



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

**Tuesday, April 16, 2019**

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

- PRESENT:** Linda Dillenbeck, Chairperson  
Camille Hill, Vice Chair  
Sherry Henry  
Ken McKenzie  
David Winter
- ABSENT:** Carl Grupp  
Richard Newman
- STAFF:** Karen Churchard  
Steve Geiogamah  
Ana Lia Johnson
- GUESTS:** Rachel Sacco, Experience Scottsdale  
Carolyn Stockel, Experience Scottsdale  
Jason Rose, Wonderspaces Representative  
Jason Shin, Wonderspaces

**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**

- March 19, 2019 Regular Meeting Minutes

Chair Dillenbeck called for comments and/or changes.

VICE CHAIR HILL MOVED TO APPROVE THE REGULAR MEETING MINUTES OF THE TOURISM DEVELOPMENT COMMISSION OF MARCH 19, 2019 AS PRESENTED. COMMISSIONER HENRY SECONDED THE MOTION, WHICH CARRIED 5-0 WITH CHAIR DILLENBECK, VICE CHAIR HILL, COMMISSIONERS HENRY, MCKENZIE, WINTER VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

## **3. Tourism Program FY 2019/20 Budget and Program Allocations**

Karen Churchard, Tourism & Events Director, identified an error in the ending balances for each fiscal year in the proforma. She reviewed that the Committee previously recommended that an additional \$5 million be transferred to the CIP project for the Scottsdale Stadium as well as \$1.2 million per year debt service, which staff believes will begin in 2021. The proforma matches the operating budget proforma. The beginning fund balance includes \$2.5 million operating contingency, which the Treasurer's Office sets aside on an annual basis. At the request of the Mayor and City Council, the Budget Office was to show a reserve of the monies not used in Policy 21-A. This amount is included in the carryover. The forecasted total for 18/19 is \$21 million. Expenses include the Destination Marketing Contract, 12 percent of the General Fund allocation, (transfers out of the bed tax fund), various multi-year event funding agreements, one-year event funding agreements, event funding programs, administrative/professional services and multi-year commitments for capital projects.

Ms. Churchard recommends moving Scottsdazzle from carryover and into the event funding category (\$400,000). They traditionally spend an additional \$60,000 on marketing and advertising, which will stay in carryover. Commissioner McKenzie asked which category the \$400,000 would be moved into. Ms. Churchard said that for now, she added it as a City holiday event. She will discuss with the Commission, legal, Mr. Geiogamah and City Council as to whether an action needs to be taken, such as creating a new category. The Budget Office has no issue with it being moved at this time.

Commissioner McKenzie pointed out that the multiyear event funding undesignated category shows \$258,000 for 2021 and asked whether the movement of the \$400,000 would basically wipe this out. Ms. Churchard said that the reason she did not move into the multiyear event fund agreement category is because it is not an "agreement" event, but a City event. The multiyear event funding category will remain whole.

Ms. Churchard clarified that the amount for event retention and development uncommitted category is the remaining balance of the 9 percent of the bed tax funds. With Scottsdazzle moved into the event retention and development category, there will still be a balance (\$636,000 this year and approximately \$370,000 going forward).

Chair Dillenbeck asked whether the \$361,900 forecasted for 2021 includes the \$258,773 in undesignated multiyear event funding or whether it is in addition to the amount.

Ms. Churchard said it is in addition. She confirmed Chair Dillenbeck's understanding that at the end of FY 2021, there will be roughly \$620,000 that may be allocated.

Ms. Churchard addressed potential Super Bowl funding. There are remaining questions to be asked of the Host Committee. Rachel Sacco has set up a meeting with Valley DMOs and the Host Committee. It is anticipated that the results will be brought to the Committee and to City Council in early fall. The amount being requested is \$1.2 million. If there is a four-year agreement at \$300,000 year starting in FY 2021, the funds are available as reflected in the proforma. Chair Dillenbeck said this would leave no money to fund historic events. Ms. Churchard stated that the \$258,773 is undesignated, allowing the Committee to continue historic events.

Ms. Churchard stated that the budget for administrative/other professionals comes from 4 percent of the bed tax revenue. This is a significant increase from the historic budget of \$500,000. Some of the funds have been used for other contractual services. Staff is recommending to move PR, digital social media contracts, and production and staffing for City events into administrative. Ms. Churchard has recommended that the Budget Office transfer the WestWorld marketing fee out of the administrative contractual side.

Ms. Churchard stated that the multiyear commitments for capital projects are included in the debt services that continue to be paid. The Budget Office believes that the Scottsdale Stadium debt service will begin to be paid in FY 2021 at \$1.2 million. Chair Dillenbeck noted that the stadium representatives indicated they would be coming back for more money next month. Ms. Churchard stated that she was unaware of the intent to ask for more funds next month. Her understanding is limited to discussions with the Treasurer's Office regarding what has been committed and what City Council has approved.

Ms. Churchard invited questions on carryover uses. Chair Dillenbeck asked why Scottsdazzle's promotion costs are not being moved into the multiyear event funding category. Ms. Churchard clarified that this could be done. However, she did not recommend this because the \$100,000 that would be left as "wobble room" would be reduced to \$40,000. Ms. Churchard confirmed Chair Dillenbeck's understanding that the carryover balance at the end of this fiscal year will be just under \$5 million.

Commissioner Henry referenced the FY 18/19 one-time spring training promotion and asked why the item was one-time only. Ms. Churchard stated that this is an error. The intent is to continue the promotions, but not continue events.

Chair Dillenbeck commented that there is good news in that the budget is in a better position than previously thought, provided that Stadium funding does not start until FY 2021. She recommends a work study session on the topic. Ms. Churchard concurred with the recommendation.

#### **4. FY 2019/20 City Event Support Funding Programs**

- a. Matching Event Funding Programs
- b. Community Event Funding Program
- c. Event Venue Fee Program
- d. New Event Development

e. Multi-Year Community Event Funding Program

Steve Geiogamah, Tourism Development Manager, addressed the event program for the new fiscal year starting in July. The major change was in New Event Development, where the direct dollar marketing spend is no longer required. The value is still accounted for. The other details remain the same. Staff is requesting a recommendation to move forward with the five event fund programs as presented.

In response to a question from Chair Dillenbeck, Mr. Geiogamah stated that the Commission will have the opportunity to adjust allocations after its study session if so desired, depending on how substantial the changes are.

COMMISSIONER MCKENZIE MOVED TO APPROVE EVENT FUNDING PROGRAMS AS PRESENTED. COMMISSIONER HENRY SECONDED THE MOTION, WHICH CARRIED 5-0 WITH CHAIR DILLENBECK, VICE CHAIR HILL, COMMISSIONERS HENRY, MCKENZIE, WINTER VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

**5. Wonderspaces Event Funding Request**

Mr. Geiogamah stated that the requested amount is up to \$75,000 for New Event Development funding for this fiscal year. Jason Rose discussed the event, which opened last weekend in the Old Harkins Theater space at Scottsdale Fashion Square near the food court as an interactive, immersive art experience. Half of the art is from around the country and half is outside the country for the first exhibition, called Point of View. The program also operates a traveling art aspect every four months. There is a four week close period, while the show prepares for the new experiences. The summer show, called Elsewhere will debut after the initial show and is the program for which Wonderspaces is seeking its funding request. Mr. Rose believes the program meets the funding request criteria. He provided polo event as an example of a program taking place at WestWorld, a permanent venue, and he cited a film festival as an appropriate example.

Jason Shin stated that the program exists nowhere else in the world and its presence in Scottsdale represents its first commitment to a city. They are strongly encouraged by the level of participation, particularly by those who have not been visiting galleries and museums, but who feel welcome to have such experiences at Wonderspaces.

Vice Chair Hill asked about the vision for Scottsdale. Mr. Shin stated that they serve as a bridge between artists and access to their artwork. Access is provided for the price and convenience of a movie ticket. The intent is to build a series of shows in the space as well as exploring other creative works, which may not fit the space, in other areas of the City. In response to a question from Vice Chair Hill, Mr. Shin stated that they have an agreement to retain the space at Fashion Square for ten years.

Commissioner Winter inquired as to the length of time for the existing proposed program. Mr. Shin stated that the current show will be closed the third week of July (reopening in early August) and the intent is for each show to run three to four months.

Commissioner Henry asked how the organization sees its event contributing to overnight room nights in Scottsdale. Mr. Rose stated that based on the program's data from its

activities in San Diego, 76 percent of attendees were within San Diego County and 24 percent from outside the county. He is unaware of specific room night statistics. It would best be described as an extension of stay.

Commissioner Winter commented that he recently had the opportunity to attend Wonderspaces. It is notable that the only reason he was alerted to the program was an email from Mr. Geiogamah encouraging him to attend. There was a missed opportunity to reach potential attendees by providing the information to Scottsdale hotels. Mr. Rose commented that funding from the Commission will contribute to the expansion of outreach.

Chair Dillenbeck stated that she also attended, commenting that it will revolutionize the way people look at art. She asked whether they intend to return and request funding each time they have an event. Mr. Rose stated that they are planning for success and as such, they would hope to return and request whatever funding they would be eligible to receive. If not successful, they will not return.

Chair Dillenbeck cited an eligibility requirement, which is that events cannot happen in the normal course of business. As such, she asked for clarification as to how the event will *not* be taking place in the normal course of business. Mr. Rose commented that comparables would be instructive in answering the question, adding that the film festival would be a comparable event, in that the venue (Harkins Theaters) would be used to have an event for an extended period of time.

Commissioner Henry asked whether there are other sponsors at this time and what type of sponsorship packet the City can expect. Jason Rose stated that partners are listed on in the venue entryway. This event is still in the incubation stage in terms of proof of concept. Sponsorship by the City will add momentum to these efforts. Mr. Shin stated that they will promote the City on its website and through social media outreach.

Mr. Geiogamah addressed the “normal course of business” criteria, explaining that it is defined as the event having a day to day operation in Scottsdale. In regards to deliverables and should the Commission choose to go forward, staff will work with the producer to develop deliverables in the contract that provide fair, substantial legal value to the amount recommended. Mr. Rose also pointed out that the normal course of business does not include downtime periods, such as is the practice with Wonderspaces.

Commissioner Henry stated that there is a projected money crunch, and asked whether they would accept less in funding than \$75,000. Mr. Rose stated that they request full funding, while acknowledging that it is at the Commission’s discretion. He added that the event will occur in the summer, which is typically the City’s low activity season. Mr. Geiogamah added that approximately \$400,000 is currently available for new event development for this fiscal year.

COMMISSIONER MCKENZIE MOVED TO RECOMMEND FUNDING IN THE AMOUNT OF \$50,000 FROM EVENT DEVELOPMENT FUNDS. COMMISSIONER HENRY SECONDED THE MOTION, WHICH CARRIED 4-1 WITH CHAIR DILLENBECK, VICE CHAIR HILL, COMMISSIONERS HENRY AND MCKENZIE VOTING IN THE AFFIRMATIVE WITH COMMISSIONER WINTER DISSENTING.

## **6. Western Week Event Update**

Ms. Churchard said the event is held the second week of February, anchored by two historical events the Commission has been funding through agreements: The Hashknife Pony Express on February 8th and the Parada Del Sol Parade on February 9th. Other items promoted include the Western ArtWalk and Arizona Indian Festival. Gold Palette ArtWalk took place on February 7th with increased participation over last year. The event included live music, demonstrations in galleries, the Singing Cowboy and the Bronze Cowboy. Hashknife Pony Express was held at Scottsdale Museum of the West with attendance growing on an annual basis. Attendance was estimated at 2,000, up from 1,500 last year. Museum of the West was free on Friday and Saturday. There was live music and an educational component. Staff and police estimated approximately 20,000 attendees for the Parada Del Sol parade, up from the 18,000 estimated for last year. There were approximately 120 parade entries. Post event analysis showed that \$160,000 in marketing value came back to the City for the \$90,000 investment. Based on the survey performed, 49 percent of attendees had never participated previously, 22 percent of attendees learned of it through social media, 98 percent said they would recommend the event to family and friends.

Arizona Indian Festival is in its second year. The event represents all 22 Arizona tribes. Attendance was up to 9,000 versus 7,000 in its first year. There was a partnership with the Arizona Office of Tourism and six international journalists were hosted. Thirty-eight percent of attendees were from outside the local area, including international attendees. Seventy-eight percent of attendees said it was their first time participating. Staff is working to expand Western Week activities by working with Museum of the West, Center for Performing Arts and the Rodeo Museum. The campaign included digital outreach and a few print ads, resulting in 8.6 million impressions, 43,657 website clicks with 90 percent of sessions coming from Valley cities outside of Scottsdale. Followers have increased from 188 followers last year to 1,800 this year. For earned media, there is a public relations contract. Channel 3 did a live broadcast on January 28th from the Museum of the West and a live broadcast the morning of Hashknife at the Verde River. There were 170 media stories in Valley publications and online radio and television versus 119 last year. There was paid print in the Scottsdale Independent January and February issues as well as the Arcadia News.

Chair Dillenbeck commended staff for the high quality visuals and the coordination of efforts. She estimated that there is a total of \$320,000 being spent on Western Week and asked about potential plans to consolidate and bring under the City's umbrella, as they have done with Scottsdazzle. Ms. Churchard stated that staff works heavily with Hashknife. There is a partnership with the Arizona Indian Festival and the coordination runs through that group. The production contractor, Entertainment Solution, works with Hashknife, Parada and the Arizona Indian Festival. Staff would be open to the Chair's suggestion. Chair Dillenbeck commented that staff is doing so much coordination of all the different activities already and it may make more sense for it to become a City-owned event as opposed to five different organizations. Ms. Churchard stated that staff could look into this, however she pointed out that each group is very unique in terms of its composition.

## **7. Experience Scottsdale Destination Marketing Guide**

Rachel Sacco, Experience Scottsdale, discussed particular points of focus, including an ad refresh, fall, holiday and summertime periods, partnerships, and movement into the digital space. They continue to work with the City on enhancing, booking and promoting City venues. In terms of the budget for next year, funding from the City of Scottsdale and the Town of Paradise Valley are expected to increase respectively 5.5 percent from the City and 18.7 percent from Paradise Valley, all from bed tax collections. The City of Scottsdale anticipates a true-up in the budget of approximately \$275,000, as bed tax collections have been coming in so strongly. Any increases or cost savings in the budget will go directly to the marketing bottom line. Revenues are expected to increase 3.7 percent. Expenses are budgeted for a 2.8 percent increase in personnel, mainly due to healthcare cost increases. The operations budget will increase by 5.8 percent, due to the stepped up rent increases every year in the current five-year contract with the Galleria Corporate Center. Two new servers will be installed. Membership of community and government services budget is set to decrease with the funds going back into marketing.

A significant amount of the total budget goes to programs, with research as a significant component to achieving goals of cost effectiveness and efficiency. The company benchmarks itself against all destination marketing organizations and specifically those with a similar budget. According to the Destinations International organizational financial profile, they are within a competitive range for the personnel budget. They are significantly lower than most destination management organizations in terms of admin and general expenses. They spend a majority of the budget on programs, well above the average for all destination marketing organizations.

The marketing budget will be increasing by 2.9 percent. Any true-up totals or cost savings will go back into marketing. Next year includes budgeting for more video content, as this is the public's preferred method for receipt of content. They will be expanding their leisure summer campaign launched last year, as they have done with the holiday campaign, resulting in an increase of occupancy in area hotels and results by over 18 percent over seven years. The summer program will focus outreach in New York, Chicago, L.A., Phoenix and Tucson. There will be a leverage of funding with the Waste Management Phoenix Opening by running golf-specific messaging on the Golf Channel during the golf tournament season. Weather-related trigger advertising will be active in cold weather markets, such as Canada. Outreach will be on the Weather Channel, radio and broadcast TV. They will be looking to expand the Penn Station commuter rail advertising at the Metro North Station as well as targeting specific radio stations in New York City.

The communications budget will increase by approximately 2.6 percent, which will include upgraded imagery and drawing in qualified journalists. The convention sales budget will increase. While the budget identifies the increase at 18 percent, \$125,000 is carryover directly from this year's summer meetings rebate program. The next increase for the department is 4.9 percent. In the first nine months of the year for this program, confirmed bookings were received on 34,000 room nights in the Scottsdale area, which will actualize from Memorial Weekend through Labor Day Weekend, with an estimated \$12.2 million back to the community.

The Sight See Fly Free program works in conjunction with area hotels and resorts. Clients looking at Scottsdale with a bona fide RFP and also looking at other communities, will be

flown in to experience the destination. During the past year, there was a 44 percent conversion rate. They are also beginning a new destination-wide appointment-based trade show with 50 planners to visit the destination as a mini-tradeshow format. The team is aggressively working with local planners to promote the City for their meeting location. A very successful Scottsdale customer advisory board provided invaluable feedback. Funding will be used to put the feedback to work. This will include revamping the website sales area, development of more social media contact, and communication via relationship-based programs.

The tourism department budget is increasing by 1.8 percent, which will be dedicated to a co-op advertising program with Brand USA. They will continue to work with new increased air service with Condor and American Airlines with direct flights out of Frankfurt and the UK. Operators and agents will be trained to book Scottsdale.

Performance measures are developed based on areas of success and goals. Increased budgets have resulted in substantial increases in convention sales and marketing performance. Tourism and public relations are flat, mainly a function the efforts for servicing and training. There are not necessarily enough feet on the ground or enough in the budget to increase these performance measures. Keeping them stable is an important exercise. Longwoods and Oxford International have looked at the programs and said that Experience Scottsdale's promotions directly generate an average of \$31.4 million annually in state and local tax revenue. The direct economic impact annually is \$247 million.

Vice Chair Hill asked about the top challenges for Scottsdale as a destination. Ms. Sacco stated that seasonality remains a primary challenge. Even so, Scottsdale is at the top of the market since the recovery from the recession. Scottsdale is a worldwide brand, attracting luxury in retail and hotel product.

Vice Chair Hill inquired about Scottsdale's top competitors. Ms. Sacco said Scottsdale competes with almost any destination that has sun and unique experiences and a high end luxury market.

Vice Chair Hill asked whether the dramatic change to the City's skyline will affect desirability. Ms. Sacco stated that Scottsdale is evolving in a thoughtful manner. This includes community need and availability.

Commissioner Henry asked what information was learned as a result of the customer advisory board. Ms. Sacco said it was a diverse group, working for large financial companies, healthcare companies, corporations and associations. One of the lessons learned was the importance of repeating messages. The group also advised that the City can do a better job of presenting itself as diverse community that is open to diverse customers at all levels.

Commissioner Winter addressed the feeder states that come to Arizona particularly during summertime. From a hotelier's standpoint, other valuable markets besides New York, Chicago and California include Texas, Colorado, Florida and New Jersey. He inquired as to outreach efforts in those states. Ms. Sacco stated that the print publications reach all these areas. Television outreach is limited upon what may be affordable. Carolyn Stockel said they use Visitor Industry Customer Analysis Research (VICA), derived from transactional hotel and resort partner data. It provides insights as to top performing

customers. In the summertime, aside from Tucson and L.A., most traffic comes from Chicago and New York. This year, digital outreach will be extending to additional markets, including a program with usatoday.com.

Commissioner McKenzie noted that last year, there was a trend of group demand as negative compared to prior years and he asked about signs of a correction. Ms. Sacco stated that they are bringing new customers into the marketplace, which will have a significant positive effect, especially as they do enjoy a high retention rate.

VICE CHAIR HILL MOVED TO APPROVE THE PROPOSED FY2019/20 DESTINATION MARKETING GUIDE AS PRESENTED. COMMISSIONER HENRY SECONDED THE MOTION, WHICH CARRIED 5-0 WITH CHAIR DILLENBECK, VICE CHAIR HILL, COMMISSIONERS HENRY, MCKENZIE, WINTER VOTING IN THE AFFIRMATIVE WITH NO DISSENTING VOTES.

## **8. 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 the numbers are from January, as presented last month. The timing of collections has been late, related to meeting dates. They will present the new numbers next month. For the classification report, a column has been added for other transient non-hotels. The Smith Travel Report indicates that the group occupancy number is trending upwards at 4.3 percent. It remains slightly down in the northern portion of the City, however the rate is outstanding. In terms of program updates, there were nominations last night by City Council. The four individuals will be going forward for the open position on May 21st.

## **9. Public Comment**

There were no public comments.

## **10. Identification of Future Agenda Items**

Mr. Geiogamah cited upcoming items, including a funding request for Day of the Dead. Staff will begin to develop details for a work study day on the event funding programs. Park and Rec will be coming forward with a proposal regarding Mud Mania funding.

**11. Adjournment**

With no further business to discuss, being duly moved by Vice Chair Hill and seconded by Commissioner Winter, the meeting adjourned at 9:43 a.m.

AYES: Chair Dillenbeck, Vice Chair Hill Commissioners Henry, McKenzie and Winter  
NAYS: None

SUBMITTED BY:

eScribers, LLC