

CITY COUNCIL REPORT



Meeting Date: **April 9, 2013**
 General Plan Element: ***Economic Development***
 General Plan Goal: ***Sustain Scottsdale as a tourist destination***

ACTION

Polo Championships Horses and Horsepower

Adopt Resolution No. 9353 to: 1. Authorize funding, not to exceed \$75,000, from the City portion of bed tax allocated toward event development for "The Scottsdale Polo Championships: Horses and Horsepower Event." 2. Authorize New Event Funding Agreement No. 2013-044-COS with Scottsdale Polo Championships, LLC.

BACKGROUND

On May 8, 2012, City Council approved Resolution No. 4019 establishing an allocation of bed tax funds for events and event development.

Major events are an important component of Scottsdale's overall image and its "product." Events are also used as tools to increase national and international visibility for Scottsdale as a desirable tourist destination to our target hotel and resort visitors. The Tourism Development Commission (TDC) has identified the development of new events as a tourism program priority.

The Scottsdale Polo Championships: Horses and Horsepower Event, took place at WestWorld of Scottsdale on October 20, 2012, and became the most attended single-day polo event in the United States during 2012. The second year event featured three matches, two matches showcased teams from Scottsdale's top tourism markets: 1) Work to Ride Team (Philadelphia), 2) Harvard Team (Boston), 3) Bel Air Team (Los Angeles), 4) the Hamptons Team (New York).

The shoulder season polo event also created partnership opportunities with existing Scottsdale events such as the Scottsdale Arabian Horse Show and Barrett-Jackson Car Event by providing a sneak preview for both 2013 events. The total national and international media value associated with the 2012 Horses and Horsepower event exceeded \$580,000.

Additional benefits include:

- Reinforcing and enhancing the position of the Scottsdale luxury brand as well as showcasing Westworld as a premier equestrian event venue.
- Horses and Horsepower is a unique event that attracts unique, first-time visitors to the city.

- The Horses and Horsepower event adds to Scottsdale's cachet of events and attracts regional, domestic, and international visitors.

The Scottsdale Polo Championship, LLC fulfilled or exceeded every component and deliverable of the 2012 Polo Championship contract.

ANALYSIS & ASSESSMENT

The Scottsdale Polo Championships, LLC, producer of the Horses and Horsepower Polo Event, has proposed a one-year agreement with the City of Scottsdale.

The second year Horses and Horsepower event, held at Westworld in Scottsdale, on October 20, 2012, attracted 9,100 attendees. The attendance goal established by the event producer for the November 2013 event is 15,000 attendees. Growth in 2014 attendance is projected to be 20,000 attendees.

In addition, the United States Polo Association has committed to hold its annual meeting during the 2014 event. The meeting is projected to generate approximately 600 room nights. As the event continues to grow, the event will attract an increased fan interest as well as create broader exposure for Scottsdale.

The 2013 Horses and Horsepower event budget is estimated to be \$300,000, which represents a 42% increase over the 2012 event budget of \$210,000. In addition to the proposed city sponsorship, event costs will be paid by the event producer, as well corporate and business sponsorships. The 2012 business and corporate event sponsorship provided were \$119,000. Estimates for the 2013 event are \$200,000 in corporate sponsorship.

In order to enhance the city's event sponsorship evaluation process, the city has retained a qualified marketing research consultant, Artigue Agency, to measure, analyze, and report the economic and fiscal impact as well as overall value and benefits associated with a proposed event sponsorship.

The Artigue Agency has provided an analysis and report of the Horses and Horsepower event sponsorship proposal. The report indicates that the estimated overall event economic impact for the City of Scottsdale will exceed the proposed city sponsorship of \$75,000. The report has recommended that the City of Scottsdale proceed with a one year agreement to fund the special event.

Proposed Agreement Summary

The following are host and promotional benefits outlined in the proposed one-year agreement between The Scottsdale Polo Championships, LLC and the City:

- Scottsdale Polo Championships, LLC will stage the Scottsdale Polo Championships Horses and Horsepower at Westworld in Scottsdale, Arizona for a minimum of two hours on Friday November 1, 2013 and seven hours on Saturday, November 2, 2013.
- There will be a total of four matches with a minimum of four international and domestic teams participating.

- Scottsdale Polo Championships, LLC will obtain all polo event sponsors and is solely responsible for fulfillment of all sponsor benefits that are provided in return for cash, product, or in-kind services delivered by polo event sponsors.
- Scottsdale Polo Championships, LLC will provide a minimum of \$84,000 in underwritten public relations services, which will focus on attracting publicity from inside and outside Maricopa County.
- Scottsdale Polo Championships, LLC will make every effort that a SCVB toll-free visitor number, logo, or website (www.experiencescottsdale.com) will be displayed on any broadband broadcast of the Event and any national television broadcast which is secured in support of the Event.
- SCVB may provide promotional items or literature to all event participants and attendees.
- Scottsdale Polo Championships, LLC will cause Event announcers to verbally mention SCVB a minimum of five times during Event announcements. SCVB will provide the content of such verbal mentions to Scottsdale Polo Championships, LLC prior to the Event.
- Scottsdale Polo Championships, LLC will prominently feature SCVB visitor information in Event press releases and public service announcements distributed for the Event.
- Scottsdale Polo Championships, LLC will provide City directly, or if requested by City, provide SCVB for the benefit of City, with corporate entertainment and hospitality opportunities at the Event consisting of:
 - Four (4) entries into the Event.
 - Eight (8) individual invitations to any Event welcome reception, party or dinner held for select sponsors and city officials.
- Scottsdale Polo Championships, LLC will prominently identify the City and the SCVB as host sponsors on the Event website. Scottsdale Polo Championships, LLC will include on the Event website a link to the SCVB's website at www.experiencescottsdale.com and identify as a vacation planning resource or visitor information.
- Scottsdale Polo Championships, LLC will work closely with SCVB to create additional promotional opportunities for the Event. Scottsdale Polo Championships, LLC will promote such promotional opportunities in conjunction with the Event on the Event's website.
- Scottsdale Polo Championships, LLC will create and implement a marketing plan and promotion plan for the Horses and Horsepower event focused on attracting visitors from outside Maricopa County as well as local residents. The marketing plan shall provide the marketing impression values equaling or exceeding the requested City direct sponsorship amount. The marketing plan shall be provided to the City and initiated no later than June 1, 2013.

- Scottsdale Polo Championships, LLC will provide the City a post event report which will provide an evaluation of the producers performance under this agreement, the benefits to the City and the public achieved and likely to be achieved because of the event, and such other information as the post event report template to be provided by the City shall require. Post event report shall be provided to the City within 60 days following the conclusion of the event. If requested, a presentation to City Council will be required.

Event marketing efforts will be required to target feeder cities in order to provide assurance of increased tourism for Scottsdale as a result of the event. In addition, the City will conduct an event intercept survey during the event using questions selected by the City at the event at a reasonable cost to the event producer.

Community Involvement

The TDC's discussion relating to the Horses and Horsepower Polo Event took place at the regularly scheduled TDC November 20, 2012, February 19, 2013 meeting, as well as the March 25, 2013 City Council Economic Development Subcommittee meeting.

RESOURCE IMPACTS

Available funding

On February 19, 2013, the TDC unanimously recommended that City Council support the agreement between the City and The Scottsdale Polo Championships, LLC, producer of the Horses and Horsepower Polo Event. The total maximum approximate City investment for the agreement is \$75,000. Based on FY2013/14 bed tax projections, funds are available.

Staffing, Workload Impact

No additional staffing or other resources are anticipated as a result of the proposal.

OPTIONS & STAFF RECOMMENDATION

1. Adopt Resolution No. 9353 to: 1. Authorize funding, not to exceed \$75,000, from the City portion of bed tax allocated toward event development for "The Scottsdale Polo Championships: Horses and Horsepower Event." 2. Authorize New Event Funding Agreement No. 2013-044-COS with Scottsdale Polo Championships, LLC.
2. Do not adopt Resolution No. 9353.

RESPONSIBLE DEPARTMENT(S)

Economic Development

STAFF CONTACTS (S)

Steve Geiogamah, Tourism Development Coordinator Economic Development Department,
sgeiogamah@scottsdaleaz.gov

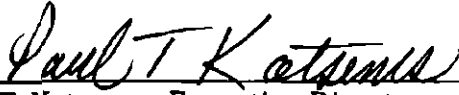
APPROVED BY



Cindi Eberhardt, Economic Development
Assistant Director
480-312-2311, ceberhardt@scottsdaleaz.gov

3-26-13

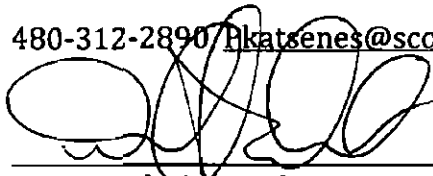
Date



Paul T. Katsenes, Executive Director
Community & Economic Development
480-312-2890, pkatsenes@scottsdaleaz.gov

3-25-13

Date



Dan Worth, Acting City Manager
480-312-5555, Dworth@scottsdaleaz.gov

3-26-13

Date

ATTACHMENTS

1. Resolution No. 9353
2. Agreement No. 2013-044-COS
3. February 19, 2013 Tourism Development Commission Meeting Minutes

RESOLUTION NO. 9353

A RESOLUTION OF THE COUNCIL OF THE CITY OF SCOTTSDALE, ARIZONA, AUTHORIZING A TRANSIENT LODGING (BED) TAX FUNDING AWARD FOR "THE SCOTTSDALE POLO CHAMPIONSHIPS: HORSES & HORSEPOWER" AND AUTHORIZING A NEW EVENT FUNDING AGREEMENT WITH THE EVENT PRODUCER

WHEREAS, City desires to provide funds for The Scottsdale Polo Championships: Horses & Horsepower event, and

WHEREAS, City and the selected event producer wish to enter into an agreement for the event,

NOW, THEREFORE, BE IT RESOLVED, by the City Council of the City of Scottsdale, Arizona, as follows:

- Section 1. The City Council authorizes an amount not to exceed \$75,000.00 from the Event Development portion of transient occupancy (bed) taxes for promoting the City of Scottsdale through "The Scottsdale Polo Championships: Horses & Horsepower" event.
- Section 2. The City Council authorizes and directs the Mayor to execute, on behalf of the City, Contract No. 2013-044-COS.

PASSED AND ADOPTED by the City Council of the City of Scottsdale, Arizona this ____ day of April, 2013.

City of Scottsdale, an
Arizona Municipal Corporation

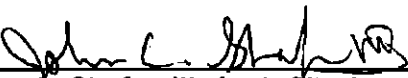
ATTEST:

Carolyn Jagger, City Clerk

W. J. "Jim" Lane, Mayor

APPROVED AS TO FORM:

Bruce Washburn, City Attorney

By 
John G. Shafer, III, Asst. City Attorney

NEW EVENT FUNDING AGREEMENT

THIS NEW EVENT FUNDING AGREEMENT (the "Agreement") is made this ____ day of _____, 2013 by and between Scottsdale Polo Championships, LLC, an Arizona limited liability company ("Producer") and the CITY OF SCOTTSDALE, an Arizona municipal corporation ("City").

RECITALS

A. City's City Council has approved the expenditure of a portion of certain funds collected (the "Bed Tax Funds") in conformity with Financial Policy 21A to be used to help promote certain events supporting tourism and the hospitality industry in Scottsdale, Arizona.

B. Producer is the producer of a certain tourist-oriented event (the "Event") known as "The Scottsdale Polo Championships: Horses & Horsepower."

C. Producer has submitted to City a proposal (the "Proposal") describing the Event and requesting that City authorize use of a portion of the Bed Tax Funds for the Event to promote Scottsdale as a tourist destination.

D. At Producer's request, City has determined to provide funds (the "Event Funds") to Producer up to the maximum amount of Seventy Five Thousand and No/100 Dollars (\$75,000.00) (the "Event Amount").

E. City's willingness to provide the Event Funds is conditioned upon Producer's executing and performing this Agreement and delivering to City after the Event a report (the "Post Event Report") accompanied by a separate invoice (the "Invoice").

NOW, THEREFORE, in consideration of the foregoing and good and valuable consideration received, the parties hereto agree as follows:

1. Funding Limitation. Payment of the Event Funds is subject to all of the following cumulative conditions and limitations:

1.1 The total amount of Event Funds City pays under this Agreement shall not exceed the Event Amount, minus setoffs and other amounts to which City may be entitled.

1.2 City's payment shall be made only from Bed Tax Funds, specifically the portion allocated to event development. City is not obligated to provide funding from any other source.

1.3 Without detracting from limits contained elsewhere in this Agreement, Event Funds shall be disbursed only to the extent City determines, in its sole and absolute discretion, that City has collected adequate Bed Tax Funds to disburse these amounts, taking into account all circumstances including, without limitation, competing uses for the Bed Tax Funds.

2. Event Requirements. In addition to the Event Scope of Deliverables more specifically set forth in Exhibit A, attached hereto and herein incorporated by reference in its entirety, Producer shall cause the Event to comply with all of the following requirements:

2.1 The Event shall be held within the corporate limits of the City of Scottsdale.

2.2 The Event shall be open to the public.

2.3 The Event shall be held on the dates stated in the Proposal-November 1 and November 2, 2013. If the Event fails to occur on such dates, the City shall not be obligated to perform.

Notwithstanding the foregoing, if the Event fails to occur on the above dates solely due to weather, an act of God, or a condition beyond the reasonable control of Producer, then Event (or any portion thereof) may be rescheduled to a subsequent date certain. All rights and privileges of the parties will continue until conclusion of the Event. Should the Parties agree that rescheduling the Event is not tenable, they may mutually decide to cancel this Agreement and sponsor (City) shall have no further obligation to provide additional funds beyond the value of sponsorship benefits provided to date.

2.4 Producer's representation that the Event will be of the same scale, quality, attendance, economic benefit to the public, and other public benefits-or better-as are described in the Proposal is a material term of this Agreement.

2.5 Producer shall publicly acknowledge the City support represented by this Agreement. Without limitation, all Event publicity, advertising and other activities before, during and after the Event (that are entirely or partially paid for by Event Funds) shall acknowledge City's support, shall clearly indicate that the Event occurs in Scottsdale, shall clearly indicate the Event is sponsored by City, and shall utilize (as determined appropriate by City) a logo provided

by City or an event sponsorship logo provided by the SCVB. No other use of City's name is allowed in any form of advertising or public relations without prior City approval.

2.6 If City requests, Producer shall publish in the Event program at least one reasonably prominent advertisement that is at least half of a page. The advertisement shall use content provided by City promoting Scottsdale.

2.7 No later than (60) days prior to the Event, Producer shall meet with City and SCVB and shall present for City's input the booking engines, room blocks, third party economic impact reports or equivalent methods that Producer will use to track which hotels and other lodgings are used by attendees, staff, vendors and other person who attend the Event.

2.8 No later than thirty (30) days prior to the Event, Producer shall deliver to City a letter, email, or fax (the "Exhibit Space Invitation") offering City a minimum of eighty (80) square feet of reasonably prominent exhibit space at the Event to be used by City at no charge for the purpose of promoting Scottsdale.

2.9 The official Event website shall have a prominent link to City's website and to SCVB's website.

2.10 City will conduct an event intercept survey, with questions to be provided by City, which cost (\$500-\$1000) will be reimbursed by Producer.

2.11 After the Event, Producer shall provide the Post Event Report to City as follows:

2.11.1 The Post Event Report shall be a written report formatted according to the template to be provided by City.

2.11.2 The Post Event Report shall include the following:

2.11.2.1 A narrative description of:

2.11.2.1.1 The Event.

2.11.2.1.2 Producer's performance under this Agreement.

2.11.2.1.3 The benefits to City and the public achieved and likely to be achieved because of the Event.

2.11.2.1.4 The Event's effects on City hotels.

2.11.2.1.5 The positive and negative effects on City services, facilities and neighborhoods.

2.11.2.2 A statement of the total attendance for the Event.

2.11.2.3 Such other information as the Post Event Report template to be provided by City shall require.

2.11.3 Producer shall deliver the Post Event Report to City no later than sixty (60) days after the Event.

2.11.4 Producer shall deliver the Post Event Report and the Invoice simultaneously in the same package and delivery, but each shall be enclosed in a separate sealed envelope within the package.

3. Event Fund Payment. Producer shall request Event Funds and City shall pay Event Funds as follows:

3.1 City's payment of the Event Funds is conditioned upon Producer's executing and performing this Agreement. City reserves the right to reduce the Event Amount below \$75,000 to the extent Producer's pre or post Event marketing impression values do not support such direct sponsorship amount. See Exhibit A.11.

3.2 City shall make the payment within sixty (60) days after receiving all of the following:

3.2.1 The Post Event Report.

3.2.2 The Invoice.

3.2.3 All supporting and other materials required by this Agreement. Payment of Event Amount shall be conditioned on Producer providing such evidence as City requests.

4. Compliance With Law. This Agreement does not waive and is not a substitute for Producer's obligation to comply with all state, local and federal laws, policies and regulations applicable to the Event. This Agreement is not a permit or regulatory approval to hold the

Event. This Agreement is not a promise to make City venues or other resources available for the Event.

5. **Indemnification.** To the fullest extent permitted by law, Producer, its successors, assigns and guarantors, shall defend, indemnify and hold harmless City, its agents, representatives, officers, directors, officials and employees from and against all allegations, demands, proceedings, suits, actions, claims, damages, losses, expenses, including but not limited to, attorney fees, court costs, and the cost of appellate proceedings, and all claim adjusting and handling expense, related to, arising from or out of, or resulting from any negligent or intentional actions, acts, errors, mistakes or omissions caused in whole or part by Producer relating to the Event, and any work or services in the performance of this Agreement including, but not limited to, any subcontractors, suppliers or others connected with the Event or anyone directly or indirectly employed by any of them or anyone for whose acts any of them may be liable and any injury or damages claimed by any of Producer's or such other persons, customers or employees. Producer's indemnification obligations shall extend beyond and will not be affected by any termination of this Agreement.

6. **Insurance.** Producer shall purchase and maintain during the Event and during all setup and takedown of the Event insurance with coverages and limits as follows:

6.1 The following coverages are required:

6.1.1 Commercial/Business Automobile Liability insurance with a limit of not less than \$1,000,000, each accident with respect to the Producer owned, hired, and non-owned vehicles.

6.1.2 Workers Compensation insurance to cover obligations imposed by federal and state statutes having jurisdiction of Producer's employees; and Employers' Liability insurance of not less than \$100,000 for each accident, \$100,000 disease for each employee, and \$500,000 disease policy limit. If any work is performed by third parties, Producer will cause the third parties to provide Workers Compensation and Employers' Liability to at least the same extent as required of Producer.

6.1.3 "Occurrence" form Commercial General Liability insurance with a limit of not less than \$1,000,000 for each occurrence, \$2,000,000 Products and Completed Operations Annual Aggregate, and a \$2,000,000 General Aggregate limit. The policy shall cover liability

arising from premises, operations, independent contractors, products-completed operations, personal injury and advertising injury. If any Excess insurance is utilized to fulfill the requirements of this paragraph, such Excess insurance shall be "follow form" equal or broader in coverage scope than underlying.

6.1.4 If valet parking is offered, Garagekeepers Legal Liability with limits of not less than \$75,000 per vehicle.

6.1.5 If alcohol is sold at the Event, liquor liability insurance with a limit of not less than \$5,000,000 for each occurrence and \$5,000,000 aggregate.

6.2 For all insurance policies except Workers Compensation, City shall be named as additional insured.

6.3 City's Risk Management Division may increase or change required insurance coverage and limits from time to time depending on the size, scope and nature of the activities of the Event. No reduction in coverage or policy limits is effective without the written approval of City's Risk Manager or designee.

6.4 Producer shall purchase and maintain all required insurance from insurance companies licensed to do business in the State of Arizona, or from qualified non-admitted insurers who are authorized to do business in the State of Arizona.

6.5 Producer shall provide City, prior to the Event, certificates of insurance as evidence that the required insurance coverages and limits are in full force and effect.

7. Term/Termination. This Agreement shall be in effect from the date executed by City's Mayor and will terminate upon Producer providing to City a satisfactory Post Event Report and City paying to Producer the Event Funds. However, City may, without further obligation, terminate the Agreement earlier for convenience or cause, upon giving Producer ten (10) days written notice. If the Event is canceled, this Agreement and all obligations of City and Producer hereunder shall also cancel at such date.

8. Miscellaneous.

8.1 Assignment. Producer's obligations and rights hereunder shall not be assigned or delegated, in whole or in part, without City's prior written consent.

8.2 Cancellation. This Agreement is subject to cancellation pursuant to the provisions of ARS Section 38-511.

8.3 Modifications. Any amendment or modification from the terms of the Agreement shall be in writing and shall be effective only upon approval of all parties.

8.4 Severability. If any term or provision of this Agreement shall be found to be illegal or unenforceable, the remainder of this Agreement shall remain in full force and effect, and such term or provision shall be deemed to be deleted.

8.5 Attorney's Fees. If any party brings any action for any relief, declaratory or otherwise, arising out of this Agreement, the prevailing party shall be entitled to receive from the non-prevailing party reasonable attorney's fees, costs, and expenses, determined by a court sitting without a jury, which shall be deemed to have accrued on the commencement of such action.

8.6 Authority. The person executing this Agreement on behalf of Producer warrants and represents to have full power and authority on behalf of Producer to enter into and perform this Agreement.

8.7 Notices. Notices hereunder shall be given in writing by hand delivery or by United States mail, return receipt requested, postage prepaid addressed to:

If to City:	Steve Geiogamah Tourism Development Coordinator Economic Vitality Department City of Scottsdale 4021 North 75th Street Suite 102 Scottsdale, AZ 85251
If to Producer:	Scottsdale Polo Championships, LLC c/o Jennifer Moser 7144 E. Stetson Drive, #400 Scottsdale, AZ 85251

By notice, City or Producer may designate other addresses for receiving mailed notice hereunder. Service of any notice by mail shall be deemed to be complete three (3) days (excluding Saturday, Sunday and legal holidays) after the notice is deposited in the United States mail.

IN WITNESS WHEREOF, the parties have hereunto subscribed their names as of the date first stated above.

ATTEST:

CITY:

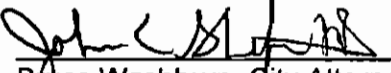
By: _____
W.J. "Jim" Lane
Mayor

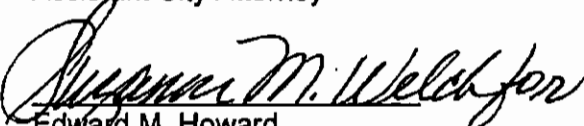
By: _____
Carolyn Jagger
City Clerk

PRODUCER:

By: _____
Jennifer Moser
ks: managing member

APPROVED AS TO FORM:


Bruce Washburn, City Attorney
By: John C. Shafer, III
Assistant City Attorney


Edward M. Howard
Risk Management Director



Steve Geiogamah
Tourism Development Coordinator

EXHIBIT A

New Event Funding Scope of Deliverables

Event Name: The Scottsdale Polo Championships: Horses & Horsepower

Event Date: November 1 and 2, 2013

Producer acknowledges that City's approval of this Agreement and corresponding Event Amount is predicated on statements made in Producer's proposal to City and subsequent negotiations which are herein memorialized. Producer and City agree that the following enumerated items are material provisions of this Agreement.

1. Producer will stage The Scottsdale Polo Championships: Horses & Horsepower at Westworld, in Scottsdale, Arizona, for a minimum of two (2) hours on Friday, November 1, 2013 and for seven (7) hours on Saturday, November 2, 2013..
2. There will be a total of four matches with a minimum of four international and domestic teams participating.
3. Producer will obtain all polo event sponsors and is solely responsible for fulfillment of all sponsor benefits that are provided in return for cash, product or in-kind services delivered by polo event sponsors.
4. Producer will provide a minimum of \$84,000 in underwritten public relations services, which will focus on attracting publicity from inside and outside of Maricopa County.
5. Producer will make every effort that a SCVB toll-free visitor number, logo or website (www.experiencescottsdale.com) will be displayed on any broadband broadcast of the Event and any national television broadcast which is secured in support of the Event.
6. SCVB may provide promotional items or literature to all Event participants and attendees.
7. Producer will cause Event announcers to verbally mention SCVB a minimum of five times during Event announcements. SCVB will provide the content of such verbal mentions to Producer prior to the Event.
8. Producer will prominently feature SCVB visitor information in Event press releases and public service announcements distributed for the Event.
9. Producer will provide City directly, or if requested by City, provide SCVB for the benefit of City, with corporate entertainment and hospitality opportunities at Event consisting of:
 - Four (4) entries into the Event
 - Eight (8) individual invitations to any Event welcome reception, party or dinner held for select sponsors and City officials.

10. Producer will prominently identify the City and SCVB as host sponsors on the Event website. Producer will include on the Event website a link to the SCVB's website at www.experiencescottsdale.com and identify as a vacation planning resource or visitor information.
11. Producer will work closely with SCVB to create additional promotional opportunities for the Event. Producer will promote such promotional opportunities in conjunction with the Event on the Event's website.
12. Producer will create and implement a marketing plan and promotion plan for the Event focused on attracting visitors from outside Maricopa County as well as local residents. The marketing plan shall provide the marketing impression values equaling or exceeding the requested City direct sponsorship amount. The marketing plan shall be provided by the City and initiated no later than June 1, 2013.
13. In addition to the Post Event Report, if requested by City, a presentation to the City Council will be required.

Approved March 19, 2013



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

Tuesday, February 19, 2013

**Pinnacle Conference Room at Human Resources
7575 E. Main Street
Scottsdale, Arizona 85251
APPROVED MINUTES**

PRESENT: Michael Hoffmann, Chairman
Kathleen Glenn, Vice Chairwoman
Ace Bailey, Commissioner
Tom Enders, Commissioner
Ren Hirose, Commissioner
Robert McCreary, Commissioner
David Scholefield, Commissioner

STAFF: Steve Geiogamah
Rob Millar
Holli Shannon
Paul Katsenes
David Smith
Lee Guillory
Kroy Ekblaw
Cindy Eberhardt
Derek Earle
Bill Peifer
Jack Shafer
Robin Rodgers

GUESTS: Rachel Sacco, SCVB
Caroline Stoeckel, SCVB
Paul Messenger, SMOw
Ned O'Hearn, SMOw
Jim Bruner, SMOw
Mike Fox, SMOw
Jason Rose
Sarah Jane

1. **Call to Order/Roll Call**

Noting the presence of a quorum, Chairman Hoffmann called the regular meeting of the Scottsdale Tourism Development Commission to order at 8:00 a.m.

2. **Approval of Minutes**

- January 15, 2013 Meeting

COMMISSIONER BAILEY MOVED TO APPROVE THE MINUTES OF THE JANUARY 15, 2013 TOURISM DEVELOPMENT COMMISSION MEETING AS PRESENTED. COMMISSIONER MCCREARY SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

3. **Staff Liaison's Report**

- a. Staff Bed Tax Collection Report

Mr. Geiogamah reported that bed tax collections for activity through December were down 1%. Miscellaneous retail sales tax were down 5%. Resorts year to date were down 4.5%, while full service hotels were up 3.8%.

- b. Bed Tax Proforma

Mr. Geiogamah reported no substantial changes to the proforma other than updated monthly expense numbers.

- c. Smith Travel Report

Mr. Geiogamah stated that occupancy year to date is 62%, a slight increase. The average daily rate is up \$145.65 YTD, and RevPAR is \$90.00. Group business is up 3.5% through December.

Rachel Sacco said the metrics over the past year revealed no consistent narrative, and contain many anomalies. Some months were strong for some properties and others were not. The SCVB is working with STR to make sense of the data, and to determine why the recovery has been so slow.

- d. Program Updates

Mr. Geiogamah reported that the Five Year Tourism Development Strategic Plan was presented to City Council on February 12.

1) Trolley Program

Mr. Geiogamah reviewed the Transportation Department report on Hospitality Trolley ridership. Total monthly boardings for January appear to be down compared to last year. Commissioner Scholefield noted that only four days of data were reported for Barrett-Jackson this year, instead of the seven days reported in previous years. In response to an inquiry from Commissioner Scholefield, Mr. Geiogamah said trolley

banners will be reinstalled following the conclusion of the Arabian Horse Show. Carolyn Stoeckel said the trolley promotion campaign will continue through March. The SCVB has received constant requests for route brochures, and a second batch was printed.

Commissioner Scholefield asked whether sponsoring merchants provided any feedback on ridership activity. Rob Millar responded that staff will conduct rider and sponsor surveys in March. Once that data has been analyzed, staff will present recommendations on how to move forward with the program. Commissioner Hirose suggested email blasts to remind visitors of the trolley, and a smart phone app to provide instant arrival information.

2) Desert Discovery Center

Kroy Ekblaw reported that the Desert Discovery Center Phase III Subcommittee reconvened last week for the first in a short series of meetings. Staff released a Request for Proposals last September, but none were submitted. The Committee plans to review project cost, scope, and phasing. They will also consider several alternative locations in response to concerns raised by the McDowell Sonoran Preserve Commission over use of the Gateway. Chairman Hoffmann invited Mr. Ekblaw to the March meeting for an in-depth presentation on the DDC for the benefit of the new TDC members.

4. Tony Nelssen Equestrian Center at WestWorld

Paul Katsenes reported that 15 new shows have been booked at TNEC for a total of \$362,000 in new show revenue. Staff has also identified 13 prospective shows, both equestrian and non-equestrian events. Six of those are pricing out at roughly \$100,000. City Management will soon decide whether to expand the scope of the consultant's task. Construction on TNEC is under way. The North Hall is expected to open in December of 2013, and Barrett-Jackson intends to hold next year's auction in the new building. The tent will remain in place temporarily as a backup.

Chairman Hoffmann inquired about the number of new shows from out of state. Mr. Katsenes said all nine new horse shows are. The six non equestrian shows are regional draws minimally. Commissioner Enders asked about the origins of the show leads. Mr. Katsenes explained that some came through outreach, while other shows have recognized the progress in the facility. Commissioner Glenn noted doubts that equestrian events generate much lodging business, since many participants bring their own trailers. Mr. Katsenes agreed that that might be the case at the lodging level, but there is a bigger impact at the retail and restaurant level. The consultant will help identify the value of each type of show overall.

Chairman Hoffmann requested a future update on measures taken to ensure that TNEC is able to attract tourism-driven events. He noted the TDC's concern that no booking manager has been hired yet, even though the Commission made a recommendation over a year ago.

5. Horse & Horse Power Event Proposal

Jason Rose stated that last year's Horse & Horsepower was America's largest single-day polo event, with over 9,000 in attendance. It also served as a sneak preview event for Barrett-Jackson and the Arabian Horse Show. Barrett-Jackson and Scottsdale Ferrari Maserati have decided to increase their level of involvement this year. The goal for 2012 was to create a high-energy, Fiesta Bowl-like event for polo, unlike anything else in the country. In return for the City of Scottsdale's \$75,000 investment, the event provided \$1.4 million in marketing value. The business plan projects attendance to reach 15,000 people this year, and 20,000 in the fourth year.

Mr. Rose said Horse and Horsepower fits perfectly with Scottsdale's sports, recreation, and western promotional categories, and showcases WestWorld as a premier equestrian facility. The Scottsdale event was featured in *Polo Times*, a magazine with worldwide distribution. It will move this year to coincide with the start of Race Week at Phoenix International Raceway (PIR), which is a major sponsor. The United States Polo Association has committed to holding their 2014 Annual Meeting in Scottsdale to coincide with H&H, producing about 600 direct room nights. Event producers will work with the SCVB to source a lead for the host hotel.

Mr. Rose reviewed plans for the 2013 event. The three-match tournament format will expand to two days. The title match is between the United States Military Polo Team and the Wales Polo Club. Work to Ride will play against the University of Virginia. Sunny Hale, the top female polo player in the U.S., will lead an all women's team against the Arizona Polo Club. On Friday afternoon, there will be an All-Star match followed by an equestrian-oriented fashion show.

Mr. Rose said last year's event budget was \$210,000, and is expected to grow to \$300,000 this year. Wrightway Polo will provide the horses. Casey McDonald and Taryl O'Shea will handle operations. The marketing outreach will be significant. Fox Sports will produce a TV show for national broadcast. Mr. Rose requested the same amount of support from the TDC as last year. A delay in funding support would hamper the ability of the event to deliver to its fullest potential.

Mr. Geiogamah noted that the marketing consultant reviewed the proposal and recommended moving forward with the funding recommendation of \$75,000. Vice Chairwoman Glenn said the event organizers responded to all of the concerns raised by the TDC last year.

COMMISSIONER SCHOLEFIELD MOVED TO SUPPORT THE HORSE AND HORSEPOWER EVENT FOR \$75,000 FOR ONE ADDITIONAL YEAR, WITH THE OPPORTUNITY TO REVISIT THE ISSUE NEXT YEAR. COMMISSIONER ENDERS SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

6. SCVB Second Quarter Performance Measures Report

Mr. Geiogamah reviewed the Second Quarter Performance Measures Report for the SCVB. All 16 measurements are being met. Ms. Sacco added that marketing and convention sales are exceeding where they were last year, with nearly \$124 million in projected economic impact from marketing, and almost \$33 million worth of confirmed

bookings into Scottsdale area resorts. The SCVB is developing a program of work for FY2013/14, which will incorporate recommendations from the Five-Year Strategic Plan.

New initiatives this year are to wrap the interiors and exteriors of three New York City subway cars with Scottsdale-themed imagery. These trains travel through Grand Central Station and carry 100,000 riders per day. The Denver light rail line is similarly being wrapped in a Cactus League theme. The Weather Channel in Canada compares winter temperatures in Canadian cities with the current temperature in Scottsdale.

7. Preliminary FY2013/14 Destination Marketing Program Objectives

Mr. Geiogamah invited TDC feedback regarding the SCVB objectives for the next fiscal year. City Financial Services estimates that \$13.9 million will be available in bed tax dollars, of which \$6.9 million will be available to the SCVB for their program of work. SCVB objectives include marketing, communications, convention sales and services, and tourism. The Commission will have an opportunity to review a draft of the Destination Marketing Plan at the March 19 meeting.

Commissioner Scholefield inquired whether the SCVB's revised Strategic Plan would require extra funding. Ms. Sacco responded that the program of work will be tweaked to respond to the customer base, but will still operate within the same budget framework. If it becomes apparent that the suggested activities from the Five Year Strategic Plan will chip into existing funding, the SCVB will revisit the matter with the TDC.

Commissioner Bailey inquired about the full-service visitor center. Ms. Sacco explained that the lease terms for the current SCVB location prevents it from being open seven days a week. One seven-day location is open at Scottsdale Fashion Square, but the SCVB would like to add another full-service visitor center downtown.

8. Overview of the City's Event Funding Programs

Mr. Geiogamah requested two TDC representatives who would work with staff to make recommendations regarding the Event Funding Program. Commissioners Enders and Scholefield volunteered.

9. Museum of the West Project – Funding Request

Rob Millar said the Western Museum Management Agreement will go before the City Council on February 26. The museum idea originated 30 years ago when community members formed a vision to build a western museum to protect, preserve, and promote Scottsdale's western heritage. Last May, the City issued an RFQ for a manager to operate a City-owned museum. One submission was received from the Scottsdale Museum of the West (SMoW). The museum is proposed for Second Street and Marshall. City Council directed staff to put together financial scenarios for the capital and TI costs, and begin putting together a framework for an operating agreement with the SMoW.

Mr. Millar said ConsultEcon tested SMoW's market conditions and operating plan assumptions. They will address their findings to City Council next week. Their report says the museum is well positioned in the growing Phoenix area. Visitation potential

ranges from 87,000 to 118,000. Year five is assumed the stabilization year. Operating potential is expected to be \$2.8 million in earned revenues. Estimated expenses range from \$2.2 million in year one to \$2.8 million in year five. ConsultEcon did significant benchmarking with comparable facilities to test their assumptions.

Mr. Millar said the management agreement says SMOw will be involved in the design and construction of the museum. They are responsible for contracting and managing exhibits, securing permanent art collections and long-term collection loans. Any future naming rights would go before the City Council for review and approval. The museum has to be open a minimum of 300 days per year, and open during Art Walk. They will establish a gift shop and retail operations. Fifteen percent of the governing board must consist of City representation. The initial term of the agreement is for ten years, with three ten-year extension options. SMOw is responsible for fundraising, developing a matching grant program, salaries, and developing a \$500,000 letter of credit by year five.

The City would build the facility. The Federal Transit Authority has agreed to convey interest in the Loloma Transit Center to the Thomas Road improvements. Staff recommends a \$400,000 annual matching grant program. If SMOw reaches their development goals annually, then no money would be allocated.

City Treasurer David Smith said the City would fund the \$13.6 million for the construction of the museum and the cultural plaza. It would take about \$1 million of debt service per year for 20 years to cover the debt. This amount could be reduced to \$900,000 if the financial policy requiring a debt service reserve is waived. City Council has already reserved a \$600,000 wedge of the bed tax fund for the western museum project. An additional \$400,000 wedge is expected to become available next year due to new growth. If the City provides matching money for funds raised by the museum from the private sector, it would ensure the success of the museum, particularly during the formative first five years.

Mr. Smith said the bed tax fund will have a lot of unspent carryover both this year and next. Most of the \$600,000 wedges reserved for this year are not actually being spent, leaving about \$2 million available this year. That money could be swept to provide the five-year matching fund support for the museum.

Commissioner Scholefield inquired about parking access. Mr. Millar explained that an underground parking structure was built in anticipation of a western museum at some point. The development process ensures that adequate parking and transportation will be available.

Chairman Hoffmann encouraged the museum to build a finishing kitchen large enough to accommodate catering for corporate events, which can generate significant revenue and exposure. He inquired why the museum and plaza have been divided into two projects. Mr. Millar responded that since one bed tax allocation has already been dedicated to the museum, separating the plaza would allow dedication of another allocation. Mr. Bruner explained that the plaza would make the project more attractive and increase its visibility on the art gallery walkway. The amphitheater and sculpture garden would help make the project more viable. Mr. Smith noted that the City has a financial policy of only spending one bed tax wedge on a particular project. Separation of the two projects would allow this to happen without waiving the policy.

Vice Chairwoman Glenn said the worst case scenario would be for the operating agreement to end after ten years, leaving the City stuck paying for a building for another ten years. Mr. Millar responded that the agreement lays out many worst-case scenarios and contains provisions that protect the City. If SMOw decides it cannot operate any longer, the City would still own the museum building and could issue another solicitation to find another operator. Vice Chairwoman Glenn asked whether the operator is subject to a baseline performance. Mr. Millar explained that they are required to be self-sufficient, and must regularly update the City. They either need to meet their own objectives in terms of attendance and staffing, or adjust their budget accordingly.

Rachel Sacco said Scottsdale needs a western museum to differentiate itself as a place in the west with a strong history and culture. The operators have connections in the art community who would bring new attractions into the community. The carryover allows the City to build something that would benefit tourism. Commissioner Hirose said the museum would also serve as a good venue for group events, which are currently in short supply downtown.

Paul Messenger said the museum is designed as a highly interactive attraction where technology will be used to tell stories. The experience will constantly change. The museum will reinforce the art galleries, and help visitors find a connection to the west. It will lengthen the time tourists stay in Scottsdale, and boost merchant sales. Commissioner Bailey agreed that the museum would create a solid focus to anchor the downtown area.

Vice Chairwoman Glenn said she supports the museum vision, but expressed concern that bed tax dollars will be used to fund a building, which alone cannot generate tourism revenue. She felt General Fund money should be used on the building, while bed tax dollars be used to support the museum itself. She suggested modifying the overhead to indicate that the TDC has recommended reserving an allocation for the Desert Discovery Center.

COMMISSIONER SCHOLEFIELD MOVED TO ENDORSE THE SCOTTSDALE MUSEUM OF THE WEST. COMMISSIONER BAILEY SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

COMMISSIONER BAILEY MOVED TO SUPPORT FUNDING THIS PROJECT AS PROPOSED. COMMISSIONER HIROSE SECONDED. THE MOTION CARRIED BY A VOTE OF FIVE (5) TO TWO (2), WITH COMMISSIONERS GLENN AND HOFFMANN DISSENTING.

10. Civic Center Master Plan RFQ Update

Robin Rodgers, Project Manager, provided an update on the Civic Center Infrastructure Assessment and Master Plan Project. An RFQ has been issued and statements of qualification are due today. The preliminary design and construction budget is estimated at between \$8 million and \$10 million. The goal is to present a contract to City Council in April. Mr. Millar requested bed tax money to help hire the consultant for the preliminary work.

Vice Chairwoman Glenn questioned whether the project was an appropriate use for the bed tax. Without backup space to rely on in inclement weather, it will have limited appeal for corporate events. Festivals are local draws. Chairman Hoffmann felt it was more of a cultural asset than a tourism driver. Mr. Millar responded that if the Mall were laid out properly, it would attract the type of large-scale events and tourism initiatives that Scottsdale has had to turn away in the past. He proposed a future agenda item to explain further the merits of the project.

Commissioner Scholefield said the TDC might still opt to reject the use of bed tax in the future, but the Commission should at least be involved in the process of shaping the project from the early stages.

COMMISSIONER BAILEY MOVED TO HAVE THE TOURISM DEVELOPMENT COMMISSION CONTINUE TO BE INVOLVED IN THE CONVERSATION REGARDING THE CIVIC CENTER PLAZA UPDATE PLAN. COMMISSIONER SCHOLEFIELD SECONDED. THE MOTION CARRIED UNANIMOUSLY BY A VOTE OF SEVEN (7) TO ZERO (0).

11. Identification of Future Agenda Items

Mr. Geiogamah said the City would begin accepting nominations to fill Chairman Hoffmann's position on March 5.

12. Public Comment

There were no public comments.

13. Adjournment

The meeting adjourned at 10:07 a.m.

Recorded and Transcribed by AVTronics Inc., d/b/a AVTranz Transcription and Reporting Services