



**CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
REGULAR MEETING**

Tuesday, March 17, 2015

**Kiva Forum – City Hall
3939 N. Drinkwater Boulevard
Scottsdale, Arizona 85251
APPROVED MINUTES**

- PRESENT:** David Scholefield, Chairman
Tom Enders, Vice-Chairman
Ace Bailey (left at 9:52 a.m.)
Camille Hill
Ren Hirose
Robert McCreary
- ABSENT:** Carl Grupp
- STAFF:** Steve Geiogamah
Holli Shannon
Paul Basha
Bryan Dygert
Derek Earle
Lee Guillory
Jeff Nichols
Rachel Smetana
Kerry Swick
- GUESTS:** Rachel Sacco, SCVB
Rachel Pearson, SCVB
Caroline Stockel, SCVB
Matthew Wright, Landmark Aviation
Steven Olmsted, Transportation Commission

1. Call to Order/Roll Call

Noting the presence of a quorum, Chairman Scholefield called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:01 a.m. He noted the retirement of Paul Katsenes from City staff.

2. Approval of Minutes

- February 17, 2015 Regular Meeting

Chairman Scholefield expressed the Commission's appreciation for the Fire Department's services throughout the year.

COMMISSIONER HIROSE MOVED TO APPROVE THE MINUTES OF THE FEBRUARY 17, 2015 REGULAR MEETING AS AMENDED. COMMISSIONER MCCREARY SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER GRUPP WAS ABSENT.

3. Manager Reports

- a. Staff Bed-Tax Collection Report

Mr. Geiogamah said the business activity for the month of January was up 55%. The hotel/motel tax was up 51%. Miscellaneous retail sales tax revenue was up 7%, and restaurant was up 28%. Year to date bed tax collections were up 18%. The strong performance is attributed to Super Bowl-related activity in addition to the peak season events. By classification, full service and limited service hotels continue to show increases.

- b. Bed Tax Proforma

Mr. Geiogamah explained that the proforma shows an adjusted revenue number for FY2015/16. The FY2014/15 expense items column was adjusted to reflect actual payments, including \$18,000 for the World Food Championship. Staff is in the process of reviewing Baseball City and will update the proforma once that report is received. The Competitor Group Marathon Series payment will be lowered to \$90,000 from \$115,000, due to the suspension of the women's half marathon series. There is one year left in that contract. Finalized payments for Taste of the NFL and ESPN FanFest should arrive in the coming weeks.

Chairman Scholefield inquired about the College Championship Game. Mr. Geiogamah explained that the City has yet to receive a proposal, but staff anticipates a request for about \$250,000. The BCS Championship used to be handled under the Fiesta Bowl contract, so it was easier to predict what the payment schedule would be like over 20 years. Chairman Scholefield suggested accruing bed tax dollars in advance for events like the Super Bowl and the College Championship game. Mr. Geiogamah responded that he would explore that possibility and report back. Chairman Scholefield requested that the proforma indicate that the City has supported the PRCA Championship Rodeo for two years in a row.

- c. Smith Travel Report

Mr. Geiogamah reported that occupancy was up 5.2% for January. The average daily rate was up 31%, and RevPar was up 38.8%. These numbers are indicative of events that took place in January.

d. Program Updates

Mr. Geiogamah said no recent events were reviewed prior to the meeting.

Caroline Stockel, SCVB, provided a Day Tripper marketing update. The goal of the marketing program this season was to enhance awareness of the trolley service in order to increase year over year visitor ridership. It was necessary to select visitor-centric media. The SCVB conducted an outreach effort to encourage members and Scottsdale businesses to inform guests about the service. Street banners and signage have been placed through the destination, and will remain up until March. A three-time buy was placed with Where Magazine, which is distributed into hotel rooms Valley wide. A 15-second spot was produced for the digital spectacular board at Scottsdale Fashion Square to showcase the trolley route. An education effort provided information about the Day Tripper and the other trolley routes that connect downtown. Over 50,000 brochures were distributed through the SCVB Visitor Center and at local businesses and events. Additional outreach was used to encourage concierges to build word of mouth. The SCVB promoted the trolley on the experiencescottsdale.com website, social media and email. The Day Tripper was featured five times in the Scottsdale Republic.

Chairman Scholefield said this latest effort marks a huge improvement over those in previous years. He requested an estimated marketing budget for next year.

4. **Election of Officers**

COMMISSIONER ENDERS MOVED TO REAPPOINT DAVID SCHOLEFIELD AS CHAIRMAN OF THE TOURISM DEVELOPMENT COMMISSION. COMMISSIONER MCCREARY SECONDED. THE MOTION CARRIED BY A VOTE OF FIVE (5) TO ZERO (0), WITH CHAIRMAN SCHOLEFIELD ABSTAINING. COMMISSIONER GRUPP WAS ABSENT.

COMMISSIONER BAILEY MOVED TO APPOINT REN HIROSE AS VICE-CHAIRMAN OF THE TOURISM DEVELOPMENT COMMISSION. COMMISSIONER MCCREARY SECONDED. THE MOTION CARRIED BY A VOTE OF FIVE (5) TO ZERO (0), WITH COMMISSIONER HIROSE ABSTAINING. COMMISSIONER GRUPP WAS ABSENT.

5. **Scottsdale Airport Update**

Matthew Wright, General Manager of Landmark Aviation, stated that in 2013, the Arizona Department of Transportation conducted an economic impact study on aviation and found that aviation-related jobs account for almost 17% of all employment in the state with nearly 410,000 jobs. The industry creates a \$58 billion economic impact each year. About 9.9 million visitors came to Arizona by air, and 26% of those arrived by private or general aviation. Arizona ranks fifth in the U.S. in the number of active general aviation aircraft, and its general aviation airports are among the most active. Depending on the time of year, Scottsdale Airport is often ranked as the busiest single-runway general aviation airport in the country.

Mr. Wright said Scottsdale Airport opened in June 1942 as a training airfield for Army Air Corps airmen. In 1953, it became a private training academy. Since 1966, it has been owned by the City of Scottsdale. Aircraft have departed to and arrived from airports as far away as Seoul, Paris and Moscow. Most international flights come from Canada. The airport has two highly rated fixed base operators, Landmark Aviation and Signature Flight Support. Recent improvements at the airport include daily customs processing. Runway improvements allowed the airport to accommodate heavier, longer range aircraft. Newer aircraft are often quieter than those with older technology.

Mr. Wright said only two spots adjacent to the airport remain undeveloped. The empty lot south of the air traffic control tower recently sold for \$8 million, but there still are no solid plans for development. The lot is technically in the Airpark so it would not have to be used for aviation purposes. Desert Splash offers seasonal amphibious air tours to Roosevelt Lake and other lakes in Arizona. Scottsdale Airport has a number of flight schools in operation, including some that handle military flight training.

Mr. Wright reported that Scottsdale Airport accommodates 150,000 annual operations. The airport provides \$536 million a year in economic benefit to the city. The Super Bowl season went very well. The only real problem was the weather on Friday before the game. About 50 aircraft were unable to land at Scottsdale that day because weather minimums were so low. Arrivals were spread out over various times, but everybody wanted to leave Sunday night after the game.

Mr. Wright said the TDC and the general public can assist in growing the airport by promoting its use. Leaders can be advocates in protecting and supporting the airport, especially as the area around it is being redeveloped. Residential encroachment has caused some airports in California to shrink operations and constantly fight battles to continue operating. It is important that the community continue to recognize the airport's value to tourism and business in Scottsdale. He invited the Commission to visit the airport to see everything that is going on there.

Commissioner Hill said the airport is a treasure for the city, but noted that complaints have risen 25% over the previous year. Mr. Wright responded that complaints are commensurate with the number of operations. The first quarter of 2015 was impacted by the Super Bowl, which was the largest event in the history of the airport. Much of the associated noise occurred on Sunday night and Monday morning. The airport is very conscious of the noise issues. Every complaint is answered. He noted that the number of people complaining is much smaller than the total number of complaints, because many call repeatedly. It is important that the airport maintain an outlet for complaints and to respond to all callers. He encouraged people to visit the airport to see what is occurring there. As technology advances, noise levels will decrease as older technology is phased out.

Commissioner Hill inquired about efforts to push back against encroachment. Mr. Wright said a delicate balance must be maintained, because the airport wants to promote continued economic growth, so long as it is not at the expense of the airport's ability to operate. The airport also doesn't want to put at risk the federal funding it needs to make improvements. The first step is to build awareness of the economic benefit of the airport and the problems that have developed in other communities. The apartment complexes being built near the airport are subject to aviation easements that protect the airport

and transfer to new owners if the property is sold. Noise dampening construction measures were required for the buildings. These steps will help mitigate, but not eliminate encroachment issues. He said Mayor Lane and the City Council understand the value of the airport and support it. Chairman Scholefield offered the Commission's assistance on airport related matters.

6. Day Tripper Trolley Service FY2015/16

Paul Basha, Transportation Director, provided updated Day Tripper ridership numbers. Total ridership over 81 days has increased approximately 15% over the same point last season. The average daily ridership on a week-by-week basis was higher this January and February than last year. March was higher than last year, but lower than two years ago. Average daily ridership in late December was noticeably higher than the previous year, though the increase in February and March has been less. He noted that the frequency of service this year at 15 minutes is double what it was last season. Despite that, ridership levels over the past two weeks of service were hard to distinguish from the same period in previous years. Ridership on spring training game days is much higher this year, with the first eight games increasing over 30% against the same number last year.

Chairman Scholefield inquired whether last year's events occurred at the same time this year. Mr. Basha said he believes that they have, though the Canal Convergence occurred in February this year instead of March. Canal Convergence produced the two highest daily riderships last season, but that did not occur again this year, with numbers being half of what they were previously. The Scottsdale Arts Festival was held at the same time both years. Last season had three spring training games, whereas two were held this year.

Commissioner Enders said it will take time for word to spread about the trolley, though it is encouraging to see the progress.

Mr. Basha said there are three bus and trolley providers operating in Scottsdale: the City of Scottsdale, the City of Phoenix, and Valley Metro. Coordination between the three agencies requires planning six months in advance. The City would like to begin operation of a new Camelback Road trolley in October, and City Council needs to make a commitment decision on April 14. Phoenix currently operates Route 50 on Camelback Road which enters Scottsdale at 64th Street and extends as far as the Community College. Scottsdale would like greater frequency of service on the segment between Fashion Square and the Community College and can run trolleys at a much lower cost than Phoenix is requesting. If this is approved, Route 50 would end at Fashion Square, where riders could transfer to the new trolley. The required funding would come from discontinuing the Day Tripper, applying the money saved to the Downtown trolley, and then applying Downtown Trolley money to the Camelback trolley.

Mr. Basha explained that compared to Scottsdale's other trolley routes, the Day Tripper ridership is very low on average, even though the other trolleys operate throughout the slow summer months when the Day Tripper is on hiatus. The Transportation Department has noted community requests that the Day Tripper not be discontinued unless it is replaced with an alternative, but Mr. Basha said hotel guests are not riding

the Day Tripper and they will not miss it if it is gone. The Day Tripper is one of the longest routes in the city with a correspondingly high expense, yet it produces the lowest ridership per mile of all services at ten riders per mile. Comparatively, the Neighborhood trolley averages 73 riders per mile. The data clearly indicates that Day Tripper is not an effective service. No other bus or trolley operates as frequently as 15 minutes. An extensive marketing campaign was conducted specifically for the Day Tripper, yet ridership still remains low.

Mr. Basha explained that in FY2013/14, the Day Tripper was the second most costly bus or trolley route in Scottsdale at \$7 per rider. With greater frequency this year, the average cost per rider has risen to \$11. This figure considers the actual cost of the service compared to the number of riders. The cost per rider has increased by 60% over the last year. He said he understands that sometimes it is necessary for a business to spend money in order to make money, but when it comes to taxpayer funding, the standards are higher because government has to be accountable for how it is spent. Taxpayer money has to be spent effectively, and must provide a value-for-value exchange. He stated that a private business would not accept a 60% cost increase over the previous season, or five consecutive years of failed ridership. The TDC is in a position to recommend to the City Council the termination of a failing government program.

Mr. Basha discussed the Downtown trolley. The Neighborhood and Miller Road trolleys have been successful in recent years. The Downtown trolley was successful until 2008/09. Because of limited funding, frequency was cut and the ridership has never recovered. Returning to ten-minute frequencies and providing a more efficient route could reverse this trend and make the Downtown trolley a service that benefits tourism, businesses and hotels.

A proposed new route would provide service to Main Street, the Ramada Valley Hotel, as well as hotels in the northeast quadrant of downtown and the Museum of the West. Transportation wants to collaborate with the SCVB, the TDC, and the hotel industry on planning the Downtown route. Frequency of service could be increased by terminating the route prior to Fashion Square, but the SCVB has made it clear how important that destination is to include.

Mr. Basha said that the Downtown trolley would serve tourists, hotel guests and tourism-related businesses and destinations. He suggested three criteria for the Downtown trolley to qualify for bed tax money:

- That ridership exceed 700 per day
- That the cost per rider be less than the citywide bus/trolley average
- That the percentage of Scottsdale hotel guests riding the trolley exceeds 60%.

If these three thresholds are not met, Transportation would not request that bed tax funds be spent for the Downtown trolley the following year. The trial for this program would last one year only.

Mr. Basha explained that Bus Route 50 in Scottsdale ends at 8:00 p.m., which does not serve evening classes at SCC. The frequency varies dramatically and erratically

throughout the day from 20 minutes to 60 minutes. If the Camelback Road trolley is approved, frequency would be 20 minutes consistently throughout the day, and the trolley would run from approximately 6:00 a.m. to 10:00 p.m. The route would also service a number of bars, restaurants, nightclubs and hotels in the Scottsdale entertainment district.

Commissioner Enders inquired about the typical Downtown trolley rider. Mr. Basha said no surveys have been conducted for that route, but one is planned for next season.

Mr. Basha presented three staff recommendations:

1. Discontinue the Day Tripper
2. Take the \$300,000 in bed tax money that has been dedicated to the Day Tripper and apply it to the improved Downtown trolley service, with the remaining \$150,000 coming from dedicated regional and city transportation funds.
3. Take the \$300,000 from the dedicated sales tax that had previously been allocated to the Downtown trolley, and instead spend it on the new Camelback Road trolley, with the remaining \$85,000 coming from dedicated regional and city transportation money.

Commissioner Bailey clarified that she recommended the Downtown trolley go down Brown because of the local businesses on that road. She has ridden the Day Tripper, and sees hotel guests riding it often. The merchants along Main Street are local, but are not tourism-specific. The Downtown trolley will be even more resident-oriented once new apartments/condos in the area are completed. While tourists do use the trolley, it is also heavily used by locals.

Commissioner Hirose agreed that the Downtown trolley has a mix of residents and tourists. He expressed doubt that very many tourists would head east on Camelback Road from his hotel on Scottsdale Road. He also struggled to see how the trolley would be bed tax related.

Chairman Scholefield noted that the ridership has increased 60.1% since the Day Tripper started. It is not achieving ridership numbers in comparison to more efficient routes, but to call it a complete failure is wrong. It is growing. Before bed tax money is spent on the Downtown trolley, a survey should be conducted to demonstrate that tourists are indeed riding it. Moving bed tax dollars to replace General Fund dollars does not seem appropriate, regardless of what the project is. This could open up the bed tax fund to a host of challenges in the future. Mr. Basha agreed that the ridership has increased 60% over the course of the season, but in comparing the total ridership this season to last season; it has only increased 15%. He said he would include in the City Council report the option of conducting a ridership survey before committing bed tax funds.

Commissioner Enders said Mr. Basha's report made sense from a Transportation Department perspective, but he felt comparing the Day Tripper to the other trolleys was unfair. One is designed for hospitality purposes, while the others are part of the regional transportation system. From a transportation perspective the Day Tripper is not a success, but success for Day Tripper should be defined differently. The service was

started from scratch and it continues to grow. The TDC has the responsibility to spend bed tax money wisely, and when something like the Downtown trolley emerges that does not provide a clear-cut benefit to tourism, the Commission is concerned. He felt City Council would benefit from a presentation that explains both the transportation and tourism perspectives. Mr. Basha said he would be happy to include any information that the TDC or the SCVB could provide.

Mr. Basha requested three motions from the Commission, with each of the staff recommendations to be considered separately. The same request will be made from the Transportation Commission on March 19.

Chairman Scholefield said the third recommendation would be better addressed by the Transportation Commission, since it simply involves a redirection of Transportation Department finances. He noted that the Day Tripper season is still in progress and should only be re-evaluated at its conclusion. The Downtown trolley should continue to be supported by sales tax, not bed tax. Mr. Basha clarified that the City does not have the funding to support the Camelback trolley. Without the redirection of funds from the Downtown trolley, it would not operate.

Commissioner Hirose inquired about the negative impact of discontinuing the Day Tripper. He agreed with Chairman Scholefield's concern about supporting the Downtown trolley with bed tax dollars.

Commissioner Enders stated that the TDC gets rushed into making decisions on the Day Tripper every year and he would like to wait until the end of the season before evaluating it. Mr. Basha reiterated that ridership over the past two weeks, compared to the same time in previous years, has actually fallen. The Canal Convergence had the largest two-day ridership last season, but that has already happened this season without a corresponding bump. The data is quite consistent that the ridership this season through April 1 will be approximately 15% to 18% higher than last season, while the cost per rider will remain at \$11 per rider through March. This is up from \$7 last year.

CHAIRMAN SCHOLEFIELD MOVED TO HAVE THE COMMISSION REEVALUATE THE PERFORMANCE OF THE DAY TRIPPER TROLLEY AND DECIDE WHETHER TO CONTINUE IT NEXT SEASON, AT THE CONCLUSION OF THE CURRENT SEASON. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER GRUPP WAS ABSENT.

CHAIRMAN SCHOLEFIELD MOVED TO NOT SUPPORT THE RECOMMENDATION FOR THE USE OF BED TAX DOLLARS ON THE DOWNTOWN TROLLEY. COMMISSIONER BAILEY SECONDED THE MOTION CARRIED BY A VOTE OF SIX (6) TO ZERO (0). COMMISSIONER GRUPP WAS ABSENT.

7. Bed Tax Stabilization Fund

This item was tabled until the April 21 meeting.

8. FY2015/16 Event Support Funding Programs

This item was tabled until the April 21 meeting.

9. Civic Center Mall Project Update

Derek Earle, City Engineer, said the TDC recommended that City Council allocate carryover bed tax funds in the amount of \$300,000 as well as a recommendation to reserve part of the bed tax for future funding of debt service for bonding for the Civic Center Mall improvements. On January 13, City Council voted seven to zero against the recommendation. Council Members commented that there are many priorities for tourism and that this is not necessarily the highest one. They had concerns that the project was not fully prepared for a funding recommendation. There were also concerns that this might not be the correct funding source for improvements and that it would be better suited as a regular CIP project.

Mr. Earle said staff is preparing a new recommendation: That City Council consider moving ahead with the \$300,000 master plan for the Civic Center Mall as a capital improvement program, with that amount to be refunded 50% from the bed tax carryover, and 50% from the General Fund. Since this proposal is consistent with the TDC's original recommendation, no new request is being made of the Commission at this time. Eventually, funding will have to be secured for the larger improvements once the project is defined.

Commissioner Hirose inquired whether the City Council has changed their views since they resoundingly rejected the proposal the last time. Mr. Earle responded that each Council Member had a different reason for not supporting it, but that they generally felt it was too early to reserve a significant piece of bed tax funding without knowing all of the priorities of the Tourism Master Plan. There is less concern about simply planning it. He feels that City Council views this project as a priority, but are uncertain whether it is a tourism priority.

Commissioner Hill inquired about the consultant for the study. Mr. Earle responded that Scottsdale will be using an on-call architectural firm to gather concepts and define the project. Holly Street Studio Architects are very familiar with the venue. The final design would be competitively bid.

Chairman Scholefield requested updates as the project evolves.

10. Public Comment

There were no public comments.

11. Adjournment

Mr. Geiogamah summarized that the agenda for the next meeting will have discussions on the bed tax stabilization fund, and FY2015/16 event support funding. There will also

be updates on the Fiesta Bowl, the ESPN FanFest, the Arizona Super Bowl, as well as a review of the leisure visitor inquiry study. The joint meeting with the McDowell Sonoran Preserve Commission is on March 30.

Commissioner Hirose requested a report from the SCVB on how the Day Tripper affects the overall marketing of Scottsdale.

The meeting adjourned at 10:01 a.m.

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