MEMORANDUM

Date: December 20, 2016

To: The Honorable Chair and Members
Pima County Board of Supervisors

From: C.H. Huckelberry
County Administrator

Re: **Visit Tucson Support and County Bed Tax**

Attached is a December 14, 2016 memorandum from my Executive Assistant, Nicole Fyffe, regarding Visit Tucson. I asked Ms. Fyffe to review the Visit Tucson Annual Report, and I would like to highlight the following for the Board's information:

- The County receives bed tax only from hotel and resort venues located in the unincorporated area of Pima County. The unincorporated area includes approximately 36 percent of the regional population, yet the County contributes nearly half of the public funding support to Visit Tucson through a statutorily structured fund distribution where one-half of the County collected bed taxes are dedicated to Visit Tucson.

- Our budget projection for Fiscal Year (FY) 2015/16 states we would provide Visit Tucson with $3,330,000 in revenues, and actual receipts were $3,266,796, which is relatively close to the amount budgeted. The projection for FY 2016/17 is $3,207,000.

- The County's unincorporated bed taxes are lower than the national average. Visit Tucson may suggest increasing the bed tax by two percentage points. Such could occur without impacting the competitiveness of hotels and resorts in the unincorporated area – both within the state and locally – since the City collects a higher bed tax through fixed dollar per night contributions.

- The City of Tucson has approached the Westin La Paloma, Hacienda del Sol, Loews Ventana Canyon and Embassy Suites Tucson Paloma Village regarding annexation. If these resorts are annexed, Visit Tucson's share of bed tax collection will decrease, since the County provides 50 percent of bed tax collections to Visit Tucson while the City provides 34 percent of its bed tax collections. In addition, the properties would have to begin charging $4 per occupied room night as a surcharge.

- Tourism activities are on the increase, which should result in an overall increase in revenues to Visit Tucson, as well as increased economic activity within the County.

If you have any questions regarding the Visit Tucson Annual Report and our review of same, please contact me.

CHH/anc

Attachment

c: Nicole Fyffe, Executive Assistant to the County Administrator

MEMORANDUM

Date: December 14, 2016

To: C.H. Huckelberry
County Administrator

From: Nicole Fyffe,
Executive Assistant to the
County Administrator

Re: **2015/2016 Visit Tucson Annual Report**

The following is in response to your December 13, 2016 memorandum. Page 4 of the Visit Tucson Annual Report shows the contributions to Visit Tucson by each jurisdiction, including private contributions. As you can see below, their largest contributor for last fiscal year was the City of Tucson, followed closely by Pima County.

Contributions to Visit Tucson Budget for FY 2015/2016 per Annual Report

Contributor	Amount	Percent of Total
City of Tucson	$3,312,627	43%
Pima County	$3,200,000	42%
Private sector	$756,550	10%
Town of Oro Valley	$215,000	3%
Tohono O'odham Nation	$75,000	1%
Pascua Yaqui Tribe	$75,000	1%
Total	**$7,634,177**	**100%**

Pima County's annual contributions are not fixed. State statute requires that we allocate a minimum of 50 percent of our bed tax revenues "to promote and enhance tourism through the recognized tourism promotion agency in the County" and in our case that is Visit Tucson. Our annual contract with Visit Tucson includes an amount based on Finance's projections of bed tax revenues for that fiscal year. For FY2015/16, the projection was $3,330,000. Fifty percent of actual receipts were $3,266,796.92. Visit Tucson's share is based on actual receipts. If actual receipts exceed the projected amount in the contract, a contract amendment is processed to allow for the additional funding to be contributed to Visit Tucson. For FY2016/17, the projection is $3,207,000, which is the figure stated in the contract. Our total bed tax rate is 6 percent of gross sales for hotel related businesses located in unincorporated Pima County, which is the maximum tax rate allowed per statute.

The same statue also requires that for no more than 34 percent of the bed tax revenues fund the Stadium District, and no more than 16 percent fund general economic development. My understanding is that these are the precise allocations used to fund the Stadium District and our Office of Tourism and Attractions.

Regarding your questions concerning the bed tax collections of the other jurisdictions and share of that given to Visit Tucson, please see the attached document that Visit Tucson President Brent DeRaad shared with Tom Moulton this morning with my notes in the margins. In particular, note the possible support for a legislative change to increase the County's bed tax from 6 percent to 8 percent, if the same split for Visit Tucson, Stadium District and general economic development continued.

Please let Tom or I know if you need additional information.

Attachment

NF/dr

c: Tom Moulton, Director, Tourism and Attractions Office
Keith Dommer, Director, Finance and Risk Management
Craig Horn, Principle Finance Analyst Supervisor, Finance and Risk Management

MEMORANDUM

Date: December 13, 2016

To: Nicole Fyffe
Executive Assistant to the
County Administrator

From: C.H. Huckelberry
County Administrator

Re: **2015/2016 Visit Tucson Annual Report**

Please review the attached annual report and correspondence from Visit Tucson. I am interested in additional information and statistics, particularly as they relate to local government contributions to Visit Tucson and the funds they receive from each jurisdiction within Pima County.

Please prepare a table showing the contributions to Visit Tucson by each jurisdiction, including the Tohono O'odham Nation and Pascua Yaqui Tribe. Also, inquire as to whether Visit Tucson receives any substantial private contributions; either cash or in-kind from the private sector. I would be interested in knowing their largest contributor.

Finally, our contribution to Visit Tucson has been fixed over time and remains relatively stable. Of visitor taxes collected, either a percentage of bed tax or a dollar contribution per night, what do other jurisdictions within the region collect as a bed tax or contribution on an annual basis?

CHH/anc

Attachment

100 S. Church Ave.
Tucson, Arizona 85701
visitTucson.org

TO: Pima County Board of Supervisors
Chuck Huckelberry, County Administrator

FROM: Vanessa Bechtol, Director of Community Partnerships

RE: 2015-2016 Annual Report

DATE: December 8, 2016

I'm pleased to share with you the enclosed Visit Tucson 2015-2016 Annual Report, highlighting Visit Tucson's accomplishments last fiscal year.

As you'll see in the report, during the 2015-2016 fiscal year our talented team at Visit Tucson generated $24 for the metro Tucson region for every $1 invested in the organization. The total economic impact from Visit Tucson activities grew 12% over last year, totaling more than $182 million.

A digital version of the 2015-2016 Annual Report is also available in the Media section of our website www.VisitTucson.org.

Please contact me with any questions about our Annual Report or 2015-2016 accomplishments. (520) 770-2169 or vbechtol@visittucson.org

FREE YOURSELF.

TO: Visit Tucson Board of Directors

FROM: Brent DeRaad & Vanessa Bechtol

RE: Visit Tucson Funding Opportunities Overview

DATE: Dec. 2, 2016

Marion Hook, who chairs Visit Tucson's funding committee, led a discussion yesterday with board members Dick Gruentzel and Carol Blomstrand, along with staff members Brent DeRaad and Vanessa Bechtol, regarding potential new or enhanced funding opportunities for Visit Tucson.

Our goal is to grow Visit Tucson's funding from $8.8 million currently to $10 million by the start of the 2018-19 fiscal year.

We discussed the many public- and private-sector sources outlined in the memo that follows.

Tucson, Pima County and Oro Valley bed-tax collections are seen as the most likely sources for public-sector revenue gains and those are areas over which we have some ability to influence. We will also pursue increased funding from the Pascua Yaqui Tribe and Tohono O'odham Nation. Other variables we will monitor, but over which we have limited influence, are lodging taxes from short-term vacation rentals and enabling legislation to create tourism improvement districts.

Regarding private funding, we discussed the possible creation of video and sales co-ops, along with looking at options to enhance or replace our membership model. Creating a la carte and/or more flexible benefits bundling may be productive. We also discussed grants, but have not determined which, if any, to pursue. Staff will begin to flesh out sources we believe can generate outside investment, while adding value to Visit Tucson. We will seek both your input and feedback throughout the process.

Finally, we all agreed that the board needs to have greater engagement regarding future funding for Visit Tucson, particularly in terms of being more engaged with elected officials. Please contact funding committee chair Marion Hook (405-3317, innkeeper@aroseinn.com) and/or Brent DeRaad (770-2149 office, 784-4559 cell, bderaad@visittucson.org) with thoughts and suggestions.

TO: Visit Tucson Funding Committee

FROM: Brent DeRaad & Vanessa Bechtol

RE: Visit Tucson Funding Opportunities Overview

DATE: Nov. 11, 2016

Destination Marketing Association International's 2015 DMO Organizational & Financial Profile Study surveyed 246 DMOs in the U.S., Canada, and Bermuda, and is the most comprehensive benchmark study on DMO structures. The funding sources outlined below are consistent with the top five sources of public and private funding sources among all DMOs surveyed. DMOs average 88% public funding, 12% private funding, which is the ratio of Visit Tucson's funding.

PUBLIC SECTOR REVENUE

Pima County

- Per A.R.S. 42-6108, Visit Tucson, as the officially-recognized tourism promotion agency for Pima County, receives 50% of the County's bed-tax collections to market, promote and sell the region.
- Visit Tucson's half of the County's bed-tax revenue has ranged from \$2.9-\$3.5 million in recent years.
- As more hotels and resorts are annexed, Pima County's bed-tax collections will diminish, unless new properties are built.
- Pima County doubled its bed-tax rate from 3% to 6%, effective Jan. 1, 2006, which is why 50% comes to Visit Tucson. As noted below in the City of Tucson assessment, cities and counties are required to invest 100% of bed-tax increases implemented after 1990 into tourism promotion.
- With the hotel/resort checkout rate in unincorporated Pima County (12.05%) being lower than the national average (13.4%), the County could increase the rate by 2 points without impacting the competitiveness of their hotels and resorts.

requires AZ legislative action

- Perhaps an increase could be split between Visit Tucson and Pima County tourism-related capital projects, such as enhancements to Kino Sports Complex, roads, air-service development?
- Opportunity to increase the County's investment in Visit Tucson: Good—with tourism strong currently, we have the opportunity for short-term gains

City of Tucson

- Investment in Visit Tucson has grown from \$2,472,540 in 2012-13 to \$4,076,000 in 2016-17.
- Percentage of base bed-tax revenue invested in Visit Tucson grew from 28% in 2012-13 to 34% in 2016-17.
- In 16-17, Visit Tucson collected 34% of City's 2015-16 base bed-tax collections, plus approximately \$500,000 from the City's surcharge revenue. Once the City collected its budgeted \$9.4 million from those sources, and Visit Tucson collected 34% of the base, the City split the remaining proceeds with us 50-50.

4% Bed tax x
2% sales x
\$4 surcharge

- That arrangement remains in place for 2017-18.
- Per A.R.S. 9-500.06, Tucson must invest 33% of its current base bed-tax revenue in Visit Tucson. The statute requires cities and counties to invest 100% of any bed-tax increases after 1990 into a broadly-defined category of "tourism promotion."

- We have a 10-year master operating agreement in place with the City (July 1, 2013-June 30, 2023) that requires a minimum investment in Visit Tucson of 33% of base bed-tax collections.
- The City will keep all of the new $2 surcharge revenue collected in 2016-17.
- There is controversy among local hoteliers regarding whether Tucson's surcharge is actually a bed tax. While SALARA has discussed a lawsuit, a more likely outcome is negotiating where those revenues go after a few years and/or whether the surcharge is reduced or eliminated.
- According to the 2015 DMO Organizational & Financial Profile Study, DMOs within our budget range receive on average 86% of City hotel assessments/fees collected.
- **Opportunity to increase the City's investment in Visit Tucson: Good**—Business has been strong during the past 18 months and limited new hotel supply is coming. The greatest potential for Visit Tucson is if the City shares with us additional surcharge or base bed-tax revenue.

Annexation-Tucson

- The City of Tucson has approached Westin La Paloma, Hacienda del Sol, Loews Ventana Canyon and Embassy Suites Tucson Paloma Village about being annexed into the city. All are within unincorporated Pima County.
- One argument against annexation from those properties is that 50% of their bed-tax collections currently go to Visit Tucson. That amount would drop to 34% if annexed into the city. Additionally, the properties would have to begin charging the $4 per occupied room per night surcharge, possibly making them less competitive.
- We are working with Tucson City Manager Mike Ortega on a plan to invest some bed-tax and/or surcharge revenue from annexed properties into Visit Tucson and tourism-related infrastructure.
- **Opportunity for Visit Tucson to secure new/additional revenue related to City annexations: Poor**—We would negotiate to retain what we're already receiving from Pima County

6% Bed tax
x sales
2.5%

Oro Valley

- Oro Valley currently invests a flat amount ($250,000 in 2016-17 and $275,000 in 2017-18) in Visit Tucson, although we can renegotiate if they annex a hotel/resort or if one is built in the Town.
- Even though Oro Valley's investment in Visit Tucson has quadrupled in the past four years, the Town is currently investing approximately 25% of its bed-tax collections in Visit Tucson.
- We need to negotiate to receive a percentage of bed-tax revenue, rather than a flat amount, in our next contract with Oro Valley.
- **Opportunity to increase the Town's investment in Visit Tucson: Good**

Annexation-Oro Valley

- Oro Valley is considering annexing Westward Look and Omni Tucson National—both currently in unincorporated Pima County.
- If Oro Valley annexes either or both properties, we will need to negotiate payment amounts. We requested a percentage, rather than a flat dollar amount, from the previous Town Manager, but were unsuccessful. Negotiating a percentage would automatically increase our payments.
- It's rumored that Marana may also be interested in annexing the Omni Tucson National. If that happens, our 50% of that property's bed-tax collections would drop to 0.
- **Opportunity for Visit Tucson to secure new/additional revenue related to Town annexations: Poor**—Like with Tucson, we'd negotiate to keep what we're already receiving from Pima County.

Pascua Yaqui Tribe

- We have received $75,000 annually from the Pascua Yaqui Tribe for the past several years in lieu of bed-tax collections from Casino Del Sol Resort.
- Visit Tucson provides Pascua Yaqui/Casino Del Sol with no deliverables for that investment.
- If the same resort personnel stay in place, we believe we can begin to increase their investment in Visit Tucson. Casino Del Sol invests more in Visit Tucson than does any other partner.
- **Opportunity to increase Pascua Yaqui's investment in Visit Tucson: Good**

Tohono O'odham Nation

- Desert Diamond Casino & Hotel (DDCH) invests $75,000 annually in Visit Tucson out of their marketing budget in return for Visit Tucson-related advertising and promotion.
- We have urged the casino to work with tribal leaders to invest the $75,000 out of Prop 202 "12% Revenue Sharing" funds as do many other Arizona tribes in economic development initiatives, however, that would require annual proposals to the tribe.
- DDCH does not invest much in our programs over and above the $75,000.
- The Tohono O'odham Nation is very focused currently on getting their Glendale casino operation up to full speed.
- **Opportunity to increase Tohono O'odham's investment in Visit Tucson: Moderate**

Marana/Ritz-Carlton

- We are still at a stalemate with the Town.
- They are in the midst of paying escalating lease payments for the Tortolita Preserve and have chosen to use bed-tax revenue to pay that annual lease.
- They created their own one-person tourism department in 2014.
- Marana has approximately 8 limited-service hotels along I-10, between Cortaro Farms and Orange Grove roads, and the Ritz-Carlton.
- With HSL Properties and David Mehl now owning the Ritz-Carlton, perhaps there is an opportunity for Ritz-Carlton to pay Visit Tucson a premium membership fee to offset some of the bed-tax revenue we would receive from the Town.
- **Opportunity to increase the Town's investment in Visit Tucson: Poor**

Green Valley/Sahuarita

- Visit Tucson currently rebates 32% of the bed-tax revenue it receives (via Pima County) from Green Valley properties to the Green Valley/Sahuarita Chamber of Commerce—approximately $45,000 annually.
- Green Valley/Sahuarita have had preliminary conversations about creating their own DMO.
- If Green Valley were to incorporate, it would retain all of its bed-tax revenue, which would cost Visit Tucson approximately $90,000 per year.
- Sahuarita does not have a hotel or resort, but is incorporated.
- **Opportunity to increase Green Valley/Sahuarita's investment in Visit Tucson: Poor**

Short-Term Vacation Rentals

- Arizona Gov. Doug Ducey signed Senate Bill 1350 on May 12, overriding ordinances in several communities that had made it illegal for home owners to rent out their homes for less than 30 consecutive days to vacationers.
- Effective Jan 1, 2017, the legislation creates a **voluntary** marketplace where companies operating in the online lodging marketplace are encouraged to charge, collect and remit to the Arizona Department of Revenue (ADOR) all checkout tax revenue on behalf of their hosts on short-term (less than 30 days) stays. ADOR will then allocate applicable amounts to municipalities and counties.
- Because Airbnb charges, collects and remits all revenue—to hosts and government—it will be easier for it to comply than for short-term vacation rental platforms like HomeAway/VRBO, which serves as a marketing platform for hosts. Those hosts are responsible for charging and collecting all revenues associated with stays at their properties.
- Senate Bill 1350 should positively impact transient occupancy (bed) tax revenue for Pima County, Tucson and Oro Valley based on the hundreds of unoccupied homes, apartments, condos-and rooms within occupied dwellings-that are rented out daily on Airbnb, HomeAway/VRBO, FlipKey, Craig's List and other sites in metro Tucson and Southern Arizona.
- **Opportunity to increase the County's and City's investment in Visit Tucson from increased short-term rental bed-tax collections: Good**—The voluntary rate of compliance, along with the state's ability to ensure all hosts/online marketplace companies are remitting and/or remitting correct amounts of tax revenue, remains unknown.

Tourism Improvement Districts

- Tourism improvement districts (TID) are hotel assessment districts that raise funds for destination marketing, tourism promotion, sales, and events.
- Assessment funds are segregated from local governments' general funds and can only be spent on initiatives approved by the TID formation documents.
- According to the *US Tourism District Law Study 2015* conducted by Civitas, TIDs are currently operating in 123 destinations across nine states, raising over $230 million for destination marketing each year. The majority are operating in California.
- Civitas researched Business Improvement District (BID) laws in every state and analyzed their suitability for forming TIDs, as well as whether cities and counties have independent authority to establish TIDs under the Home Rule authority.
- The Civitas study determined that Arizona has red laws by state statute and Home Rule authority, meaning that most or all of the necessary elements to create a TID are not present.
- We've had multiple conversations about this with John Lambeth, founder and president of Civitas. John said that Arizona's ultra-conservative legislative climate is not conducive to passing the enabling legislation needed.
- Additionally, there is not support for creating TIDs in Arizona from Visit Phoenix, Arizona's largest DMO. Their CEO won't take on a legislative battle that's not won easily. Visit Mesa is supportive, but no other Arizona DMOs have taken an official position.
- **Opportunity to create a TID to raise funds for Visit Tucson's destination marketing: Poor** – Enabling legislation would need to be signed into law. Then, hotel/resort owners/operators would have to vote to approve creating a tourism improvement district. A TID board of directors would be created to oversee TID expenditures and return on investment. We can hire John Lambeth to draft the enabling legislation, but would need legislative champions to push it.

Pima County Sports & Tourism Authority

- The Pima County Sports & Tourism Authority (PCSTA) was established April 1, 2008 by the Pima County Board of Supervisors as authorized by A.R.S. 11-701.
- The Authority's objectives are to: 1) Foster, develop, promote and grow youth and amateur sporting events centered around existing facilities; 2) Continue efforts to bring professional sporting events such as Major League Soccer, rugby, US and foreign baseball in order to both improve the quality of life in Pima County, and to provide high-visibility sports success stories to national and international audiences to demonstrate Pima County's unique qualities as a destination for professional and amateur sports events; and 3) Develop a community-wide vision for the role of sports and sports tourism in regional economic development.
- In July 2009, HB 2572 was signed into law, allowing for Pima County tax increases of 0.45% for hotels/motels, 0.35% for car rentals, 0.25% for restaurants and bars, and 0.15% on retail purchases, pending Pima County voter approval.
- The tax-rate increases would have to be spent on the construction of new Major League Baseball spring training facilities, but those increases were never taken to voters for approval.
- In January 2015, the Southern Arizona Lodging & Resort Association (SALARA) proposed to revise HB 2572 to allow the PCSTA to fund Visit Tucson, special event development, youth and amateur sports, and new flights at Tucson International Airport, instead of MLB spring training facilities construction.
- The tax rates set forth in HB 2572 would remain the same, but would still need to be approved by voters.
- SALARA's 2015 revised legislation proposed 50% of the excise tax revenue (approximately $4 million) to be allocated to Visit Tucson to grow existing events, attract new major events, and enhance the organization's sales and marketing programs. The remaining 50% would be split between Pima County youth and amateur sports facilities/programming and back-stopping new flights to Tucson International Airport.
- The revised bill was introduced in the House (HB 2619) early in the 2015 session and passed at the committee level, but did not make it to a vote and died in the House.
- There has been limited discussion about introducing a similar bill in the 2017 legislative session.
- Also, the legislature did vote in 2014 to extend the PCSTA through 2021. A vote on the tax increases needs to happen by the end of 2021 or the PCSTA will expire.
- <u>Opportunity to revise PCSTA to increase funds to Visit Tucson: Poor</u> – Legislation that changes the PCSTA beneficiaries from MLB to Visit Tucson, along with youth and amateur sports and Tucson air-service development efforts would need to be signed into law, then, Pima County voters would have to approve the tax increases.

Special Restaurant Tax

- According to the 2015 DMO Organizational & Financial Profile Study, 24% of DMOs within our budget range utilize a special restaurant tax, with an average tax rate of 2.31%.
- Allocations from special restaurant taxes make up 2.5% of the total public funding to DMOs.
- <u>Opportunity to create a special restaurant tax to support destination marketing: Poor</u> – Given the failure of all bond questions in November 2015, voter approval of a new tax is not likely. Additionally, much work would need to be done with the Arizona Restaurant Association and with local restaurateurs to create buy-in. They would likely ask to earmark those new funds for marketing programs specific to area restaurants.

Rental Car Tax

- Rental car taxes are used by a few DMOs, but are limited.
- A 2015 Maricopa (AZ) County Superior Court ruling on using rental-car taxes for non-transportation purposes pretty much eliminates our pursuit of this option – story 1, story 2
- A judge ruled that rental-car tax revenues that were used to build University of Phoenix Stadium, pay off Cactus League baseball facility debt, fund tourism promotion and fund youth and amateur sports facilities, via Prop 302 (passed by Maricopa County voters in November 2000), violated Article 9, Section 14 of the state's constitution, which provides that "no moneys derived from fees, excises or license taxes relating to registration, operation or use of vehicles on the public highways or streets are to be used for any purpose other than specified highway-related purposes."
- **Opportunity to create a rental car tax to support destination marketing: Not an option**

PRIVATE SECTOR REVENUE

Advertising Revenue

- The top source of private revenue for DMOs is advertising, at 23.5% of all private funding.
- Advertising revenue makes up 23.5% of Visit Tucson's budgeted revenue.
- Existing advertising programs include ARES, Mexico reservation commission, Tucson Attractions Passports, and co-op and website advertising.
- **Opportunity to grow advertising revenue: Good**—Based on changes in technology and how those changes impact our ability to push out meaningful Tucson content to targeted consumers, we see the use of our website declining in coming years. We need to explore opportunities to push out content through new apps and determine how to monetize that content. We will explore native advertising, video co-ops, product placement and more.

Membership Dues

- Although Visit Tucson's membership dues are declining, dues make up 21.4% of Visit Tucson's private revenue, notably higher than the DMO average of 15.7%.
- With the new tiered partnership (membership) program, businesses now have multiple membership levels from which to choose.
- **Opportunity to grow membership dues through retention and recruitment: Moderate**—Some DMOs are moving away from partnership models to a marketing model where interested businesses pay a la carte or packaged fees for commensurate marketing and sales benefits. If we stick with the partnership model, we need to carefully evaluate which products and services we offer.

Partnership Revenue

- Partnership revenue includes event fees such as the annual meeting, quarterly educational meetings (Tucson Tourism Trends), merchandise sales, website and tourism guide listings, brochure racks, and other partner advertising.
- We need to finalize how and where we are going to provide visitor services. We are committed to having a presence at the UA visitor center through July 2019, yet we're also looking at a partnership at the Old Pima County Courthouse and possibly creating a mobile visitor center. We should be able to command marketing fees from partners for exposure in one or more of those outlets.

- We can also look at revising the popular Certified Tourism Ambassador (CTA) training in which we engaged prior to the recession. This was a time-intensive program where we dedicated a full-time staff person, plus hours from several other employees, to train front-line employees in various sectors of tourism about how to sell and promote Tucson to visitors.
- <u>Opportunity to grow partnership revenue: Good</u>—There are definitely opportunities to increase partnership revenue in the coming years. We need to ensure these initiatives are easy to administer so that we don't eat up the new revenue by having to hire new employees to implement them.

Corporate Sponsorship

- This is one of the more intriguing revenue opportunities for DMOs, but it's difficult and costly to implement.
- We would pursue companies that, most likely, sell travel-related products and we'd seek cash and trade in return for providing them with exposure, product placement and sampling, etc..., in our various communication channels.
- <u>Opportunity to generate new revenue through corporate sponsorships: Moderate</u>—It's all about finding the right company with the right opportunity. We have discussed having Allison take the lead on this initiative at some point. We have been cautious about entering into this realm because of the amount of time it takes to research and tailor opportunities to targeted companies.

Tradeshow Fees

- When Visit Tucson sells our destination at tradeshows and industry meetings, we offer partners an opportunity to pay a participation fee to join us. These fees allow our partners to engage customers at a much lower cost than if they were to attend on their own.
- Our 2016-17 budgeted tradeshow revenue from partners is $87,100, or 8% of private funding.
- It is doubtful that we will increase our investment in tradeshows. Tom Tracy, who moderated our 2016 board retreat, suggested we should eliminate our presence at several shows in the coming years.
- We also charge fees for partners to participate in our client events, such as our Nov. 9, 2016 meeting planner events in New York.
- <u>Opportunity to generate new revenue through tradeshow participation fees: Poor</u>—We will likely keep these fees at a stable level to not overly burden our partners.

Regional Sales Office Co-op

- One idea that has been kicked around for several years is for Visit Tucson to create regional sales offices.
- This could range from having a remote sales manager work from home in some combination of New York, Washington, D.C., Chicago, Los Angeles and/or Phoenix, to hiring a rep firm in one or more of those cities.
- We could approach local hotels and resorts to match our investment in a remote sales office, test the concept, and decide whether to eliminate, continue, grow and/or tweak the concept.
- <u>Opportunity to generate new revenue through a regional sales office co-op program: Good</u>.

Building-Rent

- With myriad scenarios in play regarding our building, one possibility is to invest in minimal building enhancements and try to rent it to another user(s).
- The revenue would help pay the building's property taxes and maintenance, plus, possibly, some of the rent we would pay if we relocate our business operation elsewhere.
- **Opportunity to generate new revenue through building rent: Poor**—Visit Tucson's building needs exterior stucco and paint and a complete repainting on the interior, along with new carpet. Until we have a better handle on HSL's plans for the remainder of La Placita, including demolition and construction timelines, it would be difficult, at best, to rent our building.

Medical Tourism

- In partnership with the City of Tucson and Pima County, Visit Tucson is launching the Tucson Health Association (THA).
- Several Tucson hospitals, and other health and wellness businesses, are investing in the THA. We have current commitments of approximately $250,000.
- THA will be housed at Visit Tucson and will be a medical tourism program to attract visitors mainly from Mexico and Canada.
- 2016-17 budgeted program revenue is $400,000, or 38% of private funding.
- **Opportunity to grow medical tourism revenue: Good**—We view this as a standalone program where revenue must equal or exceed expenses. Benefits include more medical-based tourism business and the possibility of hiring someone who can administer the medical tourism marketing program, while aiding Mexico Marketing with other room-night generating initiatives.

Grants

- Due to our 501(c)(6) nonprofit status, Visit Tucson is eligible to apply for some corporate and foundation grants.
- We will need to carefully research which grants fit with our mission and ensure the initiatives funded with those grants add to our mission.
- Although there are exceptions, grants are generally one-time contributions, not multi-year investments.
- **Opportunity to generate new revenue through grants: Poor**—We owe it to ourselves to investigate which grants are most realistic for us to pursue.