

Approved November 18, 2015



**CITY OF SCOTTSDALE
SCOTTSDALE WESTWORLD SUBCOMMITTEE
REGULAR MEETING**

Thursday, June 18, 2015

**Monterra at WestWorld
16601 N. Pima Road
Scottsdale, Arizona
SUMMARIZED MINUTES**

PRESENT: Mayor W.J. "Jim" Lane, Chair
Suzanne Klapp, Councilmember

ABSENT: Guy Phillips, Councilmember

STAFF: Brian Dygert
Steve Geiogamah
Dan Worth
Gloria Storms
Rachel Smetana
Jeff Nichols
Kyla Anderson

GUESTS: Frederick Green
Fred Unger
Taryl O'Shea
Casey McDonald
Craig Jackson
Carter Unger
Barbara Livdahl
Doug Janison
Brandon Maxwell
Dave Block
Jim Tysseling
Erica Pumphrey
Bob Brown
Austin Unger

Call to Order/Roll Call

Noting the presence of a quorum, Mayor Lane called the regular meeting of the Scottsdale WestWorld Subcommittee to order at 4:00 p.m.

1. Approval of December 10, 2014 Minutes

MAYOR LANE MOVED TO APPROVE THE MINUTES OF THE DECEMBER 10, 2014 REGULAR MEETING AS PRESENTED. COUNCILMEMBER KLAPP SECONDED. THE MOTION CARRIED BY A VOTE OF TWO (2) TO ZERO (0). COUNCILMEMBER PHILLIPS WAS ABSENT.

2. Summer Months Booking Update

Brian Dygert presented booking results since January 2014, when Fred Unger took over the marketing contract for WestWorld. Twenty-one new contracts have been secured to date, in addition to the contracts that existed prior. Eight of these contracts were for one-time events that will not be coming back, while the remaining 13 have been added to the base of established WW events.

Approximately \$3.9 million in total gross revenue has been generated this fiscal year, which is about 9.8% above the prior year. There are 14 new contracted events on the books this fiscal year that are directly attributed to the marketing contract. Three further events have already been contracted, and 22 additional events will probably be contracted, either this fiscal year or in future years.

Mr. Dygert stated that formal proposals have been submitted with several national horse show organizations. The United States Dressage Association solicited for a hosting venue for national events in 2016 and 2017. They are looking to alternate between their existing east coast venue and a new west coast venue. A proposal was submitted in December, but the organization postponed their decision for a year. WestWorld is now competing with a Houston facility for 2017 and 2018.

The National High School Rodeo Association will decide in July whether to select Scottsdale for a four-year national rodeo event that will attract families for two weeks each year. The National Cutting Horse Association is looking to move their national western affiliate finals away from Reno, and will decide in August. The National Reined Cow Horse Association has five national shows, and Scottsdale submitted a proposal for their Hackamore Classic, currently held in Pueblo, Colorado. They should reach a decision by the end of the month. In summary, three of these events would take place between May and July, while the dressage would occur in November.

Mayor Lane inquired about international participation in the equestrian events. Mr. Dygert said the dressage, cutting horse, and reined cow horse events all have Canadian and Mexican participants. Councilmember Klapp inquired whether the Texas facility is enclosed. Mr. Dygert responded that it is an open air facility tailored specifically for dressage.

Mayor Lane proposed that City Council be presented with regular performance reports on the Tony Nelssen Equestrian Center so that citizens can track the facility's progress year over year and compare it to WestWorld's prior booking performance. It is important that they understand the impact that a climate controlled building can have on attracting off-season and shoulder season business. Mr. Dygert noted that prior to the TNEC, there was very little activity from May to September at WW. Since then, business started growing, with 54 days booked in the summer of 2014, and 62 days booked so far this summer.

3. Event Funding and Contract Provisions

Steve Geiogamah stated that \$1.2 million in bed tax money is allocated each year to the Tourism event funding programs. Money not utilized in these programs goes into a carryover fund. All events are reviewed annually to ensure they have met contracted deliverables. The Tourism Development Commission plays a key role in providing funding recommendations and in reviewing the programs annually. Mayor Lane inquired whether summer and off-season events are prioritized. Mr. Geiogamah said they are.

Mr. Geiogamah explained that staff works to ensure that the City receives a return on its investment. The main objectives are to market the destination and to support events that draw people to Scottsdale. The Matching Event Advertising Fund Program provides marketing funds that must be matched by event producers. Events qualify for one of three funding tiers depending on the number of room nights they generate in Scottsdale. The Community Event Funding Program focuses on non-profit events that have been a significant part of the Scottsdale community and help foster a love of place. The Event Venue Fee Program is focused on participant-driven events such as youth sports tournaments. The funding is used to help offset venue fees, making Scottsdale a more competitive destination for organizers. The New Event Funding Program is proposal based, and funding is used to help market new events so that they can eventually grow to be self-sustaining. Events can participate in this program for three years, after which they must move to the MEAF. A proposal has been made to use bed tax funding to attract new events to WestWorld. Efforts are underway to further streamline the event permitting process.

Mayor Lane inquired about the format used to evaluate new event proposals, noting that public safety and other in-kind costs can sometimes equal the amount provided for marketing. Mr. Geiogamah responded that staff coordinates with other City departments to ensure that required deliverables match what Scottsdale provides in terms of in-kind support and direct funding.

4. WestWorld Tent Update

Dan Worth explained that the City's initial intent was to dispose of the WestWorld tent through public auction once the TNEC opened. Craig Jackson subsequently requested that the City keep the tent in place. It costs about \$130,000 per year to keep the tent structure maintained and to replace the fabric every 15 years. The outlook for revenue generation has decreased considerably. Restoration of the site could cost \$250,000, not

including replacement of the electrical infrastructure. Staff recommends re-evaluating the tent's permanence.

Mayor Lane opened the public hearing.

Frederick W. Green expressed the DC Ranch Association's desire to have the tent removed as soon as possible. It is a constant eyesore, it is not a world-class exhibition space, is marginally functional, and is redundant. For a majority of days each year, the tent stands unbooked and empty. It was never designed to be permanent and is wasting away. Scottsdale has better ways to spend its money than to reskin it every few years. Its residual value is steadily declining. The Super Bowl made use of the tent but it is gone now and will not be back for years. Barrett-Jackson has other alternatives for temporary shelter. The land under the tent could be put to more productive use, such as premium parking. DC Ranch's support for TNEC was based on the condition that the tent would be taken down once it was built.

Mayor Lane closed the public hearing.

Mayor Lane said any value that comes from the sale of the tent has to factor in the cost of restoring the site, which could be as much as \$500,000. Mr. Worth said the engineering analysis that was conducted last year estimated that the fabric had another ten years of life left. The City has spent between \$5 million and \$6 million for originally buying the tent, preparing the site and later re-skinning it. Councilmember Klapp asked about the market for the tent. Mr. Worth said the City has received inquiries about it, but barring a buyer, there is residual value in the steel itself.

Mayor Lane said the climate controlled TNEC is able to book events throughout the year, unlike the tent. Mr. Dygert noted that the rate structure for the tent has not been adjusted for several years. The North Hall currently is less expensive to rent than the tent, even though it has climate control. The cost of production in the tent is also higher. The tent does help supplement the western half of the property by providing covered space for events in that area. Only three events use it regularly, however. In a typical year, it could be expected to generate about 80 booked days and anywhere from \$85,000 to \$100,000 in revenue. If the permanent tent is removed, the three events that use it regularly will have to spend more to erect temporary structures than they are paying in rent now.

Mayor Lane noted that in an average year, the City can expect to lose more money on the tent than it makes in revenue. Its resale value is constantly diminishing, and the City might only receive enough to cover the cost of restoring the space. Councilmember Klapp said the tent is losing money and the space cannot be used for other purposes until it is gone. The public expected the tent to be taken down, and there are many who do not like it. A solution should be found that does not hurt the events that depend on it. The City's goal has been to turn WestWorld into a facility that can turn a profit, and saving \$30,000 per year on the tent would help make that possible.

The Committee recommended presenting the tent analysis to City Council.

Public Comment

There were no public comments.

Adjournment

The meeting adjourned at 5:20 p.m.

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