1. Call to Order/Roll Call

Chair Scholefield called the meeting of the Scottsdale Tourism Development Commission to order at 8:00 a.m., and noted the presence of a quorum. He expressed congratulations on another great year, including record crowds at Phoenix Open and the successful Barrett-Jackson and Arabian Horse Show events.
2. **Approval of Minutes**
   
   - January 16, 2018 Special Session Minutes

Chair Scholefield invited comments and revisions on the minutes.

**COMMISSIONER MCKENZIE MOVED TO APPROVE THE MINUTES OF THE JANUARY 16, 2018 SPECIAL MEETING AS PRESENTED. COMMISSIONER ASHMORE SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).**

Steve Geiogamah presented Chair Scholefield with a token of appreciation for his last meeting.

3. **TDC Special Meeting Follow Up**

Karen Churchard stated that during last month’s special meeting, staff received directives from the Commission in regard to Financial Policy 21A.

The Commission reviewed proposed changes and reached the following consensus:

- There was no real objection to setting a percentage for the General Fund, rather than a fixed amount.
- There was concern that the amount for events and event development may be too small, and the amount for administration and research may be too large.
- There may be value in setting an amount that is a portion of the remaining amount for operational support.

Following the Commission discussion, staff continued to review the recommended allocations and discuss potential changes. In addition, staff researched the General Fund revenues and expenses in relation to the bed tax transfer in usage. After reviewing budget information and discussing percentages being recommended, it was suggested that they go back to 2011 percentages. The proposed percentages are as follows:

- Destination Marketing: 50 percent
- General Fund: 12 percent
- Tourism-related events and event development: 9 percent
- Tourism-related administration and research: 4 percent
- Tourism-related operating expenses, capital projects and/or operating impacts directly associated with tourism related capital projects: 25 percent

Staff is suggesting that one-time commitments not be used, as they have been rarely used. The one-time commitments have been lump-summed with multiyear commitments. The City’s FY17/18 General Fund budget is $285 million. There is $1.5 million of special revenue bed tax being transferred into the General Fund budget, which represents 0.53 percent of the total sources in the General Fund. Taxes paid by
visitors provided as revenue to the General Fund totals $17.9 million. Approximately $30.3 million is attributed to overnight visitors to the City. The total General Fund sales tax paid by visitors, plus the recommended General Fund transfer from bed tax is $20.2 million, or 67 percent of the estimated General Fund cost of overnight visitors. In terms of administration and events, currently a flat total of $500,000 of bed tax is allocated to administration and research. These expenses include: Tourism research, general office expenses, and contractual services that in the past have been used for consulting services for the Tourism Strategic Plan. The updated staff recommendation is changing the flat $500,000 to a percentage base of 4 percent, which equates to approximately $776,000 for tourism-related administration and research. The increased allotment would adequately allow for one additional full-time equivalent as well as contractors with specific expertise in the areas of public relations, website, marketing, sponsorship, etc. to assist the department's tourism development activities.

Vice Chair Dillenbeck referred to the event and event developments fund and asked whether Canal Convergence will come out of this fund now or remain in the below the line category. Ms. Churchard said this is a good question, because that budget was approved by the Commission with $650,000. There was discussion on the issue, but a decision was not made.

Chair Scholefield asked about the previous discussion regarding a hybrid system, where the Commission discussed that certain areas needed to be static and some could fluctuate. He also recalled discussion that 8 percent may be the right number for administration in general, if there are projects to support it. He is hearing now that staff is comfortable moving it to 4 percent. The Commission also asked about the General Fund, as it was increasing from $1.5 million to $2.3 million. Ms. Churchard stated that staff could not get the hybrid approach to a point where they felt it made sense. It was cleaner to use percentage, rather than two different variations. In terms of administration and research, she commented at the Special Meeting that 6 percent was high, as it represented $1.2 million, more than double the $500,000 fixed amount.

Chair Scholefield commented that the General Fund is adequately funded at $1.5 million. Commissioner Ashmore agreed. In terms of administration research, the priorities include being more proactive about finding events. Part of the staff could be tasked with bringing the right groups to apply for funds. Ms. Churchill said staff can do this, as they has never utilized all of the $500,000 in the budget. If approved by Council, the full time equivalent would be covered under the $500,000. Commissioner Grupp stated that he is okay with contributing more into the General Fund with tourism paying for the use of the City. In addition, tourism also offsets other costs that the City needs to absorb, including arts improvement and improvements of municipal buildings, which are not truly tourism-centric. Ms. Churchard noted that the General Fund allocation to the department is in the millions. They also oversee the Scottsdale Arts contract at $4.5 million.

Vice Chair Dillenbeck inquired as to the rationale behind not supporting a tourism stabilization reserve. City Treasurer Jeff Nichols said none of the special revenue funds has a stabilization fund. Major funds have a reserve, but not special revenue funds. Over $10 million is in the undesignated, unreserved fund balance within the tourism fund, which would seem to be a set-aside. There is also no legal requirement for a stabilization reserve. Chair Scholefield stated that during the special meeting, it was
identified that having the large carryover makes it an attractive source of funding for other departments in the City. Another reason is that they may not always have the $10 million in the undesignated, unreserved fund balance. Mr. Nichols stated that different types of designations could be done from an accounting standpoint, including having the City Manager make a designation of funding. The reason for designation of funds would have to be disclosed in the financial statements. Chair Scholefield commented that if operational funds are put aside for City facilities, such as WestWorld and Museum of the West, this would cut into the $10 million substantially. The concern from the Commissioner is that not much would remain in the carryover. Mr. Nichols noted that this is one of the reasons for the increase in the General Fund. There has been significant pressure put on the General Fund by projects approved from the Tourism Fund. Recently, the CIP Subcommittee requested that staff pull a project out of consideration for General Fund dollars (Stadium improvements). The assumption was that this may be a project available for tourism funding.

COMMISSIONER HILL MOVED TO APPROVE THE CHANGES TO POLICY 21A AS PRESENTED. VICE CHAIR DILLENEBECK SECONDED. THE MOTION CARRIED BY A VOTE OF FIVE (5) TO TWO (2). CHAIR SCHOLEFIELD AND COMMISSIONER ASHMORE DISSENTED.

Ms. Churchill stated that the next portion of the memo discusses the prioritization of tourism-related capital and operating projects. Staff has asked the Commission to look at 29 projects. The Commission went through a prioritization and identified the top ten, then rating them on a point system. It is hoped that over the next couple meetings, they can talk more about and potentially adopt the approval criteria for capital projects. Chair Scholefield asked that staff provide the actual numbers (i.e., how much DDC got versus summer event promotion).

4. **Tourism Development Commission Annual Report**

Mr. Geiogamah presented the annual report for comments, modifications and/or approval. Chair Scholefield recommended that staff review the City Council approved items by vote, as some show the approval numbers and some simply say “City Council approved. Vice Chair Dillenbeck provided a spelling correction.

COMMISSIONER WINTER MOVED TO APPROVE THE ANNUAL REPORT AS AMENDED. COMMISSIONER GRUPP SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).

5. **Scottsdale Fahrenheit Festival – New Event Development Request**

Mr. Geiogamah stated that the request for action is for new event development funding for $75,000. Jason Rose, Scottsdale Fahrenheit Festival, said that in 2012, the company came forward to the Commission with an idea for a polo event and the Commission granted full funding. This past year, their F&B was up 70 percent year over year and ticket revenue was up 70 percent year over year. They had not been eligible for tourism funding for several years. He provided an overview of the history and concept of the Scottsdale Fahrenheit Festival, the idea of which is to have the hottest race on Earth, by holding it on the anniversary of the record heat of 122 degrees in
1990. Thirteen hundred people showed up to race at the first event in 2013. They did not hold the event again, but continued to receive requests to bring it back. The Scottsdale Fahrenheit Festival: Arms, Legs & Kegs will consist of three events under one roof on June 16, 2018, in the Tony Nelssen Equestrian Center at WestWorld of Scottsdale. They are: the Travis Bagent Arm Wrestling Super Series, the Scottsdale Beat the Heat Race, and the Arizona Ales & Cocktails Festival. He reviewed the marketing plan and other event details.

Commissioners commended Mr. Rose for engaging the community during the summer, noting that the Commission has been asking for summer events for years. Commissioner Grupp noted the projected attendance of 3,000 and inquired as to projected numbers for room nights. Mr. Rose said he did not have a specific projection. There is some data from 2013 regarding out of state racers participated. The majority of arm wrestlers (600 to 800) are expected to arrive from out of state.

**COMMISSIONER HILL MOVED TO RECOMMEND FUNDING FOR THE SCOTTSDALE FAHRENHEIT FESTIVAL IN THE AMOUNT OF $75,000. COMMISSIONER ASHMORE SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).**

6. **Cinco de Mario Event – New Event Development Request**

Mr. Geiogamah stated that the event is slated for May 5th. The new event development funding request is $70,000. The producer anticipates over $260,000 in media and promotion related to the event. Kerry Dunn described it as a high profile, culturally driven, nationally promoted millennial event hosted by Mario Lopez. The event brings together two producers, RND Events and R Entertainment and will take place at the Scottsdale Civic Center Plaza. Projected attendance is 7,500. A brief video featuring Mario Lopez was played. Mr. Dunn provided a career overview for Mario Lopez. He reviewed event ticket prices, highlighted the activities, public relations plan and marketing and advertising plan. Mario Lopez will be bringing the entire Extra television crew to Scottsdale for filming and national distribution. He will also make tourism commercials for Scottsdale at no cost, if the Tourism Department wishes. Any of the footage filmed by Mario Lopez will be available to reuse by Tourism.

Commissioner Hill commented that it seems to be a thoroughly thought-out event. Commissioner Grupp cited the press release that states general admission is $10 online. Mr. Dunn quoted a price of $30 at the gate. Mr. Dunn stated that the price will start at $10 online with plateaus along the way and the price rising to $30 at the event. Commissioner Ashmore said it is a tremendous opportunity for national visibility.

**COMMISSIONER ASHMORE MOVED TO RECOMMEND FUNDING IN THE AMOUNT OF $70,000. COMMISSIONER WINTER SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).**

7. **Little Red Schoolhouse Museum Design Project**
Mr. Geiogamah said this item would serve as an update to ongoing efforts to improve the City of Scottsdale’s Historical Museum. Sharyn Seitz, Scottsdale Historical Society stated that the Little Red Schoolhouse is in need of an update. Exhibits were put together by volunteers 26 years ago and local volunteers have supported the exhibits since then. Scottsdale Leadership Class 32 was asked to assist with visioning and discussion on exhibits. Some comments included:

- “I’d be very disappointed to have brought my family here on a vacation.”
- “Doesn’t tell an interesting/compelling story.”

At this time, the museum does not represent the high level of guest experience one expects in Scottsdale. The average length of visit is less than ten minutes. There are 22,000 visitors per year with 80 percent being tourists. In terms of Experience Scottsdale’s, “Pillars,” little else could be more authentic to Scottsdale than a museum about its history. As to Downtown activation and connectivity, they are located on the mall. Foot traffic at events such as Cinco de Mario could very well contribute to exposure. With help, the museum can become a key point of interest. The museum has talked with the Ganymede Design Group, who specializes in the conceptualization of museums and cultural centers as a potential partner. It will be important to define the Museum’s audience, with the potential appeal to many people. Every exhibit should be a personal experience for the visitor, however it is a challenge to show off the large volume of artifacts in the 2,000 square foot facility.

The design stages proposed by Ganymede include:

- Visioning and concept development
- Schematic design
- Design development

Total design cost is $71,500, which does not include building exhibits, changing construction or lighting. The Museum is considering how to go about request for funding from bed tax funds for the design process. Construction and installation estimates will be formulated during design. Post design, the Historical Society will solicit community support and grant funding to help with construction costs.

Commissioner Hill asked whether the Museum is seeking funds at this time. Ms. Seitz said they are not yet requesting funding, but are seeking input on the concept. Commissioner Hill noted that her husband contributed tens of thousands of negatives and historic photos to the Historical Society and she has always been a believer in the organization. She agreed that the Museum needs some attention. Commissioner McKenzie inquired as to the total project cost after design. Ms. Seitz said they do not have that estimate at this time. In response to a question from Commissioner Winter, Ms. Seitz said they do not plan on expanding the overall space.

Vice Chair Dillenbeck asked whether the Museum currently receives City funding. Don Hadder stated that the funding support is actually in the form of the building. The City owns the building and the Museum pays the City $1 per year to occupy. The City takes care of the exterior of the building, structure, A/C, plumbing and electrical. Other than that, there is no funding. Chair Scholefield said he would like to see some goals attached to the project, including attendance growth. Vice Chair Dillenbeck echoed the
comment. Too often, when funding requests come, they only include design, but do not detail what comes next in terms of funding. In this case, there are questions as to what portion will be served with grants and whether additional funding will be requested. Other questions relate to how operating and marketing costs will be covered.

8. **Event Fund Program Recommendations**

   a. Jazz Day Event – $7,000
   b. Run the Runway – $8,500

Mr. Geiogamah said both are community events and both have been reviewed by the Commission Event Working Group. Regarding Jazz Day, it has been confirmed with the producer that the attendance will meet the minimum requirement of above 2,000. The Run the Runway event has some component of a fundraiser, however the event has several other activities, other than just the run and was not identified necessarily as a fundraising type event.

**COMMISSIONER GRUPP MOVED TO APPROVE THE EVENT FUNDING RECOMMENDATIONS AS PRESENTED. COMMISSIONER WINTER SECONDED. THE MOTION CARRIED BY A UNANIMOUS VOTE OF SEVEN (7) TO ZERO (0).**

4. **Staff Reports**

   a. Staff Bed Tax Collection Report
   b. Staff Bed Tax Hotel Classification Report
   c. Bed Tax Proforma
   d. Smith Travel Report
   e. Lodging Regional Report
   f. Program Updates

Mr. Geiogamah noted bed tax collections decreased substantially, down 28 percent in December. Financial Services indicates that this is attributed to an amount that should not have been paid to Scottsdale. This has been corrected, causing the substantial decrease in the month. Retail tax collections are up 6 percent and restaurants were up 2 percent.

Commissioner McKenzie noted that bed tax collections do not appear to track occupancy and rate levels for Scottsdale. The market is seeing an increase in revenue, but collections are showing a decrease. Mr. Geiogamah said this is a cash collection based report which reflects actual amounts received; it may not be a true reflection of the market. Commissioner McKenzie added that the year-to-date numbers are significant and the report indicates that ten percent of the people are not paying on a timely basis. If they are lagging by one month, it should correct itself over 12 months. Mr. Geiogamah said that collections for January should reflect this correction next month.

Chair Scholefield stated that table 2 illustrates seven months of continuous negative growth. Over time, this becomes concerning. Mr. Geiogamah said that staff will get Tax Audit staff to provide more information regarding the transition last January with the
State collection methods and how that changed dollars coming directly to the City as opposed to first going to the State.

Chair Scholefield inquired as to reporting tax revenues from housing tax revenues, such as Airbnb, which was brought up a couple months ago. Mr. Geiogamah said there are confidentiality issues related to the small number of organizations that are collecting and providing Airbnb tax dollars on a large scale and that those could not be reported along with the numerous smaller providers of that service. Chair Scholefield stated that there are thousands of Airbnb locations on Scottsdale, which should mean there is large enough reporting to make it reportable. Mr. Geiogamah said he hopes to have Tax Audit staff come to the next month’s meeting to address this directly. Commissioner McKenzie said that at the State Legislature, verbiage is being worked on in regards to Airbnb to ensure collection and reporting of taxes.

Mr. Geiogamah addressed the Proforma, noting that the main change in the report is extending the tourism development fund estimate out five years. In terms of the two funding requests today, under event retention development, the uncommitted amount is $41,000. Related to the funding actions taken today, they will look at other event funding alternatives. They may need to dip into the one-time reserve or the carryover related to funding requests through June. Chair Scholefield suggested it be taken out of carryover.

For the Smith Travel Report, the City is at 68.3 in terms of occupancy in the market area. Average daily rate is 195, which is up 3.6 percent over last year. Revpar is up 4.2 percent.

5. Public Comment

There were no comments.

6. Identification of Future Agenda Items

Mr. Geiogamah said the nomination process to replace Chair Scholefield is March 6th. Appointment is March 20th. The Commission would be moving forward with six members, as opposed to seven, which may indicate that elections can be held off until April.

The March meeting will include an update on the Fiesta Bowl. They will also cover the annual process of reviewing event programs.

Experience Scottsdale will schedule the second quarter report, with Scottsdazzle in March.

The Commission may hear back from the Little Red School House related to the update request.

Canal Convergence is also scheduled for an update.

Vice Chair Dillenbeck noted that Mr. Geiogamah had previously indicated there would be a discussion on the tax reporting.
Chair Scholefield expressed appreciation and thanks to his employer, City staff, Experience Scottsdale and Commissioners past and present. Other Commissioners expressed their appreciation for his leadership and dedication.

7. Adjournment

The meeting adjourned at 9:32 a.m.

SUBMITTED BY:
eScribers, LLC