SONOMA COUNTY ECONOMIC DEVELOPMENT BOARD

SONOMA COUNTY ANNUAL TOURISM REPORT

INDUSTRY REPORT

2023

ECONOMIC DEVELOPMENT BOARD

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SONOMA COUNTY BOARD OF SUPERVISORS

CONTENTS

EXECUTIVE SUMMARY

September 2023

The Sonoma County Economic Development Board (EDB), in partnership with Sonoma County Tourism, is pleased to bring you the 2023 Annual Tourism Report. The report contains three sections integrating findings on the local tourism industry.

MOODY'S ANALYTICS INDUSTRY ANALYSIS

Moody's is a leader in economic research and provides key quantitative and qualitative analysis on the current state of Sonoma County's tourism industry. Key findings from the 2023 report include:

- Sonoma County's tourism industry has eased off the gas over the past six months but remains on firm footing. Visitor spending jumped 18% year over year in 2022, with pent-up demand for travel after the COVID-19 pandemic pushing spending totals higher than in 2019.
- Sonoma County's allure as a global destination for high-end wines, craft beer, outdoor recreation, and cutting-edge cuisine will safeguard tourism even as there is a pullback in overall recreation spending as the economy slows.
- Revenue at local hotels, wineries, and breweries will grow at a more modest pace this year following the surge in 2022, but this will be partly offset by slower growth in operating expenses.
- The near-term outlook for Sonoma County's tourism is one of guarded optimism. While risks of recession are still uncomfortably high, the baseline forecast calls for the Fed to navigate a soft landing for the economy, and Sonoma County's allure thanks to plentiful natural amenities positions the county to take full advantage.
- Food and beverage services will be a particular draw for Millennials and Generation Z as they reach adulthood. They prefer quality wines, craft beers, and local organic food, and they can experience all three in Sonoma County.

TOURISM INDUSTRY INDICATORS

Sonoma County Tourism, in partnership with Visit California and Dean Runyan Associates provided the latest available economic impact figures on the economic impact of travel and tourism in Sonoma County. Key findings from the 2022 report include:

- Direct visitor spending in Sonoma County in 2022 totaled $2.3 billion, a 17.3% increase from $2.0 billion in 2021 and 2.8% higher than 2019 ($2.2 billion). Sonoma County remained just behind Monterey ($3.1 billion) and ahead of Napa ($1.7 billion) and San Luis Obispo ($2.2 billion) Counties.
- Sonoma County's Transient Occupancy Tax (TOT) totaled $67.1 million in 2022. This was a 10.7% increase from $60.6 million in 2021. $67.1 million is the greatest TOT revenue ever collected in Sonoma County.

SONOMA COUNTY VISITOR PROFILE

Sonoma County Tourism partners with Longwoods International to gain insights into its visitor base. Tapping into Longwoods proprietary 2021 Travel USA survey, which included approximately 1,180 travelers who had visited Sonoma County in 2022, the following key findings were:

- In 2022, Sonoma County welcomed 10.2 million visitors: 4.8 million overnight and 5.5 million day-visitors, with a total of $979 million (up 15.5% from previous year). The average stay was 1.9 nights and the average per-person expenditure for overnight visitors was $206.
- The main reasons for travel to Sonoma County were visiting friends and relatives, touring trips, and outdoor exploration. The top activities and experiences enjoyed by guests were shopping; sightseeing; visiting wineries, breweries, and distilleries; attending celebrations; and visiting landmarks and historic sites.

For additional information, questions, comments, or suggestions please contact us at (707) 565-7170 or visit www.sonomaedb.org.


Shop Windsor


ROHNERT PARK CITY CENTER

MOODY'S ANALYTICS TOURISM ANALYSIS

Recent Performance

- Sonoma County's restaurants and lodging industry has eased off the gas over the past six months but remains on firm footing. Leisure/hospitality payrolls eclipsed their pre-pandemic levels late last year, and since then have largely moved sideways as the economy has shifted into a slower pace of growth. According to data compiled by Dean Runyan Associates, Sonoma County's visitor spending jumped 18% year over year in 2022, with pent-up demand for travel after the COVID-19 pandemic pushing spending totals higher than in 2019.
- The surge in visitor spending last year helped Sonoma County's outsized tourism industry dig out of the hole from the pandemic-induced recession. Leisure/hospitality payrolls were by far the worst-faring industry for the economy nationwide, and the scars were long-lasting. The lost jobs from the near complete shutdown of travel were only fully recouped last fall. While still modestly ticking higher, tourism payrolls are slowing from their breakneck pace seen over the past two years. Cost pressures from sky-high inflation and spent-up demand for travel have caused domestic traveler demand to decrease.
- Lodging data paints a similar picture, with occupancy rates slipping slightly in 2023 after reaching their pre-pandemic levels when travel restrictions were lifted last year. A particularly wet and rainy winter and spring pushed some would-be wine country travelers to other winter destinations, and the full reopening reintroduced some competition for travel to international destinations.

Macro Drivers

- The economy's strong performance is arguably due most fundamentally to stalwart consumers who remain steadfast in their spending. Consumer spending, hit hard by the pandemic, recovered quickly with government support and has been growing at a pace consistent with pre-pandemic trends.
- The composition of spending has not fully normalized—goods spending has shifted higher and spending on services lower—but this may never be fully righted.
- Consumers have done an admirable job calibrating their spending just enough to power growth and allow the economy to avoid recession but not so much that it juices up inflation. Facilitating this is the excess savings households accumulated during the pandemic. Lower- and middle-income households received substantial government support during the pandemic. They were able to save some of that, at least for a while. Higher-income households saved much more as they sheltered in place.

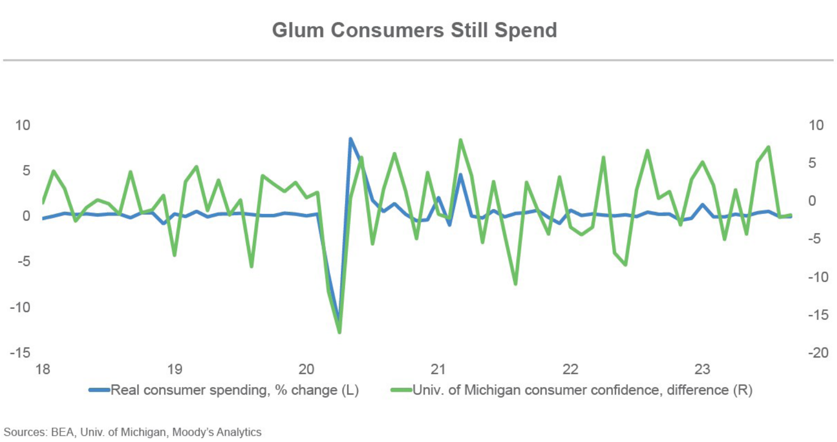


Chart: The University of Michigan consumer sentiment survey once again backtracked after some notable progress this summer. With gas prices rising once again and recession fears still elevated, consumers are feeling glum. However, consumers are still opening up their wallets and spending continues to tick higher. The labor market, and consumers more broadly, are proving resilient and will keep the economy humming albeit at a slower pace over the next year.

MOODY'S ANALYTICS TOURISM ANALYSIS

- We estimate nearly $2.5 trillion in excess savings at the peak in fall 2021. Consumers have drawn down those savings since, in significant part to help prop up their purchasing power, which has come under severe pressure from high inflation. Inflation costs the typical household earning the median income $734 more each month to buy the same goods and services they purchased two years ago. Lower-income households have been especially hard-hit and have largely exhausted their excess savings, but high-income households together still have what we estimate at nearly $1.2 trillion in extra savings in their accounts.
- Furthermore, households' after-inflation or real incomes are on the rise again. The need to tap excess savings to maintain spending is diminishing. Though wage growth is moderating, inflation has slowed even more since peaking in June 2022. According to the Atlanta Federal Reserve's wage tracker, which tracks the wages of the same workers over time, wages are increasing at almost double the pace of inflation for workers across all wage tiers. As was the case before and especially during the pandemic, low-wage workers are enjoying meaningfully larger wage increases than high-wage workers.
- Slower anticipated job growth and fewer hours worked will be a near-term headwind to income growth, but it should be a modest one that will not materially crimp spending unless there are more layoffs and falling employment. However, that seems unlikely as businesses remain resolute in retaining employees. Firms' thorniest problem since before the pandemic has been finding and retaining workers, and this is sure to continue given demographic trends. Businesses may slow hiring, close open positions, cut workers' hours, and pare back on temporary workers, but they appear desperate to avoid layoffs.
- Concern that households have taken on too much debt, posing a threat to their spending and thus the broader economy, is largely misplaced. Total debt is up only 3.5% in the year ending in August, according to Moody's data based on Equifax credit files for all consumers. This is about the rate of inflation and less than income growth. The ratio of household debt to income, which peaked at just over 100% during the financial crisis, is now low at just over 70%. Even the non-mortgage debt-to-income ratio, which includes everything from credit cards and auto loans to unsecured personal loans and student loans, is low and stable at near 20%.

Industry Drivers

- Sonoma County's allure as a global destination for high-end wines, craft beer, outdoor recreation, and cutting-edge cuisine will safeguard tourism even as there is a pullback in overall recreation spending as the economy slows. Tourism-centric metro areas will face a more difficult macroeconomic environment this year. Still, it is crucial that the U.S. economy avoids an outright recession, and recession odds are receding given the spate of good economic news this summer.
- The outlook for Sonoma County's tourism will undoubtedly depend on the continued resilience of the U.S. economy and consumers' willingness to travel. According to the Conference Board, the share of Americans planning a vacation in the next six months rose to 46% in August, marking steady improvement over the last six months, though it is still below its pre-pandemic levels. Recession chatter reached a fever pitch earlier this year and, coupled with still-high inflation pressures, likely dissuaded some would-be travelers. Moody's Analytics expects this number to rise higher if the U.S. economy avoids a significant downturn and inflation fears recede.
- The two components considered to be the closest proxies to measure changes in people's openness for in-person activities—passenger throughput at airports and seated diner volume at restaurants—are mixed, with TSA traveler volumes still trending higher while diner volume is slipping relative to last year.

MOODY'S ANALYTICS TOURISM ANALYSIS

- TSA traveler volumes continue to improve. For the first time since the pandemic began, traveler volumes year to date are outpacing their 2019 figures and are up 13% compared with the same period last year. Data from OpenTable, which charts seated diners at restaurants, are down slightly compared with last year. Statewide figures show a decline in volumes for each month relative to last year, and in September they were down 7%. This weakness is in part due to inflation pressures chipping away at consumers' budgets and a slowdown in the labor market. With recession risks and inflation pressures waning, we expect this to improve modestly through the end of this year and next.
- Consumers' professed comfort in scheduling and taking vacations is showing some signs of improvement. According to Morning Consult, the share of respondents who have traveled domestically or booked a trip rose to 39% and 36%, respectively, in July, up from around 30% at the start of the year. While consumers have the wherewithal to maintain their spending, at least in aggregate, whether they do so also depends on their confidence. If consumers lose faith that they will hold onto their jobs and paychecks, they are sure to pull back on spending, and the economy will falter. Historically, when confidence as measured by the Conference Board's monthly survey of consumers falls sharply for several months, consumers curtail their spending, and the economy soon suffers a downturn: But so far so good. Consumer confidence is holding firm near its long-run average.
- Confidence is fragile, however. That is evident in weaker readings from the University of Michigan's sentiment survey. And sentiment can quickly turn sour. Indeed, there is a lengthy list of possible reasons why it might. They include the imminent end of the student loan payment moratorium, a possible federal government shutdown with the start of the new federal fiscal year in October, the autoworker strike, fixed mortgage rates that are back over 7%, and perhaps most worrisome, the recent jump in oil prices.
- Despite many considerable challenges, consumers have remained resilient spenders and thus a reliable firewall between continued growth and recession. There are good reasons to think the firewall will hold, consumers will continue to do their part, and the economy will skirt a downturn. But there is also good reason to remain cautious as the consumer firewall remains under significant pressure.

Pricing

- Hospitality operators are seeing a substantial improvement in pricing power, though there is still some room for improvement. Hotel lodging data is broadly improving, with occupancy rates at nearly 67% in June. This compares with an average of 74% in 2019.

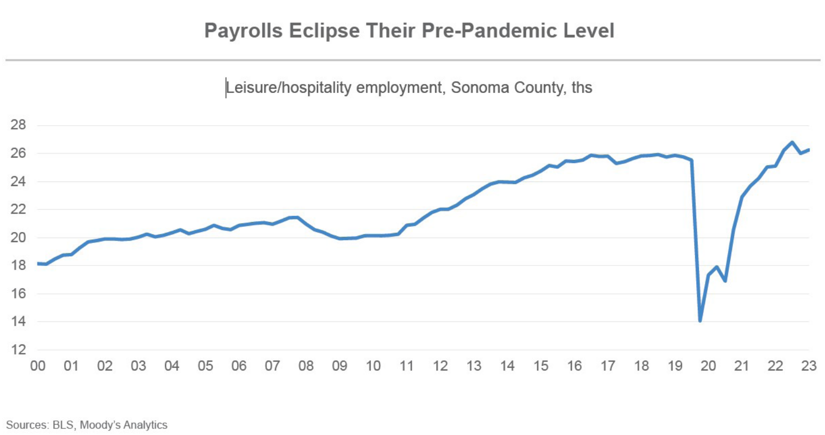


Chart: Leisure/hospitality employment took the brunt of the labor market damage following the pandemic-induced recession, and the subsequent recovery had been holding back the economic recovery. Robust visitor spending and the full removal of travel restrictions in 2022 gave leisure/hospitality payrolls a second wind last year, but job growth has flatlined this year. Decades-high inflation and heightened recession fears crimped demand over the last year, but with both waning, leisure/hospitality job growth will resume through the middle of next year.

MOODY'S ANALYTICS TOURISM ANALYSIS

- While visitor totals at restaurants statewide have backtracked slightly, we expect this to improve modestly through the end of the year. This will improve pricing power at tasting rooms, restaurants, breweries, and outdoor recreation firms. Data from OpenTable show that seated diners at California restaurants are down compared with last year. County restaurants' pricing power could improve further if pent-up demand and excess savings are pushed toward more spending on services in the summer and latter half of the year.
- Longer term, supply constraints will add to hotels' pricing power. Despite rebuilding efforts and the opening of several new establishments, the number of hotel rooms in the county will rise only modestly over the next few years. The extension of occupancy taxes to vacation rental websites such as Airbnb will narrow their price advantage over traditional hotels and will mean that most overnight visitors will face higher prices.

Operating Expenses

- Leisure/hospitality wages are still rising at a strong clip, but the pace has nearly halved over the past year. This will provide some operating expenses for Sonoma County hospitality operators. Still, with industry wage growth at nearly 10% as of the first quarter of 2023, operating expenses are still elevated by historical standards. This pace of wage growth will not be sustained, however, as employers find ways to make do with fewer workers.
- Beyond labor, other operating expenses, namely leasing expenses, will likewise backtrack. Commercial real estate prices are sinking, and retail vacancy rates are up a full percentage point from their pre-pandemic levels.

Profitability

- Revenue at local hotels will grow at a more modest pace this year following the surge in 2022, but this will be partly offset by slower growth in operating expenses. Unfortunately, profitability will still slightly lag its pre-pandemic levels until occupancy fully recovers and the economy finds another gear late next year.
- Wineries and breweries will likewise see margins improve modestly as tasting room visitation ticks higher through the end of the year. Small wineries rely heavily on foot traffic to sell higher-end bottles and generate new consumers. Outdoor recreation and adventure firms will likely fare better, as the county's reputation for outdoor activities is growing more popular and the county is actively marketing toward these visitors.

Long-term Outlook

- The near-term outlook for Sonoma County's tourism is one of guarded optimism. The wounds inflicted on tourism-facing industries are still healing, and a slowing macroeconomic environment amid high

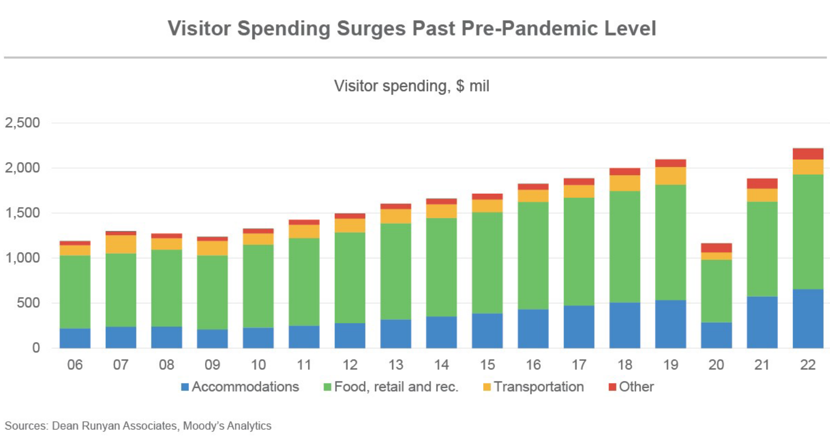


Chart: Visitor spending in Sonoma County cratered in 2020 as a result of the COVID-19 pandemic and only began to recover in 2021 as travel restrictions were lifted and the vaccine rollout progressed. Visitor spending subsequently surged in 2022, growing at a robust 17%. Pent-up demand for travel was unleashed, and strong economic fundamentals powered the growth in visitor spending. Visitor spending will likely grow but at a more modest pace this year and next given a pullback in confidence in the economy and high gas prices that chipped away at travelers' budgets for the first half of the year.

MOODY'S ANALYTICS TOURISM ANALYSIS

interest rates will apply restraint to tourism spending overall. While risks of recession are still uncomfortably high, the baseline forecast calls for the Fed to navigate a soft landing for the economy, and Sonoma County's allure thanks to plentiful natural amenities positions the county to take full advantage.

- As long as the Fed engineers a smooth landing in its quest to tame inflation without derailing the economic recovery, the prospects for Sonoma County's tourism remain on firm footing. Contagion fears are receding into the rearview mirror, and each subsequent COVID-19 variant has caused fewer economic disruptions. A sustained improvement in visitor spending through this year and next will be the first steps in a long road to recovery for Sonoma County's tourism-centric businesses.
- Longer term, Sonoma County will steadily rebuild its tourism base given the county's natural beauty, proximity to strong regional economies, and diverse tourist attractions. Visitors will flock to the area's superior wineries and scenic trails, while budding breweries and wellness establishments will enhance the visitor experience.
- Food and beverage services will be a particular draw for younger generations. Millennials prefer higher-quality wines, craft beers, and local organic food,a nd they can experience all three in Sonoma County. The recent legalization of marijuana may provide an additional avenue to attract more tourists. Generation Z, the cohort born after 1995, displays similar spending patterns and places an even higher premium on experiences rather than consumer products. As this cohort reaches adulthood, they will complement Millennials as an important source of demand for local goods and services.

Upside Risks

- Decades-high inflation and the policy tightening by the Fed to bring it down will weigh on consumer spending. Nevertheless, the insatiable U.S. consumer has thus far been surprisingly resilient. The baseline forecast could again underestimate consumer spending, which would result in faster growth. The labor market is loosening but remains tight, keeping job and income growth elevated. Businesses, correctly, are calculating that the labor-supply issues in the aftermath of the pandemic are here to stay. This is leading them to retain staff despite slowing demand. This dynamic could push household income up faster than expected. As much of the income is spent, the economy would grow above expectations. An even larger-than-anticipated spending boom would especially benefit Sonoma County as a tourist hub.

Downside Risks

- A misstep at the Federal Reserve remains the primary downside risk. If the Fed mistakenly eases policy too quickly, inflation could come roaring back. This would entrench higher inflation expectations from consumers and businesses because the central bank would have sacrificed credibility. This would make ridding the U.S. economy of elevated inflation even more difficult and lead to a prolonged and painful economic downturn. However, this is diminishing as a risk since the Fed has now lifted policy above what Moody's Analytics considers sufficiently restrictive and inflation shows clear evidence of its downward trend.
- Uncertainty about the spending outlook has been elevated given the persistence of elevated inflation and the downbeat mood of consumers and businesses. Sentiment measures have consistently shown people pessimistic about the U.S. economy's near-term trajectory. Pervasive recession fears since early 2022 have primed people to believe a severe downturn is imminent. It may not take much loosening in the labor market for consumers to quickly hunker down and spend less.

Colin Seitz

September 2023

MOODY'S ANALYTICS TOURISM ANALYSIS

Sources: The Conference Board, Moody's Analytics

Chart: The share of Americans who are planning a vacation in the next six months is steadily rising. Consumer confidence made some progress this summer, and consumers are feeling more upbeat about their future vacation plans. Despite significant risks in the economic outlook, consumers are making good on vacation plans. TSA traveler volumes are ahead of their 2019 volumes for the first time since the pandemic began, further illustrating Americans' comfort in traveling.

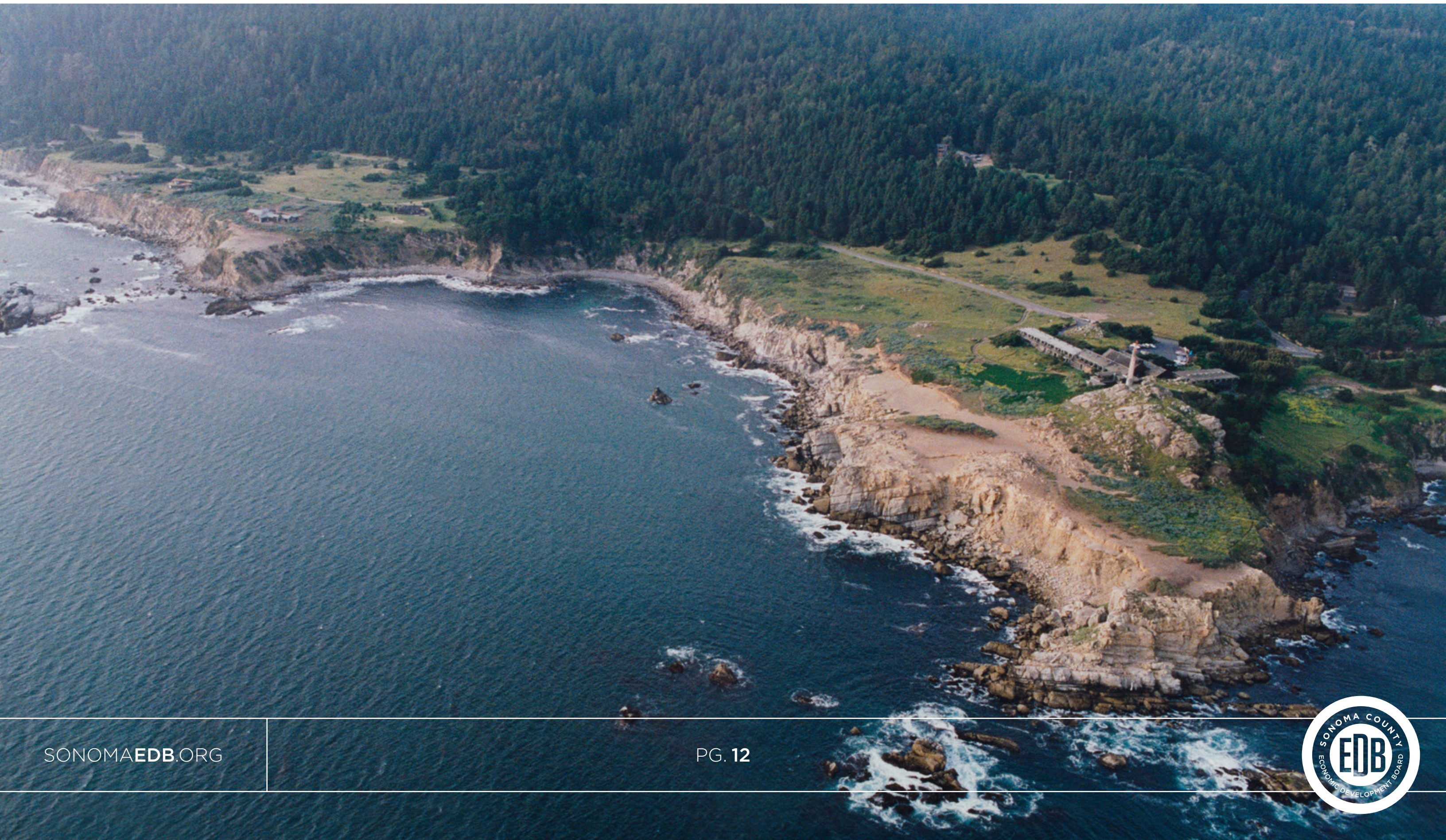
TOURISM INDUSTRY INDICATORS

The Tourism Industry Indicators section is based on data prepared for Sonoma County Tourism by Dean Runyan Associates, as well as 2022 industry data from Smith Travel Research, Longwoods International, and Sonoma County's Transient Occupancy Tax receipts. Where necessary, the data and graphs in this section have been adjusted for inflation using the U.S. Bureau of Labor Statistics Consumer Price Index.

Monterey, Napa, and San Luis Obispo are used as comparison counties because of their similarities in offerings as tourism destinations.

KEY FINDINGS

- In 2022, Sonoma County welcomed 10.2 million overnight and day visitors.
- Direct visitor spending in Sonoma County in 2022 totaled $2.3 billion, a 17.3% increase from 2021 and 2.8% higher than 2019.
- The 2022 Sonoma County Occupancy Rate was 64.1%, Average Daily Rate was $226.03, and RevPAR was $145.00. The YOY% change from 2021 for Occupancy Rate increased 0.0%, ADR increased 12.4% and RevPAR increased by 12.4%.
- 21,148 jobs were generated by travel spending in 2022, placing Sonoma County third among comparable counties. Monterey county had 25,370 jobs generated and ranked first and San Luis Obispo had 22,480 jobs generated and ranked second.
- The Charles M. Schulz – Sonoma County Airport (STS) served 614K passengers in 2022 resulting in a 41.1% increase in total passengers from 2021.
- Sonoma County's Transient Occupancy Tax (TOT) totaled $67.1 million in 2022. This was a 10.7% increase from $60.6 million in 2021. $67.1 million is the greatest TOT revenue ever collected in Sonoma County.



TOURISM INDUSTRY INDICATORS

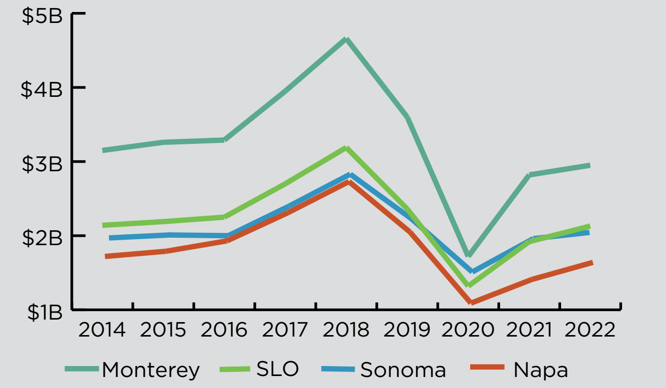
DESTINATION SPENDING

Destination Spending by Year

Destination spending is the total amount spent by visitors in Sonoma County. This indicator includes all spending on accommodations, retail (includes on-premise wine sales), and other tourism-related purchases. The most recent figures show that Sonoma County's destination spending increased by 10.9% from $1.92 billion in 2021 to $2.13 billion in 2022.

Note: Data is adjusted for inflation to the December 2022 level using the Bureau of Labor Statistics CPI

Destination Spending
Millions of Dollars, (2014-2022)



*Data adjusted for inflation to the December 2022 level using the Bureau of Labor Statistics CPI

Source: California Travel Impacts by County, 2022 (www.visitcalifornia.com/research/economic-impact)

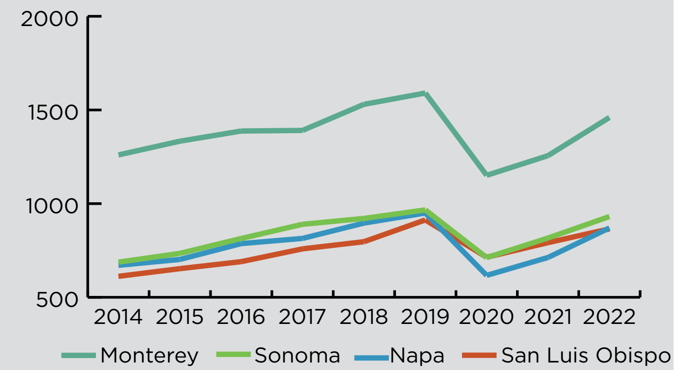
TOURISM INDUSTRY INDICATORS

DESTINATION SPENDING BREAKDOWN

Total Industry Earnings Generated by Travel Spending

The most recent figures show that Sonoma County's Industry Earnings Generated by Travel Spending increased by 15.2% from $809 million in 2021 to $931 million in 2022.

Industry Earnings Generated by Travel Spending
Millions of Dollars (2014-2022)



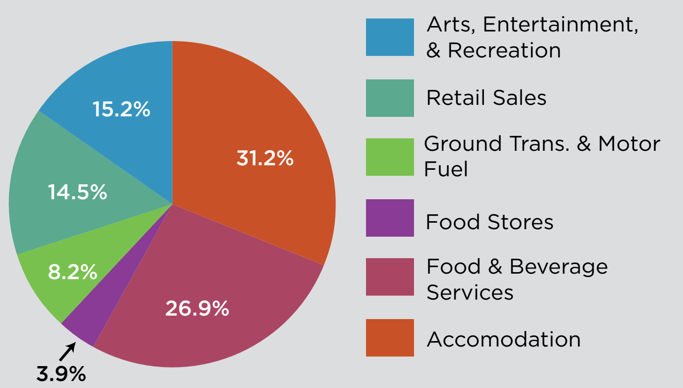
*Data adjusted for inflation to the December 2022 level using the Bureau of Labor Statistics CPI

Source: California Travel Impacts by County, 2022 (www.visitcalifornia.com/research/economic-impact)

Distribution of Visitor Spending by Commodity

As in previous years, the overall distribution of commodity-based visitor spending in Sonoma County is comparable to the featured competitive counties. Visitors to Sonoma County devoted 31.2% of spending towards accommodations and 26.9% of spending towards food and beverage services. Arts, entertainment, recreation, and retail sales make up almost a third of visitor spending.

Distribution of Visitor Spending by Commodity
Sonoma County (2022)

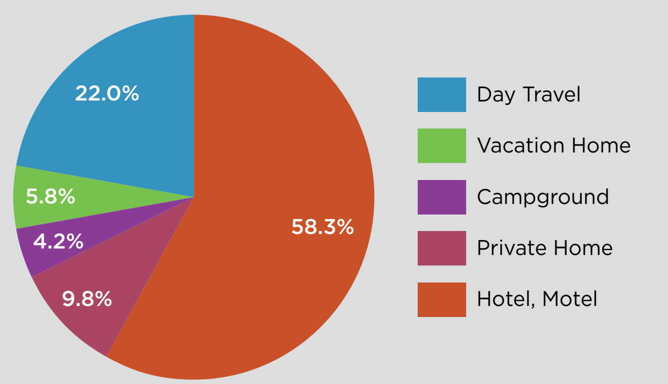


Source: California Travel Impacts by County, 2022 (www.visitcalifornia.com/research/economic-impact)

Distribution of Visitor Spending by Accommodation

In comparison with other competitive counties, Sonoma County has the largest share of visitor spending from Day Travel (22.0%, compared to 13.7% in Monterey, 15.3% in San Luis Obispo, and 19.0% in Napa). Sonoma County has the smallest share of spending for Hotel and Motels (58.3%, compared to 64.1% in San Luis Obispo, 73.4% in Monterey, and 74.3% in Napa).

Distribution of Visitor Spending by Accommodation
Sonoma County (2022)



Source: California Travel Impacts by County, 2022 (www.visitcalifornia.com/research/economic-impact)

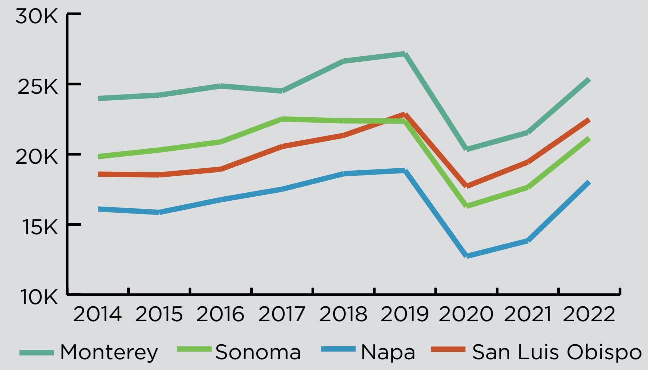
TOURISM INDUSTRY INDICATORS

INDUSTRY EMPLOYMENT

Employment Generated by Travel Spending

With 21,150 jobs generated by tourist destination spending in 2022, Sonoma County ranks third against comparable counties - Monterey had 25,370 tourism jobs, San Luis Obispo had 22,480 tourism jobs, and Napa had 18,050 tourism jobs. Employment generated by tourism spending in Sonoma County increased 19.9% from 2021 to 2022.

Employment Generated by Travel Spending
Number of Jobs (2014-2022)

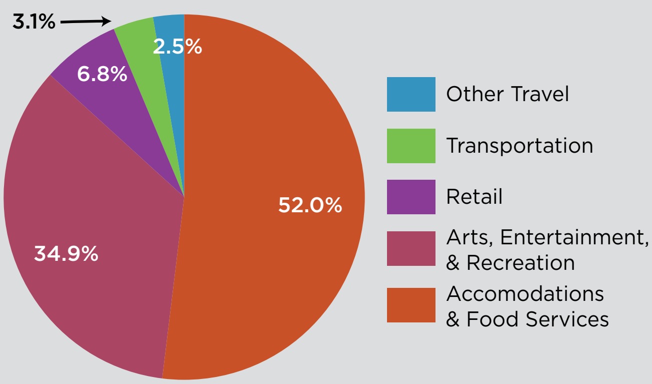


Source: California Travel Impacts by County, 2022 (www.visitcalifornia.com/research/economic-impact)

Sonoma County Tourism Employment by Sector

Distribution of employment within Sonoma County's tourism industry is similar to previous years, with 52.0% of employment in Accommodations & Food Services, 34.9% in Arts, Entertainment & Recreation, and 6.8% in Retail.

Tourism Workforce by Sector
Sonoma County (2022)



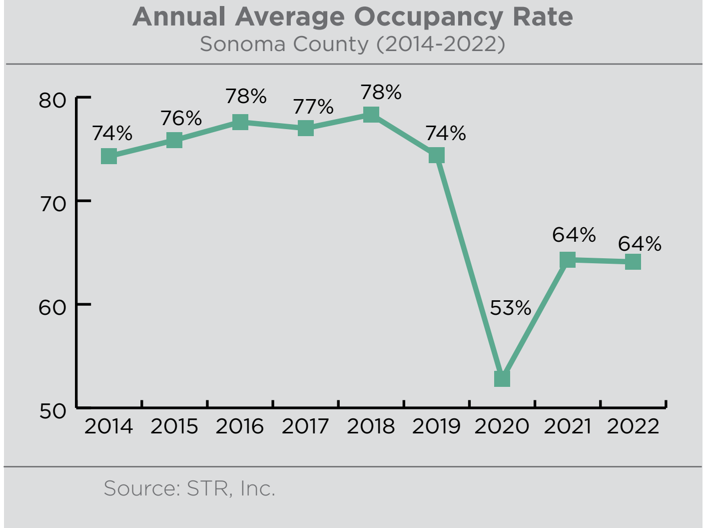
Source: California Travel Impacts by County, 2022 (www.visitcalifornia.com/research/economic-impact)

TOURISM INDUSTRY INDICATORS

LODGING & HOSPITALITY ASSESSMENT

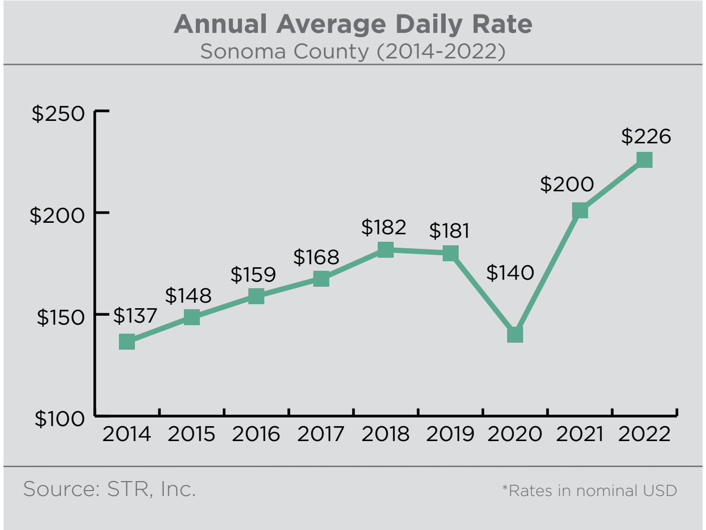
Occupancy Rate

The occupancy rate for Sonoma County is determined by dividing the total room nights sold by the total room nights available for purchase. The average annual occupancy in 2022 was 64.1%. This is a similar occupancy rate compared with 2021 marking slight decline from pre-pandemic levels.



Annual Average Daily Rate (ADR)

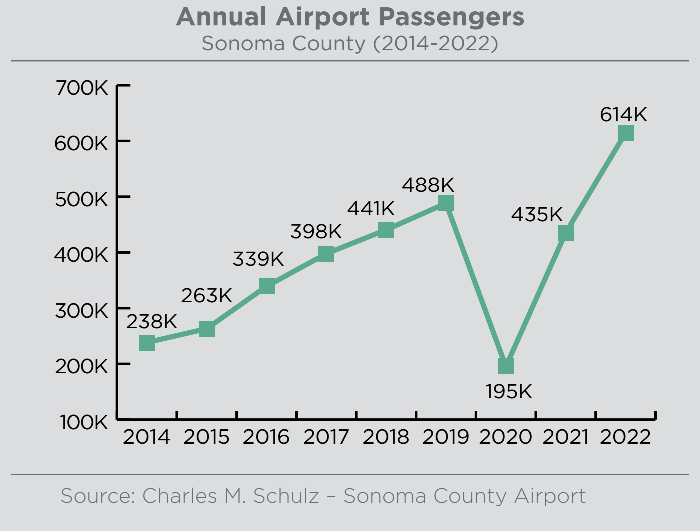
Average daily rate (ADR) represents the average amount spent on accommodations by a visitor per room night in Sonoma County. 2020 was the first year that this number has decreased since 2010.It fell from $181 to $140 from 2019 to 2020. However, the ADR for 2022 exceeded pre-pandemic levels, at $226. The ADR increased 12.4% from 2021 to 2022.



SANTA ROSA AIRPORT

Annual Airport Passengers

Arrivals at Charles M. Schulz-Sonoma County Airport exceeded pre-pandemic levels in 2022 with 614,481 passengers. Since 2012, passenger traffic at the Airport has increased each year, with the exception in 2020 due to COVID-19. During this slower period, Charles M. Schulz-Sonoma County Airport initiated construction of its Terminal Improvement and Modernization Project, which was completed last fall and included 4 new gates to allow for increased arrival capacity.



TOURISM INDUSTRY INDICATORS

TRAVEL IMPACTS BY CITY

Sonoma County Tourism commissioned Dean Runyan Associates to create a special report showing revenue generated from each municipality in Sonoma County in 2022. The findings:

				Tax Receipts* ($ Million)		
	Spending ($ Million)	Earnings ($ Million)	Employment (Jobs)	Local	State	Total
Cloverdale	14.3	5.8	131.5	0.8	0.6	1.4
Healdsburg	239.5	97.0	2,203.2	13.6	9.7	23.2
Petaluma	174.6	70.7	1,606.3	9.9	7.0	16.9
Rohnert Park	160.0	64.8	1,471.9	9.1	6.5	15.5
Santa Rosa	419.7	170.1	3,861.1	23.7	16.9	40.7
Sebastopol	27.3	11.0	250.9	1.5	1.1	2.6
Sonoma	219.5	88.9	2,018.8	12.4	8.9	21.3
Unincorporated/ Other	961.6	389.6	8,845.9	54.4	38.8	92.0
Windsor	82.5	33.4	758.8	4.7	3.3	6.7
COUNTY TOTALS	2,299.0	931.5	21,148.4	130.1	92.8	222.9

*Tax receipts include tax receipts generated by visitors to Sonoma County as well as businesses and employees within the county.

TOURISM INDUSTRY INDICATORS

TOURISM-GENERATED TAXES

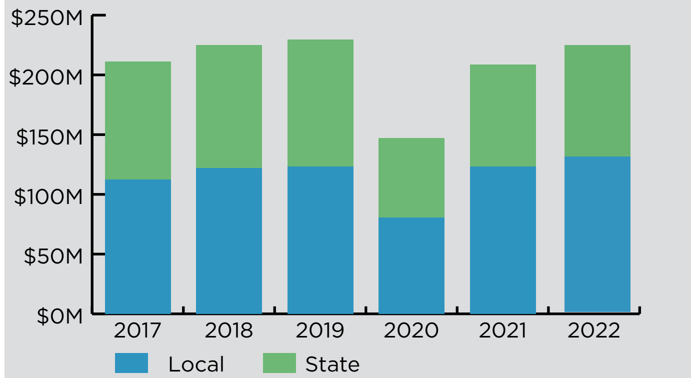
Visitor Generated by Tax Receipts

Spending by day travelers and overnight visitors to Sonoma County generate a significant amount of tax for state and local governments. Total local taxes collected from visitors to Sonoma County were estimated at $130 million in 2022. Total state taxes collected from those same visitors was $93 million in 2022. Total local and state tax collection increased by $28 million or 14.5% from 2021 to 2022.

Percentage of Annual TOT Revenue by City

Revenues from TOT are divided between the County of Sonoma (which receives revenue from lodging properties in unincorporated regions) and the individual cities in the county. Collectively, the incorporated cities generated 50.9% of all revenue in 2022, while the unincorporated areas of the county generated 49.1%.

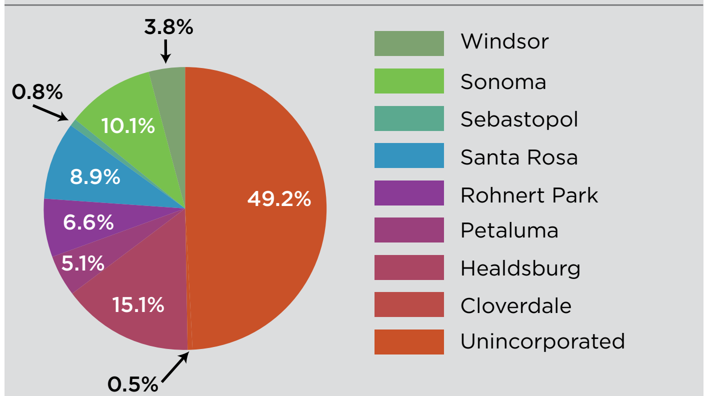
Visitor Generated Tax Receipts
Millions of Dollars (2017-2022)



*Data adjusted for inflation to the December 2022 level using the Bureau of Labor Statistics CPI

Source: California Travel Impacts by County, 2022 (www.visitcalifornia.com/research/economic-impact)

Percentage of Annual TOT Revenue
by City, (2022)



Source: Sonoma County Economic Development Board Transient Occupancy Tax Quarterly Reports 2022

TOURISM INDUSTRY INDICATORS

TOURISM-GENERATED TAXES

Transient Occupancy Tax (TOT) is a local tax that generates revenue from room nights booked at lodging properties in Sonoma County. The TOT rate varies between 9% and 14% from city to city.

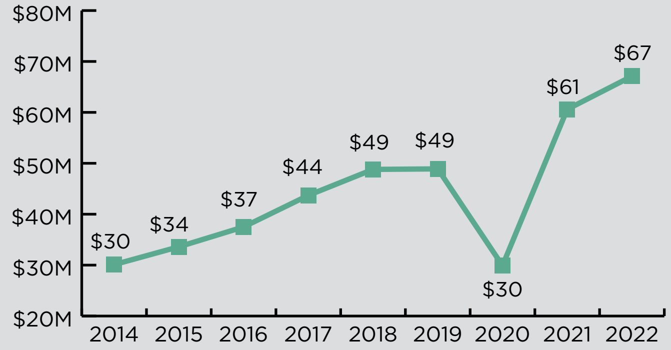
Annual TOT Collections

TOT revenues in Sonoma County increased 9.8% from $61 million in 2021 to $67 million in 2022 -- the highest ever collected

County of Sonoma TOT Revenue Spending

County of Sonoma TOT tax revenues are derived from a 12% tax on the rental of hotel and motel rooms, inn beds, and campgrounds in the unincorporated areas. TOT revenue funds are distributed to three spending areas: 25% of the tax goes to General Fund, then 50% is allocated to Community Investment Fund, and the final 25% is directed to Measure L. The General Fund contributions are used across various activities and multiple departments, and The Community Investment Fund is used to encourage tourism, economic development, community engagement, and community services. Measure L funds are distributed based on the initial ballot measure, as well as the priorities determined by the Board of Supervisors each year.

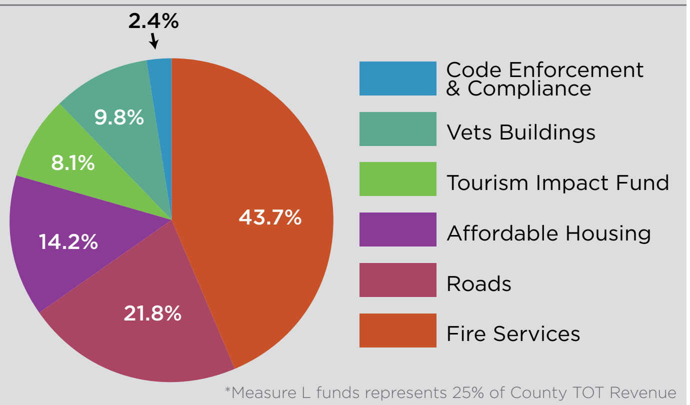
Annual TOT Collections
in Millions of Dollars (2014-2022)



Sources: Sonoma County and Cities Finance Departments

	Allocations
Sonoma County Tourism Bureau	$3,677,416
Economic Development Board	$3,225,000
Regional Parks	$2,650,000
Fire Services (REDCOM)	$1,118,305
Deferred Maintenance	$1,000,000
Local Events, Organizations, District Priorities	$1,000,000
Permit Sonoma Fuels Reduction	$900,000
Program Administration	$565,000
Policy, Grants, and Special Division	$300,000
District Formation Funds	$175,000
Misc./Other	$10,649,418
COMMUNITY INVESTMENT DISTRIBUTION (FY2022-2023) **50% of County TOT Revenue*	$25,260,139

Measure L Distribution
County of Sonoma (FY 22-23)



*Measure L funds represents 25% of County TOT Revenue

Source: County of Sonoma Finance Department

TOURISM INDUSTRY INDICATORS

TOURISM-GENERATED TAXES

Transient Occupancy Tax (TOT) is a local tax on room rental revenue in lodging properties located in Sonoma County. The TOT rate varies between 9% and 14% from city to city.

City TOT Revenue Spending

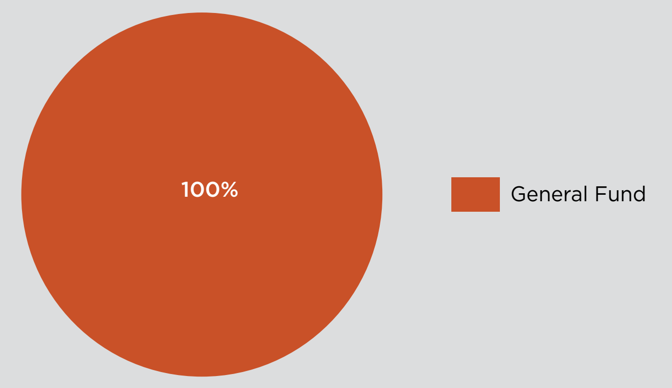
TOT tax revenues are derived from taxes on the rental of hotel and motel rooms, inn beds, and campgrounds in Sonoma County cities.

The General Fund provides funding for a wide range of city needs, including:

- Fire
- Police
- Planning and Building
- Public Works
- Administration
- Community Services

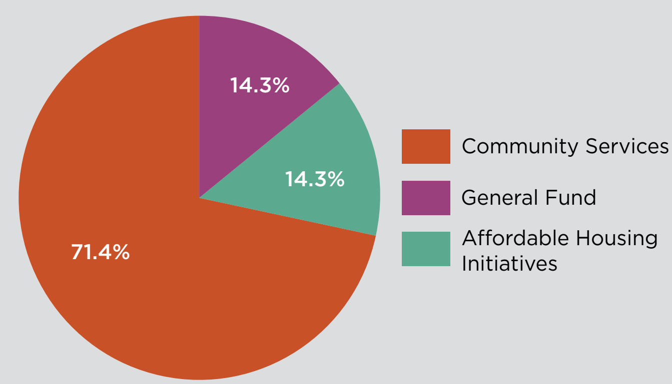
TOT budget breakdowns are provided by each respective city's finance department. Most cities allocate all TOT revenue to the general fund. Healdsburg, Petaluma, and Sonoma also allocated revenue to additional categories, including affordable housing, administrative overhead, community services, tourism, and park maintenance.

TOT Budget Breakdown
Cloverdale, Santa Rosa, Sebastopol, Windsor, and Rohnert Park (FY 22-23)



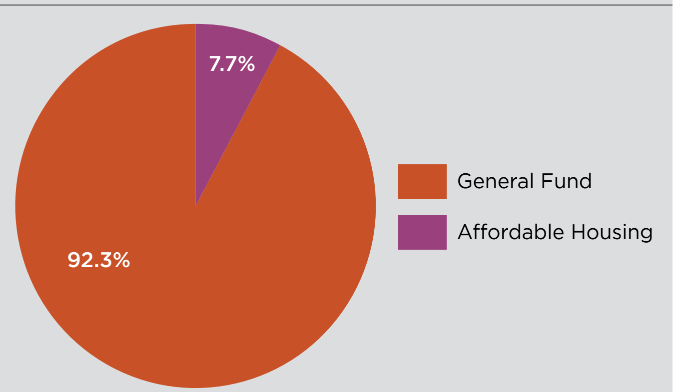
Source: Sonoma County and Cities Finance Departments

TOT Budget Breakdown
Healdsburg (FY22-23)



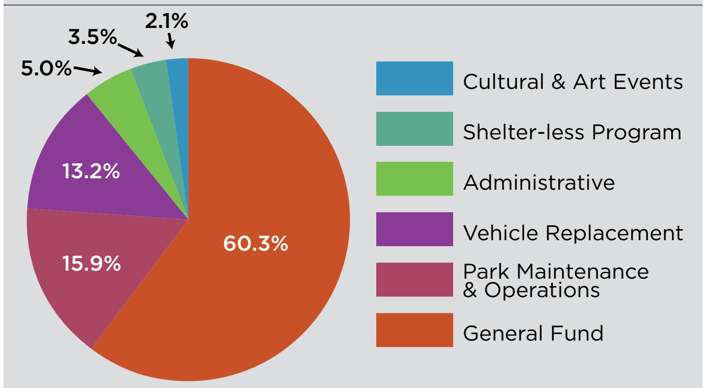
Source: City of Healdsburg Finance Department

TOT Budget Breakdown
City of Sonoma (FY 22-23)



Source: City of Sonoma Finance Department

TOT Budget Breakdown
Petaluma (FY 22-23)



Source: City of Petaluma Finance Department

SONOMA COUNTY VISITOR PROFILE

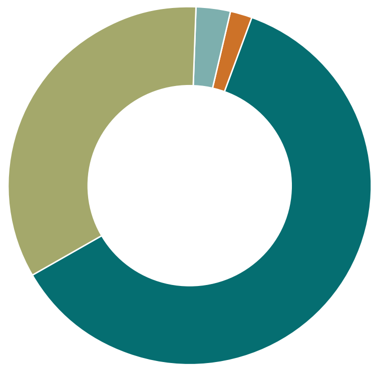
Sonoma County Tourism, in partnership with Longwoods International, has developed a visitor profile of overnight visitors to Sonoma County in 2022. This profile was developed by surveying 714 overnight travelers and 282 day trip travelers who had visited Sonoma County within the past 12 months.

KEY FINDINGS

- In 2022, Sonoma County welcomed 4.8 million overnight visitors. 3.6 million (76%) of these visitors were adults and 1.1 million (24%) were children.
- Total overnight visitor spending in Sonoma County in 2022 totaled $979 million. This is a 15.5% increase from 2021.
- Average per-person expenditures on domestic overnight trips was $206, with lodging making up the largest percentage at $82.
- The main purpose for visiting Sonoma County is visiting friends and relatives. The top activities and experiences enjoyed by guests are shopping, visiting wineries/breweries/distilleries, attending celebrations, sightseeing and attending business conventions/conferences.
- The average overnight visitor stays in Sonoma County in 2022 was for 2.1 nights and the average party size was 3.2 people.

SONOMA COUNTY VISITOR PROFILE

Reason for Travel



*Trips influenced by marketing efforts

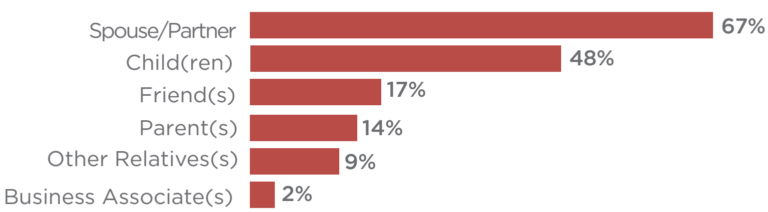
3.2 People

Size of the average overnight travel party visiting Sonoma County

2.1 Nights

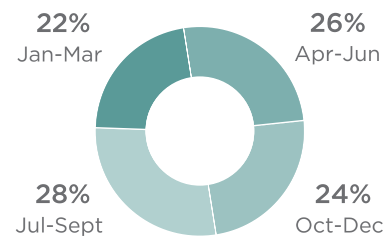
Average length of time spent in Sonoma County

Composition of Immediate Travel Party

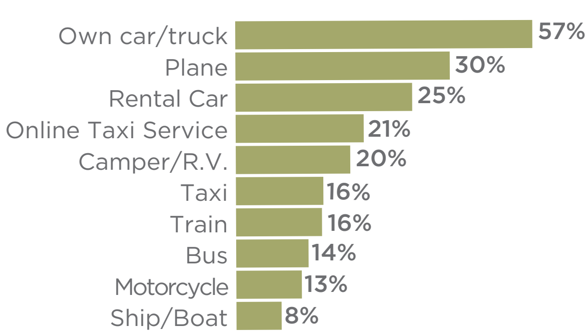


Base: Everyone who did not travel alone
Note: Children can be minors or adults

Season of Trip

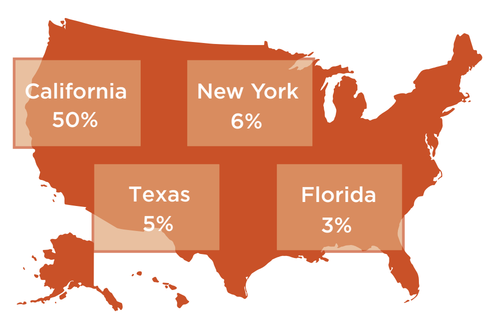


Top Methods of Transportation Used to get to Destination



Top Feeder States

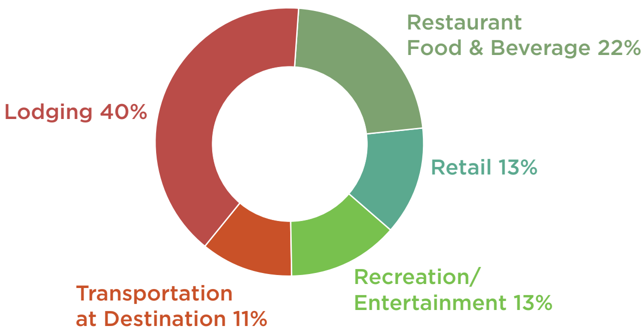
For overnight trips



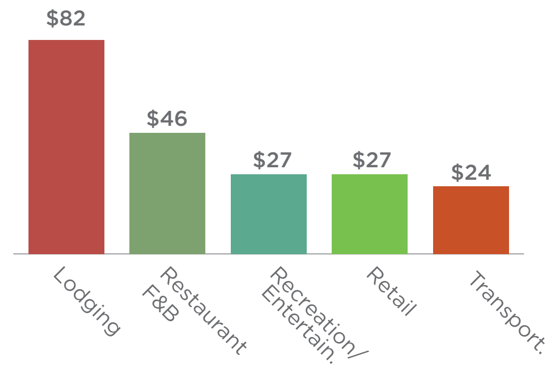
Source: Longwoods International

SONOMA COUNTY VISITOR PROFILE

Domestic Overnight Expenditures by Sector

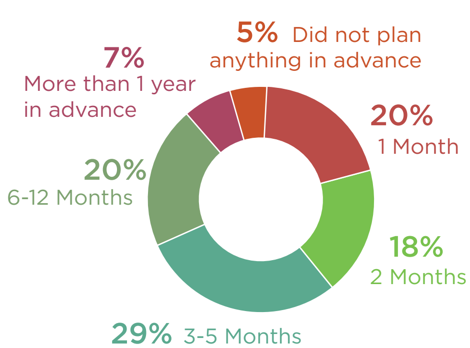


Average Per Person Expenditures on Domestic Overnight Trips



Top Activities for Overnight Visitors

Length of Trip Planning for Overnight Visitors



NOTE:
73% of overnight travelers planned their trips **2 Months** or more in advance

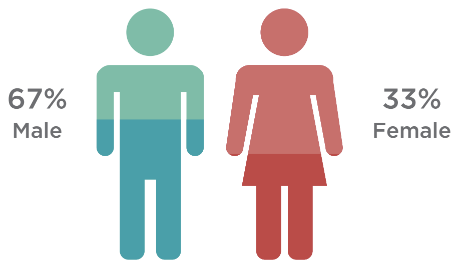
Top Sources for Trip Planning Information

Source: Longwoods International

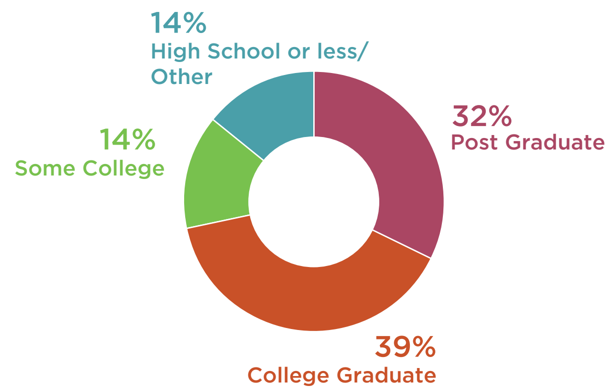
SONOMA COUNTY VISITOR PROFILE

Age

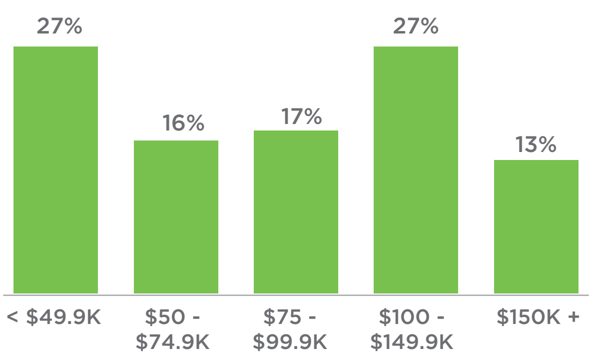
Gender
for Overnight Visitors



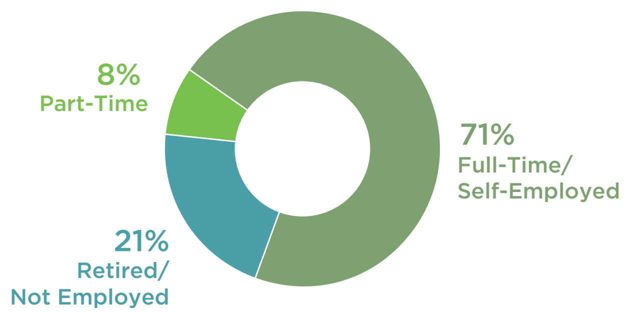
Education
for Overnight Visitors



Household Income
for Overnight Trips



Employment
for Overnight Trips



Source: Longwoods International

GLOSSARY

Average Daily Rate (ADR): Total revenue brought in by hotel room rates (excludes taxes, resort fees, parking, etc.) divided by the total room nights sold.

Occupancy Rate: Total room nights sold divided by the total room nights available in Sonoma County (excludes vacation rentals, campgrounds, etc.) multiplied by 100.

Revenue per Available Room (RevPAR): Total revenue brought in by hotel room rates (excludes taxes, resort fees, parking, etc.) divided by the total room nights available in Sonoma County (excludes vacation rentals, campgrounds, etc.).

Transient Occupancy Tax (TOT): A tax of 9-14% of the rent charged to travelers when they rent accommodations in hotels/motels or through home sharing services like Airbnb unless the stay is for a period of 30 days or more. The TOT is commonly known as a "bed tax".

ACKNOWLEDGMENTS

The 2023 Annual Tourism Report would not have been possible without the contributions of many individuals.

Special acknowledgment is due to Sonoma County Tourism for their invaluable suggestions and generous provision of statistical data on the tourism sector in Sonoma County.

Lindsey Collins, the EDB's Economic Research Fellow, and **Zachary Kolbick de Leon,** the EDB;s Workforce Development Fellow, were responsible for compilation and organization of the report and data. She updated and consolidated the data sources and statistics from previous years to create this comprehensive analysis, and deserves special thanks.

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SONOMA COUNTY ECONOMIC DEVELOPMENT BOARD

SONOMAEDB.ORG

707 - 565 - 7170

141 STONY CIRCLE, STE. 110, SANTA ROSA, CA 95401