



**CITY OF SCOTTSDALE
TOURISM DEVELOPMENT COMMISSION
REGULAR MEETING**

Tuesday, March 19, 2019

**Kiva Forum – City Hall
3939 N. Drinkwater Boulevard
Scottsdale, Arizona 85251
APPROVED MINUTES**

- PRESENT:** Linda Dillenbeck, Chairperson
Camille Hill, Vice Chair
Carl Grupp
Sherry Henry
Ken McKenzie
Richard Newman
David Winter
- STAFF:** Karen Churchard
Steve Geiogamah
Ana Lia Johnson
Bill Hylan
Bill Murphy
Rommel Cordova
Dan Worth
Jeff Nichols
- GUESTS:** Caroline Stoeckel, Experience Scottsdale
Curt Krizan, Fiesta Bowl

1. Call to Order/Roll Call

Chair Dillenbeck called the meeting of the Scottsdale Tourism Development Commission to order at 8:01 a.m., and noted the presence of a quorum.

2. Approval of Minutes

- February 19, 2019 Regular Meeting Minutes

Chair Dillenbeck provided a typographic correction.

COMMISSIONER MCKENZIE MOVED TO APPROVE THE REGULAR MEETING MINUTES OF THE TOURISM DEVELOPMENT COMMISSION OF FEBRUARY 19, 2019 AS AMENDED. COMMISSIONER HENRY SECONDED THE MOTION, WHICH CARRIED 7-0 WITH CHAIR DILLENBECK, VICE CHAIR HILL, COMMISSIONERS GRUPP, HENRY, MCKENZIE, NEWMAN, WINTER VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

3. Annual Boards and Commissions Appreciation Reception

Rommel Cordova, Management Assistant to City Council, invited commissioners to the event on May 16, 2019.

4. Scottsdale Stadium Phase One Funding Request

Bill Murphy stated that they are expecting the economic study from ASU in the next 30 days. Phase 1 includes:

- Clubhouse
- Indoor multiuse spaces
- Entry and parking
- Press box
- Ticketing and administration
- Charro Lounge
- Right field concourse

The authorization for contribution of Phase 1, GMP1 totals \$23.4 million. This will be taken to City Council this evening for approval. The breakdown is as follows:

- \$5 million TDC Bed Tax previously approved
- \$5 million TDC Bed Tax carry-over undesignated/unreserved fund
- \$24.3 million Municipal Property Corporation debt supported by annual bed tax collection

Commissioner McKenzie asked for confirmation that the first \$5 million was provided in a lump sum. Mr. Murphy stated that that the \$5 million was split between the design group and the contractor. It was provided in lump sum. In response to a question from Commissioner McKenzie, Mr. Murphy stated that the \$24.3 million will be repaid over a 20-year period.

Chair asked the following: "Just to clarify, the \$24.3 million is equivalent to \$1.2 million in the capital. It's two \$600,000 shares. Is that correct?" Jeff Nichols stated that the

\$24.3 million is the first GMP, which includes \$5 million of the undesignated/unreserved fund balance and \$2.5 million contributed by the Giants. A good round number to use would be \$8 million for every \$600,000 of annual bed tax as a proxy. Chair asked whether this would start being deducted from the Fund this year. Mr. Nichols stated that debt would not likely be issued until of 2019. They would start making debt service payments in July of 2020.

Chair asked the following: "It appears that we're now splitting Phase 1 into two phases. There was a reference to a GMP1 and now there's a reference to a GMP2. Is that still Phase 1?" Mr. Nichols confirmed it is still Phase 1. Chair asked the following: "Why is it being split into two phases and are you coming back to us for additional funding for Phase 2?" Mr. Nichols confirmed that staff will return in May regarding GMP2. Dan Worth addressed construction, stating that they are trying to follow a procurement process that provides a completed project in time for Spring Training next year. GMP1 includes structural components to the building, elements required to build the shell and the basic spaces inside the facility. The contractor continues to develop its pricing for the finish work and equipment. It is all in Phase 1 design, all part of the same project and all paid for by this funding. When staff returns in two to three months to ask City Council to award the second Phase 1 GMP contract, there will not be an additional request for Phase 1 funding.

Chair Dillenbeck asked for confirmation that GMP2 will not require Tourism Development funds. Mr. Nichols stated that it should not require additional funds.

Commissioner Henry asked whether there would be requests for operating funds once the facility is open. Mr. Nichols confirmed that staff would not request operating funds from the TDC. It will be the responsibility of the City. He clarified that the \$23.4 million is just GMP1 of Phase 1. He is uncertain as to the exact amount of GMP2, however it will be approximately \$15 million. The request from the Tourism Fund on an annual basis will depend on the interest rate. For the total for Phase 1 (GMP1 and GMP2), this could range (for the City) from \$1.3 million to \$1.8 million. This is under a 20-year debt service model, which is normal for the City. It is not unusual for a municipality to issue debt over a period of 25 years.

Chair Dillenbeck commented as follows: "I'm sorry, but I'm totally confused. I'm just asking you the question, are you coming back for additional funds and if so, do you have any idea what those funds will be in addition the funds you're asking for right now?" Mr. Nichols stated that when the debt is issued in August, they will have already issued GMP1 and GMP2. In the project fund, approximately \$33.1 million will be needed. With the contributions by the Giants and the Charros, the ask from the Tourism Fund could be as much as \$1.8 million for 20 years.

Commissioner McKenzie asked whether any other entities or organizations would be contributing. Mr. Nichols stated that there may be others, however, that is not known at this time. The concessionaire may be contributing both in Phase 1 and 2. Outside of the Tourism Fund, the City is not contributing.

Vice Chair Hill asked for confirmation that the annual ask from the TDC is between \$1.4 to \$1.8 million per year. Mr. Nichols confirmed the understanding. He recently met with Ms. Churchard and Mr. Murphy to discuss the five-year plan for the Tourism Fund. They

identified some items in the ongoing operating impact category, should the higher number be needed for this project. They looked at a categorization issue for Scottsdazzle, which could be moved into a different category. There was one other ask within the five years of approximately \$200,000.

Commissioner McKenzie said he supports the Giants, however encourages a five-year impact study on the dollars coming into the TDC. Ms. Churchard confirmed that this is part of the operating budget process. Commissioner McKenzie commented that all of the funds set out to market Scottsdale are now being used for the stadium. He questioned whether this is compatible with the spirit of the voters when they passed the 2 percent bed tax increase. Ms. Churchard stated that Financial Policy 21A remains. Fifty percent of funds go directly to the Destination Marketing agreement at Experience Scottsdale. Twelve percent is transferred from the bed tax to the general fund. Nine percent will always be retained for event development funding. Four percent goes to administration. There has always been an undesignated, unreserved balance that has made the carryover grow. There is debt service for four to five projects, which continue through the 20-year period. The Prop 200 language is very clear that 50 percent of the monies go to destination marketing with the other 50 percent for events and tourism-related capital projects. She would like to have a work study session to discuss the Commission's priorities for event funding.

Commissioner McKenzie commented that with the TDC contributing \$35 million towards the project, they will be very limited in being able to support tourism-related, capital-related projects. Vice Chair Hill agreed that there will be some very difficult choices for programs and events the TDC stands behind. She asked about the possibility for obtaining additional City funding, which would not come through the TDC. Mr. Nichols said there will be discussions with City Council in executive session this evening. Commissioner Grupp echoed the funding concerns, noting that they are without a rainy day fund.

Commissioner Winter inquired as to the possibility of funds from the concessionaire. Mr. Murphy stated that the contract is in process right now. It was important to meet the construction obligations by February. Discussions are taking place regarding contributions for both phases. A firm number is not yet available.

Chair Dillenbeck provided the following statement: "First, like everyone else on this Commission, I fully support and understand the importance of Spring Training as an asset to this community, because it enhances both the visitor and the resident experience. And we want to ensure that we provide support for this valuable asset. For months we've heard and seen beautiful pictures and talked about how it can revenue generate for the City. I hope that comes to fruition. Each time we've asked what the money was going to be, each time we were told 'We don't have that information yet.' We were promised that we would have ample time to review this information and think about its impact. It was finally yesterday we received that information, less than 18 hours before we're asked to make a recommendation and the information is incomplete. We were assured that we would get a proforma along with this funding request, but we have not received that. In my mind, the scorecard said it's a double bogey. We don't know what the full impact of this is going to have on the Tourism Fund, but we know it's going to have a major impact. I happen to like working with Excel sheets and I ran the numbers and we cannot fund everything that we have funded in the past, because we'll be running a deficit in year three. And there are priorities that the tourism industry for whom we speak require us to try to do

our best to fund Canal Convergence. It's critical. It's a major event that we've put a lot of money into that we have the ability to grow. Downtown marketing is another. Scottsdazzle. The Super Bowl, funded at \$1.2 million, that we've been asking for for four months now. What that means when we fund that is we cannot fund everything we have funded in the past, so we now need to work with the City Council and the City Manager to understand their priorities as well, because there's going to be some haircuts and there's going to be people who are unhappy that they're not getting the funding they got before. And it just is frustrating to me that we are at the eleventh hour and asked to make a recommendation, when we don't have all the facts."

Mr. Murphy stated that as the negotiations have progressed, things have been moving very quickly. There should be a contract in place, wherein staff can return in a couple of months to provide a thorough analysis of how things will move forward. The current need is a priority in meeting the schedule for next spring training. The contract is a 25-year term with two five-year renewals. Vice Chair Hill renewed the request for staff to look at other revenue funding sources, as there are significant City events that will be in jeopardy in terms of funding.

VICE CHAIR HILL MOVED TO RECOMMEND THE STADIUM FUNDING REQUEST AS PRESENTED. COMMISSIONER GRUPP SECONDED THE MOTION, WHICH CARRIED 6-1 WITH CHAIR DILLENBECK, VICE CHAIR HILL, COMMISSIONERS GRUPP, HENRY, NEWMAN, WINTER VOTING IN THE AFFIRMATIVE WITH COMMISSIONER MCKENZIE DISSENTING.

5. Experience Scottsdale Second Quarter Performance Measure Report

Caroline Stoeckel, Experience Scottsdale provided second quarter highlights from October through December of 2018. They are on track to meet performance measures. In terms of marketing, the following campaigns were activated:

- Holiday Campaign
- Los Angeles Out-of-Home Campaign
- AFAR Journeys Platform

Convention Sales and Services highlights include:

- 307 booked meetings, an 8 percent year-over-year increase
- Four familiarization tours hosted
- Over one-third meeting planners having never been to Scottsdale

Communication highlights include:

- Generated 453 articles worth more than \$12 million in ad equivalency
- Hosted approximately 200 journalists into the destination

Tourism highlights include:

- Meeting with over 2,100 travel professionals in 21 countries to promote Scottsdale

- Produced 1,011 leads and services for members to date

Chair Dillenbeck commended them on their performance.

6. 2018/19 Fiesta Bowl Contract Fulfillment

Ms. Stoeckel provided highlights of the partnership and positive impact that the PlayStation Fiesta Bowl and Cheez-It Bowl have had on the community. The 18/19 season is the 13th year of the 20-year contract with the Fiesta Bowl. During this season, the Fiesta Bowl helped place ten groups representing nearly 5,000 room nights for the Scottsdale market area hotels. Scottsdale hotels hosted both Fiesta Bowl teams as well as one of the Cheez-It Bowl teams. Marketing opportunities included ads and program slides, 30-second TV spots during the game as well as tickets to host the annual Fiesta Bowl sports familiarization tour. In December, they welcomed sports event organizers, who enjoyed the game and toured Scottsdale Stadium, Sports Complex and WestWorld. As a result, they have already booked one tournament into the destination with two leads in progress. The Fiesta Bowl Summit is held annually in Scottsdale each May, generating up to 1,500 room nights. This year, they secured the Football Bowl Association's 2021 annual meeting to generate 600 room nights. Based on the City's investment and the direct spending generated by official Fiesta Bowl groups staying in Scottsdale, the City received a 9 to 1 return on investment.

Curt Krizan, Fiesta Bowl CFO, stated that the Fiesta Bowl hosted LSU and UCF and the Cheez-It Bowl had a new title sponsor. They have renewed for six more years with college football playoffs. This coming year will also include a semifinal for the Fiesta Bowl. 2020 will be the 50th anniversary.

7. City Tourism Event Directional Banner Program

Ms. Churchard stated that staff is seeking feedback on rates and fees for the program, which has been previously operated on a first come, first served basis. They have been receiving overlapping time frame requests from special events with no priority other than the order that applications are received. City departments have made requests to place horizontal banners promoting programs of work that do not comply with current eligibility requirements. Likewise, non-profit organizations such as the Arizona Restaurant Association have inquired for events such as the Spring Arizona Restaurant Week. The recommended eligibility is a priority establishment. First priority would be for City of Scottsdale owned and produced events. Second would be events funded through the Event Development Fund Program. Third would be nonprofits not funded through TDC's recommendations. The fourth would be for City of Scottsdale departments to promote their major programs. Fall is the main competitive time frame. Staff is suggesting a \$90 application review fee. Also recommended is a per-banner fee for installation and deinstallation.

Chair Dillenbeck applauded staff for the well-thought-out program. It makes sense for the City to have priority. In response to a question from Commissioner Grupp, Ms. Churchard stated that the horizontal banners are at Highland and Earl.

8. FY 2019/20 City Event Support Funding Programs

- a. Matching Event Funding program
- b. Community Event Funding Program
- c. Event Venue Fee Program
- d. New Event Development
- e. Multi-Year Community Event Funding Program

Mr. Geiogamah stated that they are almost to the end of the review process in evaluating the programs; no significant changes are proposed for the fiscal year. The major change in the New Event Development Program is allocation of funds toward event production. Staff will be requesting the TDC's final approval next month.

In response to a question from Vice Chair Hill, Mr. Geiogamah said the timing for a possible work study session would be difficult prior to that.

Chair Dillenbeck asked whether those who have already applied would be grandfathered to the original amounts, should the TDC decide on a new amount structure. Mr. Geiogamah said TDC is free to reduce the funding. All agreements state that it is based on available funding. In terms of grandfathering, these would have to be evaluated event by event. The hope would be to continue with the approved funding.

Chair Dillenbeck noted that the Commission has previously discussed having an event funding category for events such as Scottsdale or Western Week. She asked how the Commission could go about adding an event category. Mr. Geiogamah stated that this could be discussed in a work study session.

Chair Dillenbeck noted that there is a change, when speaking about acknowledging the City with banners or other elements, the focus is now only on the City, whereas previously, it had been either the City or Experience Scottsdale. Mr. Geiogamah said staff made the adjustment based on comments received regarding requests for clarity.

In response to a question from Chair Dillenbeck, Mr. Geiogamah confirmed that events are not required to spend a certain allocation towards marketing.

9. Staff Reports

- a. **Staff Bed Tax Collection Report**
- b. **Staff Bed Tax Hotel Classification Report**
- c. **Bed Tax Proforma**
- d. **Program Updates**

Mr. Geiogamah stated that Bed Tax collections are up 11 percent and 20 percent for the year. Miscellaneous retail tax collections are up 7 percent and restaurants are up 11 percent.

For the proforma, there is an increase in miscellaneous revenue in the 18/19 column associated with capital project dollars coming in from WestWorld Lot G (\$115,000).

In response to a question from Chair Dillenbeck, Ms. Churchard stated that a revised proforma reflecting the stadium funding could be addressed in a presentation at the next meeting. The operating budget goes to City Council on April 16th.

Mr. Geiogamah stated that in terms of the Smith Travel Report, occupancy is at approximately 70 percent, up 2.6 percent year over year. Average daily rate is 3.4 percent. RevPAR is up 6.1 percent. Over the past 12 months, transient occupancy is up 1.1 percent. Average daily rate continues to be up at 4.3 in RevPAR. Group occupancy is up 4.4 percent. Average daily rate and RevPAR continue to trend upward.

Mr. Geiogamah noted that Commissioner Grupp's position will be open at the end of his term in June. Nominations will occur on April 16th and an appointment on May 21st.

10. Public Comment

There were no public comments.

11. Identification of Future Agenda Items

Mr. Geiogamah said staff will be bringing forward event programs for recommendation with the possibility of a new event as well.

Chair Dillenbeck requested a presentation on the new proforma. She noted previous discussions regarding a Western Week update. Ms. Churchard stated that staff would also like to include Experience Scottsdale, Destination Marketing, and performance measurements.

13. Adjournment

With no further business to discuss, being duly moved by Commissioner Hill and seconded by Commissioner Henry, the meeting adjourned at 9:01 a.m.

AYES: Chair Dillenbeck, Vice Chair Hill Commissioners Grupp, Henry, McKenzie and Newman

NAYS: None

SUBMITTED BY:

eScribers, LLC