

AGENDA

3:00 P.M.

CITY OF SEDONA, SPECIAL CITY COUNCIL MEETING WEDNESDAY, MARCH 1, 2017

NOTES:

- Meeting room is wheelchair accessible. American Disabilities Act (ADA) accommodations are available upon request. Please phone 928-282-3113 at least two (2) business days in advance.
- City Council Meeting Agenda Packets are available on the City's website at:

www.SedonaAZ.gov

GUIDELINES FOR PUBLIC COMMENT

PURPOSE:

- To allow the public to provide input to the City Council on a particular subject scheduled on the agenda.
- This is not a question/answer session.
- The decision to receive Public Comment during Work Sessions/Special City Council meetings is at the discretion of the Mayor.

PROCEDURES:


- Fill out a "Comment Card" and deliver it to the City Clerk.
- When recognized, use the podium/microphone.
- State your:
 1. Name and
 2. City of Residence
- Limit comments to **3 MINUTES**.
- Submit written comments to the City Clerk.

1. CALL TO ORDER/PLEDGE OF ALLEGIANCE/MOMENT OF SILENCE

2. ROLL CALL

3. SPECIAL BUSINESS

LINK TO DOCUMENT = 

- a. AB 2204 Discussion/possible direction regarding how best to structure and memorialize the partnership between the City of Sedona and the Sedona Chamber of Commerce and Tourism Bureau (SCoC&TB) for future destination marketing and tourism promotion services, and to establish goals and objectives for the fiscal year 2018 tourism promotion program. 
- b. Discussion/possible action on future meeting/agenda items.

4. EXECUTIVE SESSION

If an Executive Session is necessary, it will be held in the Vultee Conference Room at 106 Roadrunner Drive. Upon a public majority vote of the members constituting a quorum, the Council may hold an Executive Session that is not open to the public for the following purposes:

- a. To consult with legal counsel for advice on matters listed on this agenda per A.R.S. § 38-431.03(A)(3).
- b. Return to open session. Discussion/possible action on executive session items.

5. ADJOURNMENT

Posted: _____

By: _____

Susan L. Irvine, CMC
City Clerk

Note: Pursuant to A.R.S. § 38-431.02(B) notice is hereby given to the members of the City Council and to the general public that the Council will hold the above open meeting. Members of the City Council will attend either in person or by telephone, video, or internet communications. The Council may vote to go into executive session on any agenda item, pursuant to A.R.S. § 38-431.03(A)(3) and (4) for discussion and consultation for legal advice with the City Attorney. Because various other commissions, committees and/or boards may speak at Council meetings, notice is also given that four or more members of these other City commissions, boards, or committees may be in attendance.

A copy of the packet with material relating to the agenda items is typically available for review by the public in the Clerk's office after 1:00 p.m. the Thursday prior to the Council meeting and on the City's website at www.SedonaAZ.gov. The Council Chambers is accessible to people with disabilities, in compliance with the Federal 504 and ADA laws. Those with needs for special typeface print, may request these at the Clerk's Office. All requests should be made **forty-eight hours** prior to the meeting.

CITY COUNCIL CHAMBERS
102 ROADRUNNER DRIVE, SEDONA, AZ

The mission of the City of Sedona government is to provide exemplary municipal services that are consistent with our values, history, culture and unique beauty.

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**CITY COUNCIL
AGENDA BILL**

**AB 2204
March 1, 2017
Special Business**

Agenda Item: 3a

Proposed Action & Subject: Discussion/possible direction regarding how best to structure and memorialize the partnership between the City of Sedona and the Sedona Chamber of Commerce and Tourism Bureau (SCoC&TB) for future destination marketing and tourism promotion services, and to establish goals and objectives for the fiscal year 2018 tourism promotion program.

Department	City Manager
Time to Present	30 minutes
Total Time for Item	2 hours
Other Council Meetings	January 11, 2017
Exhibit	A. FY18 Goals and Strategies PowerPoint Presentation from SCoC&TB

City Attorney Approval	Reviewed 2/21/17 RLP	Expenditure Required	
		\$ 0	
City Manager's Recommendation	Discuss and provide direction regarding a new contract with the Chamber for destination marketing and tourism promotion services.	Amount Budgeted	
		\$ 0	
		Account No. (Description)	N/A
		Finance Approval	<input checked="" type="checkbox"/>

SUMMARY STATEMENT

Background: On January 11, 2017, City Council held a work session to discuss how best to move forward with tourism promotion and other visitor services after June 30, 2017 when the current contract with the Sedona Chamber of Commerce and Tourism (SCoC&TB) expires. By majority consensus, Council agreed that the longstanding partnership with the SCoC&TB should continue and directed staff to move forward with negotiating a new contract with the SCoC&TB.

Since the last contract was developed, the state of tourism in Sedona has changed. The SCoC&TB has had tremendous success with their destination marketing efforts and by all accounts, visitation to Sedona is at an all-time high. With this success has also come challenges, including striking the right balance between the needs of visitors and the quality of life of residents, and dealing with the overall strain on City infrastructure. In light of these changing conditions, and as part of the contract renewal, the City Council has expressed the need and desire to:

- Structure the contract to promote more active involvement from the City Council in annual decisions related to desired outcomes and policy level objectives relating to the program of work, marketing approach, and product development programs and projects.
- Develop a more sustainable tourism approach that considers and addresses the need to better balance the interests of residents and tourists, and to mitigate the unintended consequences of such a robust tourist economy.

In order to adequately address these items moving forward, additional direction from Council is being sought.

1. Contract Renewal Considerations:

Consideration A: Role of Council

Regardless of which specific components are included in a new contract for services, or at what funding levels or contract term, the renewal provides an opportunity for City Council to further define their role in the development of the annual program of work they are largely responsible for funding. Given the fiduciary responsibility for the tax dollars and the Council's unique perspective based on the diverse constituency they represent, it is fitting that the City Council provides input and policy direction in the setting of specific goals and objectives for tourism from year to year.

While the current contract does provide for an annual review by Council, that review has occurred towards the end of the process at a point when the budget, program of work, and marketing plan are already fully developed and approved by the SCoC&TB Board of Directors. This review is typically accompanied by an annual presentation by the SCoC&TB where they respond to the pressure to sell their organization and accomplishments. This pressure has been inadvertently created by a short-term contract, the need to react to critics, competing interests, continued discussions about RFP's, and a general sense that SCoC&TB must continue to justify their role.

The direction given by Council on January 11th was intended to shift the focus of future conversations between the SCoC&TB and City Council. Without the need to discuss if there should even be a contract or whether or not it should be with the SCoC&TB, the conversation can shift to more substantive policy issues as they pertain to achieving a sustainable tourism promotion program. The Council is in the best position to represent and attempt to balance the interests of a broad range of stakeholders, and the SCoC&TB has the expertise to position Sedona as a premier tourist destination. Collaboratively they are in the best position to create a coordinated approach to tourism management and one that makes sense for both residents and visitors.

Recommendation:

For the new contract period a joint work session (or sessions), could take place annually between the City Council and the SCoC&TB prior to development of the upcoming year's program of work, budget, and marketing plans. This would be an opportunity for the Council and the SCoC&TB to engage in dialogue regarding current year goals and objectives, assess the state of the tourism industry at that time, respond to changing needs, identify priorities,

and develop a coordinated tourism approach for the upcoming year. Council would provide the input necessary to set the policy direction and the SCoC&TB would obtain the guidance they need to develop a budget, program of work, and marketing plan that aligns with City Council goals.

These conversations should be set up in a way that promotes dialogue between two partners with mutual interests, recognizing that tourism is a dynamic process requiring constant evaluation, monitoring, and adaptation as conditions change.

This session, or sessions if necessary, should take place no later than the end of January each year to allow the program to be fully developed from there, and completed and brought back to Council for final approval before July 1st.

Consideration B: Scope of Services

Prior to the 2014 bed tax increase, going back to 1989, the City contracted with the SCoC&TB to manage destination marketing and visitor services. With the 2014 expansion of the contract, a third service category, product development, was added.

At that time, product development had not been fully defined but seemed to be geared towards expanding current and/or creating new destination offerings. More recently, out of necessity, product development funding has instead been directed towards better managing certain tourism assets and ameliorating some of the negative impacts of high visitation. Because the category is highly flexible, product development provides a mechanism to do either or both: allocate funds towards mitigating the impacts of tourism on the visitor experience or enhance current offerings as a way to further attract the targeted visitor demographic and improve the visitor experience. For example, product development funds have been allotted to address things like traffic congestion, trail overuse, and lack of parking, as well as for programmatic enhancements like the “Secret Seven” or “Walk Sedona” campaigns, restaurant week, and the leveraging of product development funds with private sector resources for other enhancements.

While the SCoC&TB has willingly taken on more of a “destination management” role (vs. strictly destination marketing), and initiated and implemented a number of these types of programs, since product development may include capital infrastructure-type projects, it may make sense for the City to share in these product development responsibilities. Things like parking, transportation, beautification, wayfinding, and attractions development may be more appropriate for the City to undertake given their in-house resources and experience with executing capital projects, something not necessarily in SoC&TB’s area of expertise. Other destination management projects or programs that provide enhancements to the visitor experience, or that require leveraging or heavy participation from their membership, may be more appropriately administered by the SCoC&TB.

Recommendation:

From year to year, the SCoC&TB can determine what resources are needed for visitor services and destination marketing depending on the policy goals established and consequently what is available for product development. Some years there may be more emphasis on the marketing component; other years there may be greater need in the product

development/destination management area. Depending on the resources available for product development, a list of projects and programs can be developed mutually by the SCoC&TB, Lodging Council, and City Staff based on Council's broader policy direction, and those can be presented to Council for final consideration. Those projects and corresponding funding allocations can then be directed to either the SCoC&TB or the City depending on which organization would be better suited to execute that project or program.

This model assumes continued funding at or near the 55% level, which provides resources to continue to address all three of the contract components. The 55% figure seems especially appropriate if product development includes strategies to better manage tourism and its related impacts. Should there be a desire to reduce the 55% substantially, that would likely preclude the continued pursuit of product development efforts, and instead shift the focus again to strictly destination marketing and visitor services.

Consideration C: Funding levels

In 2013, in order to bring Sedona closer to industry funding averages, a commitment was made to dedicate 55% of the bed tax revenues to tourism promotion activities. The 55% was a compromise, after the Lodging Council and SCoC&TB requested 60% of the bed tax, a figure they referenced as the industry average of occupancy tax dedicated to tourism promotion in other markets nationwide. At the time, it was unknown what an appropriate allocation would need to be to meet the desired program goals.

The Destination Marketing Association International (DMAI) 2015 DMO Organizational and Financial Profile Study shows that DMOs with an annual budget size of less than \$5,000,000, funded by municipalities, receive an average of 60% of the hotel room occupancy tax revenues. Within that data set, the other 40% is allocated to the cities' general funds. When considering the entire survey population, including those DMOs with budgets higher than \$5 million, the average of those destinations where a percentage of the city bed tax was allocated to the DMO, the average allocation was 51.2%, with the remainder going towards the cities' general funds.

Additionally, most of those smaller DMOs (under \$5 million annual budget) focus primarily on visitor services and sales and marketing and do very little in the realm of "product development." Movement towards this development role is still in the early stages in the industry. In light of these industry averages, the 55% figure does not seem unreasonable, particularly if those funds are also being used for product development.

Recommendation:

As was mentioned in the previous item, a model that includes visitor services, destination marketing, and product development will likely require funding at or near the 55% level. Even if bed tax revenues continue to increase above what would be necessary to provide visitor services and destination marketing, many needs remain in the area of product development, and there is no shortage of potential projects. In the absence of the bed tax revenue, these types of projects have no other dedicated funding sources.

This approach also continues to honor the agreement made in 2014 between the City and the Lodging Council and SCoC&TB, which was the impetus for raising the bed tax by a half percent. The difference is that allowing certain product development projects to be

undertaken by the city could mean that while 55% of bed tax revenues continue to be dedicated to tourism management, some revenues would be retained from the SCoC&TB allocation and would be expended by the city. Alternatively, reducing the 55% dedicated to tourism management may elicit further conversation with stakeholders. Recent communication with the Lodging Council suggests that there may be interest in reverting the bed tax back to 3% should the City look to reduce the contributions to tourism promotion.

As was mentioned previously, reducing the 55% substantially would likely preclude the continued pursuit of product development efforts, and instead shift the focus again strictly to destination marketing and visitor services. The funding amount necessary for these two service areas could be determined annually through a collaborative planning process similar to the one outlined above, or some set dollar figure or percentage could be established through a renegotiation process with the SCoC&TB and Lodging Council.

Consideration D: Term

The Council has now settled the question of whether or not the SCoC&TB will continue to provide tourism promotion services to the City. In giving direction to continue the longstanding partnership, Council cited how the SCoC&TB is in the best position to understand the Sedona community, interface with the key local and regional stakeholders, leverage the resources of their membership, and continue to promote and facilitate existing relationships. Council acknowledged that SCoC&TB has continually proven that they possess the expertise necessary to effectively manage tourism resources and impacts, and to successfully execute a performance-based marketing approach.

The Council also expressed the desire to shift the focus of conversations with the SCoC&TB away from securing City contracts to discussing how best to position Sedona as a destination and react to changing conditions from year to year.

Recommendation:

A contract remains an effective mechanism to memorialize the relationship and expectations of each party. If the contractual relationship is intended to be a longstanding one, and there are systems built in to revisit the goals, objectives, strategies, and budget allocations annually, then the actual contract terms should not need to change from year to year.

One option would be to develop a three or five year contract with two or three-year automatic renewals, up to a certain point (for example, up to ten years). These renewals would occur provided each party is satisfied with the terms, relationship, process and performance, and does not wish to revisit the actual contract document. Further, the current contract document, and almost every contract the City executes, contains a provision that allows either party to terminate the contract for any reason with 60 or 90-day notice. Any future contract document with the SCoC&TB would also include this provision.

Other Considerations

Performance metrics have been refined over the last several years. Those new measurements and reporting requirements would be incorporated into the new contract.

Other aspects of the contract terms can also be revisited should Council so direct.

2. Setting Goals for FY18 Tourism Promotion

Regardless of what is decided relative to product development, Council has now determined that the SCoC&TB will, at a minimum, continue to be responsible for destination marketing and visitor services on behalf of the City. While the SCoC&TB and their boards and committees may be in the best position to identify and execute specific *strategies* for tourism promotion, due to its fiduciary role and obligation to the broader community, the City Council has expressed a sense of responsibility to participate in the development of *goals* for the annual program of work.

This work session provides the opportunity for the City Council to establish the big picture policy direction and set specific goals and objectives for tourism for the upcoming year (FY18). Once Council provides that direction SCoC&TB will be able to develop the specific strategies to meet those goals and objectives moving forward.

Most of the recent discussions around tourism have emphasized the need to minimize the negative impacts of tourism (traffic, noise, congestion) and optimize the positive impacts (reduced tax burden on residents, vibrant business sector). Some objectives towards meeting that goal may include:

- Reducing day trippers during the highest peak periods in an effort to better manage congestion and capacity
- Focused pursuit of a more affluent target market/overnight visitors (less people, more spending)
- Securing greater number of weekday corporate visitors during shoulder and off-peak times to reduce the effects of seasonality
- Developing a sustainable tourism strategy.

If these are not the goals and objectives or if there are other goals and objectives for the program, Council should provide that direction to the SCoC&TB during this session.

To directly solicit this direction, representatives of the SCoC&TB will make a short presentation and facilitate this portion of the discussion.

Community Plan Consistent: Yes - No - Not Applicable

Board/Commission Recommendation: Applicable - Not Applicable

Alternative(s):

MOTION

I move to: for information, discussion, and possible direction.



SEDONA

CHAMBER OF COMMERCE
& TOURISM BUREAU



Agenda

1. Gain feedback on goals and direction
2. Discuss high level shifts from previous years
3. Discuss product development initiatives

Tourism Attraction & Management

- Goal: To attract, manage and monitor tourism for the benefit of residents, industry and visitors.

Visitor Orientation

- Goal: To make visiting Sedona a positive and seamless process.

Quality of Life

- Goal: To sustain a reasonable balance between tourism and the quality of life in Sedona.

Quality NOT Quantity

- Focus on Summer & Winter, Monday – Friday
- Accelerated sales efforts in group and international markets
- Longer length of stay
 - AZ resident marketing?
- Better Usage of Photos, Videos, Live Cameras
- Increase annual HHI = \$150,000+
- Focus on “Experiential”

Elevate the Arts

- Artist & Art history videos
- Partner with Sedona Gallery Association
- Partner with Sedona Arts Center 60th Anniversary
- SPAC matching grant program ?
- Expand History Walk

Elevate Wellness

- Support: SMSA, Illuminate Film Festival, Yoga Festival, VegFest, Mountain Bike Festival, etc.

Develop Sustainable Tourism Management Plan

- Residential sentiments
- Embrace Sustainability Standards
- Community Assessment



Product Development



Arts
&
Culture



Transportation
&
Walkability



Wellness

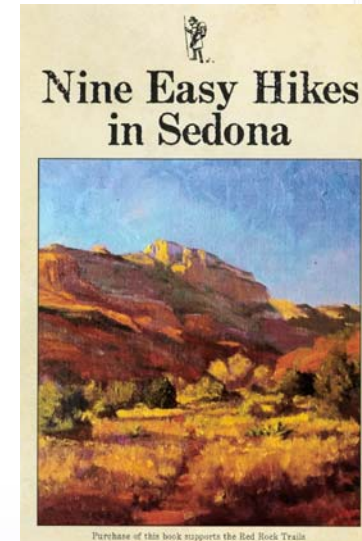
Sustainability

Sustainability

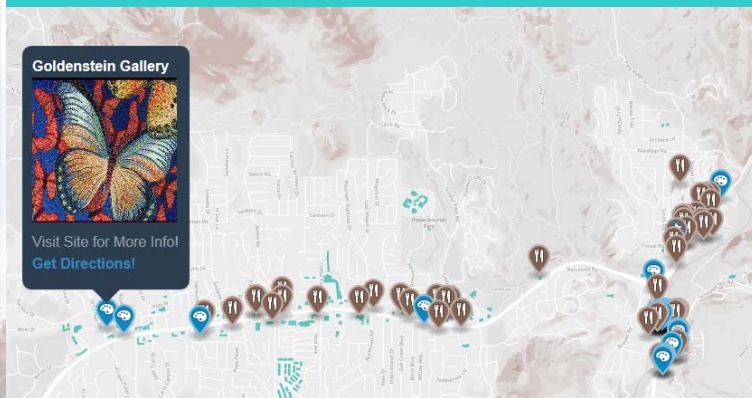
Sustainability

Ongoing Products

SEDONA
ARIZONA



WalkSedona.com



To Continue...?

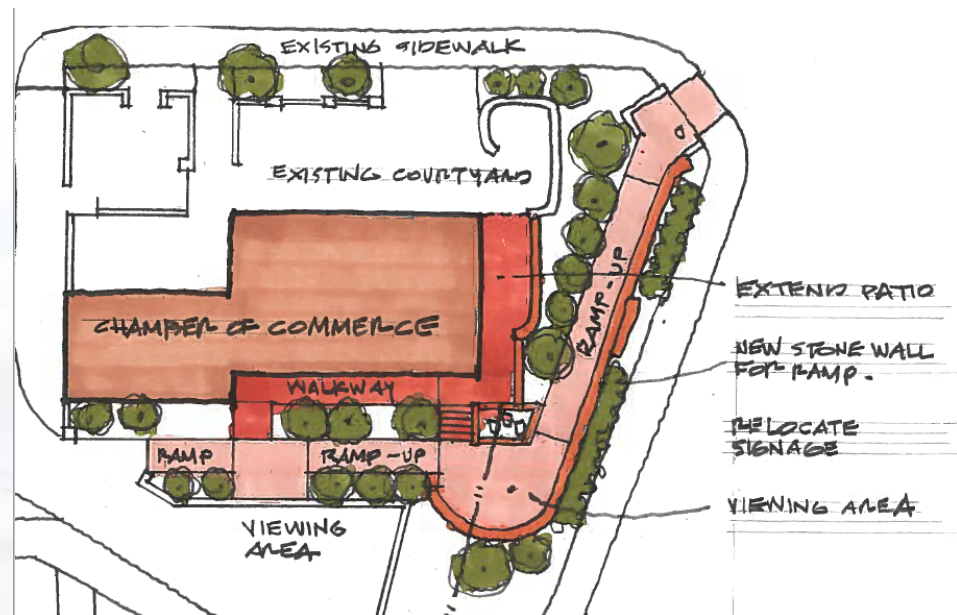
SEDONA
ARIZONA



New Products



Sustainable Destination Strategy



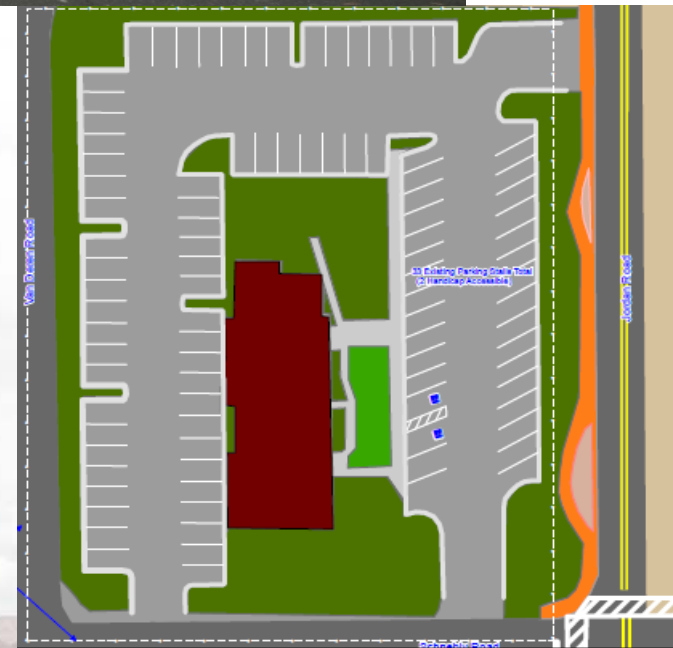
401 Jordan Road

SEDONA
ARIZONA



Initial Project Goals

1. Immediately Gain 45 Parking spaces in Uptown + Plus Bus Parking
 - Potential for up to 90 Additional Spaces
2. Staging Area for Tour operators
3. Public Restrooms
4. Waiting area with:
 - Sustainability messages
 - Free WiFi
 - Picnic tables



Questions & Answers

THE MOST BEAUTIFUL PLACE ON EARTH

In So Many Ways

visitsedona.com

SEDONA
Chamber of Commerce & Tourism Bureau