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OREGON WINE BOARD MEETING MINUTES

JANUARY 14, 2014 <<FINAL>>

LOCATION: SOUTHERN OREGON WINE INSTITUTE, ROSEBURG, OREGON

Attendance

Board: Bill Sweat (Chairman), Leigh Bartholomew (Chair Emeritus), Ellen Brittan (Vice Chairwoman), David Beck (Treasurer), John Pratt, JP Valot, Doug Tunnell, Steve Thomson and Michael Donovan

Staff: Tom Danowski, Rose Cervenak, Dewey Weddington, Marie Chambers, Michelle Kaufmann and Margaret Bray (via phone)

Guest: Chris Lake/SOWI

Call to Order

- Sweat called the OWB Board meeting to order at 8:32 a.m.
- Sweat welcomed John Pratt to his first OWB Board meeting and acknowledged his and David Beck's re-appointment to the Board and allowed Chris Lake/SOWI to give a brief overview of the SOWI center where the meeting was being held.

Board Minutes (Attachment)

Beck moved for approval of the December 3, 2013 Board Meeting minutes. Brittan seconded, Tunnell and Pratt abstained, and the motion carried.

Marketing Committee Report (Attachments)

- Weddington gave an overview of the Oregon Experience App.
 - Tunnell asked if the app would provide more in-depth information than is currently available on the website.
 - Weddington responded that the Oregon Experience App will go a step further than the basic information contained on the website and noted that we will be able to tie the app material/information back to the website to create a richer experience for users.
 - Tunnell suggested that Humble touch base with his colleagues in the Ribbon Ridge AVA who are interested in strengthening the website content to further enhance the app.
- Brittan mentioned that WVWA is encouraging wineries to sign up with visitingmedia.com which serves as a subscription fee-based "managed virtual website" for their winery/tasting room, noting that it sounds similar to the description Weddington gave of the Oregon Experience App.
- **ACTION: Board members may send any compelling video, photos, audio, etc. to Weddington by the end of next week (Jan. 24) if they want it to be considered for inclusion in the app.**
- Oregon Wine Month (Attachment)
 - Weddington reported that the artwork for this year's OWM is still in development.
 - **ACTION: Weddington will forward the "top 3" designs to interested Board members prior to making a decision on which will be the final design.**

- Weddington went over the 2014 Oregon Wine Month marketing plan and budget.
- He reported that OWB would be expanding the trade education aspect of OWM this year, extending the Oregon Wine 101 program to all local grocers/retailers. He and Cole Danehower will be out in 6 key cities (Portland, Bend, Eugene, Medford, Salem and Seattle) hosting the educational seminars and tastings, sometime in early March.
- Brittan asked how much OWB has budgeted for Oregon Wine Month
 - Weddington responded that the budget is \$95k and the most recent estimates are slightly below that number.
- Beck suggested that Weddington contact OPB about running the *Oregon Wine: Grapes of Place* series during May to create more visibility around Oregon Wine Month activities.

Financial Committee Report (Attachments)

- Treasurer, David Beck gave the committee report and reviewed the November 2013 financials.
- He noted a few changes in the event marketing category, due to the cancellation of the Oregon Wine Month event last May.

Brittan moved that the November 2013 financials be approved as submitted. Tunnell seconded and the motion carried unanimously.

- Beck reviewed the 2013-14 Revised Budget and commented that there is a conservative increase in Grape Tax revenue.
- Beck also noted a few increases in the following expense categories:
 - Market Research – \$40k to specifically cover the cost of the next Wine Industry Economic Impact Study this year which will be put to bid before the job is awarded.
 - 2013 Vineyard and Winery Census (formerly known as the Ag Stats Report) – OWB has signed an agreement with Southern Oregon University’s Research Center (SOURCE), reflecting a project budget of \$76k.
 - The increased amount over last year covers expenses for a single, dedicated research lead from SOURCE who will own this project and continue to build relationships in the wine community and develop expertise on this census going forward.
- Beck also stated that Marie Chambers (OWB Finance Director) has been diligent in ensuring that employee compensation is allocated accurately by project. She has designed a new timesheet that will help OWB aggregate this information by person and/or project, to be used as a tool for forecasting in the future.
- Beck commented that the reserve is shown as a line item in the general budget, rather than assuming the line of credit will cover that reserve.
- Danowski asked if the Board wanted to keep the line of credit open and they agreed that they would like to keep the line of credit active, as a contingency.
 - Danowski commented that the annual service fee to keep the line of credit open was minimal.
 - Sweat stated that OWB should keep an eye on the reserve amount and asked the Board to recognize that this is not an insignificant amount of money that could be used to further strategic initiatives.
 - Chambers will confirm that the \$175k increase in Grape Tax revenue is a reasonably accurate number.

Donovan moved to approve the revised OWB budget which supersedes prior agreements between OWA/OWB, regarding any potential OWS revenues in excess of expenses. Brittan seconded and the motion carried unanimously.

OWB Financial Review Report (Attachment)

- Beck called attention to the 2011-13 OWB Financial Review Report completed in October. He stated that this review is done for the Board and in conjunction with the Board and is conducted at the end of each biennium.
- He continued that the OWB staff has filed their responses (also attached) to the reviewer's suggestions in the report, and reviewed those with the Finance Committee.
- **ACTION: Brittan asked that the Board take the time to review the document in detail, prior to the March 11 meeting where they can officially recognize the findings and OWB response.**
- Chambers commented that there is a requirement that came out of the review, for OWB to propose a draft budget for the next fiscal year by Feb. 1.
 - **ACTION: Chambers and Danowski will develop the 2014-15 annual budget draft and provide it to the Finance Committee for review before posting it on the OWB website.**
- Sweat asked if this financial review met the criteria of the State and Danowski responded that it does.
- There was some discussion about conducting an actual financial audit (at greater expense to OWB than a Financial Review) and Brittan suggested that after the Board reviews the Review Report, they can discuss the possibility of an audit.

2014-17 Strategic Plan (Attachment)

- Danowski gave a brief overview of how he developed the plan outline for today's meeting.
- He continued, asking for input from the Board in order to create a concise presentation for the Symposium.
- While discussing the OWB's industry-reported satisfaction level, Brittan recommended that there be a question in the OWS survey about customer satisfaction, similar to the one used in the 2013 OWB Industry Survey: *"Thinking about the Oregon Wine Board's overall ability to use your money to sponsor education, marketing and research programs that help your business, rate your satisfaction with OWB."*
 - Danowski elaborated, saying that OWB needs to be driving programming to help wineries build their brands and justify the prices charged for their wines. OWB needs to educate the sales channel professionals first (distributors, restaurateurs, fine wine retailers) about Oregon wine quality to fill distribution gaps and then carefully allocate money to consumer programs.
- When reviewing the "proportion of Oregon wineries" to the "percentage of 2012 tonnage tax liability," Brittan commented that the wineries who produce less than 5,000 cases (75% of Oregon wineries) don't contribute much dollar volume, but they contribute to the Brand Oregon "quality" and "artisan" messages in the minds of the media.
 - Thomson commented that on the reverse side, wineries that produce 100,000+ cases/year are making huge investments in manpower and helping drive broader multi-channel distribution for OR wines.
 - Pratt added that programs supporting increased wine tourism might be a way to add value for those less than 5,000 case wineries which may be disadvantaged if liquor sales in OR are privatized.

Export Strategy (Weddington)

- Weddington reviewed the export strategies and stated that in the context of the 2014-17 Strategic Plan, OWB's role is to provide access to Oregon wines.
- Thompson commented that the market-specific channel education is key and can be executed on the OWB website. He continued, stating that wineries often have to start from scratch on this education process, so if OWB can tie into other education partners such as Chemeketa Community College, this would be a cost-effective way of better serving OR wineries
- Thomson also suggested that wineries who are experienced in executing an export strategy could be a reference/mentor for those businesses interested in getting into markets outside of the Northwest.
- When reviewing the slides regarding “priority audiences,” Brittan commented that prior to presenting the plan at Symposium, OWB needs to clarify the terms we use to identify the priority audiences, especially when we refer to “retail” and “wholesale” audiences.
- Education Strategy
 - Brittan suggested that an easy first step toward creating a tent pole effect around Symposium would be simply to consolidate and aggregate all the external education that's available to the industry. OWB's website becoming a clearing house for educational content.
- Board Feedback
 - There was some discussion about how to get the regional associations and AVAs involved and coordinated with OWB on long-term strategies, once the plan has been presented at OWS.
 - Sweat suggested the OWB bring the AVA/regional groups together to reinforce activities supporting the strategic imperatives.
 - Bartholomew agreed and commented that it's been a couple years since OWB has coordinated an AVA meeting and perhaps the strategic plan could be the catalyst for another of those meetings.
 - Brittan suggested a “go-to” person in each of the AVAs to provide content and float ideas about the plan and website in order to begin driving some consensus around the messaging.
 - Donovan reminded the Board that another key partner in the original AVA meeting was Travel Oregon and their DMOs.

OCSW Next Steps

- Danowski reported on the one party in Oregon that is entertaining the idea of establishing a new, non-profit entity and is expected to propose a transfer of the OWB's “intangible asset” (OCSW). This new non-profit would most likely offer in exchange for such a possible transfer, partial reimbursement (\$3,000) of the legal fees OWB has paid to Oregon's Department of Justice researching the guidelines for a transaction.
- He went on to say that if the Board chooses not to go forward, this third party has mentioned the possibility of either walking away or perhaps “forcing an auction of the OCSW asset.”
- Danowski recapped what the OWB has spent in legal fees specifically dedicated to this potential transfer of OCSW, (approximately \$5,800) since June and commented that there could be an additional \$2,000 to finish the process (depending on the hours D.O.J. is asked to spend).
 - It was suggested that perhaps the interested party's legal representative incur the costs to finish the process, rather than the OWB by involving the DOJ.

Beck moved that OWB transfer the intangible asset known as the OCSW Program to this non-profit entity under the following conditions:

- An interested group of wineries will provide proof that a new non-profit entity is set up in Oregon to take on the OCSW program, maintaining current program requirements; the wineries will inform OWB of the administrators or officers of that new entity;
- this new non-profit entity delivers payment of \$3,000.00 to OWB as partial compensation for legal expenses incurred by OWB in development of the agreement transferring the intangible asset;
- the new non-profit group agrees to extend OCSW participation rights to any Oregon winery meeting the OCSW program requirements and which is willing to provide complete and accurate certification documentation;
- the new non-profit group will establish a system to verify bottling lot information, certify individual winery bottling lots and issue certificates for label approvals as OWB does now, to participating wineries. The new group will archive the certification records beginning with the effective date of the transfer agreement;
- the new non-profit group agrees to absorb costs for any filings or required documents to update registrations with the Patent & Trademark office;
- the new non-profit group agrees not to transfer the OCSW program to any other organization;
- if the new non-profit entity dissolves, or fails to maintain the program's requirements, the Oregon Wine Board has the first option to re-acquire the intangible OCSW asset for \$1.

Donovan seconded and the motion carried unanimously.

Research Committee Report (Attachment)

- Beck reported that OWSCR (Oregon Wine Standing Committee on Research) will be chaired by JP Valot.
- Bartholomew reviewed the composition of OWSCR membership and has already reached out to a number of industry members, research scientists, the Dean of Agriculture at OSU, OWRI's incoming Program Coordinator and OWB Board Directors.

Brittan moved that OWB approve the OWRI 2.4 organizational structure as recommended. Tunnell seconded and the motion carried unanimously.

Sweat adjourned the OWB Board meeting at 11:41 a.m. and called for an *Executive Session under ORS192.660(2)(a)*. *Under this provision only the Board and press are allowed to participate. Staff and guests were excused from the meeting.*