orange County's John Wayne Airport.

Description provided by: Costa Mesa Conference & Visitor Bureau

[Read more about Costa Mesa >](#)

Quick links

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## Best Shopping Centers and Malls in Orange County

August 26, 2012 9:00 AM

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(credit: Robert Liberman)

If you're going to spend your time and money at stores that you can find Anywhere USA, you might as well do it in Orange County's swank surroundings. Although there are many malls out there, few have the magical touch that you need for revitalization. Orange County is one of the few regions in California with an array of shopping centers that have the magic touch; here are five of the best.

**South Coast Plaza**  
3333 Bristol St  
Costa Mesa, CA 92626  
(800) 782-8888  
[More info](#)

With a facelift and new, up and coming stores, South Coast Plaza is the premiere shopping center in Orange County. The Plaza has the greatest selection of high end shops including Saks Fifth Avenue and Bloomingdale's. South Coast also has department store anchors like Sears and Macy's that the average shopper will enjoy. Women will love the various selection of spas and salons that promise to make a shopping day complete. The mall even has shuttles to and from Disneyland and the surrounding area hotels, valet parking, and electric vehicle charging stations for shoppers' convenience. South Coast Plaza has the best retail stores and restaurants, making it a one-stop destination for international visitors.

(credit: SouthCoastPlaza.com)

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TripAdvisor home page spotlight

### Shop 'til you drop: Biggest malls in the country

Friday, April 19 2013 • By Landon Myers



The Aventura Mall is located in Greater Miami, and may be a good spot to check out.

might as well start with the biggest one. The Mall of America is located in Bloomington, not far outside of Minneapolis. The mall has been open for more than 20 years, and it contains approximately 500 stores, according to USA Today. While you can shop like crazy, this mall is the home of some other interesting aspects that may be attractive. The Mall of America has a seven-acre amusement park, as it is the home of the Nickelodeon Universe.

#### Via Bellagio, Las Vegas

Heading West will give you a number of different options that could help you feed your need for shopping. If you plan on moving to Las Vegas, you may be a fan of the Via Bellagio. This shopping area is quite popular with visitors, and has many high-end shops that may be exactly what you are looking for. According to The Travel Channel, the center includes Fendi, Prada and Yves Saint Laurent among others.

#### Aventura Mall, Aventura, Florida

If South Florida is your destination, then there may be a good place to get to shopping right outside of Miami. The Aventura Mall, located in nearby Aventura, may be able to give you a shopping experience that the city can't provide. This includes more than 300 shops and major stores, according to USA Today. It opened in 1983, and is one of the highest earning malls in the entire country. It also is a building that may be attractive to those who want to experience the local culture, as it is the home of many different art pieces from local artists.

#### South Coast Plaza, Costa Mesa, California

The West Coast also has its share of popular malls, and you may feel right at home when checking out the local option in Costa Mesa, California. This city houses the South Coast Plaza, which is the highest earning mall in the country, according to The Travel Channel. The mall has approximately 280 shops, as well as a sizable number of restaurants. This Orange County staple has many big stores, including a very large Macy's, and a Balenoaga. The mall also is the home of concierge areas where you can leave items to grab more. There's no need to keep running back to your car, this way.

#### Millicreek Mall, Erie, Pennsylvania

Another popular mall that may be just what you are looking for is located in Erie, Pennsylvania. The Millicreek Mall is one of the largest in the country when it comes to square footage, according to USA Today. This allows it to have approximately 200 stores, as well as many restaurants and food stands. The mall is also popular due to the fact that the Keystone State does not have a sales tax for clothing, so you may be able to get what you want at a more affordable price than elsewhere.

#### Related News

##### Relocation News

- Premier sports cities in the Pacific Northwest
- Top spots to enjoy the summer without melting
- Fun in the sun: Best Gulf Coast beaches
- Best boating spots in the Land of 10,000 Lakes

If you are a fan of shopping, then it is likely you are prioritizing spots that have some of the best options in the country. Malls are almost everywhere, but there are some that may be top destinations for you to shop your heart out. Plenty of options are available, and they are spread all over the country. If you find a place that may fit what you are looking to do, it could be a good plan to get packing and contact your moving company.

### Labor Services for any budget

If you're on a tight moving budget, but still need moving help, just add packing, loading, or unloading services to either end of your U-Pack move and you'll still save money.

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#### Moving Tip #15

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- Best and Affordable Door-to-Door Moving
- The Factors That Affect Moving Costs
- What is the Average Cost of a Move?
- Home Move: From Start to Finish
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- How Green Cities Celebrate Earth Day
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- 2013
- January
- February


**DISCOVER THE RELAXED CALIFORNIA LIFESTYLE IN ORANGE COUNTY**  
 Travel Guide Home » Travel Interests » Slideshows » Discover the Relaxed California Lifestyle in Orange County



**Orange County: Fun Mountains to Shore**

Nestled between San Diego and Los Angeles, Orange County is affectionately known as "OC," as Orange County is affectionately known as a world-class visitor destination. It is notably the home base for a group of housewives on Bravo TV's "Housewives of Orange County." The Segerstrom Center for the Arts in Costa Mesa is a top performing arts center featuring major Broadway shows, and concerts by internationally-renowned artists. Photo by Costa Mesa Conference & Convention Center.

Room to unwind.

Costa Mesa, Orange County, evening skyline

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By Joanne DiBona; published Tuesday, August 7th, 2012  
 10BEST Travel Photography Expert  
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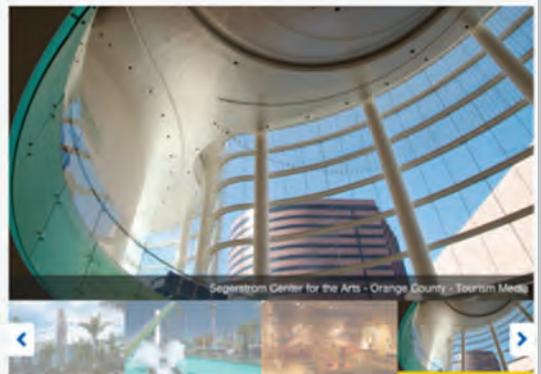
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**Orange County Vacations**

Come for the magic of the Disneyland® Resort, stay for the beaches. Orange County has the Magic Kingdom and the best surfing on the West Coast.

The excellent waves and golden sands of Orange County's beaches make it hallowed ground for surfing, but it's no sleepy beach community. The "O.C." as it's affectionately called, is home to some of the most affluent suburbs in Southern California. Theme parks like the Disneyland® Park and Disney's California Adventure® Park and Knott's Berry Farms bring family fun, and there's plenty of sophisticated activities to be found in Orange County as well. Enjoy ballet or an orchestra at the Segerstrom

[Read more](#)



**What To Do**

Top 10 things to do in Orange County



**Newport Beach**  
 This chic, oceanfront community is famous for its beautiful surf, views and homes.



**Disneyland Park**  
 The world's most iconic theme park has entertained crowds since 1955.



**Discovery Science Center**  
 Look for the big black cube to find a place where science engages both mind and body.



**Bowers Museum**  
 This small museum in Santa Ana pulls big exhibitions from around the world.

## COSTA MESA: DOWN TO AN ART

NICHOLE DECEMBER 13, 2012 0

Orange County is known for its expansive beaches, top-notch hospitality and a buzzing arts and entertainment sector. Within the O.C., just a short drive from the Orange County Airport sits Costa Mesa, a cosmopolitan city overflowing with character and hidden gems to suit a variety of interests.

Offering the quintessential SoCal vibe and a bevy of attractions within the city's limit, Costa Mesa is also centrally located to the region's charms like Disneyland, Knott's Berry Farm and the Discovery Science Center.



Affectionately nicknamed the City of the Arts, Costa Mesa [lives](#) up to its reputation from multiple angles. Most prominently so, are the city's nationally and internationally recognized performing arts platforms. Hitting all the marks, from music and dance to [Broadway productions](#), Costa Mesa's Segerstrom Center for the Arts is comprised of several performance venues and the [Tony](#) Award-winning South Coast Repertory.



If one's passion involves the art of shopping, the South Coast Plaza is the ideal muse. Featuring more than 250 retailers, the upscale selection at this luxury-shopping haven is among the most [diverse](#) in the region. The Plaza's collection of sensational designers like Christian Dior, [Gucci](#), Fendi, Prada and Balenciaga among many others, consistently draw fashion-forward folks with an eye for design.



Satiating a fashion fix can be exhausting, but this city is home to a host of standout eateries to refuel and recharge your batteries. From fine dining [restaurants](#) to warm, casual bistros, Costa Mesa is a food connoisseur's dream. Visitors can treat themselves to a dining experience by top restaurateur Charlie Palmer (Charlie Palmer's fine dining outlet is located within Bloomingdales at South Coast Plaza) or explore deeper into the city for a bite from one of Costa Mesa's local culinary artists.

www.arizonafoothillsmagazine.com/resorts/coast/costa-mesa-down-to-an-art

SUMMER FEA Advertising Supplement to The Press-Enterprise • May 25, 2012

### ment FEATURED BUSINESSES

**Costa Mesa has something fun for everyone!**

Enjoy Summer in Costa Mesa—Just minutes from the beach, with amazing shopping at South Coast Plaza or Broadway shows at Segerstrom Center for the Arts, Costa Mesa has so much to offer in Southern California this summer. June brings the annual Barrett-Jackson Collector Car Auction to Costa Mesa, at the OC Fair & Event Center. Besides auctioning off some of the coolest collector and exotic cars on the market, the event will also feature events and activities for the whole family including live demonstrations, ride & drive opportunities and nearly a hundred exhibitors.

People come from miles around to enjoy one of the top-rated hikes in the U.S., the OC Fair! The 23-day July event features carnival rides, unique food vendors, farm exhibits, arts/crafts competitions and more—oh, Pacific Amphitheater's concert series includes legendary acts such as Foghat, Willie Nelson, Cinderella, Sebastian Bach and Duran Duran.

Costa Mesa showcases the art of outdoor August 17-24. With special low prices at fine dining spots like Marlin's Steakhouse to warm, casual bistros like Old Vine Cafe, Costa Mesa Restaurant Week is a food-lover's dream come true.

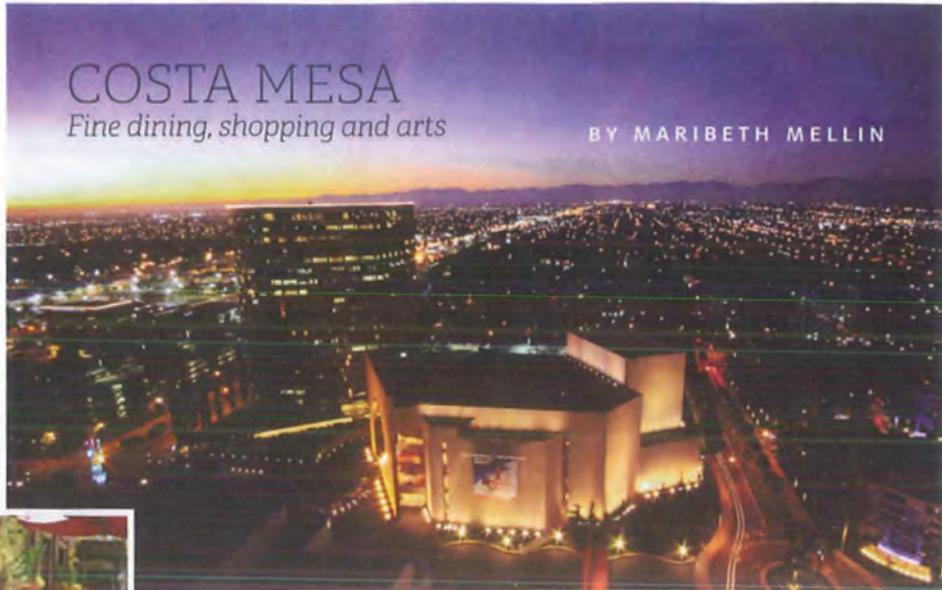
Looking for something a little more eclectic? Check out events of The LAB "Anti-Mall" and The CAMP shopping centers. These outdoor shopping centers offer nontraditional retail, including restaurants and nightlife, focusing on sustainable goods and an eco-friendly lifestyle. With a variety of entertainment and dining options 10 minutes from the beach, Costa Mesa is a great place for you to spend the weekend.

Visit [TravelCostaMesa.com](#) for more information.

# COSTA MESA

Fine dining, shopping and arts

BY MARIBETH MELLIN



COSTA MESA is magical by night, above right; *al fresco* dining makes everyone's day, above.

» SHOP, DINE,  
TAKE IN A  
SHOW!

Costa Mesa Conference  
& Visitor Bureau  
[travelcostamesa.com](http://travelcostamesa.com)

**GREAT VACATIONS**, no matter where they occur, involve three essential ingredients—superb shopping, dining and entertainment. Costa Mesa, known as the City of the Arts,<sup>™</sup> offers this desirable trio in spades, with endless options for every taste.

For the diehard shopper, South Coast Plaza is a destination unto itself. It's so luxurious it boasts a concierge, VIP suite, valet parking and a variety of great hotels within easy walking distance (though you may need to board their complimentary hotel shuttle after accumulating your purchases). More than 250 shops vie for attention in a dazzling display of the latest fashions, furnishings and every lifestyle accoutrement you could desire. Armani's there, along with Prada, Gucci and, for the literary cognoscenti, Assouline. A carousel entertains the kiddies and a year-round calendar of special events keeps non-shoppers entertained.

When hunger strikes, dining choices range from McDonald's to Mastro's Steakhouse, and both Charlie Palmer and Wolfgang Puck have established a following within the center. Beyond

the center, the city's ethnic populace is reflected in abundant Italian, Japanese and Mexican restaurants.

Not all that glitters involves commerce. Costa Mesa is home to a vibrant arts scene as well. Segerstrom Center for the Arts, with its magnificent Renée and Henry Segerstrom Concert Hall designed by Cesar Pelli, is a world-class performing arts facility featuring Broadway shows, top dance troupes and concerts by artists such as the legendary Tony Bennett. Noguchi Garden, more formally called Isamu Noguchi's *California Scenario*, was commissioned by the Segerstrom family (the developers of South Coast Plaza) as a 1.6-acre sculpture oasis. Nearby, South Coast Repertory is a professional resident theater recognized for producing new works by emerging playwrights.

Should outdoor entertainment be on your itinerary, Costa Mesa borders two of Southern California's most iconic beach communities. To the north Huntington Beach rightfully claims the name Surf City USA. To the south, Newport Beach is both funky and stylish—just the place to show off your new SoCal wardrobe. **CA**



## Orange County's Creative Side

It's best known for beaches and theme parks, but scratch the surface of The OC and you'll find world-class arts and culture. BY JEAN T. BARRETT

**A**s the home of Disneyland Resort and Knott's Berry Farm, and the backdrop for TV hits such as *The OC* and *Real Housewives*, Orange County needs no introduction.

While The OC is inextricably associated with theme parks, endless beaches, and epic shopping, this idyllic slice of Southern California also offers plenty of art, music, and culture.

A generation ago, OC residents drove to LA to get a culture fix. Today, the 930-square-mile county seems with museums, performing arts venues, and educational institutions with active arts programs. "The arts scene here reflects the

diversity and creativity of our communities and ethnic culture," says Gary Sherwin, chairman of the Orange County Visitors Association.

An arts tour of The OC might begin in Costa Mesa — nicknamed "City of the Arts." Here, Segerstrom Center for the Arts presents an impressive season of Broadway shows and music performances featuring the Pacific Symphony, the Pacific Chorus, and the Philharmonic Society of Orange County. The center is also home to the Terry Award-winning South Coast Repertory, known for its productions of contemporary theatrical works. Don't miss Costa Mesa's public art walk, featuring world-renowned artists like Isamu Noguchi and Joan Miró. And an art tour wouldn't be complete without visiting the critically acclaimed exhibitions at Museum of Art (OCMA) in

108 FEBRUARY 2013 | [www.usairways.com](http://www.usairways.com)

## US Airways Magazine Orange County feature – February 2013



## Couture by the Coast

Costa Mesa anchors Orange County in fashion, art, and luxury. BY MILES CLEMENTS

**C**osta Mesa is a city of high style, an urbanist's dream one mile from the Pacific. Spend a day taking in world-class shopping, international cuisines, and the best of Broadway.

Clockwise from left: window shopping at retail store; Broadway's *Wicked* comes to Segerstrom Center

**Costa Mesa Conference & Visitor Bureau**  
888.588.9417  
714.796.8565  
[travelcostamesa.com](http://travelcostamesa.com)

There is nothing quite like Costa Mesa's South Coast Plaza. The two-million-square-foot shopping center boasts award-winning restaurants and some 250 stylish boutiques, including Gucci, Prada, and Dior.

Not far from that center of luxury shopping, the LAB and the CAMP are a duo of "art-nalms." These venues claim some of Orange County's most interesting restaurants and cafes as well as artistic, independent stores that embrace eco-conscious bohemianism.

Costa Mesa is Orange County's artistic hub, and nowhere is that more evident than at Segerstrom Center for the Arts, a complex of beautiful, modern venues that present acclaimed performances. The center hosts Broadway shows such as *Wicked* and *Les Misérables*; first-rate ballet and dance troupes; concerts performed by celebrated orchestras; top-notch theatrical productions at the Terry Award-winning South Coast Repertory; and even free outdoor music screenings. California Seavari is an extraordinary sculpture garden near Segerstrom Center, created in the early 1980s by renowned artist and landscape designer Isamu Noguchi.

The city's arts focus shows no signs of slowing. The Orange County Museum of Art will soon break ground on a new facility on Segerstrom Center's campus that will open by 2016, further cementing Costa Mesa's status as the county's true City of the Arts.

[www.usairways.com](http://www.usairways.com) | FEBRUARY 2013 113

## Visitor Guide Update

The Costa Mesa visitor guide has been completely revamped to align with the City of the Arts branding strategy and design. The guide was printed in April 2013 and contains the top shopping, restaurants, hotels, arts complexes and art installations in Costa Mesa, and also gives information on top attractions in Orange County. There is a map in the back listing top shopping and arts attractions and the 10 partner hotels. The new visitor guide will be distributed to local hotels, and visitor centers and airports around California.

Previous Costa Mesa Visitor Guide



New Costa Mesa Visitor Guide

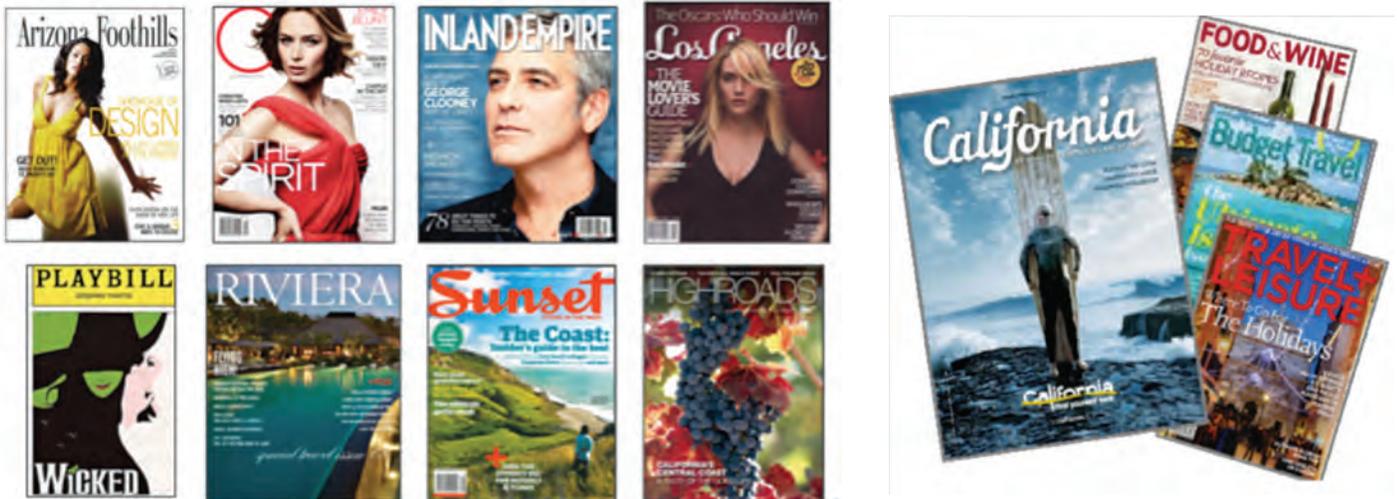


## FY 2012-2013 Branding Campaign

The Bureau is in the process of completing the first year of its branding campaign with Myriad Travel Marketing. Myriad's campaign focused on our target demographic of business and leisure overnight visitors in feeder markets, focusing on the city as the fashion, culinary and arts destination in Orange County. As the Bureau builds the City of the Arts brand for Costa Mesa, we are excited to see the community embracing the brand strategy and also use the tagline in reference to the city.

Thus far the branding campaign has received just over 7.2 million impressions and the website has received a click-through rate of 0.73% CTR, which is well above the industry average of 0.10%.

### Print Media Outlets Branding Campaign



### Print Creative Branding Campaign



## Online Media Outlets Branding Campaign



## Online Creative Branding Campaign



## Branding Campaign – Billboards and Elevators

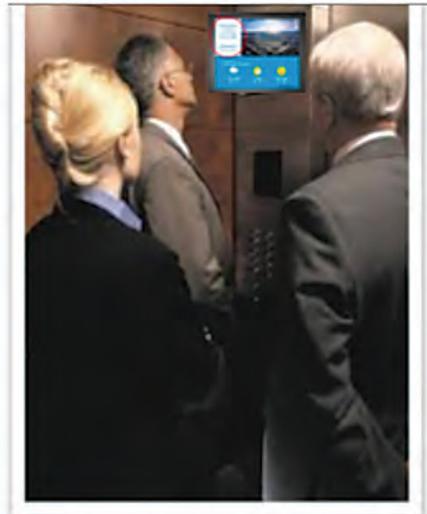
### Outreach Outlets & Creative Branding Campaign



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# Email Marketing

The Bureau sends a monthly email newsletter to subscribers via ExactTarget. The email database has increased 18% to 19,138 year over year. New email templates were created this year to mirror the new website design and branding strategy.

**COSTA MESA**  
CITY OF THE ARTS™

### Celebrate Thanksgiving in Costa Mesa!

Skip the cooking and enjoy a getaway in Costa Mesa at one of our fantastic restaurants - and treat yourself to so much more than just the traditional dinner.

[Learn More](#)

### Get \$50 to Shop

Start your holiday shopping right and get \$50 plus a Costa Mesa VIP card when you stay at participating hotels!

[Learn More](#)

### Holiday Shows and Concerts

From the legendary Liza Minelli to a holiday organ spectacular, Segerstrom Center for the Arts is offering an amazing lineup.

[Learn More](#)

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FOLLOW COSTA MESA:

## Community Relations

The Bureau continues to do outreach to the Costa Mesa community with involvement in major local events, and actively courting organizations to host new events in the city, bringing additional PR exposure, revenues and hotel room nights to the city.

### **60<sup>th</sup> Anniversary Celebration**

The Bureau is a title sponsor of the event, and the Bureau's marketing manager, Kim Glen, is chair of the 60<sup>th</sup> Anniversary committee. The 60<sup>th</sup> anniversary website ([costamesais60.com](http://costamesais60.com)) was built by the Bureau's web agency and is hosted on [TravelCostaMesa.com](http://TravelCostaMesa.com).

### **Costa Mesa Restaurant Week (CMRW)**

The Bureau is planning the 3<sup>rd</sup> annual CMRW this August, and the community support has been increasing. The kickoff party was at Noguchi Garden and Riviera Magazine was the official media sponsor. CMRW 2012 participating restaurants reported sales of at least a 5-10% increase over last year at the same time period. Over 22,000 visitors came to the [CostaMesaRestaurantWeek.org](http://CostaMesaRestaurantWeek.org) website in a 6-week period.



### **OC Marathon**

The Bureau continues to be a title sponsor of the OC Marathon, and underwrites complimentary shuttle service from its 10 hotels to the race in an effort to encourage runners to stay in Costa Mesa hotels. We are currently on pace to have an increase in room nights over last year, which provided 600+ room nights.

### **ONE Travel Conference**

The Bureau was a sponsor of the ONE Travel Conference, which had its first-ever event in Costa Mesa thanks to the support of South Coast Plaza. The ONE Travel Conference is the premier educational conference for Shopping, Dining and Cultural Tourism and was held at The Westin South Coast Plaza. This resulted in over 200 room nights plus increased exposure to travel and tourism professionals and media.

### **Nepenthia Beer Garden**

The Nepenthia event will bring area craft breweries together with local artists, florists and gardeners to create the world's first one-day beer garden in TeWinkle Park. This will be a unique collaboration of art and specialty beers in a 4-hour event. The Bureau is sponsoring this event with the thought that this is an exciting new event that would not only bring PR opportunities for the city, but also bring visitors from outside our community to see what Costa Mesa has to offer.



575 Anton Boulevard, Suite 880  
Costa Mesa, California 92626

Phone: 714.786.8585  
Toll free: 888.588.9417  
Fax: 714.668.9350



Mitchell R. Geller, C.P.A.  
Steven D. Eperthener, C.P.A.  
William L. McConnell, C.P.A.

December 11, 2012

Board of Directors  
Costa Mesa Conference & Visitor Bureau

We have audited the financial statements of Costa Mesa Conference & Visitor Bureau for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012. Professional standards require that we provide you with the following information related to our audit.

#### Our Responsibilities under U.S. Generally Accepted Auditing Standards

As stated in our engagement letter dated May 2, 2012, our responsibility, as described by professional standards, is to plan and perform our audit to obtain reasonable, but not absolute, assurance that the financial statements are free of material misstatement and are fairly presented in accordance with Modified Cash Basis of Accounting. Because an audit is designed to provide reasonable, but not absolute, assurance and because we did not perform a detailed examination of all transactions, there is a risk that material misstatement may exist and not be detected by us.

As part of our audit, we considered the internal control of Costa Mesa Conference & Visitor Bureau. Such considerations were solely for the purpose of determining our audit procedures and not to provide any assurance concerning such internal control.

#### Significant Accounting Policies

Management is responsible for the selection and use of appropriate accounting policies. In accordance with the terms of our engagement letter, we will advise management about the appropriateness of accounting policies and their application. The significant accounting policies used by the Costa Mesa Conference & Visitor Bureau are described in Note 1 to the financial statements. No new accounting policies were adopted and the application of existing policies was not changed during 2012. We noted no transactions entered into by the Organization during the year that were both significant and unusual, and of which, under professional standards, we are required to inform you, or transactions for which there is a lack of authoritative guidance or consensus.

### Accounting Estimates

Accounting estimates are an integral part of the financial statements prepared by management and are based on management's knowledge and experience about past and current events and assumptions about future events. Certain accounting estimates are particularly sensitive because of their significance to the financial statements and because of the possibility that future events affecting them may differ significantly from those expected. The most sensitive estimates(s) affecting the financial statements was(were):

There are no particularly sensitive disclosures affecting the financial statements.

### Audit Adjustment

For purposes of this letter, professional standards define an audit adjustment as a proposed correction of the financial statements that, in our judgment, may not have been detected except through our auditing procedures. An audit adjustment may or may not indicate matters that could have a significant effect on the Organization's financial reporting process (that is, cause financial statements to be materially misstated). In our judgment, none of the adjustments we proposed, whether recorded or unrecorded by the Organization, either individually or in the aggregate, indicate matters that could have a significant effect on the Organization's financial reporting process.

### Disagreements with Management

For purposes of this letter, professional standards define a disagreement with management as a matter, whether or not resolved to our satisfaction, concerning a financial accounting, reporting, or auditing matter, that could be significant to the financial statements or the auditor's report. We are pleased to report that no such disagreements arose during the course of our audit.

### Consultations with Other Independent Accountants

In some cases, management may decide to consult with other accountants about auditing and accounting matters, similar to obtaining a "second opinion" on certain situations. If a consultation involves application of an accounting principle to the Bureau's financial statements or a determination of the type of auditor's opinion that may be expressed on those statements, our professional standards require the consulting accountant to check with us to determine that the consultant has all the relevant facts. To our knowledge, there were no such consultations with other accountants.

Board of Directors  
Costa Mesa Conference & Visitor Bureau  
December 11, 2012  
Page 3

Issues Discussed Prior to Retention of Independent Auditors

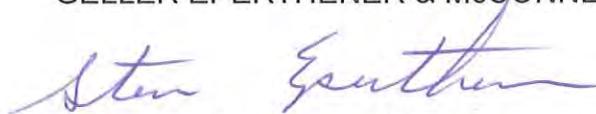
We generally discuss a variety of matters, including the application of accounting principles and auditing standards, with management prior to retention as the Bureau's auditors. However, these discussions occurred in the normal course of our professional relationship and our responses were not a condition to our retention.

Difficulties Encountered in Performing the Audit

We encountered no significant difficulties in dealing with management in performing and completing our audit.

This information is intended solely for the use of the Board of Directors and management of the Costa Mesa Conference & Visitor Bureau and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,  
GELLER EPERTHENER & McCONNELL LLP



Steven D. Eperthener, C.P.A.

COSTA MESA CONFERENCE  
AND VISITOR BUREAU

FINANCIAL STATEMENTS

For the fiscal years ended June 30, 2012  
and June 30, 2011

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Mitchell R. Geller, C.P.A.  
Steven D. Eperthener, C.P.A.  
William L. McConnell, C.P.A.

To the Board of Directors of  
Costa Mesa Conference and  
Visitor Bureau

### Independent Auditors' Report

We have audited the accompanying statements of assets, liabilities and net assets – cash basis of Costa Mesa Conference and Visitor Bureau (a nonprofit organization) as of June 30, 2012 and 2011, and the related statements of support, revenues, and expenses – cash basis for the years then ended. These financial statements are the responsibility of the Organization's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described in note 1, these financial statements were prepared on the cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. In our opinion, the financial statements referred to above present fairly, in all material respects, the assets, liabilities and net assets of Costa Mesa Conference and Visitor Bureau as of June 30, 2012 and 2011, and its support, revenues and expenses for the years then ended, on the basis of accounting described in note 1.

*Geller Eperthener & McConnell, LLP*

Certified Public Accountants

Long Beach, CA  
December 18, 2012

**COSTA MESA CONFERENCE AND VISITOR BUREAU  
STATEMENTS OF ASSETS, LIABILITIES AND NET ASSETS - CASH BASIS  
June 30, 2012 and June 30, 2011**

	<u>2012</u>	<u>2011</u>
<b>ASSETS</b>		
Cash	<u>\$1,288,743</u>	<u>\$ 985,314</u>
Total assets	<u>\$1,288,743</u>	<u>\$ 985,314</u>
<b>NET ASSETS</b>		
Unrestricted	<u>\$1,288,743</u>	<u>\$ 985,314</u>
Net Assets	<u>\$1,288,743</u>	<u>\$ 985,314</u>

See accompanying notes to financial statements

**COSTA MESA CONFERENCE AND VISITOR BUREAU**  
**STATEMENTS OF SUPPORT, REVENUES AND EXPENSES - CASH BASIS**  
**June 30, 2012 and 2011**

	<u>2012</u>	<u>2011</u>
<b>UNRESTRICTED NET ASSETS</b>		
<b>Unrestricted revenues</b>		
Business improvement area assessment	\$1,939,658	\$1,496,540
Interest income	3,821	2,879
Other income	113	551
	<u>1,943,592</u>	<u>1,499,970</u>
Total unrestricted revenues		
<b>Expenses</b>		
Hotel and special promotions	323,973	102,175
Marketing	839,813	319,848
Salaries and Benefits	315,536	260,696
General and administrative	160,841	165,310
	<u>1,640,163</u>	<u>848,029</u>
Total expenses		
Increase in unrestricted net assets	303,429	651,941
<b>NET ASSETS AT BEGINNING OF THE YEAR</b>	<u>985,314</u>	<u>333,373</u>
<b>NET ASSETS AT END OF YEAR</b>	<u>\$1,288,743</u>	<u>\$ 985,314</u>

See accompanying notes to financial statements

**COSTA MESA CONFERENCE AND VISITOR BUREAU**  
**NOTES TO FINANCIAL STATEMENTS - CASH BASIS**  
**June 30, 2012 and June 30, 2011**

**1. Nature of activities and Significant Accounting Policies**

Nature of activities

The Costa Mesa Conference and Visitor Bureau (the Bureau) is a California non-profit corporation formed in 1995 to market the city of Costa Mesa as a leisure and group meeting travel destination.

The vision of the Bureau is to be the engaged destination-marketing leader by supporting and selling the city of Costa Mesa's distinct visitor brand experiences and advocating community tourism benefits. The Bureau's mission is to enhance and promote the city of Costa Mesa's brand, experience, further increasing visitor spending for industry and community economic viability, sustainability and quality of life.

The Bureau is comprised of the ten member hotels within the Business Improvement Area (BIA) of Costa Mesa. The member hotels are Costa Mesa Marriott, Hilton Costa Mesa, Holiday Inn Express Hotel & Suites, The Hotel Hanford, Residence Inn by Marriott, Wyndham Orange County, Ayres Hotel & Suites, The Westin South Coast Plaza, Ramada Inn and Suites Costa Mesa / Newport Beach, and Best Western Plus Newport Mesa Inn.

Basis of accounting

The Bureau's policy is to prepare its financial statements on the basis of cash receipts and disbursements which is a comprehensive basis of accounting other than generally accepted accounting principles. Consequently, revenues are recognized when received rather than when earned, and expenses are recognized when disbursed rather than when the obligation is incurred.

Tax status

The Bureau is exempt from taxation under Internal Revenue Code Section 501(c)(6) on income related to its tax exempt purpose. The Bureau had no unrelated business income, as defined by the Internal Revenue Code, for the fiscal years ended June 30, 2012 and June 30, 2011. Accordingly, no tax provision has been provided for in the accompanying financial statements.

**COSTA MESA CONFERENCE AND VISITOR BUREAU  
NOTES TO FINANCIAL STATEMENTS - CASH BASIS (continued)  
June 30, 2012 and June 30, 2011**

**1. Nature of activities and Significant Accounting Policies (continued)**

Revenue

On behalf of the City of Costa Mesa the Bureau's ten member hotels collect a Business Improvement Area (BIA) levy on the sale of overnight guest room stays. For the fiscal year ended June 30, 2010 the levy was two percent (2%) through October 31, 2010; effective November 1, 2011 the levy was increased to three percent (3%). The levy was three percent (3%) for the entire fiscal year ended June 30, 2012. The levy is transmitted by the hotels to the City and is remitted to the Bureau, net of a one percent handling fee, pursuant to a Professional Services Agreement entered into by and between the City and the Bureau.

The above mentioned levy is 99.8% of the total revenue of the Bureau for fiscal years ended June 30, 2012 and June 30, 2011, respectively. The professional services agreement (PSA) with the City of Costa Mesa is renewed annually. The Bureau and the City of Costa Mesa have a good working relationship; consequently there is no concern that the PSA will not be renewed each year, indefinitely.

Use of BIA Revenue

California state law provides that BIA assessments are to be used for the purposes specified in the authorizing resolution that established the assessment. The City's resolution that established the assessment references the uses specified in the Bureau's annual report.

**2. Cash**

Cash consists of demand deposits as of June 30, 2012 and June 30, 2011 at the following institutions:

	<u>6/30/12</u>	<u>6/30/11</u>
American Securities Bank	\$476,495	\$759,528
Pacific Premier Bank	585,369	0
Beach Business Bank	216,747	215,690
National Bank	<u>10,132</u>	<u>10,096</u>
Total	<u>\$1,288,743</u>	<u>\$985,314</u>

The Bureau maintains its cash in bank deposit accounts, which at various times during the fiscal years ended June 30, 2012 and June 30, 2011 exceeded federally insured limits.

**3. Hotel promotions expense**

During 2011-2012 fiscal years, the Bureau allocated \$150 per room to each member hotel for hotel specific marketing purposes. The allocation subsidizes hotel specific advertising and marketing efforts that also include the Bureau logo. Vendor invoices are either paid by the hotel or paid directly by the Bureau.

**COSTA MESA CONFERENCE AND VISITOR BUREAU**  
**NOTES TO FINANCIAL STATEMENTS - CASH BASIS (continued)**  
**June 30, 2012 and June 30, 2011**

**3. Hotel promotions expense (continued)**

Samples of the advertising / marketing material must be submitted showing the Bureau logo for reimbursement. Hotel promotions expense amounted to \$323,973 and \$102,175 for fiscal years ended June 30, 2012 and June 30, 2011, respectively. If the hotels do not use all of their allocated funds the funds revert back to the Bureau.

It is the opinion of the Bureau that reimbursing the hotels for advertising costs provides a public benefit to the City of Costa Mesa by promoting tourism, increasing retail sales, etc.

**4. Marketing expenses**

The Bureau incurs marketing expenses related to its mission of promoting the City of Costa Mesa as a tourist destination. For the fiscal years ended June 30, 2012 and June 30, 2011, marketing expenses totaled \$839,813 and \$319,848, respectively.

Marketing expenses include a new website for the Bureau which went live in January 2012, community sponsorships, brochures, print advertising and various promotions. All of these endeavors promote tourism in the City of Costa Mesa.

**5. Commitments and Contingencies**

The Bureau entered into a lease for office space effective July 15, 2010. The lease is for five (5) years ending July 31, 2015. There is an option to renew the lease for an additional five (5) years at the end of the lease period. Total rent expense for fiscal years ending June 30, 2012 and June 30, 2011 amounted to \$32,076 and \$32,145, respectively.

Future minimum lease obligations as of June 30, 2012 consist of the following:

Fiscal year ended June 30, 2013	\$33,036
June 30, 2014	\$34,047
June 30, 2015	\$35,068
June 30, 2016 thereafter	\$2,969

The Bureau also entered into non-cancelable lease for a color copier on September 30, 2010. The lease is for five (5) years ending September 29, 2015. Monthly payment for the copier is \$166.60 per month until the end of the lease.

**6. Employee Benefit Plan**

The Bureau sponsors a defined contribution salary deferral plan (401(k) plan) covering all employees. Beginning in April 2012 the board of directors has agreed to match 401(k) contributions dollar for dollar up to 3% of the eligible employee's salary. During the fiscal years ended June 30, 2012 and June 30, 2011 no matching contributions were made.

**COSTA MESA CONFERENCE AND VISITOR BUREAU**  
**NOTES TO FINANCIAL STATEMENTS - CASH BASIS (continued)**  
**June 30, 2012 and June 30, 2011**

**7. Credit Risk**

The Bureau maintains cash deposits at institutions which are insured by the Federal Deposit Insurance Corporation (FDIC) up to \$250,000. At various times during 2012 and 2011, the Bureau maintained balances in excess of the federally insured limit.

**8. Risk and Uncertainties**

Due to the nature of the Bureau's business, the Bureau's revenue is entirely dependent on the City of Costa Mesa, which collects the Business Improvement Area (BIA) levy from the ten hotels in Costa Mesa (see Revenue). A cancellation of the Professional Service Agreement (PSA) between the City of Costa Mesa and the Bureau will adversely and severely impact the Bureau's financial position. The possibility of the PSA agreement not being renewed annually is remote.

**9. Subsequent Events**

Management has evaluated subsequent events through November 30, 2012, the date that the financial statements were available to be issued. The following subsequent events have been identified for disclosure in these financial statements.

The Bureau has agreed to reimburse the city a total of \$164,000 during the year ending June 30, 2013 for expenses paid for events, website, etc.

The Bureau has initiated a lawsuit against a former vendor Hyperdisk. The Bureau believes Hyperdisk has breached a contract with the Bureau by not performing services as requested.

RESOLUTION NO. 13-

A RESOLUTION OF THE CITY COUNCIL OF THE CITY OF COSTA MESA, CALIFORNIA, DECLARING ITS INTENTION TO LEVY AN ANNUAL ASSESSMENT FOR FISCAL YEAR 2013-2014 FOR A BUSINESS IMPROVEMENT AREA COVERING CERTAIN COSTA MESA HOTELS AND MOTELS AND SETTING THE TIME AND PLACE FOR A PUBLIC HEARING ON PROPOSAL.

THE CITY COUNCIL OF THE CITY OF COSTA MESA DOES HEREBY RESOLVE AS FOLLOWS:

WHEREAS, the California Legislature in adopting the Parking and Business Improvement Area Law of 1989 (Streets & Highways Code § 36500 *et. seq.*) authorized cities to levy assessments on businesses in order to promote economic revitalization and tourism, to create jobs, attract new businesses, and prevent erosion of business districts; and

WHEREAS, on July 5, 1995, by Ordinance No. 95-9, the City Council adopted a business improvement area, commonly known as the Costa Mesa Tourism & Promotion Business Improvement Area, the purpose of which is to promote tourism to the City and to fund programs and activities that benefit the hotel and motel businesses within the City of Costa Mesa; and

WHEREAS, the City Council appointed the general managers of the 10 hotels subject to the assessment area, to serve as the advisory board as required by California Streets and Highways Code Section 36530; and

WHEREAS, said advisory board is known as the Costa Mesa Conference and Visitor Bureau (the "CMCVB"); and

WHEREAS, the City Council has voted to continue the special assessment for the BIA each year since its inception, and it has been levied upon the 10 hotel and motel businesses listed on Exhibit A, attached hereto and incorporated herein by this reference; and

WHEREAS, in January 2000, the City Council approved an increase in the assessment, raising the assessment from one percent (1%) to two percent (2%). The two percent (2%) assessment is based on the sale of overnight room stays; and

WHEREAS, in November 2010, the City Council approved an increase in the assessment, raising the assessment from two percent (2%) to three percent (3%). The three percent (3%) assessment is based on the sale of overnight room stays;

WHEREAS, this Resolution of Intention will commence proceedings under the Parking and Business Improvement Area Law of 1989 (Streets & Highways Code § 36500 *et seq.*) to levy the annual assessment of the Costa Mesa Tourism & Promotion Council Business Improvement Area for the 2013-2014 fiscal year; and

WHEREAS, the Agenda Report for the May 7, City Council Meeting and filed with the City Clerk sets forth a detailed description of the activities to be provided in the 2013-2014 fiscal year, the boundaries of the Business Improvement Area, the benefit zone of the area, and the proposed assessments to be levied upon the businesses within the area for the coming fiscal year;

NOW, THEREFORE, BE IT RESOLVED by the City Council of the City of Costa Mesa as follows:

Section 1. Assessment. An annual assessment for the Costa Mesa Tourism & Promotion Council Business Improvement Area is proposed to be levied pursuant to Streets & Highways Code § 36500 *et seq.* The proposed boundaries of the territory are the ten motels and hotels listed in Exhibit A, attached hereto and incorporated herein by this reference. The proposed amount of the annual assessment is three percent (3%). The three percent (3%) assessment is based on the sale of overnight room stays. New hotel and motel businesses commenced after the effective date of the ordinance levying the assessment will be exempt from the levy of assessment, pursuant to Streets & Highways Code § 36531 and § 36535.

Section 2. Annual Report. An annual report on the Business Improvement Area has been prepared by the Costa Mesa Conference & Visitor Bureau, acting as the advisory board as required by Streets & Highways Code § 36533 and § 36534. Said report is on file in the City Clerk's Office.

Section 3. Types of Activities To Be Funded. The proposed type or types of activities to be funded by and through the annual levy of assessments on businesses within the Costa Mesa Tourism & Promotion Council Business Improvement Area are specified in the referenced annual report and Exhibit B.

Section 4. Method and Basis of Levy. The proposed method and basis of levying the assessment to allow each business owner to estimate the amount of the assessment to be levied against his or her business is set forth in the Costa Mesa Conference & Visitor Bureau's annual report relative to the Business Improvement Area.

Section 5. Time and Place of Public Hearing. The time and place of the public hearing on the business improvement area and the annual levy of assessments shall be at 7 p.m., June 4, 2013, at the Costa Mesa City Hall, City Council Chambers, 77 Fair Drive, Costa Mesa, California. At the public hearing set forth above, the testimony of all interested persons for or against the annual levy of assessment for the business improvement area, the extent of the area, or the furnishing of specific types of improvements or activities will be heard by the City Council.

Section 6. Protests. The following rules shall apply to all protests:

- (a) A protest may be made orally or in writing by any interested person. Any protest pertaining to the regularity or sufficiency of the proceedings shall be in writing and shall clearly set forth the irregularity or defect to which the objection is made.
- (b) Every written protest shall be filed with the City Clerk's Office, Costa Mesa City Hall, Room 101, 77 Fair Drive, Post Office Box 1200, Costa Mesa, California 92626-1200, at or before the time fixed for the public hearing as set forth above.
- (c) The City Council may waive any irregularity in the form or content of any written protest, and at the public hearing, may correct minor defects in the proceedings.
- (d) If written protests are received from the owners of businesses in the proposed business improvement area which will pay fifty percent (50%) or more of the assessments to be levied and protests are not withdrawn so as to reduce the protests to less than the fifty percent (50%), no further proceedings on the proposal to continue the business improvement area assessment, as specified by this resolution of intention, shall be taken by the City Council for a period of one year from the date of the filing of a majority protest.

BE IT FURTHER RESOLVED THAT the City Council of the City of Costa Mesa, California, does hereby adopt the annual report by the Costa Mesa Conference & Visitor Bureau acting as the advisory board on the business improvement area (referenced report on file in the City Clerk's Office), and this Resolution of Intention as set forth herein, and Exhibits "A" and "B" which are attached hereto and incorporated by this reference.

PASSED, APPROVED, AND ADOPTED this 7<sup>th</sup> day of May, 2013.

\_\_\_\_\_  
James Righeimer, Mayor

ATTEST:

APPROVED AS TO FORM:

\_\_\_\_\_  
Brenda Green, City Clerk

\_\_\_\_\_  
Thomas Duarte, City Attorney

## **EXHIBIT A**

The Business Improvement Area (“BIA”) benefit zone encompasses the entire City of Costa Mesa boundaries. It is anticipated that the entire City, including businesses and residents, will benefit from increased revenues generated by the activities financed by the BIA assessment.

The following businesses will be included in the BIA that is established pursuant to Streets & Highways Code § 36500 *et seq.*, the businesses commonly known as:

### **Ayres Country Inn & Suites**

Property Address: 325 and 345 Bristol Street, Costa Mesa

Business Owner: Newport Country Inn & Suites, Inc.  
355 Bristol Street, Suite A  
Costa Mesa, CA 92626

Property Owner: Newport Country Inn & Suites, Inc.  
355 Bristol Street, Suite A  
Costa Mesa, CA 92626

### **Best Western Plus Newport Mesa Inn**

Property Address: 2642 Newport Boulevard, Costa Mesa

Business Owner: James Hsuen & Shang-Pu Lee  
2642 Newport Boulevard  
Costa Mesa, CA 92627

Property Owner: James Hsuen & Shang-Pu Lee  
2642 Newport Boulevard  
Costa Mesa, CA 92627

### **Hilton Costa Mesa**

Property Address: 3050 Bristol Street, Costa Mesa

Business Owner: Ashford TRS CM LLC  
14185 Dallas Parkway, Suite 1100  
Dallas, TX 75254

Property Owner: Remington Lodging & Hospitality LP  
14185 Dallas Parkway, Suite 1100  
Dallas, TX 75254

### **Crowne Plaza**

Property Address: 3131 Bristol Street, Costa Mesa

Business Owner: Brighton Management  
1901 Main Street, Suite 150  
Irvine, CA 92614

Property Owner: 3131 Bristol Property UC, LLC  
2711 Centerville Road, Suite 400  
Wilmington, DE 19808

### **Holiday Inn Express Hotel & Suites**

Property Address: 2070 Newport Boulevard, Costa Mesa

Business Owner: Narendra B. Patel  
2070 Newport Boulevard  
Costa Mesa, CA 92667

Property Owner: Narendra B. Patel  
2070 Newport Boulevard  
Costa Mesa, CA 92667

### **Costa Mesa Marriott**

Property Address: 500 Anton Boulevard, Costa Mesa

Business Owner: Marriott International  
10400 Fernwood Road  
Bethesda, MD 20817

Property Owner: Host Hotels & Resorts  
6903 Rockledge Drive, Suite 1500  
Bethesda, MD 20817

### **Ramada Inn & Suites Costa Mesa**

Property Address: 1680 Superior Avenue, Costa Mesa

Business Owner: B.D. Inns Inc./Ramada Ltd.  
1680 Superior Avenue  
Costa Mesa, CA 92627

Property Owner: B.D. Inns Inc./Ramada Ltd.  
1680 Superior Avenue  
Costa Mesa, CA 92627

**Residence Inn by Marriott**

Property Address: 881 Baker Street, Costa Mesa

Business Owner: Marriott International  
10400 Fernwood Road  
Bethesda, MD 20817

Property Owner: ING Clarion Partners  
2650 Cedar Springs Road, Suite 850  
Dallas, TX 75201-1491

**The Westin South Coast Plaza**

Property Address: 686 Anton Boulevard, Costa Mesa

Business Owner: Host Hotels & Resorts  
6903 Rockledge Drive Suite 1500  
Bethesda, MD 20817

Property Owner: CJ Segerstrom & Sons  
c/o South Coast Plaza  
686 Anton Boulevard  
Costa Mesa, CA 92626

**Avenue of the Arts Wyndham Hotel**

Property Address: 3350 Avenue of the Arts, Costa Mesa

Business Owner: Rosanna Inc.  
3350 Avenue of the Arts  
Costa Mesa, CA 92627

Property Owner: Rosanna Inc.  
3350 Avenue of the Arts  
Costa Mesa, CA 92627

## **EXHIBIT B**

The BIA assessment will be used to fund the Costa Mesa Conference & Visitor Bureau (CVB). The CVB will fund activities to promote tourism in Costa Mesa and will sponsor related tourist events that benefit the hotel and motel businesses within the City.

The specific improvements and activities to be funded by this assessment are outlined in the CMCVB's 2012-2013 Annual Report.

### **Revenue**

A three percent (3%) levy will be assessed against each of the 10 hotels listed in Exhibit A, based on the net revenue from the sale of overnight room stays.

Business owners shall pay the assessment to the Costa Mesa City Finance Department on a monthly basis. A penalty and interest shall be assessed on late payments.

Note: New hotel and motel businesses commenced after the effective date of this resolution will be exempt from the levy of assessment.

**Bylaws of  
Costa Mesa Conference & Visitor Bureau  
A California Nonprofit Mutual Benefit Corporation**

**ARTICLE I  
NAME AND PRINCIPAL OFFICE**

The name of the corporation is Costa Mesa Conference & Visitor Bureau (“CVB”). The principal office for the transaction of the affairs and activities of this corporation shall be located in the City of Costa Mesa. The Board of Directors may change the location of the principal office.

**ARTICLE II  
PURPOSE**

The purpose of this corporation shall be to promote tourism for the general benefit of businesses, hotels and motels in the City of Costa Mesa, California.

**ARTICLE III  
LIMITATIONS**

**Section 1: Assets.** This Corporation is not organized, nor shall it be operated, for pecuniary gain or profit, and it does not contemplate the distribution of gains, profits or dividends of its members and is organized solely for nonprofit purposes. No part of the profits or net income of this Corporation shall ever inure to the benefit of any Director, officer or member thereof, or to any individual. Upon the dissolution or winding up of the Corporation, after payment of, or provision for payment of, all debts and liabilities of this Corporation, the remaining assets shall be distributed to a nonprofit fund, foundation or corporation which has been formed to provide benefits or services for Costa Mesa tourism businesses and which has established its tax-exempt status under §501(c) of the Internal Revenue Code. If no such corporation as described above is in existence at the time of dissolution, then the remaining assets shall be distributed to a nonprofit fund, foundation or corporation, which has established its tax-exempt status under §501(c) of the Internal Revenue Code.

**Section 2: Construction.** Unless the context requires otherwise, the general provisions, rules of construction, and definitions in the California Nonprofit Mutual Benefit Corporation Law shall govern the construction of these Bylaws. Without limiting the generality of the preceding sentence, the masculine gender includes feminine and neuter, the singular includes the plural, the plural includes the singular, and the term “person” includes both a legal entity and a natural person.

## **ARTICLE IV MEMBERS**

**Section 1: Definitions.** This corporation shall have no members within the meaning of the California Nonprofit Corporation Law, pursuant to Corporation Code §7332(a) as may be amended or re-codified from time to time. As used herein, the term members shall refer to Directors. The Board may, in its discretion, admit individuals to one or more classes of nonvoting members; the class or classes shall have such rights and obligations as the board finds appropriate.

## **ARTICLE V DIRECTORS**

**Section 1: Number.** The corporation shall have no less than nine (9) and no more than fifteen (15) Directors. The precise number of Directors for any given year shall be set by resolution of the board and equal to the number of businesses assessed in the Costa Mesa Tourism & Promotion Business Improvement Area (“BIA”) plus two. Each Director shall have one vote. A reduction in the number of Directors shall not result in removal of any Director before his or her term of office expires.

**Section 2: Tenure.** Each Director of the corporation shall serve for a term of five (5) years.

**Section 3: Criteria.** The Board shall be composed as follows:

- A. Two Directors shall be representatives of the City of Costa Mesa:
  - 1. One shall be a city employee designated by the city’s chief executive officer; and
  - 2. One shall be a city council member. If the council member declines the appointment, the representative shall instead be a city employee designated by the city’s chief executive officer.
- B. The remaining directors shall be the general managers of each lodging business assessed by the BIA.
- C. Directors shall not be allowed to designate alternates.

**Section 4: Annual Election.** Directors shall be elected by the Board. Election of Directors shall take place at the annual meeting of the corporation. Procedures for election of Directors shall be determined by the Board of Directors.

**Section 5: Powers.** Subject to the provisions and limitations of the California Nonprofit Mutual Benefit Corporation law, the provisions of the BIA, and any other applicable laws, and subject to any limitations of the Articles of Incorporation and these Bylaws, the corporation’s activities and affairs shall be managed, and all corporate powers shall be exercised by, or under the direction of, the Board.

**Section 6: Specific Powers.** Without prejudice to the general powers set forth in Article V, Section 6 of these Bylaws, but subject to the same limitations, the Board shall have the power to do the following:

- A. Appoint and remove, at the pleasure of the Board, all corporate officers, agents, and employees; prescribe powers and duties for them as are consistent with the law, the Articles of Incorporation, and these Bylaws; fix their compensation; and require from them security for faithful service.
- B. Change the principal office or the principal business office in the City of Costa Mesa from one location to another; cause the corporation to be qualified to conduct its activities in any other state, territory, dependency, or country; conduct its activities in or outside California; and designate a place in the City of Costa Mesa for holding any meeting of members.
- C. Borrow money and incur indebtedness on the corporation's behalf and cause to be executed and delivered for the corporation's purposes, in the corporate name, promissory notes, bonds, debentures, deeds of trust, mortgages, pledges, hypothecations, and other evidence of debt and securities.

**Section 7: Occurrence of Vacancies.** A vacancy or vacancies on the Board shall occur in the event of:

- A. The death, removal or resignation of any Director; or
- B. The declaration by resolution of the Board of a vacancy in the office of a Director who has been convicted of a felony, declared of unsound mind by a court order, or found by final order or judgment of any court to have breached a duty arising under Corporations Code §7238, the BIA, or other applicable laws; or
- C. An increase in the authorized number of Directors; or
- D. A Board member no longer being authorized to represent the business or City they were selected to represent; or
- E. The failure of an election to elect the number of Directors required to be elected in that election.

**Section 8: Filling Vacancies.** Vacancies on the Board may be filled by approval of the Board, or if the number of Directors then in office is less than a quorum, by either:

- A. The unanimous written consent of the Directors then in office; or
- B. The affirmative vote of a majority of Directors then in office at a meeting held according to the notice provisions of these Bylaws and the Ralph M. Brown Act; or
- C. A sole remaining Director.

**Section 9: Resignation of Directors.** Any Director may resign by giving written notice to the chair of the Board, if any, or to the president or the secretary of the Board. The resignation shall be effective when the notice is given unless it specifies a later time for the resignation to become effective. If a Directors' resignation is effective at a later time, the Board may elect a successor to take office as of the date when the resignation becomes effective.

**Section 10: Removal of Directors.** Any Director may be removed, without cause, by the vote of the majority of the members of the entire Board of Directors at a special meeting called for that

purpose, or at a regular meeting, provided that notice of that meeting and of the removal question are given as provided in Article VI.

**Section 11: Compensation and Reimbursement.** Directors shall serve as volunteers and shall not be compensated. Directors may be reimbursed for expenses, as the Board may establish by resolution to be just and reasonable to the corporation at the time that the resolution is adopted.

**Section 12: Advisors.** The Board may, in its discretion, invite individuals to serve as Advisors to the Board. Advisors shall be invited to Board meetings in the same manner as are Directors, but shall not be Directors.

## **ARTICLE VI MEETINGS**

**Section 1: Annual Meeting.** The annual meeting of the corporation shall be held once per year, at such time and on such date as the Board may fix from time to time. At the annual meeting, Directors shall be elected and other business may be transacted, subject to the provisions of these Bylaws. Notice of the annual meeting shall be posted at least seventy-two hours prior to the meeting in a publicly accessible location, in accordance with the requirements of the Ralph M. Brown Act. Each notice shall state the general business to be transacted, and the day, time and place of the meeting.

**Section 2: Board of Directors Regular Meetings.** The Board shall meet not less than every-other-month on dates agreed upon by the Board. Notice of regular meetings shall be posted at least seventy-two hours prior to the meeting in a publicly accessible location, in accordance with the requirements of the Ralph M. Brown Act. Each such notice shall state the general business to be transacted, and the day, time and place of the meeting. Business may be transacted at any regular meeting of the Board in accordance with the requirements of the Ralph M. Brown Act.

**Section 3: Board of Directors Special Meetings.** Special meetings of the Board may be called by the Chairperson of the Board or any three Directors. Notice of special meetings shall be given to each Director stating the time, place, and business to be discussed at least twenty-four hours before the time of the meeting specified in the notice. Notice shall be delivered to the Board personally or by any other means pursuant to Government Code §54956. Notice shall also be posted at least twenty-four hours prior to the meeting in a publicly accessible location in accordance with the requirements of the Ralph M. Brown Act.

**Section 4: Notice of Meetings.** Notice of all meetings will be given in accordance with the provisions of the Ralph M. Brown Act, Government Code §54950 et. seq. The noticing provisions in these Bylaws shall be subject to any amendments of the Ralph M. Brown Act.

**Section 5: Place of Meetings.** All meetings of the corporation shall be held at such location in the City of Costa Mesa as may be determined by the Board.

**Section 6: Telephonic Appearance.** Teleconferencing, as authorized by §54953 of the Ralph M. Brown Act may be used for all purposes in connection with meetings. All votes taken during a teleconferenced meeting shall be by roll call. If teleconferencing is used, the Board shall post

the agenda at all teleconference locations and conduct teleconference meetings in a manner that protects the statutory and constitutional rights of the parties or the public appearing before the Board. Each teleconference location shall be identified in the notice and agenda of the meeting, and each teleconference location shall be accessible to the public. During the teleconference, at least a quorum of the members of the Board shall participate from locations with the boundaries of the City of Costa Mesa. The agenda shall provide an opportunity for members of the public to address the legislative body directly pursuant to §54954.3 at each teleconference location.

**Section 7: Quorum.** At any meeting of the Board, a majority of the members of the Board shall constitute a quorum. If less than a quorum is present at a meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice other than announcement at the meeting, until a quorum shall be present. There shall be no voting by proxies or voting by absentia.

## **ARTICLE VII OFFICERS**

**Section 1: Offices Held.** The officers of the corporation shall be a Chairperson, a Vice President, a Secretary, a Treasurer, and such other officers as the Board may from time to time designate. All officers shall be members in good standing of the Board. Any number of offices may be held by the same person. The officers of the Corporation shall also serve on the executive committee of the corporation.

**Section 2: Election of Officers.** The officers of this corporation shall be chosen every other year by the Board and shall serve at the pleasure of the Board, subject to the rights of any officer under any employment contract.

**Section 3: Term.** All officers shall be elected for a term of two (2) years or until their successors are elected and qualified.

**Section 4: Removal of Officers.** Without prejudice to the rights of any officer under an employment contract, the Board may remove any officer with or without cause.

**Section 5: Resignation of Officers.** Any officer may resign at any time by giving written notice to the Board. The resignation shall take effect on the date the notice is received or at any later time specified in the notice. Unless otherwise specified in the notice, the resignation need not be accepted to be effective. Any resignation shall be without prejudice to any rights of the corporation under any contract to which the officer is a party.

**Section 6: Vacancies in Office.** A vacancy in any office because of death, resignation, removal, disqualification, or any other cause shall be filled in the manner prescribed by these Bylaws for normal appointments to that office. However, vacancies need not be filled on an annual basis.

**Section 7: Responsibilities of Chairperson.** The Chairperson shall preside at all meetings and have such other powers and duties as the Board or these Bylaws may require.

**Section 8: Responsibilities of Vice President.** The Vice President shall assume the duties of the Chairperson in his or her absence and shall have such other powers and duties as the Board or these Bylaws may require.

**Section 8: Responsibilities of Secretary.** The Secretary of the corporation shall have the following responsibilities:

- A. The Secretary shall keep or cause to be kept, at the corporation's principal office or such other place as the Board may direct, a book of minutes of all meetings, proceedings, and actions of the Board, of committees of the Board, and of any members' meetings. The minutes of meetings shall include the time and place that the meeting was held; whether the meeting was annual, general, or special, and if special, how authorized; the notice given; and the names of persons present at Board and committee meetings.
- B. The Secretary shall keep or cause to be kept, at the corporation's principal office, a copy of the Articles of Incorporation and Bylaws, as amended to date.
- C. The Secretary shall keep or cause to be kept, at the corporation's principal office or at a place determined by resolution of the Board, a record of the corporation's members, showing each member's name, address, business represented, and class of membership.
- D. The Secretary shall give, or cause to be given, notice of all meetings that these Bylaws require to be given. The Secretary shall keep the corporate seal, if any, in safe custody and shall have such other powers and perform such other duties as the Board or the Bylaws may require.
- E. The Secretary shall maintain, or cause to be maintained, the corporation's records in accordance with the requirements of the California Public Records Act, Government Code §6250 et seq.

**Section 9: Responsibilities of Treasurer.** The Treasurer of the corporation shall have the following responsibilities:

- A. The Treasurer shall keep and maintain, or cause to be kept and maintained, adequate and correct books and accounts of the corporation's properties and transactions. The Treasurer shall send or cause to be given to the Directors such financial statements and reports as are required to be given by law, by these Bylaws, by the BIA, or by the Board. The books of account shall be open to inspection by any Director at all reasonable times.
- B. The Treasurer shall deposit, or cause to be deposited, all money and other valuables in the name and to the credit of the corporation with such depositories as the Board may designate; shall disburse the corporation's funds as the Board may order; shall render to the President and the Board, when requested, an account of all transactions as Treasurer and of the financial condition of the corporation; and have such other powers and perform such other duties as the Board or these Bylaws may require.
- C. The Treasurer shall review monthly financial reports prepared by CVB staff.

**Section 10: Contracts with Directors.** No Director of this corporation nor any other corporation, firm, association, or other entity in which one or more of this corporation's

Directors are Directors or have a material financial interest, shall be interested, directly or indirectly, in any contract or other transaction with this corporation unless:

- A. The material facts as to the transaction and such Director's interest are fully disclosed or known to the members and such contract or transaction is approved by the members in good faith, with any membership owned by any interested Director not being entitled to vote thereon; or
- B. The material facts regarding such Director's financial interest in such contract or transaction or regarding such common Directorship, officership, or financial interest are fully disclosed in good faith and are noted in the minutes or are known to all Board members before consideration by the Board of such contract or transaction, and such contract of transaction is authorized in good faith by a majority of the Board by a vote sufficient for that purpose without counting the vote of the interested Director.

**Section 11: Loans.** The corporation shall not loan any money or property to, or guarantee the obligation of, any Director or officer of the corporation. The corporation may advance money to a Director or officer for reasonable business expenses, provided that the Director or officer is entitled to reimbursement.

## **ARTICLE VIII COMMITTEES**

**Section 1: Establishment.** The Board, by resolution adopted by a majority of the Directors then in office, may create one or more committees, each consisting of two or more Directors, to serve at the pleasure of the Board. Appointments to committees of the Board shall be by majority vote of the Directors then in office. The Board may appoint one or more Directors as alternate members of such committee, who may replace any absent member at any meeting. Any such committee shall have all the authority of the Board, to the extent provided in the Board resolution, except that no committee may do the following:

- A. Fill vacancies on the Board or any committee of the Board;
- B. Fix compensation of the Directors for serving on the Board or any committee;
- C. Amend or repeal Bylaws or adopt new Bylaws;
- D. Amend or repeal any resolution of the Board that by its express terms is not so amendable or repealable;
- E. Create any other committees of the Board or appoint the members of committees of the Board; or
- F. Expend corporate funds to support a nominee for Director if more people have been nominated for Director than can be elected; or
- G. With respect to any assets held in charitable trust, approve any contract or transaction between this corporation and one or more of its Directors or between this corporation and an entity in which one or more of its Directors have a material financial interest, subject to the approval provisions of Corporations Code §5233(d)(3).

**Section 2: Executive Committee.** Pursuant to Article VII of these Bylaws, the Board shall appoint two or more Directors of the corporation, including the officers, to serve as the executive committee of the Board. The executive committee, unless limited by a resolution of the Board,

shall have and may exercise all the authority of the Board in the management of the business and affairs of the corporation between meetings of the Board; provided, however, that the executive committee shall not have the authority of the Board in reference to those matters enumerated in Article VII. All actions of the executive committee shall be reported to and ratified by the Board at the next duly scheduled Board meeting. The President may call special meetings of the Executive Committee.

**Section 3: Meetings and Actions of Committees.** Meetings and actions of committees shall be governed by, held, and taken under the provisions of these Bylaws concerning meetings and other Board actions, except that the time for general meetings of committees and calling of special meetings of committees may be set either by Board resolution, or if none, by resolution of the committee. Notice of committee meetings will be given in accordance with the provisions of the Ralph M. Brown Act. Minutes of each meeting shall be kept and shall be filed with the corporate records, and in accordance with the provisions of the California Public Records Act. The Board may adopt rules for governance of any committee as long as the rules are consistent with these Bylaws. If the Board has not adopted rules, the committee may do so.

## **ARTICLE IX INDEMNIFICATION AND INSURANCE**

### **Section 1: Indemnification.**

- A. To the fullest extent permitted by law, this corporation shall indemnify its Directors and officers, and may indemnify employees and other persons described in the Corporations Code, including persons formerly occupying such positions, against all expenses, judgments, fines, settlements and other amounts actually and reasonably incurred by them in connection with any “proceeding,” as that term is used in the Corporations Code, and including an action by or in the right of the corporation, by reason of the fact that the person is or was a person described in the Corporations Code. “Expenses,” as used in these Bylaws, shall have the same meaning as in the Corporations Code.
- B. On written request to the Board by any person seeking indemnification under the Corporations Code, the Board shall promptly decide under that code whether the applicable standard of conduct set forth has been met, and if so the Board shall authorize indemnification.
- C. To the fullest extent permitted by law and except as otherwise determined by the Board in a specific instance, expenses incurred by a person seeking indemnification under these Bylaws in defending any proceeding covered by these Bylaws shall be advanced by the corporation before final disposition of the proceeding, on receipt by the corporation of an undertaking by or on behalf of that person that the advance will be repaid unless it is ultimately found that the person is entitled to be indemnified by the corporation for those expenses.

**Section 2: Insurance.** This corporation shall have the right, and shall use its best efforts, to purchase and maintain insurance to the full extent permitted by law on behalf of its officers, Directors, employees and other agents, to cover any liability asserted against or incurred by any

officer, Director, employee, or agent in such capacity or arising from the officer's, Director's, employee's, or agent's status as such.

## **ARTICLE X RECORDS**

**Section 1: Maintenance.** This corporation shall keep all of the following records, either in written form or in any other form capable of being converted into clearly legible tangible form or in any combination of the two:

- A. Adequate and correct books and records of account;
- B. Minutes of the proceedings of its members, Board and committees; and
- C. A record of each member's name, address, and class of membership.

**Section 2: Inspection by Directors.** Every Director shall have the absolute right, at any reasonable time, to inspect the corporation's books, records, and documents of every kind, and to inspect the physical properties of the corporation. The inspection may be made in person or by the Director's agent or attorney. The right of inspection includes the right to copy and make extracts of books, records, and documents of every kind.

**Section 3: Articles and Bylaws.** This corporation shall keep, at its principal office, the original or a copy of the Articles of Incorporation and Bylaws, as amended to the current date, that shall be open to inspection at all reasonable times during office hours.

**Section 4: Annual Reports.** The Secretary of the corporation shall prepare and submit, or cause to be prepared and submitted, the following annual reports. The Secretary shall keep, or cause to be kept, copies of all annual reports with the corporation's records. The two annual reports may be combined into one all-inclusive document.

- A. BIA Annual Report. The BIA annual report will be prepared and submitted in accordance with the provisions of Streets and Highways Code §36533.
- B. CVB Annual Report. The CVB annual report shall be prepared within 120 days after the end of the corporation's fiscal year. This section shall not apply if the corporation receives less than \$10,000 in gross revenues or receipts during the fiscal year. The report shall contain the following information in appropriate detail:
  1. A balance sheet as of the end of the fiscal year, an income statement, and statement of cashflows for the fiscal year, accompanied by an independent accountant's report, or if none, by the certificate of an authorized officer of the corporation that they were prepared without audit from the corporation's books and records;
  2. A statement of the place where the names and addresses of current members are located; and
  3. Any other information required by these Bylaws or the Board.

**Section 5: Annual Statement.** As part of the annual report to all members, or as a separate document if no annual report is issued, the corporation shall annually prepare and mail, deliver or send by electronic transmission to its Directors a statement of any transaction or

indemnification of the kinds in subparagraph B below within 120 days after the end of the corporation's fiscal year.

- A. The statement shall include:
  - 1. A brief description of the transaction;
  - 2. The names of interested persons involved and their relationship to the corporation;
  - 3. The nature of interested persons in the transaction;
  - 4. The amount of the interested persons' interest, except that in a partnership in which such person is a partner, only the partnership interest need be stated.
- B. Transactions included in the statement shall be those transactions:
  - 1. To which the corporation or its subsidiary was a party;
  - 2. Which involved more than \$50,000 or was one of a number of such transactions with the same person involving, in the aggregate, more than \$50,000; and
  - 3. In which either of the following interested persons had a direct or indirect material financial interest (a mere common Directorship is not a material financial interest):
    - a. Any Director or officer of the corporation;
    - b. Any holder of more than 10 percent of the voting power of the corporation.

## **ARTICLE XI OPERATIONS AND ADMINISTRATION**

**Section 1: Fiscal Year.** The fiscal year of the corporation shall begin on July 1 and end on June 30 of each year.

**Section 2: President.** The Board shall employ a President of the corporation. The President shall:

- A. Serve as the executive officer of the corporation;
- B. Be charged with the general supervision and management of the corporation's affairs and staff;
- C. Advise the Board of Directors;
- D. Attend all meetings of the Board and executive committee;
- E. Serve as an ex-officio member of all committees;
- F. Have the authority to counter-sign checks; and
- G. Act as the corporation's agent for service of process.

**Section 3: Funds.** All funds of the corporation shall be deposited in such banks, trust companies, or other reliable depositories as the Board from time to time may determine. All checks, drafts, endorsements, notes and evidence of indebtedness of the corporation shall be signed by such officers or agents of the corporation and in such manner as the Board may determine from time to time. Endorsements for deposits to the credit of the corporation shall be made in such manner as the Board may determine from time to time.

**Section 4: Contracts.** The Chairperson, President or any other officer or agent specifically authorized by the Board may, in the name of and on behalf of the corporation, enter into those contracts or execute and deliver those instruments that are specifically authorized by the Board. Without the express and specific authorization of the Board, no officer or agent may enter into any contract or execution or deliver any instrument in the name of or on behalf of the corporation.

**Section 5: Brown Act Compliance.** To the extent that Government Code §54952(c) shall require the corporation to be subject to the open meeting requirements of the Ralph M. Brown Act, then the Board will comply with the provisions of Government Code §54950 through and including §54961. To the extent that any provisions of these Bylaws are inconsistent with the Ralph M. Brown Act, the provisions of said Act shall prevail. In the event the corporation does not meet the requirements of Government Code §54952(c), then the Board will not endeavor to meet the requirements of the Brown Act.

## **ARTICLE XII AMENDMENT**

Except as otherwise provided herein, and subject to the power of Directors to amend or repeal the Bylaws, these Bylaws may be altered, amended or repealed and new Bylaws may be adopted by an affirmative vote of a majority of the Directors present at any regular or special meeting, a quorum being assembled, provided that written notice of such meeting, setting forth in detail the proposed revision(s) and explanation(s) therefore, be given not less than 7 days prior to such meeting.

### **CERTIFICATE OF SECRETARY**

The secretary certifies as follows:

1. I am the duly elected and acting Secretary of Costa Mesa Conference & Visitor Bureau, a California Nonprofit Mutual Benefit Corporation;
2. That these Bylaws, consisting of 11 pages, inclusive, are the Bylaws of the corporation as adopted by the Board of Directors on June 7, 2012;
3. That these Bylaws have not been amended or modified since that date.

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Secretary

# Public Comment on May 7, 2013 Costa Mesa City Council Agenda Item NB-1

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May 6, 2013

Dear City Council members and staff,

When renewal of the hotel surcharge funding the Business Improvement Area (BIA) / Costa Mesa Conference & Visitor Bureau (CVB) was last on the Council's agenda as item PH-1 at your June 5, 2012 meeting, I raised certain written concerns about whether the enterprise was properly functioning under the cited sections of the California Street and Highways Code, and whether the Bureau was operating as a valid 501(c)6 non-profit corporation. Since I believe those concerns remain valid and have been largely unaddressed in the intervening year, I am attaching a copy of those previous remarks with three minor highlighted corrections where the "Government Code" was cited where the "Street & Highways Code" was intended.

I continue to see little justification for the existence of the BIA other than the member hotel's desire to masquerade a marketing charge on their bills as a governmental tax, and possibly to operate a joint promotional scheme that might otherwise run afoul of anti-trust laws, but setting aside the question of whether a Bureau expressly created to generate profits for the 10 organizations represented on its Board of Directors can be regarded as a legally operating non-profit, and whether voluntary membership is consistent with the idea of an improvement "area" or "district," the overall enterprise, as previously noted, much more closely resembles something set up under the "Property and Business Improvement District Law of 1994" (Street and Highways Code §36600 et seq.), in which a city contracts with an "owner's association" to provide specified revitalization services.

While the "Parking and Business Improvement Area Law of 1989" (Streets and Highways Code §36500 et seq., on which the proposed resolution is based) may allow contracting out the administration of the BIA functions, it requires Council appointment of an advisory board or use of what I understand to be an existing *Council-appointed* advisory board or commission (§36530, cited in the resolution). The CVB Board of Directors does not appear to be such a Council-appointed board, but rather an outside body neither created nor controlled by the Council, but merely *designated* by it to serve in the advisory role, a quite different concept, and one that is, at least to my mind, inconsistent with the 1989 Law. Indeed, the April 2012 CVB Bylaws attached to the staff report indicate the CVB board members are elected (and vacancies filled) by the Board (Article V, Section 4), *not* appointed by the Council. Even the City Council member on the CVB Board appears to be selected by the Board rather than by the Council. There is nothing I can find in the Street and Highways Code that would permit such delegation to a private party of the Council's obligation to make the appointments, nor that would immunize the Council's appointments from the normal requirements for notice and specified terms of office. There would also seem to be an inherent conflict with the same body serving as advisor and administrator.

Beyond that, I would note the following additional irregularities in the proposed resolution and attachments:

1. The statement on page 1 (page 51 of the 69 page PDF staff report) that "*WHEREAS, the City Council appointed the general managers of the 10 hotels subject to the assessment area, to serve as the advisory board as required by California Streets and Highways Code Section 36530*" is inconsistent with the description of the CVB Board in the CVB Bylaws, where it says (Article V) the Board would consist of the 10 general managers *plus a City Councilmember and a City employee designated by the City's CEO.*
2. The statement in "Section 1. Assessment." that "*New hotel and motel businesses commenced after the effective date of the ordinance levying the assessment will be exempt from the levy of assessment*" is inconsistent with the note at the end of Exhibit B: "*Note: New hotel and motel businesses commenced after the effective date of this resolution will be exempt from the levy of assessment.*" I suspect the word "resolution" was intended in both cases.
3. I can find nothing to support the claim in "Section 4. Method and Basis of Levy." that "*The proposed method and basis of levying the assessment to allow each business owner to estimate the amount of the assessment to be levied against his or her business is set forth in the Costa Mesa Conference & Visitor Bureau's annual report relative to the Business Improvement Area.*" All I can find in the annual report is an otherwise unexplained table of "*Expense Projections Fiscal Year 2013/2014*" (page 12 of the CVB Annual Report, page 16 of the present 69 page PDF staff report). Although this is preceded by a table of projected revenues (remarkably to the nearest dollar, and slightly inconsistent with the projected expense total), there is nothing I can find about how the levy will be assessed or collected.
4. On the other hand, Exhibit B to the proposed resolution of intent says "*A three percent (3%) levy will be assessed against each of the 10 hotels listed in Exhibit A, based on the net revenue from the sale of overnight room stays,*" but without defining what "net revenue" means. It also does not define how the penalties and interest referred to in the next paragraph will be computed, nor can I find any disclosure of the 1% to be taken out of the assessments as a City administrative fee per the first sentence on page 4 of the staff report. As a point of reference, it might be noted that the assessment on the member hotels in the somewhat similar seven member Tourism Business Improvement District, set up under the 1994 Law, in Newport Beach, I believe the levy is 2% of **gross** transient room rental revenue, and the City's administrative fee is 0.25% of the assessments processed.
5. A large response to the invitation on page 2 of the staff report ("*City staff will also notify all the hotels and motels in the city not currently included in the BIA to allow them the opportunity to be included in the BIA.*") may require an amendment to the CVB Bylaws, for they currently appear to envisage at most 13 general managers on the governing board.
6. Regarding the Bylaws (Attachment 4 to the staff report), it is surprising to see only a single reference to the Street and Highways Code (Article X, Section 4.A), but refreshing to see an organization that sees itself as a private non-governmental entity making 13 references to the Brown Act (Government Code §54950 et. seq.), although reserving themselves an "out" in Article XI, Section 5. It is unclear if the organization is aware of the internet posting requirements that became effective in January, 2012 (§54954.2).

7. I would also question the extent to which the independent audit “*ensure[s] that the assessment revenue is expended for public purposes as specified within the resolution and that no expenditures are made in a manner contrary to the agreement*” (page 2 of the staff report). My understanding of the auditor’s report is that they were tasked with testing the accuracy of the dollar amounts reported in financial statements prepared by the CVB, and not so much on opining regarding the appropriateness of the expenditures or whether advertising private hotels is a valid “public purpose.” There is also an odd disconnect between the letter from the auditing firm dated December 11, 2012, referring to “*our report thereon dated **November 30, 2012***” (page 39 of the 69 page PDF staff report), and what appears to be the actual auditor’s report is dated **December 18, 2012** (page 44).
8. Finally, I would think the public might want to see the terms of the agreement between City and CVB alluded to in the preceding quotation, and elsewhere in the staff report.

Yours sincerely,

Jim Mosher

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(949) 548-6229

Attachment: Written comments from June 5, 2012