CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
REGULAR MEETING

Tuesday, June 20, 2017

Kiva Forum-City Hall
3939 N. Drinkwater Boulevard
Scottsdale, Arizona 85251

APPROVED MINUTES

PRESENT:  David Scholefield, Chairperson
          Frank Ashmore
          Linda Dillenbeck
          Carl Grupp
          Camille Hill
          Robert McCreary

STAFF:    Steve Geiogamah
          Karen Churchard
          Brent Stockwell
          Jeff Nichols
          Ana Lia Johnson
          Michael Gugisberg

GUESTS:   Rachel Sacco, Experience Scottsdale
          Don Chiappetti, Parada del Sol
          Wendy Springborn, Parada del Sol
          Sean Gillespie, Grand Prix of Scottsdale

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. He reported that two candidates have been nominated to fill Ren Hirose's vacant seat. They will be voted on by City Council at the June 27 meeting, and the new Commissioner will join the TDC in July. An election for a new Vice Chair is on the agenda for that meeting. He announced that Commissioner Ashmore has agreed to join the Event Working Group.

2.  Approval of Minutes

Commissioner Grupp noted one minor correction.
COMMISSIONER HILL MOVED TO APPROVE THE MAY 16, 2017 MINUTES AS AMENDED. COMMISSIONER GRUPP SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SIX (6) TO ZERO (0).

3. Parada del Sol Event Support Funding Proposal

Steve Geiogamah, Tourism Development Manager, said staff is working on a five-year agreement with Parada del Sol for funding on an annual basis of up to $79,400. This agreement will be outside the normal parameters of the Event Funding Program. Terms have been included to help grow the event, including standards for increased non-city sponsorship, marketing budget, parade entries, and attendance.

Wendy Springborn reported that Parada del Sol is entering its 66th year. The close partnership with the City is helping the event build and expand upon its past success. The parade route is focused on downtown and incorporates the Museum of the West. This is a signature event for Scottsdale. Great progress has been made in the organizational structure over the past three years. A five-year growth plan has been established. The plan includes increased media exposure to help attendance growth, and working with local hotels to attract guests who are already here. A name talent will be secured for a post-parade concert downtown.

Ms. Springborn said parade entry recruitment will focus on equestrian groups, local schools, local resorts, and City departments. People will need a place to stable their horses and WestWorld could host a horse event on Friday before the parade. The outreach effort to attract new sponsors continues. The goal is to increase sponsorships by at least 10% a year. The money spent on marketing and media will be increased, and any free opportunities to increase the exposure will be pursued as well. Experience Scottsdale will provide input on how to market a western experience to international visitors. Other ideas include an expansion of the wine garden, a juried student art show, and a float competition with a scholarship component. The Friday afternoon before the parade could feature a bull riding competition that would help keep people downtown after the Hashknife Pony Express.

Don Chiappetti stated that the parade and festival really ramped up the number of entries last year, and plans are underway to expand the quality as well as quantity of entries to make this a world-class parade. Work has been done to build a strong organizational structure in preparation for this expansion. Attendance is growing and excitement is building. It could become a destination event, especially as it expands to multiple sites and multiple days. Parada del Sol can be the jewel of Western Week. The partnership agreement with Scottsdale helps to cover the base costs so that the main focus can be on growth. Momentum is building, and more of the community is contributing to help make it a success.

Commissioner Dillenbeck inquired why the stated goal of increasing non-City sponsorship and marketing budget is listed at $9,000, while the budget only shows $7,500. She also asked what would happen if the criteria is not met. Mr. Geiogamah explained that the marketing and sponsorship will both increase by $9,000 annually off the current base every year over the five-year term. Potentially, sponsorship could be
withheld if the criteria are not met. Commissioner Dillenbeck said she is excited about the direction the parade is taking and the enthusiasm that is building. Commissioner Ashmore said parades are valuable because they help bring people together. He inquired about a timeline for growing the parade into a destination event. Mr. Chiappetti responded that a timeline should be available after this year's parade. Some events are being added this year. Mr. Geiogamah noted that the Native American village component of the Trails End Festival will extend to Sunday at the Civic Center. Commissioner Hill congratulated Ms. Springborn on being named a Scottsdale History Maker.

Chairperson Scholefield said the declared goals are aggressive and it will be a challenge to reach them. He offered the TDC's help to make it a reality. He inquired about the qualifying criteria being applied to the application, considering that Parada del Sol is no longer considered a community event. Mr. Geiogamah responded that it will use the same format as other events, where 75% of the funds will be provided in advance, and 25% afterwards. Chairperson Scholefield said in that case, the Community Event Program should not be referenced, since it no longer applies.

Chairperson Scholefield noted that this is one of two events considered during this meeting that will not be going through one of the established event funding channels. Seeing as the TDC has spent a great deal of time working on the program criteria so that events can be evaluated properly, he cautioned that these expectations could cause other events to request the same considerations. Mr. Geiogamah concurred, saying that an exception was made for Parada because of the event's longstanding history in the community. Chairperson Scholefield responded that it is not about Parada, his concern is more over procedural issues. Karen Churchard said the Event Working Group has discussed the potential for another funding channel that would address events that have a long history in Scottsdale and are important to Scottsdale's heritage.

Commissioner Grupp inquired about renewals after the five-year commitment. Mr. Geiogamah said the agreement will be reviewed annually to ensure all contractual requirements are met. If they are, the agreement will be extended another year.

COMMISSIONER HILL MOVED TO SUPPORT THE FIVE-YEAR AGREEMENT WITH PARADA DEL SOL IN THE AMOUNT REQUESTED. COMMISSIONER GRUPP SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SIX (6) TO ZERO (0).

4. **2017 Grand Prix of Scottsdale Event Funding Request**

Sean Gillespie, Event Director, requested $75,000 in New Event Development funding for the 2017 Grand Prix of Scottsdale. The Experience Scottsdale-themed car has been touring the country promoting the race and the destination. The Grand Prix is a three-day event that starts off Friday with a Gatsby Gala at Southbridge. The race cars are displayed on Saturday, and the race itself is on Sunday. A parade of champions will follow the race. The event is free to the public, and is very family-friendly. About 15,000 people attended events last year compared to 10,000 in the first year. An additional 500 people come to Scottsdale as part of the race teams. The expectation this year is in the range of 18,000 to 20,000 people. Many people attend in 1920s-themed outfits.
Already 28 teams have signed up for the next race, and there is a cap of 40 teams. Every team will have a tent on the Goldwater Boulevard pit row, and there will be an alcohol-free lounge. Several teams have joined from around the country. The race series is being considered for other cities, but Scottsdale is originator and remains the biggest trophy win.

Mr. Gillespie reported that several hotels have joined as partners. The race has been featured in car-related publications including Car & Driver, the DuPont Registry, classiccars.com, as well as many TV spots. I Heart Radio and Gannett are media partners, and a deal is being arranged with Hubbard Radio. The PR effort has started much earlier this year and the national campaign is being emphasized. The goal is to have many teams from outside Arizona to make it a national event. The cars have been reengineered to be safer this year. They can be remotely slowed or stopped depending on changing race conditions.

Mr. Gillespie said the TDC's support last year was crucial to ramping up the scale of the event. The request this year is for the same amount. The advertising effort will be increased. As the race has gained more exposure, it has been easier to get more and bigger sponsors. The race cars are manufactured in Mesa and are shipped worldwide.

Commissioner Hill asked whether all the allocated funds were used last year. Mr. Geiogamah explained that the amount recommended by the TDC was $60,500. Not all the funds were allocated because not all the contractual marketing requirements were met. Mr. Gillespie added that last year was a learning experience and the organizers now understand how the money is supposed to be spent.

Commissioner Hill asked about the other proposed race cities and if they are expected to be in competition with Scottsdale. Mr. Gillespie stated that races are being negotiated for Las Vegas and Pebble Beach. The organizers of the series live in Scottsdale and see this as the main race. The Gatsby theme is pushed heavily here.

Commissioner Grupp inquired about the room nights generated last year. Mr. Geiogamah explained that they met the requirement. Mr. Gillespie added that a broader range of room blocks will be offered this year.

Chairperson Scholefield asked whether Scottsdale will have a car in the other races. Mr. Gillespie said that if a Scottsdale car is not in the other races, it will be prominently displayed everywhere. This will give great exposure to the destination. The race is held in the shoulder season when the weather is good. Chairperson Scholefield inquired about efforts to target other markets in Arizona as a way of growing room nights. Mr. Gillespie said the PR firm will be expanding in those areas. Other cities in the state want their own races, but the organizers do not want to divide the pie too much.

COMMISSIONER ASHMORE MOVED TO RECOMMEND FUNDING $75,000 IN NEW EVENT DEVELOPMENT FUNDING TO THE GRAND PRIX OF SCOTTSDALE AS REQUESTED. COMMISSIONER DILLENBECK SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SIX (6) TO ZERO (0).
5. **Scottsdale International Film Festival Event Support Funding Agreement**

Mr. Geiogamah said the Scottsdale International Film Festival has participated in the Community Event Funding Program for a number of years. A three-year agreement for an amount of $37,500 annually is being presented, with the money coming from the Tourism Development Event funding, which has $1.2 million available.

Amy Ettinger, Scottsdale International Film Festival, said she started the festival because she felt Scottsdale deserved to have the sort of cultural experience that other cities around the world have. The festival's vision is to unite Scottsdale with the world through the expression of film, and each season features a minimum of 40 to 50 films over a five-day period. In addition to foreign, independent, and documentary films, the festival offers Hollywood premieres that go on to win many accolades during awards season. It used to be that documentaries played to nearly empty houses, but today these films are sold out and winning audience awards. Several of the foreign films screened here have gone on to become global blockbusters and nominated for Oscars.

Ms. Ettinger said the festival has hosted Mike Leigh, John Sayles, Jennifer Tilly, Jeremiah Bitsui, Lesley Ann Warren, and Anton Yelchin, all of whom have done publicity for it. The audience is wealthy, well-educated, and diverse. The partnership with Scottsdale Arts cost some audience, but with the TDC's help, it can be built up again. At its peak, the Scottsdale International Film Festival had nearly four times the attendance as other festivals with the same budget; it had three times the number of paid memberships, and ten times the number of visitors to the website. The proposed budget is conservative in terms of the growth it will provide. Feeder markets include Canada, New York, San Francisco, Chicago, and Los Angeles.

Ms. Ettinger reviewed the festival's benefits to Scottsdale. Arts and cultural organizations serve as the backbone of innovative cities. Cultivating the festival audience and catalyzing the winter visitor experience will advance the economic development and brand identification for Scottsdale as an arts destination. The length of the festival will be extended in future years, which will have a multiplying effect on cultural tourism, length of stay, and total spending. Sponsors will represent the healthcare, travel services, bookstores, hospitality, banking, restaurants, and investments service sectors among others.

Commissioner Dillenbeck asked why the event was being moved out of the Community Event fund. Mr. Geiogamah explained that once the partnership with Scottsdale Arts ended, the dollar investment needed to support the festival exceeded what that fund could provide. The Tourism Development Event funding is matching $37,500 from the Community Trust Fund.

Commissioner Hill inquired about the festival staff. Ms. Ettinger responded that there are 100 volunteers that run the event. The Board of Directors is a working board. The goal is to have enough infrastructure to support several FTEs. This is a transitional year and the festival is in a limited position financially.

Chairperson Scholefield inquired about the revenue. Ms. Ettinger explained that the revenue figures provided are only what is known to be true as of the writing of the document. Chairperson Scholefield suggested that when attendees are surveyed, that
they be asked to provide a zip code so researchers can identify where people are coming from.

Commissioner Dillenbeck asked whether criteria will be established for this funding. Mr. Geiogamah responded that all contractual relationships contain criteria with set objectives. Staff will ensure that the money is spent wisely and that the City receives a good return on investment. The three-year agreement will help the festival emerge from the partnership with Scottsdale Arts.

**COMMISSIONER HILL MOVED TO SUPPORT THE SCOTTSDALE INTERNATIONAL FILM FESTIVAL IN THE AMOUNT OF $37,500 FOR THREE YEARS. COMMISSIONER GRUPP SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SIX (6) TO ZERO (0).**

6. **Tourism Related Capital Projects and Reserve**

Brent Stockwell, Assistant City Manager, said staff is seeking the Commission's recommendations regarding the FY2018/19 budget process. It makes sense to look at a number of interconnected issues holistically: the possible tourism-related capital projects; the criteria for evaluating them; development of a tourism-related capital improvement plan; and the establishment of a stabilization reserve for the Tourism Development Fund. The benefit of this approach it that it could help avoid one-off decisions that do not best advance the environment for tourism in Scottsdale.

Karen Churchard, Tourism and Events Director, stated that staff took 15 projects and narrowed them down to the top ten. The five criteria settled on during the work study session earlier this year were then used to score the ten projects. Based on the criteria, the top ranked projects according to staff were:

1. Canal Convergence
2. Desert Discovery Center
3. supporting WestWorld
4. Tie between the Canal Banks project and the marketing/promotion of Downtown Scottsdale

The goal of this exercise is to establish the top priorities from the tourism industry’s perspective on capital projects and event enhancements. She welcomed feedback from the Commission.

Mr. Stockwell said this concept was being introduced as a discussion point. The Commission will be engaged in providing their own scores to make sure that the criteria are doing what the TDC intends them to do. Once the criteria are set, staff would work with the Capital Projects Management Group to develop some cost estimates and staging, before working with the Budget Office to determine how far the existing and proposed revenue streams could go to achieve the goals. Other possible sources would also be identified. This topic will be set as a standard agenda item until it is ready to go on November 1, 2017.
Ms. Churchard stated that the tourism industry has come up with many great concepts; now it is time to decide how they compare so that funding decisions can be made in a manner fitting to the industry. The TDC’s feedback will give guidance during the budgeting process.

Commissioner Grupp stressed the importance of having a proactive plan that is approved by the Commission and the City Council in order to avoid a situation where the carryover balance grows too large and then everybody starts asking for a piece of it. The TDC should be making decisions based on what projects would have the biggest impact on the tourism environment in Scottsdale, instead of just reactively responding to requests as they come in.

Commissioner Hill questioned whether the bed tax funds could be used on capital projects, since it was mostly intended for marketing. Mr. Stockwell clarified that the City’s half of the bed tax money can be used for a number of dedicated purposes, including tourism-related capital projects, tourism-related event support, tourism-related research, and other uses as City Council deems necessary. Chairperson Scholefield noted that the carryover came from the fund originally scheduled for event marketing activities. Mr. Stockwell responded that the purposes of the carryover, according to Financial Policy 21(a), are the same purposes that the 50% is for, so all of the same purposes can be used for the carryover, including tourism-related capital projects. Restrictions limit how much any one project can have. Moving forward, previous decisions will be included in the plan so that the Commission can compare prior commitments to the newly proposed ones.

Chairperson Scholefield noted that three organizations with recent capital requests have been approached for their input on this list. He questioned whether a larger group needs to be engaged. Mr. Stockwell responded that this effort is the start of that process. The Council CIP Subcommittee has looked at all of the requests since 2009; the list compiled includes all known requests since that time. Staff was already aware of the three projects mentioned and wanted to make sure they were included so that they could be compared to the criteria as well.

Mr. Stockwell reminded the TDC that the stabilization reserve is an item in the Five-Year Tourism Strategic Plan. The Task Force and the TDC have worked on this, but it has not reached the point of Council action yet. Without a strong plan in place, many felt it would be premature to dedicate a reserve. The City does have reserves for other funds, such as Transportation, but does not have reserves for restricted funds such as the McDowell Sonoran Preserve, Special Programs, and Tourism Development. Bed tax is very cyclical by nature, and having a reserve could help Scottsdale remain competitive during downturns or catastrophic incidents.

Mr. Stockwell explained that for analytical purposes, the 50% non-destination-marketing portion of the bed tax was adjusted to a common rate so that past trends could be revealed. This information was helpful in preparing different scenarios for what future downturns might look like. The proposed reserve would only be for City non-destination marketing tourism expenditures. Experience Scottsdale has already developed funds to support a reserve for destination marketing expenses. The City’s portion of the bed tax cannot be used for destination marketing expenses, but General Funds can.
Mr. Stockwell reported that a number of different scenarios were run. The worst case scenario assumed a 50% drop in tourism following a catastrophic event, with a multi-year recovery period. Even the prior reserve of $2.6 million that the TDC recommended would not be enough to avoid reducing expenses in the first year under this scenario. A less severe scenario, identical to what happened during the most recent recession, would require a minor reserve to bridge the first year and then future decisions would have to be made to avoid a quick increase in ongoing commitments.

Mr. Stockwell said TDC should always monitor the ongoing expenses during the budget process to ensure revenues can cover them. Special attention must be given to multi-year capital commitments, which could reduce resiliency in a crisis. The TDC may want to consider increasing the budgeted reserve to ensure that the City has uncommitted reserves in a downturn.

Staff recommended that in the event of a decrease in bed tax revenues, the multi-year commitments will have priority and be met first. The use of reserve would not be considered unless revenues are unable to cover funding for existing multi-year commitments. Reserve can only be used with City Council approval. Reserve funds could be used for tourism-related event support, tourism research, and other uses that have been approved by the City Council. Reserve funds would be replenished once ongoing required bed tax allocations are met.

Commissioner Grupp questioned the benefit of continuing to approve multi-year agreements if doing so restricts the decision making later on. Mr. Stockwell responded that multi-year event commitments are written with non-appropriation clauses that allow the agreement to terminate if the City cannot afford them. The TDC does need to be cautious about multi-year capital commitments, but this is one of the major purposes of the fund.

Chairperson Scholefield asked whether the City has a reserve for multi-year commitments once they are approved by City Council. Jeff Nichols, City Treasurer, explained that there is no reserve for those capital commitments; however this is a special revenue fund, and by its nature can only be spent on the items approved by Council in Ordinance 4019. When the City makes capital commitments, all the City’s excise taxes are pledged to repay that debt. Should this fund ever suffer a catastrophic event, those debt service payments would have to be paid through the other excise taxes. The intent is to pay them out of the bed tax.

7. **Manager Reports**

   a. Staff Bed-Tax Collection Report

Mr. Geiogamah reported that April bed tax collections were up 54% for the month, because there was an additional week of collections. Year to date is up 6%. Miscellaneous retail tax collections were up 2% YTD, and restaurants were down 1% YTD.
b. Staff Bed-Tax Hotel Classification Report

The classification report indicates that April results for resorts was up 9%, full service properties up 10.9%, and limited service was down 4.9%. Commissioner Dillenbeck asked whether the 54% was a sign that the state caught up with itself by making up for the minus 39% in January. Michael Gugisberg, Senior Tax Auditor with Business Regulations responded that part of the issue is catch up. Since money is collected weekly, there will likely always be some delay depending on how the month ends. It will take a full year before it become clear what the cycle will look like moving forward.

c. Bed Tax Proforma

Mr. Geiogamah highlighted changes related to funding expenditures in the proforma. Anna Lee reported that the revenue estimate for FY17/18 has been updated to $19,441,159.

Chairperson Scholefield noted that the City Council approved $412,500 for the Thunderbird project at the Airpark, but there is concern that it might cost more than that. Mr. Stockwell said he has not heard that any more would be required than approved.

d. Smith Travel Report

Mr. Geiogamah stated that the overall trend report for April shows occupancy continues to be slightly down over the past 12 months. Average daily rate is up 5.3% at $194. Revpar continues at 5.1% and trending upward. The segment report for 25 properties in the overall market area show occupancy down at 1.1%, ADR and revpar are both up 5.1%. In downtown, occupancy is down 1.4%, ADR is up 3.8%, and revpar is up 2.4%. For 31 properties in the middle area occupancy is down 1.1%, ADR is up 5.6% and revopar is up 4.6%. For 11 properties in north Scottsdale, occupancy continues to trend up.

e. Program Updates

Ms. Churchard announced that a joint work study session between the TDC and the McDowell Sonoran Preserve Commission has been scheduled for August 10 at Kiva Hall at 4:00 p.m. The topic will be the Desert Discovery Center.

9. Public Comment

There were no citizens who wished to speak on non-agendized items.

10. Identification of Future Agenda Items

Mr. Geiogamah said the July agenda will contain a request for a multi-year deal with Art Walk.

The next meeting will be held on July 18.

Adjournment
The meeting adjourned at 9:46 a.m.

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