



**CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
WORK STUDY SESSION**

Tuesday, March 15, 2016

**Sky Song, Global Conference room #201
1475 N. Scottsdale Road
Scottsdale, Arizona 85257
APPROVED MINUTES**

PRESENT: David Scholefield, Chairman
Ren Hirose, Vice Chairman
Ace Bailey
Linda Dillenbeck
Carl Grupp
Camille Hill
Robert McCreary (left at 11:25 a.m.)

STAFF: Steve Geiogamah
Karen Churchard
Holli Shannon
Brent Stockwell
William Hylen
Christy Hill
Aaron Yaron
Brian Dygert
Kit Weiss

GUESTS: Rachel Sacco
Caroline Stoeckel
Kelly Triplett
Rachel Pearson

1. Call to Order

Chairman Scholefield called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:07 a.m.

2. Roll Call

The presence of a quorum was noted.

3. Introduction, Agenda Overview and Objectives

Mr. Geiogamah said the bulk of the work study session would be spent discussing the Tourism Event Funding Program, with the aim of developing guiding principles, enhancing criteria, and identifying the goals and objectives for the next year.

4. Overview of City's Tourism & Events Priorities and Activities

Ms. Churchard stated that staff priorities over the next few months will include an update of the website, the development of a user guide, a comprehensive database of contact information for notifications, an internal coordination group, a communications plan, a tourism-related economic feasibility study, local marketing and public relations efforts, and several downtown enhancement projects. She requested TDC consideration of a support mechanism to fund large scale destination event proposals that have been vetted through the Tourism Advisory Task Force. She explained the benefits of having Scottsdale join the International Festival and Events Association.

Commissioner Hill inquired about the City Council's stand on the Event Ordinance. Ms. Churchard said Council seems to be divided on the two issues of greatest concern to the TDC: restrictions on event duration and frequency, and the net aggregate feedback from the business community.

Vice-Chair Hirose questioned the capital improvement projects that Ms. Churchard mentioned and was concerned about Bed Tax dollars being spent without the TDC approval. He asked for clarification on the process of TDC recommendation of those funds with the council meeting scheduled in April. Ms. Churchard said the only funding that is being recommended from Bed Tax at this time is for the ambient lighting in downtown and activation. Chairman Scholefield questioned when the budget items will go to council.

Brent Stockwell clarified that the proposed budget will go before City Council in mid-April, but the Council will not take any action until May. This will give the TDC time to make a recommendation before the budget is approved. Chairman Scholefield encouraged staff to continue open communications with all City departments impacted by special events. He noted that funding will be required to support the initiatives recommended by the TATF, and that the Task Force itself will need additional funding to continue their activities.

5. Gift Clause Review

William Hylan reviewed the City of Scottsdale's gift clause. The Arizona Constitution has always had a gift clause, but a landmark decision in 2010 really restricted the interpretation of that clause, making it more difficult for governmental agencies to navigate the use of public funds that go to private companies or individuals. The City of Scottsdale opted to restrict these types of allocations even further. Both provisions say that the City cannot give or loan money, credit, or donations to an individual association or corporation. Non-profit entities are treated exactly the same way as for-profit entities.

Exceptions exist where there is a clearly identified public purpose, and the City either receives direct consideration substantially equal to expenditures, or provides direct assistance to those in need. The City's Charter is more constraining in that the value needs to be substantially equal, whereas the Arizona Constitution says that the value not be grossly disproportionate to what was spent.

Mr. Hylen said economic and tourism development is considered a public purpose. Direct considerations are bargained for benefits that must be reflected in contracts between the City and other entities. When producers are incentivized to hold events in Scottsdale, the benefits received must be directly stated in the contracts and substantially equal to what the City is spending. Indirect benefits derived from having events in Scottsdale are not guaranteed by contracts and are not counted under the gift clause. Having room nights counted as direct benefits is an open question under the law that has yet to be tested.

Ms. Sacco noted that the City of Phoenix and other local municipalities do not have the same restrictions that Scottsdale has. Mr. Geiogamah said staff is exploring the option of having a consultant measure the PR value associated with hosting a Fiesta Bowl team in Scottsdale and quantifying that value so that it can be bargained for in a contract. Generally, staff has pursued dollar-for-dollar exchanges.

Commissioner Hill said seasonality is not currently addressed in the criteria. She noted that WestWorld lost a significant equestrian event recently because of the lack of appropriate footing for horses. The expense for this material was far lower than the return on investment would have been. Mr. Geiogamah explained that infrastructure improvements do not fall under the gift clause. Chairman Scholefield said the TDC should have considered whether that request fit into the Commission's capabilities to issue funds. Commissioner Grupp suggested creating an allocation in capital projects that would outline as-needed spends.

Mr. Hylen said the practice that some competing destinations use to avoid gift clauses by transferring money to private organizations would be subject to the gift clause in Arizona. Money would have to be transferred in a way where the City receives value from the private transaction before it was somehow transferred to another entity. Scottsdale pays the SCVB money for marketing services. It is the City's position to avoid contracts that could be challenged for only considering room nights, without at least an equal amount being spent on marketing.

Chairman Scholefield said that if Scottsdale had simply asked to be included as a partner in event advertising, the requirements of the gift clause would have been easily met on many occasions. It is often a matter of not knowing what to ask for when the agreement is being negotiated.

Commissioner Hill requested advice on how to best work within the confines of the gift clause. Mr. Hylen suggested coming up with creative ways to build value into contracts. For example, value could come from including advertisements in the streaming of an event. Many states have attenuated their gift clauses, but Arizona has moved in the opposite direction.

Mr. Geiogamah said quantifying value has long been a challenging aspect of the event funding program. Commissioner Hill suggested that staff create guidelines that event producers could use to justify the money they are asking for, and felt the City should explore the possibility of providing at least some of the money up front in a way that would fit within the gift clause. Ms. Stoeckel said it would be helpful information if WestWorld prepared a summary of events lost due to the lack of available funding.

6. Tourism Event Funding Program

Kit Weiss challenged the TDC to identify several large goals to work on moving forward.

First, the Commissioners identified the strengths of the existing Tourism Event Funding Program:

- Dedicated funding sources
- Attracts new events and visitors to Scottsdale
- Has the support of City leadership
- Improves Scottsdale's brand recognition
- Good vetting process
- Broad criteria
- Takes the onus of producing events off the City

And the weaknesses:

- Criteria confusing, inconsistent or incomplete
- No definition for event success
- Applications incomplete
- Benefits of City sponsorship difficult to quantify
- No money provided up front
- Event success criteria poorly defined
- Application process not nimble enough to respond quickly
- Politics and special interests can be unwelcoming to events
- Too much bureaucracy
- No proactive development or solicitation of events
- Events too focused on downtown
- Gift clause limitations
- Not competitive with other destinations
- Lack of a dedicated liaison for producers to turn to
- Producers uncertain of what funds to request
- Seasonality issues
- Funding locked in to reoccurring events
- Funding issued before permits
- Post-event payouts burdensome to producers

Ms. Stoeckel explained that according to the existing criteria, an event can be defined as a success if it draws the required number of attendees, even if they did not have a good time because the producer failed to fulfill the experience they had promised.

Commissioner Hill urged caution, saying that ultimately if an event is unsuccessful, the producers will not do it again.

Mr. Geiogamah noted that producers work under tight time frames. Often they are pursuing permits and funding at the same time, and for the City to require one before the other could cause problems.

Commissioner Hill inquired whether other cities also withhold money until the events are over. Mr. Geiogamah said he knows that some entities provide money to producers in advance, but they might have other objectives. The reason Scottsdale waits until the end is to limit the risk of unfulfilled contractual obligations. Commissioner Hill agreed that is a good policy unless it makes Scottsdale less competitive.

Commissioners Hirose and Grupp described their informal audits of several recent sponsored events, noting that they found little to no recognition of the City of Scottsdale's, or the SCVB's participation. Chairman Scholefield felt that Scottsdale should ask for a greater than one to one exchange, which is the bare minimum required under the guidelines. Event ads should have the Scottsdale and SCVB logos on them. Mr. Geiogamah explained that in the past, the intent of the event funding was to draw tourists from outside the market, which explains why there is little focus on site. Vice Chairman Hirose said having the City logo visible at events educates the public on the City's sponsorship and draws attention to the importance of tourism. Commissioner Dillenbeck noted that oftentimes the City is the largest sponsor, yet does not receive the recognition afforded to title sponsors.

Commissioner McCreary felt the City should have a full-time staff person focused solely on proactive efforts to bring new events to Scottsdale and helping them navigate the City's processes.

Kit Weiss next asked the TDC to identify promising opportunities to pursue that would make the program stronger. The responses included:

- Develop a more intuitive and instructive user guide
- Communicate clearly
- Adjustment and clarification of criteria
- Proactive solicitation of event business
- Uniqueness as a destination
- Having events promote Scottsdale to the full extent of their capabilities
- Update funding programs to better utilize advancements in marketing
- Increase funds to implement Tourism's vision
- Large signature events during the shoulder and off seasons
- Unite the tourism industry for the benefit of Scottsdale
- Leverage private sector entities during holiday promotions
- Continue the revitalization of downtown as it fits into the greater whole
- Maximize the use of WestWorld's capacity for equestrian events
- Tiered pricing at WestWorld
- City of Scottsdale in-house event staff
- Coordinate better with Tourism Advisory Task Force
- Enhance partnership with SCVB

Commissioner Grupp suggested that instead of the City defining the marketing criteria; it would make more sense to ask producers for ideas on how to best reach their audiences. Mr. Hylen noted that individually negotiated contracts could extend the approval process.

Mr. Geiogamah said Financial Policy 21-A limits funding to \$1.2 million. If the TDC feels the need to increase that amount, they could make a request to City Council.

Commissioner Hill asked whether the criteria should be changed to encourage more off season and shoulder season events. Ms. Churchard felt the City would have to proactively find events to fill those times. Ms. Sacco said the holiday season has great potential for event growth. Individual private sector businesses are beginning to promote the holiday in bigger ways. Each of Scottsdale's tourist niches could contribute towards developing that period from November through mid-January. Commissioner Bailey suggested the best way to proceed would be to focus on attracting Arizona tourists first, and growing it from there. Chairman Scholefield felt the response to the idea would be better than it has been if the effort were extended to the entire community instead of as a way to fix downtown.

Vice Chairman Hirose said WestWorld's pricing structure is the same in the summer and winter. Until City Council approves tiered pricing, it will be difficult to attract summer events. Brian Dygert said tiered pricing has been proposed, but the approval process might not be finished in time for summer of 2016. He argued that tiered pricing would not have as big an impact on large established events as it would on smaller events.

The Commission identified some potential threats to Scottsdale tourism:

- Ineffective communications with City Council and TATF
- Event Ordinance restrictions diminish competitiveness
- Gift clause limitations
- Bed tax funds used for non-tourism purposes
- Increased competition from other destinations
- Unintended consequences of the Event Ordinance
- Lack of available beds and event space in downtown
- Complicated processes
- Lack of unity among different tourism industry sectors
- Economic downturn
- Thinking small and staying reactive
- Bidding wars with competing destinations
- Competitors receive more funding
- Competitors aggressively recruiting Scottsdale events
- Lack of balance between residential and commercial interests

Ms. Weiss summarized the themes that the exercise revealed. The strengths are funding, image, branding, and criteria. The weaknesses are criteria, seasonality issues, poor communication, the gift clause, lack of public awareness, slow government processes, and disunity. The opportunities are seen as proactively attracting events to Scottsdale, collaborating and leveraging relationships, and strengthening the criteria

within the constraints of the gift clause. The threats are viewed as market competitiveness, insecure funding, government bureaucracy, and poor communication.

The Commission categorized the themes into broad areas and identified the most pressing priorities to move forward on:

1. Working effectively with the City government
2. Proactively pursuing marketing and event opportunities
3. Revising the criteria
4. Leveraging relationships

Chairman Scholefield noted that criteria came up in three categories including under both strengths and weaknesses. Ms. Weiss summarized that the existing criteria needs to be revised in a way that retains the strengths while shoring up the weaknesses, and incorporating what is missing, such as seasonality.

Commissioner Grupp said seasonality is an important focal point for the TDC, but it is better addressed in the criteria and the marketing aspects. The solution to the issue of bureaucracy lies in advocacy and by focusing on what the TDC can control, such as better communications with different groups, and by justifying the value of tourism to the community. Mr. Dygert said bureaucracy can be changed by creating new systems and processes that currently do not exist.

7. Summary - Next Steps

Mr. Geiogamah stated that staff would start working on these initiatives immediately, and would have a draft plan to present in April. An event funding proposal will be presented in May.

Vice Chairman Hirose said if a new event person is to be hired in time; the process has to start immediately in order to be included in the budget process. He suggested that each Commissioner be assigned to one of the four priority areas, and that each group work with staff to create action plan recommendations for the TDC's consideration.

The working group assignments are as follows:

1. Government - David Scholefield (chair), Ren Hirose and Rachel Pearson
2. Marketing/Event Opportunities - Linda Dillenbeck, Carl Grupp, Camille Hill and Rachel Sacco
3. Criteria - Robert McCreary, Linda Dillenbeck and Caroline Stoeckel
4. Leveraging relationships - Ace Bailey, Carl Grupp, Camille Hill and Rachel Sacco

Ms. Weiss stated that these individuals would be the primary contacts for staff to work with in developing strategies to achieve the stated objectives. Chairman Scholefield felt that the Chair of the TDC should always be assigned to the government category moving forward.

The Commission requested that the Tourism Advisory Task Force similarly assign one representative to each of these four areas. Ms. Churchard said they would be updated on the outcome of this meeting. She suggested that each of the four working groups meet at least once before the next TDC meeting in April. Chairman Scholefield encouraged anyone with input on any of the four categories to send it to the appropriate contacts, as well as Mr. Geiogamah and Ms. Churchard.

8. Adjournment

The meeting adjourned at 11:46 a.m.

Recorded and Transcribed by AVTronics Inc., d/b/a AVTranz Transcription and Reporting Services