Call to Order/Roll Call

Noting the presence of a quorum, Chairperson Scholefield called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:07 a.m.
1. **Public Comment**

Mr. French Thompson of the Scottsdale Gallery Association (SGA) said downtown Scottsdale, and the arts district in particular, is one of the most important tourist assets in the Valley. The arts district advertises to bring people into Scottsdale. Canal Convergence is a wonderful event that does not conflict with any of the retail businesses around it. It is a good example of the type of event the SGA would like to see more of in downtown.

Laetitia Hua, Miss Scottsdale 2017, introduced herself and volunteered to serve as an ambassador for Scottsdale businesses and projects.

2. **Introduction, Agenda Overview and Objectives**

Steve Geiogamah, Tourism Development Manager, reviewed the agenda for the meeting. He introduced facilitators Kit Weiss and Christy Hill.

3. **Overview of City’s Tourism Event Activities**

Karen Churchard, Tourism and Events Director, displayed photographs from activities related to Scottsdazzle, Spring Training, and Western Week activities.

Vice Chairperson Hirose said Scottsdazzle had a great first year. He encouraged staff to prominently mention how bed tax dollars are used to promote these events. Chairperson Scholefield concurred, noting that people sometimes question why Scottsdale spends money on these types of events, and he has to explain that bed tax money is brought in by tourists; it does not take anything away from General Fund activity. Bed tax money supports many local events. The public should be made aware that the local events they enjoy are partially made possible by the tourism industry of Scottsdale.

Rachel Sacco said residents sometimes overlook all of the benefits that tourism makes possible in the community, so it would be a good strategy to continue pointing it out whenever possible. Commissioner Hill agreed, adding that most residents have no idea how this money is being spent. Once they understand that the bed tax is benefitting the community while keeping their own taxes down, they will want to protect it. Commissioner Grupp said New Orleans does a good job of pointing this out. Vice Chairperson Hirose suggested that staff prepare a boilerplate template that could be included on all press releases to explain how bed tax money is utilized.

4. **Tourism-Related Capital Project Evaluation Process**

Kit Weiss, Director of Customer Service & Communications, presented a list of possible criteria that the TDC could use to quantitatively evaluate capital projects from a tourism-related perspective. Based on the Commission’s feedback, a final list will be presented for adoption later in the year. Chairperson Scholefield felt that criteria would help the
TDC determine whether projects qualify as tourist related or not, and would help City Council understand the reasoning behind the Commission's recommendations.

The Commission discussed whether to include "private and public financial support, complexity of project and timeline," among the criteria. Brent Stockwell stated that in any case, staff would recommend a gift clause analysis to ensure that sponsored projects have a public purpose and that what the City receives in return for its investment is substantially equal. Vice Chairperson Hirose felt that this would be better categorized under eligibility criteria, and the Commission concurred.

The Commission considered including, "delivers on visitors' expectations," but felt this criterion would be vague and difficult to evaluate, so it was removed. Chairperson Scholefield suggested that this be included as part of a general statement in an introductory paragraph, instead of being eliminated entirely.

Sandy Schenkat stated that since Scottsdale has a deficit when it comes to funding infrastructure projects, it is important that citizens understand which projects are being funded by tourism.

Following an open discussion, the Commission decided that tourism-related capital projects should include those that have the potential to:

- Attract new and repeat markets with an emphasis on non-peak season
- Enhance Scottsdale's national and/or southwest image
- Increase visitors' spending and/or length of stay
- Create positive impact on tourism-based businesses
- Stimulate repeat visitation
- Maintain or enhance Scottsdale's quality of life and lifestyle

Commissioner Ashmore left the meeting at this point.

Mr. Stockwell explained that staff is seeking clarity around what would make a good capital project from the tourist perspective in order to increase the likelihood that projects brought forward are ones that the TDC would recommend and City Council would approve. Once the criteria are approved, the TDC will be able to use them as an evaluation tool. They can also be included with City Council reports to help them understand the thought process behind the recommendations.

5. **Tourism Event Funding Program - Establishing Criteria**

Mr. Geiogamah asked the TDC to discuss the importance of each criteria. Staff will review the responses and prepare a set of criteria to be used in the event funding evaluation process. Ms. Weiss led the TDC through discussions on each of the following topics:

a. Reach and the quality of proposed marketing

Vice Chairperson Hirose said producers should submit marketing plans that define the reach and the quality of their campaigns and demonstrate their commitment to success.
More weight should be given to marketing outside the local area. Chairperson Scholefield said producers need to identify the population that they intend to market to.

b. Producer's investment in the event

Commissioner McCready said he expects producers to make more than just financial investment; presentations should reveal a certain amount of enthusiasm and dedication. Chairperson Scholefield stated that it is not the City's mandate to fund events in their entirety, apart from some community events.

Mr. Geiogamah felt that it would be difficult to quantify the emotional investment producers have for their projects. Vice Chairperson Hirose suggested that counting volunteer numbers would reveal the efforts that have been taken to secure partnerships in the local community. Mr. Stockwell felt it would be important to ask producers what their events would look like if they do not receive City funding.

c. Number of tourism drivers supported

Mr. Geiogamah inquired whether events should be allowed to qualify for more funding if they support multiple tourism drivers. Chairperson Scholefield felt that this approach would encourage producers to manipulate the drivers to their advantage to obtain more funding. Commissioner Hill suggested that bonus points be given to events that can expand their footprint. Vice Chairperson Hirose argued that not all tourism drivers are equally important and they should be evaluated according to their impact.

Following an open discussion, the Commission agreed that golf continues to be one of the most important drivers for Scottsdale. Rachel Sacco said Experience Scottsdale still focuses on marketing Scottsdale as a golf destination, but awareness is already high in this regard and more benefit could potentially be gained by emphasizing other target areas in the future. Commissioner Grupp said Scottsdale has the facilities to more actively pursue participation sports in shoulder seasons.

d. Total attendance/participants and out-of-area attendance/participants

Mr. Geiogamah explained the difficulties inherent to estimating attendance for events that stretch over several months. He inquired whether attendance should outweigh room nights and marketing. Commissioner Dillenbeck said attendance at free events is difficult to track. Brian Dygert added that it is much easier to track event participant numbers, especially for horse events. Carter Unger stated that all producers pay attention to their attendance because that is how they secure sponsorship money, sell vendor booths, etc. There are a variety of ways to measure attendance fairly accurately.

Mr. Geiogamah explained the difficulties inherent to estimating attendance for events that stretch over several months. He inquired whether attendance should outweigh room nights and marketing. Commissioner Hill felt that attendance should not outweigh room nights, but it should be noted that attendees still spend money and affect the local economy. Commissioner Dillenbeck argued that community events are not about room nights.
Mr. Geiogamah inquired whether the criteria should include minimum attendance thresholds. Community events used to have to draw at least 5,000 people to qualify, but this was dropped, since it was difficult to gauge attendance. Many events are applying for funding that might attract as few as 200 people.

Commissioner Grupp said one of the TDC’s primary charges is to increase room nights and that should remain a focus of the criteria. Chairperson Scholefield suggested that certain events should have a higher expectation for room nights than others. The ultimate goal is to encourage events that will contribute to the bed tax revenue, but that should not be equally expected of all events that the TDC partners with.

Mr. Dygert said producers of new events have no way of knowing where their room night baseline will be. Mr. Geiogamah explained that the criteria for this category are handled differently for that reason. Marketing, event concept, and return on investment are the main points of emphasis for new events, not attendance or room nights. Mr. Dygert stated that a new horse show will have a direct positive impact on hotel nights because the vast majority of participants come from outside the county.

Mr. Stockwell said the Tourism Strategic Plan focuses on enhancing Scottsdale as a destination, not just by encouraging events that add room nights, but by recognizing the value that events contribute to Scottsdale’s appeal as a destination. These latter types might not draw huge crowds, but are something people might decide to do in addition to their primary purpose for the trip.

The Commission agreed that considering total attendance in some way is important, even if it should not be the final determinant. Chairperson Scholefield suggested that staff share attendance measurement techniques with new producers.

e. Event growth potential and approach

Mr. Geiogamah explained that an event backed by a producer with substantial capital resources has a better growth potential than an event with more limited resources. Some events tap into markets that are growing exponentially. He inquired whether such considerations should become part of the criteria. Chairperson Scholefield suggested that the goal of the TDC is to support events that have the growth potential to adequately return the City's investment, and this goal should be stated at the beginning as opposed to being included as part of the criteria. The Commission agreed.

Mr. Geiogamah noted that the downside of growth is that some events, like the Taco Festival, have had to leave because they have outgrown Scottsdale’s available venues. Mr. Dygert said the festival ruled out WestWorld because they are financially dependent on food and alcohol sales, which conflicts with WestWorld’s current business model. Vice Chairperson Hirose felt that something should be done about this, because culinary is one of Scottsdale’s primary drivers and the Food and Wine festival’s marketing reach was extremely valuable. Commissioner Hill concurred, saying that it made little sense to have WestWorld block itself from opportunities. Mr. Dygert responded that this issue has been discussed at length, but profit margins are determined by food and alcohol sales. Events that are dependent on those revenue streams fundamentally do not work at venues like convention centers, sports arenas and WestWorld.
f. Event types

Mr. Geiogamah explained that the community events program has seen an increase in the number of proposals for non-standard events, including fundraising events for non-profit organizations.

Ms. Stoeckel said certain types of events have typically not been seen as an appropriate use of bed tax money, including:

- neighborhood block parties
- private parties
- trade shows
- corporate meetings
- events attached to other major events being funded by bed tax
- events whose main purpose is fundraising.

Mr. Unger said WestWorld has been booking consumer expo type shows, based on the federal requirement of being open to the public, but not trade shows intended for industry insiders.

Vice Chairperson Hirose cautioned that opening eligibility to fundraising events would be opening up the floodgates. His hotel alone receives one to two dozen fundraising solicitations per week. Rachel Pearson noted that charity events happen in every city in the country, and these types of events have no potential for attracting tourism. On the other hand, a community event like Parada del Sol, while not currently being a tourist draw, has the potential to become one if it continues to grow and become a larger part of Western Week. Holli Shannon added that if charity events are allowed, then the TDC would be placed in the difficult position of having to judge the worthiness of each charitable cause. Commissioner Hill said the current requirements that community events be locally significant, have historical value, and celebrate community spirit works fine.

The Commission decided to eliminate from event funding considerations the list of niche events that Ms. Stoeckel presented.

g. PR/Social Media Value

Mr. Geiogamah reported that bed tax money has never been used to fund public relations fees. Chairperson Scholefield said he has always understood that bed tax is to be used to support marketing that would draw more people to Scottsdale, not fund a PR or advertising agency's retainer. Vice Chairperson Hirose felt a greater emphasis should be placed on reinforcing the notion that the bed tax money is supposed to be used to target attendance growth by promoting the destination, not cover the existing advertising budget. Mr. Geiogamah said the bed tax money could be used to free up the budget so that resources could be spent elsewhere to improve the event.

The Commission agreed that event producers should have to explain how they plan to enhance their marketing effort if given the extra money.
h. Hotel room nights

Mr. Geiogamah asked the TDC whether they wanted to continue the practice of decreasing funding grants for events that fail to meet the room night requirements of their tier. He explained that it is becoming harder for events to track room nights, as consumers are increasingly finding alternatives to book rooms. Chairperson Scholefield felt it should be the producers' responsibility to tell their attendees to book into their room blocks. If they do not meet the requirements, they do not receive the funding. Mr. Geiogamah said even the largest events have been experiencing this problem. They are not meeting their room night requirements, even when it is clear that people are visiting. He felt it is still important that room nights be used to define tier levels, but questioned whether events should be penalized for not reaching those thresholds.

Mr. Dygert pointed out that bed tax is collected on RVs that stay at WestWorld. Ms. Pearson noted that as of January 2017, by state law, services like Airbnb have to collect bed tax on behalf of the consumers and report it to the state, which then distributes it to cities. It is unclear whether there will be a reporting feature to track bookings, however. Vice Chairman Hirose said some events put up barriers by charging a fee to have hotels included on their booking engine, and this limits the choice available. Instead, they should open up to more Scottsdale properties. Commissioner Grupp said the hotel industry must get a handle on services like Airbnb, which have become a big concern.

Ms. Weiss summarized the Commission's view that room nights are still important, but there needs to be some flexibility to reflect the changing market.

i. Marketing value vs. direct dollar marketing investment

Mr. Geiogamah explained that most producers are required to match the City's investment in their marketing plans. He asked whether this requirement should continue to be in the form of a direct dollar cash outlay, considering that some events are able to get free ad placement or PR value in the form of in-kind trade that would otherwise not count for matching purposes.

Vice Chairperson Hirose suggested setting the in-kind trade value at 50%, and requiring that at least half of the value consist of direct cash. Ms. Stoeckel noted that the Waste Management Open exposes Scottsdale to three days of television coverage, which is obviously very valuable, but gets no credit for it in terms of the City's event funding program. Mr. Unger said, for example, that a media company that has control over the marketing cost could better apply the money to another area that helps drive the event.

Chairperson Scholefield cautioned against playing favorites by offering media companies different deals than other producers qualify for. Mr. Unger suggested valuing media impressions at one third of direct cash outlays.

Mr. Geiogamah summarized that the TDC's intent is to retain a direct dollar cash requirement, but would be open to considering less than 50% depending on the circumstances.
Vice Chairperson Hirose inquired about social media valuation. Ms. Stoeckel responded that producers should be able to describe what their social media plan is, but there is no industry standard for calculating that value. Chairperson Scholefield said the TDC will have to address the issue of social media at some point soon.

j. Amount of funding available

Mr. Geiogamah asked whether the TDC was happy with the current funding levels. Chairperson Scholefield felt these amounts should be reevaluated. Events are applying for certain amounts because that is the only option in some cases. The levels have been in place for five years and the economy has changed dramatically.

k. Support of events outside of Scottsdale

The Commission discussed whether to financially support events held outside of Scottsdale. Chairperson Scholefield stated that while Scottsdale should not support events in far-flung parts of the Valley, other than mega events, those held in bordering communities do provide benefits to the city. These might be worth considering, especially at lower funding thresholds.

Ms. Sacco noted that Experience Scottsdale encompasses a region of four communities that are all branded as Scottsdale. The communities understand that and invest in the organization accordingly. City Council will ultimately have to decide on the best use of tax dollars.

Mr. Geiogamah suggested that the TDC consider that events held in adjacent areas might need Scottsdale’s branding. He asked whether these events should be funded if that is the case and whether events held at Talking Stick hotel properties be supported with funds as well.

Chairperson Scholefield suggested criteria that would make events at public facilities like Salt River Fields eligible for greater amounts than if they were at a hotel. Commissioner McCreary pointed out that 85% of Talking Stick’s 3,400 employees do not live in the Community. There are few stores there, and much of the salary earned is spent in Scottsdale. The city clearly benefits from the economic activity that occurs there. He noted that SRPMIC has supported Experience Scottsdale for years.

Ms. Weiss acknowledged the Commission’s desire to consider this option in the future.

l. Seasonality

Chairperson Scholefield said he has noticed a continuing concern about events that show up during peak season. He proposed a greater variance in the range of awards granted to events based on seasonality. Ms. Churchard responded that while the TDC can incentivize off-peak events, she doubted that there would be much movement as a result. She did not think that events should be penalized for being held during peak season.

Mr. Geiogamah suggested holding off on a decision on this matter for another year in order to see whether the 10% off-peak incentive is working or not. Commissioner Grupp
said producers choose event dates based on attendance potential, and those considerations will not offset a 10% incentive. It would be more effective to create a new event or recruit one from another destination. Commissioner Hill felt that an incentive in the 25% to 30% range would be effective. Vice Chairperson Hirose suggested that instead of automatically offering incentives, money could be offered on a case by case basis if there is a chance an event could be tempted to move.

Chairperson Scholefield proposed developing an advertising plan to promote Scottsdale's tourism development initiatives.

6. **Tourism Event Funding Program - Measuring Community Event Funding Criteria**

Mr. Geiogamah said the Event Working Group has had difficulty quantifying funding levels related to community events. Currently, each event is individually rated according to a set of considerations and funding is applied based on the results. The process has been criticized as too subjective. Alternatively, dollar amounts could be awarded in a more quantitative way based on attendance levels, seasonality, and event days.

Commissioner Dillenbeck supported the alternate method, since every event would be measured by the same facts. Ms. Stoeckel noted that under the existing method, events could be rejected without an explanation as to why. Mr. Geiogamah reported that staff will develop some funding levels and evaluation criteria and bring it back to the Commission for consideration.

Chairperson Scholefield questioned whether community events should be allowed to use the money they receive from TDC to cover the cost of the City's special event fees and ordinances, which he felt made little sense.

A representative of Desert Stages requested clarification on why their request for funding under the community event program was rejected. Commissioner Dillenbeck responded that the TDC separates the theater company's regular course of business from a special event that might attract different people and open up new opportunities. She voted against the request because there was nothing in the proposal that signified it as a community event. Ms. Sacco added that it would help if the event is something that would interest visitors, as opposed to being viewed as grant funding.

7. **WestWorld Events and City's Event Funding Program**

Brian Dygert said WestWorld has to compete for national RFPs, and the required turnaround is often quicker than the current funding process can accommodate. Ms. Churchar proposed to have criteria in place to be able to respond to opportunities as they arise. Commissioner Hill suggested creating a WestWorld fund for the purpose of securing events for the venue on short turnaround times. Ms. Stoeckel noted that the TDC has never turned down a WestWorld request.
The Commission discussed forming a committee that could meet on an emergency basis, but Mr. Geiogamah suggested that the money be kept in a reserve and moved by City Council under certain criteria and objectives.

Mr. Dygert said WestWorld has to abide by the gift clause. He proposed the establishment of a contract with the City of Scottsdale for event funding and venue business functions at WestWorld. Ms. Pearson explained that it could function the same way that Experience Scottsdale’s contract does, receiving funds up front for dedicated programs. Results have to be reported, but the funds would be available to spend as needed. The contract would come with a program of work that would be subject to appropriate oversight. Chairperson Scholefield said a contract would allow WestWorld to operate like a business instead of having their hands tied.

Mr. Geiogamah said a contract would be easy to prepare, but the program development could take time. A set of criteria and objectives would have to be associated with holding a large amount of funds until they can be spent.

Chairperson Scholefield requested a staff recommendation as soon as possible on the amount of money to set aside, the evaluation criteria to be used, an outline of the process, and a list of top five targeted equestrian events. Mr. Geiogamah said staff would develop program criteria and a requested funding amount for the TDC’s recommendation.

Ms. Pearson clarified that identifying five top targeted events would be useful in identifying appropriate funding levels for year one, but WestWorld should not be limited to just pursuing those five events. Mr. Dygert said three of the top five equestrian national level events have already been lost. Ms. Stoeckel said a WestWorld contract could open up opportunities for other significant national events beyond just equestrian.

Chairperson Scholefield felt that in parallel to this contract has to be some kind of submission to the CIP process, because these national events may have some impact on capital improvements at WestWorld. It would be frustrating to take all these measures only to discover that the lack of basic infrastructure is preventing events from booking that facility.

8. **Summary - Next Steps**

Mr. Geiogamah said an updated event funding program will be brought before the Commission for their review and approval.

**Adjournment**

The meeting adjourned at 12:05 p.m.

*Recorded and Transcribed by AVTronics Inc., an eScribers Company.*