1. **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 8:02 a.m.

2. **Approval of Minutes**

Commissioner Ashmore and Vice Chairperson Hirose suggested clarifications for the March 21, 2017 minutes. Chairperson Scholefield noted that Commissioner Grupp was absent for a motion during agenda item 10.
3. **FY2017/18 Event Support Funding Programs**

Steve Geiogamah, Tourism Development Manager, presented the first draft of the TDC event funding program for FY 2017/18. The draft was based on input from the work study session. Staff intends to present the programs to City Council in June for approval. The Event Working Group met to review the programs and focused on four areas: seasonality; attendance level; types of events not eligible for funding; and event locations.

The Event Working Group felt that a ten percent increase was not enough of an incentive to encourage events to move to shoulder seasons, which is a TDC priority. The group opted to retain the seasonality funding for community events, but address it in other ways for the other programs. In terms of attendance levels, a proposed threshold of 2,000 attendees has been proposed for three out of the four programs. The Event Venue Fee Program is not applicable since it is mainly participant driven. An attendance requirement of 5,000 is now being considered, since analysis suggests this number would best establish a good return on investment.

Chairperson Scholefield asked how many events would be impacted by the new attendance requirements. Mr. Geiogamah estimated that two out of roughly 25 events that are currently funded would fail to qualify for funding. Attendance figures are taken from post-event reports and projections from the applicants.

Commissioner Hill asked whether payments could be reduced if events fail to meet projected attendance numbers. Mr. Geiogamah responded that such a policy could be implemented. Commissioner Ashmore asked about the number of events that started off small and have grown to more than 5,000 attendees. Mr. Geiogamah explained that staff did not conduct historical research, but most events start off at about 5,000.

Vice Chairperson Hirose inquired about the return on investment calculations. Mr. Geiogamah responded that the City receives about $1 in fiscal impact for every attendee that an event draws. Since the minimum funding amount is set at $5,000, staff felt that a 5,000 person threshold would help ensure an adequate return on investment.

Commissioner Ashmore said he is not opposed to a 5,000 person threshold, but he would not want to discourage promising off season events based on that criterion alone if that level is initially out of reach. Vice Chairperson Hirose concurred, adding that some smaller events have the potential to grow and he would hate to lose that opportunity by raising the bar too high at first. Chairperson Scholefield suggested that reducing attendance expectations for off-season events would be another way to incentivize seasonality.

Mr. Geiogamah stated that the types of events not eligible for funding include trade shows, neighborhood block parties, corporate meetings, and events that are mainly fundraisers in nature. These restrictions will apply to all programs. Vice Chairperson
Hirose inquired about the definition of "mainly fundraisers." Mr. Geiogamah explained that staff welcomes more input on this subject, but currently defines it as events that primarily exist to raise funds, as opposed to events that offer other types of attractions to visitors in addition to fundraising. Vice Chairperson Hirose suggested defining fundraisers based on a dollar amount requested as a percent of the entire event budget. Commissioner Dillenbeck said it is easy to tell from the descriptions whether events are intended primarily as fundraisers.

Commissioner Hill felt that events that come in the normal course of doing business, for example a theater company putting on a play, should not qualify for special event funding.

Mr. Geiogamah said the Community Events, Event Venue Fee, and the Matching Event Advertising programs currently require that all or part of events must take place in Scottsdale. Further changes are being considered in New Event Development, given that large regional events can utilize multiple locations and funding sources. Staff is considering distinguishing events that have marketing investments of over $1 million and those that take place in communities that partner with Experience Scottsdale. Chairperson Scholefield felt that the $1 million marketing investment requirement was too high and should be reconsidered.

Mr. Geiogamah requested feedback on room nights. Currently room night criteria are being considered for some of the programs. He asked whether payment reduction ratios should be introduced for events that fail to meet their room night targets. Commissioner Ashmore stated that since the fund comes from bed tax, it makes sense to have commitment thresholds. Vice Chairperson Hirose concurred. Commissioner Hill said room nights are important, but the industry is in flux and people are more frequently booking rooms apart from hotels.

Vice Chairperson Hirose felt that trade value should be computed according to the actual amounts paid, noting that very few advertisers pay the rack rate in trade. Mr. Geiogamah said staff would review the feedback and present revised drafts at next month's meeting.

4. **Canal Convergence Funding Request**

Karen Churchard, Tourism & Events Director, said the Five-Year Tourism Strategic Plan is finishing up its fourth year. One initiative is to create a big idea destination event, and Canal Convergence has the potential to be that. Destination events should increase foot traffic and activities, raise Scottsdale’s international profile and reputation as a destination, and expand tourism into the shoulder season. The goal is to attract visitors from out of state, while creating an authentic experience for the community. Destination events take a lot of initiative and significant financial and human resources. The event should be innovative. The region has gaps in the area of arts, culture, and food events.

Ms. Churchard said staff originally attempted to create a brand-new event, but when Canal Convergence emerged, its potential to grow into a destination event was evident. The vision is to have a series of events and activities centered on Canal Convergence. It should ideally span six to 12 events over ten to 12 days. Activities should celebrate
other aspects of art, be unique and large scale, and be interesting to potential sponsors. A 12-day event could generate $3 million in sponsorships.

Donna Isaac, Director of Public Art, said the 2017 Canal Convergence was very successful. Attendance has grown significantly over five years. Artists are tasked with using public art as a way to help grow the knowledge of life in our desert community. As the event has physically expanded in size to include the area west of the Marshall Bridge, the budget has grown as well. The 2017 budget covered paid advertising and the production of videos, which have become an important part of telling the Canal Convergence story. It also allowed the producers to bring in a record number of international artists to Scottsdale.

Ms. Isaac reviewed the timeline for the transition. In November of 2017, a feature work will be commissioned for the canal that will bridge two events. A temporary installation will remain at the waterfront for approximately six weeks to support Scottsdazzle. The February 2018 Canal Convergence will last four days. The November 2018 event will be four days. The 2019 February event will be two days, and the November 2019 event will be ten days.

Ms. Isaac requested $650,000 to cover the cost of the November 2017 canal installation, the temporary installation in support of Scottsdazzle, the four-day February 2018 event and seed money for next year. The pressing need is to get the canal project artist under contract soon so there is adequate lead time. It is also important to commission new works and to borrow pieces that have been popular around the world for the November 2018 and February 2019 events.

Ms. Isaac reported that this year’s sponsorships totaled $215,000, which included cash and in-kind contributions. There was also $153,000 in grants. In order to co-commission works with Singapore, a match of $50,000 is required. Collaborations with key partners such as Experience Scottsdale, the TDC, the Tourism Advisory Task Force, and Scottsdale Public Art will be very important when it comes to developing a business and marketing plan.

Commissioner Hill inquired about plans to extend the event into Old Town and Fifth Avenue. Ms. Churchard responded that there have been suggestions regarding having elements of temporary art leading through those areas into the Civic Center. Eventually, satellite events can be held all over Scottsdale while keeping the core at the canal.

Vice Chairperson Hirose noted that $340,000 is proposed for a four-day event, while $160,000 is budgeted for a longer event, which he felt made little sense. Ms. Churchard explained that the goal is to turn Canal Convergence into a ten-day event, but that cannot happen overnight. It does make sense to expand the February 2018 event if it is to be shifted to November and lengthened. That schedule is aggressive but possible, provided that adequate funding is available.

Commissioner Dillenbeck said she understands the need to have a February event in 2018 to alert people to the transition, but questioned the need to have February events in 2019 and 2020. Ms. Churchard said Public Art feels strongly about having a two-day event in February to close it out. Ms. Isaac added that Public Art would like to have a closing event at the traditional time, recognizing that the installations would be in the
canal over the five months from November. People have become accustomed to attending in February, so they have to be helped with the transition as well. The messaging will let them know that the November event will be the signature event from now on. Commissioner Dillenbeck felt it should not take three years to do that. Vice Chairperson Hirose agreed that 2018 is needed for a transition, but not beyond that; $250,000 is a lot for a two-day event.

Chairperson Scholefield said the TDC would love to find a way to make the ten-day event happen even faster. Ms. Isaac stated that an alternate plan exists to make November 2018 a ten-day event.

Commissioner Dillenbeck inquired about methods used to track attendance. Ms. Isaac explained that the best method to track free events is through security points, and by taking an average. Commissioner Dillenbeck asked about carryover. Ms. Isaac said any income left over is earmarked to remain with Canal Convergence. This money allows organizers to start putting artists under contract for future events. Commissioner Dillenbeck asked whether sponsorship money would be used to grow the event or reduce the amount of TDC money, should the TDC decide to fund this. Ms. Churchard responded that based on the TDC’s feedback, three possibilities exist: to give the money back; to use it for marketing; or to expand to other events or attract more artists.

Commissioner Ashmore proposed that organizers engage the hotel community to sponsor artists and fund some of the art. The TDC funding can play a part, but getting the participation of the community could be very helpful. Hotels could host the artist and some of their work could be displayed there. Meet and greets could be arranged to give guests more of a one-on-one experience.

Vice Chairperson Hirose felt that the February four-day event should be held over two weekends. This might cost a little more, but could result in more visitors. The TDC is not ready yet to vote on items in future fiscal years. Commissioner Ashmore said he definitely supports this event, but more dialogue is needed for it to come together.

Public Comment: Diana Smith said she has gone to Canal Convergence for the last five years, and has seen how it brings joy to everyone. It has long been a goal of Scottsdale to be a prime art community, and this event has the ability to combine a major destination festival with the arts that have been lost over the past 20 years. Scottsdale needs to revitalize its arts community, as it faces major competition around the Valley and the world.

VICE CHAIRPERSON HIROSE MOVED TO RECOMMEND FUNDING FOR THE FY 2017/18 EVENT IN THE AMOUNT OF $650,000 FROM CARRYOVER TOURISM FUNDS, WITH THE STIPULATION THAT THE FOUR-DAY EVENT BE HELD OVER TWO WEEKENDS. COMMISSIONER HILL SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).

5. FY 2017/18 Tourism Development Fund Budget Update

Ms. Churchard provided an update on the proposed budget for FY 2017/18, with a focus on expenditures totaling $13.8 million. The voter-approved destination marketing
contract provides 50 percent of the forecasted revenues to Experience Scottsdale. About $1.2 million is set aside for event retention and development as part of Financial Policy 21(a). Administration and research has been budgeted up to $500,000. An out-of-budget request for a Marketing/PR position was denied, however half of the salary for the Citizen Advisor position was approved. The Hospitality Trolley Banner Program regenerates itself as events pay back the expended funds.

Ms. Churchard stated that a $75,000 ask for the Arizona Council on International Visitors to come out of the General Fund was denied, but it was put back into the bed tax budget. From the carryover budget, $300,000 is requested for Scottsdazzle, $331,000 for the Five-Year Strategic Plan, and $400,000 for the Museum of the West. The avenue lighting and electrical outlet project has been more laborious than anticipated and probably will not happen in this fiscal year.

Commissioner Dillenbeck asked about the Citizen Advisor position. Ms. Churchard explained that it comes out of the Neighborhood Services Department. Half of their job is to work with the Downtown Ambassadors who volunteer to answer questions from visitors, and Tourism funds half of the position at $40,000.

Vice Chairperson Hirose noted that the TDC did not recommend that the Arizona Council on International Visitors (ACIV) program be funded by bed tax, but City Council opted to anyway. Last year only 250 visitors from the group came, with many staying in people's homes. They also held events outside of Scottsdale. He questioned why the TDC should fund the group at $75,000 when the program is not increasing tourism. Ms. Churchard responded that staff was directed to place this expenditure in the bed tax budget. Brent Stockwell said staff proposed that ACIV be transferred from the bed tax to the General Fund, but was told that FY 2017/18 was not the right year to make that transition.

Chairperson Scholefield said the TDC could consider a motion to recommend approval of the budget with the exception of the $75,000 for the ACIV. He felt this is an inappropriate use of bed tax funds and questioned the return on the City's investment.

Vice Chairperson Hirose said the Commission measures projects against carefully considered criteria to ensure that there are no gift clause violations, but this does not follow any of those guidelines. Mr. Stockwell responded that before any City funds are expended, staff does a gift clause analysis to ensure that whatever is spent is received in return. Chairperson Scholefield said that information could help the TDC understand how return value to the City is being generated. He noted that the bed tax already provides $1.5 million to the General Fund, which could be a way to fund this activity. Mr. Stockwell noted that this case was made in the materials provided to City Council.

VICE CHAIRPERSON HIROSE MOVED TO APPROVE THE TOURISM DEVELOPMENT BUDGET, WITH THE EXCEPTION OF THE $75,000 FOR THE ARIZONA COUNCIL ON INTERNATIONAL VISITORS. COMMISSIONER MCCREARY SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).
Ms. Churchard stated that staff would make City Council aware that the motion was made. Mr. Stockwell added that the $75,000 for ACIV is part of the proposed budget for the City Council. He will discuss the TDC recommendation with the City Manager.

Chairperson Scholefield requested that in the future the TDC be allowed to review the budget before it is submitted to City Council.

Ms. Churchard reviewed that portions of several capital improvement plan budget items will move forward as they have not been expended, including the Civic Center renovations, Desert Discovery Center, the Main Street public restroom, and the lighting and entry feature for Marshall Way. The Museum of the West permanent pottery gallery is moving forward. Temporary arenas and ground materials for the WestWorld North Hall is a General Fund request for FY 2017/18.

6. Bed Tax Stabilization Fund Update

Mr. Stockwell reported that staff is continuing to work on bringing a tourism stabilization reserve fund recommendation back to the TDC and the Task Force. The City Treasurer has shared the idea with Council Members, but there has not been enough support to include it as part of the financial policies.


Mr. Geiogamah said staff is requesting a recommendation to move the Experience Scottsdale destination marketing guide and performance measurements to City Council for a presentation in June. The scope of work covers marketing, communications, convention sales and services, and tourism-related services.

Rachel Sacco, President/CEO Experience Scottsdale, said every program is reviewed every year to ensure that they are returning on their investment. Strategic initiatives are based on opportunities that emerge from events that happen in the nation and around the world. This will be the first full year of the Absolutely Scottsdale campaign implementation. This campaign is expected to have a major impact on visitation. The new website is designed for people who have been enticed by the brand messaging. One of the strategic initiatives is a new culinary microsite that will appeal to all generations of travelers.

Ms. Sacco said 30 percent of all bookings come from people who are not in the database. One initiative aims to find new business that perhaps has not been here before. Sixty percent of the business is corporate, but great strides have been made building relationships with third party planners. Six fams are planned this year, and once planners have a chance to see the destination, the propensity to book is extremely high. A more aggressive effort is planned to target social media influencers to get them to talk about the destination from a trusted value point. Multi-departmental events will continue to be hosted. The Visitor Industry Customer Analysis (VICA) research will be conducted this fiscal year. The research will reveal information on the visitors that Scottsdale would like to attract more of, and this will be invaluable when it comes to making media buys.
Another major initiative for Experience Scottsdale is to continue being a partner and supporter of the Strategic Plan, especially as some outcomes emerge that could be game changers.

Ms. Sacco reported that the performance measures have increased in most areas, except those where the budget is flat. Marketing measurements have increased dramatically.

Vice Chairperson Hirose said he attended one of the sales trips and the clients are top quality. He suggested working with the Arizona Office of Tourism to encourage local residents to stay at Arizona resorts during the summer months. Commissioner Grupp said Experience Scottsdale is second to none when it comes to destination marketing. Commissioners Dillenbeck and Hill also offered congratulatory remarks.

Mr. Geiogamah noted that staff is currently in negotiations on a new destination marketing agreement between the City and Experience Scottsdale that potentially could move forward to City Council in May.

**COMMISSIONER DILLENEBECK MOVED TO APPROVE THE EXPERIENCE SCOTTSDALE DESTINATION MARKETING GUIDE AND PERFORMANCE MEASUREMENTS AS PRESENTED. COMMISSIONER HILL SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).**

8. **Event Funding Program Recommendation**

Mr. Geiogamah reported that Children’s Learning and Play Festival submitted a Community Event Funding application requesting $30,000 plus the additional 10 percent seasonality bonus. The Event Working Group recommends $11,000 based on a review of the criteria. The Commission viewed a brief promotional video of the event.

Commissioner Dillenbeck inquired about the source of last year’s funding. Mr. Unger said it was funded by Friends of the Scottsdale Library and private donors. Commissioner Hill inquired about the timeline for expanding to two days. Mr. Unger explained that this year’s one-day event will be used to build a strong base so that the transition can be made in 2018 to a Saturday/Sunday two-day event. It has the potential to grow even larger. Commissioner Grupp suggested that a Friday/Saturday event would allow schools to make field trips.

Mr. Geiogamah summarized that the original amount requested was $30,000. With the seasonality bonus, the amount would be $33,000. In reviewing the application, the festival did not qualify for that amount because it was not historical in nature. The event was eligible for up to $15,000, the Working Group recommended funding at $11,000, which includes the seasonality bonus. The Applicant did not apply last year.

Vice Chairperson Hirose confirmed that the working group recommended $11,000, but the full presentation and public comments convinced him that the event deserves the full amount of $15,000 plus the seasonality bonus.
Public Comment: Trey Granger said the Friends of the Scottsdale Public Library hosts the Children’s Learning and Play Festival in partnership with WestWorld. The event drew 12,000 attendees last year in its inaugural year. No admission was charged, but attendees were asked to bring food donations. As a result, over 650 pounds of food were donated to the Vista De Camino food bank. This year’s event is planned for September 9. The library believes in lifelong learning and children are encouraged to learn about the benefits of the library at an early age while engaging in fun activities. Ten different Scottsdale departments participated in the festival to educate the community on City services and programs. The Scottsdale Trolley provided transportation through several Title I schools.

Kathleen Wade, Library Director, stated that the Children’s Learning and Play Festival is an opportunity to expand the footprint of the library through a big event in the north of Scottsdale. It was used to showcase early learning activities, which Scottsdale’s library is particularly known for. Future goals include a book festival and author visits.

Diana Smith said she attended the Children’s Learning and Play Festival and had a great time. The event producers are local. It is held at WestWorld during the shoulder season. This children’s event has the potential to be much bigger than it is, adding a book festival, art, architecture, science, fitness and culinary elements as well as spelling bees and Jeopardy challenges. She saw children crying when they were leaving the festival. She requested that the TDC consider granting the $33,000 that the festival asked for.

Carter Unger agreed that last year’s Children’s Learning and Play Festival was a great success. In addition to the offerings already mentioned, there was a nature and wildlife conservation zone, dinosaur area, and health and fitness activities, in addition to a STEM area. This year’s festival expects to attract over 15,000 people, which will cap it as a one-day event. Expanding to two days will increase the cost significantly. Visitors come from all over the Valley and spend money in Scottsdale. People came from California and New Mexico. This event generates love of place. Over 100 college volunteers donated their time. Several major book festivals around the country started out smaller than Scottsdale’s festival, but have become big enough to attract thousands of out of town visitors and generate room nights. With the TDC’s help, the festival can become something Scottsdale can be proud of. By keeping it free to the public, the focus can remain on making a positive community impact, rather than trying to turn a profit. Scottsdale Arts has offered to program an entire second stage with performing arts. He requested that the TDC fund the event at $15,000.

VICE CHAIRPERSON HIROSE MOVED TO RECOMMEND FUNDING IN THE AMOUNT OF $15,000 PLUS AN ADDITIONAL 10 percent ($1,500) FROM TOURISM EVENT DEVELOPMENT FUNDS. COMMISSIONER MCCREARY SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).
9. **Manager Reports**

   a. **Staff Bed-Tax Collection Report**

   Mr. Geiogamah reported that the numbers may continue to vary over the next two months as tax collection converts to the new process. Bed tax collections were up 4 percent in the month of February. Year to date, they were up 3 percent. Restaurants were down YTD by 3 percent.

   Chairperson Scholefield noted that January showed a shortfall of 39 percent, but February does not indicate a truing up. Mr. Stockwell said that the City Treasurer and City Manager continue to monitor the situation closely, and will make a recommendation to City Council as necessary. Chairperson Scholefield requested that the TDC revisit this matter in a future meeting.

   b. **Staff Bed-Tax Hotel Classification Report**

   Mr. Geiogamah said all classifications are trending fairly positively, except limited service, which is down 3.6 percent. Since the collection process is undergoing a transition, these numbers could change.

   c. **Bed Tax Proforma**

   Mr. Geiogamah said changes have been highlighted in the proforma. He explained that banner revenue is down because of the reduced number of banner placements.

   d. **Smith Travel Report**

   Mr. Geiogamah reported that occupancy has been relatively flat over the past 12 months. The average daily rate is up 3.9 percent and revpar is up 4.3 percent. One property was added to the market area, and two were removed.

   e. **Program Updates**

      1. **Special Events Signage**

      Mr. Geiogamah said City Council approved the Special Events Signage Ordinance on March 21, and it will go into effect on April 21.

      2. **Downtown Scottsdale 2.0**

      Ms. Churchard said Downtown Scottsdale 2.0 is getting ready to move into Phase III, which is public outreach. Two sessions will take place on May 3, and one on May 4.

10. **Public Comment**

    Diana Smith commented on item 4.
    Trey Granger, Kathleen Wade, Diana Smith & Carter Unger commented on item 8.
11. Identification of Future Agenda Items

Mr. Geiogamah said the TDC will review the event criteria, the Smith Travel Research data, the Experience Scottsdale third quarter report, and the Capital Project Evaluation Tool.

The next meeting will be held at Taliesin West on May 16.

Adjournment

The meeting adjourned at 10:17 a.m.

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