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| Research | Decrease in research grant budget | <p>Can you help me understand why the Research portion of your budget is going down so much? After last year, and the messaging we discussed to media about Oregon investing in research, I'm a bit concerned. – Emily Pettersen (WVWA Contractor)</p> <p>SOWA has reviewed and has concerns about research cuts and high administration costs. Would you kindly provide a deeper dive into how the budget committee can embrace this. – Jennifer Kerrigan (SOWA)</p> <p>Our primary concerns were based around the reduction in budget for the very first Strategic Priority outlined in the 2020-2025 OWB Strategic Plan: Enhancing the Reputation of Oregon Wine through Marketing/Communications and Research. Both Marketing and Research show a decrease in budgeted spend, while nearly every other category shows an increase – Kim Bellingar (WVWA)</p> <p>Spending on Research, which is a statutory charge, is decreasing by close to 30% including a reduction of \$127,500 for direct research investment at a time when our industry should be increasing research investment expenditures – this includes a \$20,000 carryover from 2020-21, making the allocation reduction more significant. 16% of the research budget is allocated to employee compensation and administration compared to 12% in the 2020-21 approved budget – investment in actual research should remain the focus – (OWC)</p> <p>There is currently not a Research employee on staff, which seems like an oversight to begin with, but given the budgetary constraints, does the OWB plan to add this resource at this time or can those funds be allocated to existing programming rather than cutting funding? – (WVWA)</p> | <p>Because of a 14% reduction in income in the 2020-21 fiscal year, it was necessary to also reduce spending across the board. The overall expense budget for 2020-21 was decreased by 15%, coming from all spending categories except for technical research grants. In addition, another \$37,500 was allocated for important smoke research midway through the year.</p> <p>Because a single “down harvest” affects the OWB’s budget over two fiscal years, it is necessary to propose a reduction in research grant budget in 2021-22 recognize the shortfall in the current year and accommodate a second year of depressed tax income.</p> <p>The research budget included in the 2021-22 proposal reflects a 29% allocation of total programming budget.</p> <p>The actual reduction in the historical level of technical research grant funding is 20%. In addition, \$20,000 in funding that was set aside from two years ago for an online knowledge center is no longer needed as OWB works towards a new, more cost effective solution for that program.</p> <p>OWB has a staff member assigned part-time to administer the research grant program and support the research committee in achieving its strategic plan.</p> |
| Communications/Media Relations | How will budget be spent | Your \$193K communications budget! What will that go to? Will you be hosting a lot of press trips? Do you have to procure wine? Organize wine tastings? Travel Internationally? – Emily Pettersen (WVWA Contractor) | <p>The COVID-19 pandemic disrupted the world, including our marketing and media relations work. Hence the unspent budget media relations from 2020 is being carried over. Having that carryover actually helps us prepare to level-up our communications effort as the pandemic releases its hold over the next year.</p> <p>Details about the media relations plan were outlined during the Oregon Wine Symposium and are posted here: https://industry.oregonwine.org/news-and-media/owbs-2021-pr-outreach-plan/</p> |
| G&A, Compensation and Staffing | Concern over increased budget | One note that I would have for the OWB - from me personally, not necessarily the opinion of the WVWA board/organization - is that I would be very cautious in overweighting the general/administrative expenses of the organization, including compensation, in this budget cycle. I know that you have the very difficult job of leading an organization that is on the hot-seat at the moment, and I don't want to pile onto that challenge. But, I would caution that G&A expenses and compensation definitely popped out to me as a red flag - especially with increases projected rather than cuts like many of the other categories. G&A/compensation will be very closely analyzed by our industry members and considered in proportion to the value that they feel like they are receiving from the OWB. It's not an easy thing to manage, but I | <p>The full scope of budget managed by OWB staff is not reflected in the 2021-22 Draft Budget Proposal, due to a large portion of the programming being covered by USDA grants. The total managed OWB budget is \$4.1 million, comparing to a reasonable overhead rate of 26%.</p> <p>In addition, OWB has decreased its general and administrative expenses by 40% (\$100,000) over the past two years.</p> <p>Overall compensation expenses have remained steady for the past 3 years. The compensation increase included in the budget proposal is more than offset by</p> |

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| | | <p>do feel like action will speak louder than words on this one. – Kim Bellingar (WVWA)</p> <p>Admin/overhead including compensation expenditures outlined in the draft continue to increase representing 49% of overall expenditures including an almost 10% increase in staff compensation; Admin/overhead including compensation expenditures as a portion of the total budget increase by 5% in the draft budget compared to the 2020-21 approved budget – (OWC)</p> <p>SOWA has reviewed and has concerns about research cuts and high administration costs. Would you kindly provide a deeper dive into how the budget committee can embrace this. – Jennifer Kerrigan (SOWA)</p> <p>With Christina’s departure, how does the OWB plan to restructure Mar/Com efforts? Do they plan to reorg? Replace her? Hire a catchall coordinator? – (WVWA)</p> | <p>the G&A savings referenced above. It also reflects already known and projected increases in benefit and tax costs in the coming year.</p> <p>The 2021-22 budget proposal maintains a total FTE count of 8. Individual position assignments will be reviewed and discussed as needed.</p> <p>The OWB website includes a summary of FTE assignments by area of responsibility or functional responsibility. It can be found here: https://industry.oregonwine.org/about-the-oregon-wine-board/owb-staff-members/</p> <p>Compensation budget allocations can change between functional areas year to year as strategic priorities change.</p> |
| Structural | Seeking more detail about account structure and what is covered | <p>We would like to have more detail for all the Marketing and Communications line items (excluding Employee Compensation). In the assumptions, it is mentioned that Market Expansion includes trade education offerings. How does this relate to 2E300 in Education? – Morgen McLaughlin (WVWA)</p> <p>For E900 why does this expense double in 2021? - Morgen McLaughlin (WVWA)</p> <p>It is unclear whether additional work is contracted out or if other compensation is lumped into other categories not included as part administration and overhead expenses – (OWC)</p> | <p>The “E” category in our budget represents Industry Education, with the largest expense category being the Oregon Wine Symposium. Trade facing education programs are included in the Market Expansion category. The OWB strategic pillar for Market Expansion is focused on “Build(ing) multi-tier trade demand to generate growth opportunities.” Our most recent programming is purely focused on building demand for Oregon wines through education.</p> <p>In the previous year we had planned to utilize our education director to build up a more robust trade education program and had allocated a portion of compensation budget from education to marketing to reflect this new priority. The pandemic, however, shifted us away from that priority in 2020-21 and with limited funding opportunities for trade marketing and education next year, we’ve reallocated comp back to industry education, where it has been historically.</p> <p>Any program related contractor work is budgeted in the appropriate program area, along with staff compensation expenses. The only general and administrative contract work planned in the 2021-22 budget are related to the biennium financial review and legal and accounting support.</p> |
| Marketing | Unclear objectives and plans | <p>Brand identity, market expansion and communications continue to be a large part of the budget without details about how those funds are used or the effectiveness of the programs – (OWC)</p> <p>Why is the MarComm budget 28% more than research and education combined? It seems this past year has put forth critical research and education needs that OWB may be uniquely poised to address vs. regional associations? – (WVWA)</p> <p>Are there any consumer facing aspects of the market expansion work? – (WVWA)</p> | <p>The specific programs funded in the Brand Identity, Market Expansion and Communications areas are highlighted in detail in the 2019-20 Annual Report (https://industry.oregonwine.org/about-the-oregon-wine-board/annual-report/) including some measurable statistics. Most of these programs are planned execution in 2021-22 as well. The OWB is working to further identify and track program effectiveness through the use of a dashboard to be released in 2021.</p> <p>The MarComm budget can appear higher than Research and Education budget for a few reasons. The primary reason is due to the level of staffing required to successfully run the programs in each area. The MarComm work, because it includes 4 distinct areas, requires 3 full time staff assignments in addition to contractor support, compared to 1.3 FTE to manage and administer our</p> |

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| | | What is “Learn Oregon?” – (WVWA) | <p>research and education programs. When compensation is removed and the actual program budget is compared, the domestic MarComm budget reflects a 29% allocation of total programming budget compared to the 29% allocation to research. In addition, the MarComm includes funding to support the international marketing program, which is largely funded by USDA grants. The OWB provides management and administration for a \$1.7 million marketing program beyond what is reflected in 2021-22 budget proposal.</p> <p>Market Expansion is one of the 4 overall strategic pillars in the Oregon Wine Board Strategic Plan (https://industry.oregonwine.org/wp-content/uploads/OWB-Strategic-Plan-2020-2025-FINAL-20200609.pdf). Market Expansion programming is intended to “build multi-tier <u>trade demand</u> to generate growth opportunities” and is, therefore, focused on trade-facing programs. Two other marketing strategic pillars, Brand Equity and Wine Tourism, encompass consumer-facing programming.</p> <p>Learn Oregon is a 4-week online training using the most up-to-date and comprehensive information only the Oregon Wine Board can provide. Delivered via e-mail and offered throughout March 2019 & 2020, topics included Oregon Wine 101, environmental stewardship, labeling regulations and selling Oregon wine. In Spring 2020, 721 people from around the world enrolled in Learn Oregon, representing diverse positions within the wine industry including buyers, distributor reps, media and winery staff. Due to the program running as the COVID-19 pandemic was unraveling, the completion rate was lower than the year prior. Nonetheless, 64 people completed the program and received a certificate. OWB plans to develop an updated version of Learn Oregon in 2020-21 to improve the user experience and allow the course to be taken anytime during the year.</p> |
| Tourism | Seeking more specific details about current and future plans | How much money is allocated to year-round tourism marketing beyond the updated consumer-facing website? What is the budget for social media and digital marketing? What changes does the OWB foresee in its future wine tourism activities? Are there specific funds for tourism marketing recovery (pandemic related)? – (WVWA) | While actual program spending is yet to be determined, OWB is exploring options to successfully balance digital advertising, social media and other consumer facing marketing. OWB will seek input from its marketing committee as it develops the appropriate plans and opportunities as the world comes out of the pandemic. |
| Oregon Wine Month | Trade focused budget allocation | <p>Is there money to support off-premise programs like Oregon Wine Month trade? Does OWM include consumer and trade facing efforts for the \$75k allocated? – (WVWA)</p> <p>Are there any consumer facing aspects of the market expansion work? Especially as it relates to OWM, this seems like a missed opportunity. (WVWA)</p> | <p>OWB is maintaining the historic budget level of \$75,000 for Oregon Wine Month programming with the both trade and consumer elements, similar to past years. The actual programming and expense allocation will be determined through consultation with the industry and the OWB’s marketing committee.</p> <p>Market Expansion is one of the 4 overall strategic pillars in the Oregon Wine Board MarComm Strategic Plan (attached). Market Expansion programming is intended to “build multi-tier <u>trade demand</u> to generate growth opportunities” and is, therefore, focused on trade-facing programs. Two other marketing strategic pillars, Brand Equity and Wine Tourism, encompass consumer-facing programming. Consumer facing aspects of Oregon Wine Month programming have generally included advertising, sweepstakes, travel articles and more.</p> <p>OWB, however, is currently testing the effectiveness of consumer PR strategies with a firm in the United Kingdom, utilizing international grant funding, as a way to enhance our market expansion strategy.</p> |

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| Marketing | International vs. domestic budget | <p>\$230 is dedicated to “market expansion,” of which most is international marketing efforts. These funds are all covered by MAP dollars, yes? What about the \$90k for the International Marketing Contractors? This seems like an easy place to dial back efforts if no grant funding is covering these costs. \$185k for Int. Market Expansion vs \$45k for Domestic Market Expansion seems out of balance given the number of producers exporting wine. – (WVWA)</p> | <p>Although 90% of the OWB’s International Marketing Program is funded by USDA grants, OWB is required to provide administration support and fund non-reimbursable expenses related to the programming. OWB works very hard to minimize all of these expenses, while maintaining full utilization of available grant funds. The net financial return in 2021-22 to the industry in grant funding is 9:1, in other words for every \$1 of the \$185,000 in OWB’s budget generates \$9 of grant funding that can be used to build global awareness and demand for Oregon wine. The OWB provides management and administration for a \$1.7 million grant program.</p> <p>Less than 5% of OWB’s total managed budget is spent on international administration.</p> <p>Again, the Market Expansion category reflects a strategic pillar focused on building multi-tier trade demand through education. From a domestic perspective, due to a depressed on-premise sales from the COVID-19 pandemic, the OWB has strategically dialed back funding in this area to at a minimum maintain our essential trade education programs like the Oregon Wine Resource Studio, and invest in an upgrade to the Learn Oregon program.</p> |
| Knowledge & Insights/Leadership & Partnership | Unclear objectives and plans | <p>Knowledge and insights and leadership and partnership categories make up for more than 10% of the overall budget without details about their effectiveness – (OWC)</p> <p>Define better what Leadership and Partnership entails. What will the deliverables be? – (WVWA)</p> <p>What are the deliverables for the Knowledge and Insights role? – (WVWA)</p> | <p>Two of the three strategic priorities identified in the OWB Strategic Plan are Deliver Knowledge & Insights: Advance collective intelligence in support of growing, making and selling quality wines and Provide Leadership & Partnership: Harness statewide strength to unite and empower the Oregon wine industry.</p> <p>Programs delivered under Knowledge and Insights in the past have included National Retail Sales Market Insights Report (Nielsen), Annual Vineyard and Winery Report, and the Economic Impact Report. Last year OWB also released the Oregon Winery Visitor Profile Study covering three of Oregon’s major wine tourism regions: Columbia Gorge, Rogue Valley and Umpqua Valley. Budget allocated to this area will be used to continue offering annual industry studies and other sales trend data useful to the industry.</p> <p>The OWB’s technical research grant program and industry education programming also provides outcomes for the Knowledge and Insights strategic priority.</p> <p>Budget allocated to the Leadership and Partnership area largely covers expenses related to industry communications, such as The Grapevine Newsletter and industry website which houses the robust COVID-19 toolkit, along with many other essential industry and OWB program opportunities and information. Also included in this budget section is funding for the Industry Organization Grant Opportunity program instituted in 2020, as well as funding to foster more industry dialog and engagement.</p> |
| Overall | Financial stability | The budget results in a net loss, leaving concerns about the anticipated reduction in reserves and long- term sustainability of the budget – (OWC) | The Reserve Goal (30% of 3-year Grape Assessment) was established by a previous board for this very scenario, a depressed harvest due to growing conditions. Due to conservative budgeting tactics, the board has not had to access the reserve, including in this current fiscal year, even after a 14% |

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| | | How does this budget adapt to a post-COVID wine industry beyond loss of revenue? What programs have stopped, started or been modified? – (WVWA) | <p>revenue decline. The budget for 2021-22 has been crafted carefully with long term financial stability in mind. Even with the net loss of \$52k, the OWB expects to maintain the reserve balance of \$565,000 plus a small surplus of \$136,000 to cover any additional tax income decreases. In addition, many of our marketing programs are typically not fully committed to until December, so we can pull back on spending mid-year if it is needed.</p> <p>Programs that have been adjusted because of the decrease in income (largely from the fires) is reflected in the research grant and trade education/marketing budgets. However, OWB is also remodeling the Oregon Wine Symposium to reflect a break-even income/expense structure to help support the financial stability of the event and of the organization.</p> |
| Budgeting Process | Industry engagement | <p>Unfortunately, OWB did not engage stakeholders in the development of the draft budget, and there is limited information available for us to review outside of budget categories. Details are difficult to decipher, and we are not aware of any opportunity for stakeholder comment outside of the brief window when the budget was posted on the OWB website. We would appreciate the opportunity for additional engagement to better understand these details. On behalf of our members and other concerned industry representatives, we request OWB hold a stakeholder meeting to provide greater detail about the proposed budget and delay approval of the budget until after you hear from industry members about concerns and priorities. Will there be an opportunity for public engagement on the budget at the upcoming OWB meeting? We urge you to revisit the proposed budget, specifically related to reductions in research spending. Please let us know how we can coordinate better on budget development for this biennium and how we can work to engage more directly on development in the future. – (OWC)</p> | <p>OWB understands that providing more lead time for responses would have been helpful, and we appreciate the input received. The Oregon Solutions process will offer additional opportunity for examination and in-depth discussion of OWB activities.</p> <p>This list of questions, input and responses will be shared with OWB Board directors and posted online as of March 11, 2021.</p> <p>Also, financial committee reports are shared at public OWB board meetings.</p> |
| Consumer Marketing | General request | The WVWA has made significant investments in its brand, and plans to continue to invest in, and direct the development of its brand. The WVWA requests that the OWB support the WVWA brand character as it develops its consumer marketing campaign and new consumer website. – (WVWA) | |