



City of Las Cruces®

PEOPLE HELPING PEOPLE

COUNCIL WORK SESSION SUMMARY ROUTING SLIP

Meeting Date August 10, 2015

TITLE: SPONSORSHIPS.

- Are there attachments to the Council Work Session Summary? Yes No
- Will there be a Video Presentation for this item? Yes No
- Will there be a PowerPoint Presentation for this item? Yes No
- If "yes", will a copy of the PowerPoint Presentation be included on the Council Work Session Agenda? Yes No

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Council Work Session Summary

Meeting Date: August 10, 2015

TITLE: SPONSORSHIPS

PURPOSE(S) OF DISCUSSION:

- Inform/Update
- Direction/Guidance
- Legislative Development/Policy

BACKGROUND / KEY ISSUES / CONTRIBUTING FACTORS:

City Council and staff are frequently called upon to sponsor various events taking place within Las Cruces. There are numerous organizations worthy of support; but available dollars are limited. As a result, it is essential for the City to establish a fair and equitable sponsorship policy that can be applied uniformly to all applicants.

In recent years, some of the better known events in Las Cruces have encountered difficult times. One of the premier events has been The Whole Enchilada Festival (TWEF). After 34 years, the organizers of TWEF have made a decision to end the festival. As a result, the City Council passed a resolution on June 8, 2015 that the Convention and Visitor Bureau assess whether it should take over the festival and turn it into a City-run event.

The work session will examine the entire issue of City sponsorships of events, as well as review our options of making TWEF a City-run event.

SUPPORT INFORMATION:

1. Attachment "A", Draft Sponsorship Policy.
2. Attachment "B", Assessment of TWEF.

City of Las Cruces – Proposed Sponsorship Policy

Introduction

The City of Las Cruces (City) is frequently called upon to contribute to various worthwhile causes or events. However, under the Anti-donation Article of the New Mexico State Constitution, municipalities are prohibited from making contributions or donations to the benefit of outside entities without receiving something in return to the City. There may be instances when the City is called upon to support a specific event or activity where equal or greater value is derived for its investment. In these cases, depending on budgetary limitations, the City may choose at its discretion to sponsor a specific event or activity. It is incumbent on the City to clearly define a fair and equitable sponsorship program where qualified events and activities may be supported. As a result, the City Manager set up a task Force to review sponsorship policy.

Sponsorship Task force

Rusty Babington	Jennifer Bales	Rob Caldwell	Monica Campbell
David Dollahon	Barbara DeLeon	Chris Faivre	Andy Hume
Phil San Filippo			

Scope of Policy

The City of Las Cruces recognizes two types of events. City-run events are those that are initiated, planned, organized, and funded by any City department(s). These events are covered in City Manager’s Policy (CMP) #2.1 “Sponsorship of City Programs and Initiatives”.

City-sponsored events are those initiated and operated by organizations, groups and individuals outside of the City’s organizational structure. This policy only covers City-sponsored events.

Overview

The number of sponsorships and amount of funding are restricted and may vary from year-to year depending on budgetary limitations. City sponsorships shall not be considered as long-term commitments in order to encourage independent viability of events as well as support new initiatives. An organization can apply for funds for up to four consecutive years; however there are no guarantees that a sponsorship will be carried over from one year to another. Sponsorships that continue beyond one year should normally expect a 25% decrease in funding each year. An exception may be made if the event organizer can clearly demonstrate through measurable results that the event or activity is substantially increasing its return on the City’s investment.

Sponsorships may include in-kind services, direct cash payment; or a combination of both. Due to New Mexico anti-donation restrictions, outright gifts or payments are prohibited. There must be a clear value received for any sponsorship from the City. For example, groups or individuals coordinating and executing a public event or activity shall accomplish at least one of the following objectives:

- Promote tourism by bringing in overnight guests to our hotels or RV parks.

City of Las Cruces – Proposed Sponsorship Policy

- Improve or enhance the quality of life for the citizens of Las Cruces
- Creates direct economic impact to the City.

The stated event objective will determine the source of funds received. Funds for tourism-related requests will be funded from Lodger's Tax revenues. Quality of Life or Economic Impact sponsorships are funded from General Fund revenues.

Budgetary Limitations

Any consideration for sponsorships is predicated on budgetary limitations. General Funds and Lodger's Tax funds are limited. It is essential that prior to making any awards, the appropriate department making the award has the necessary funding to carry out its main mission and objectives. Therefore, the amount set for sponsorships will vary from year-to-year. Once the budgetary limits are depleted, no additional requests will be considered.

Application for Sponsorship Requests

Applications will be made twice each year for all sponsorship requests. The first submission deadline is July 15th and the second is December 15th. Applications for tourism-related sponsorships should be sent to the Convention and Visitors Bureau; while economic impact and quality of life sponsorship applications should be sent to the Office of the City Manager. All applicants shall be notified within thirty (30) days whether or not their program or event has been accepted for funding. Applicants may be called upon to make a formal presentation. Each group or organization making a request for submission will be required to submit a completed application, event budget, as well as plans for permitting and marketing. The request for sponsorship will be ineligible for funding if any section of the application or process is incomplete.

Applicants may only apply for funds for one category during any funding cycle. For example, if an organization receives City sponsorship funds in a funding cycle for a quality of life project; the same event is not eligible to apply for an Economic Impact or Tourism sponsorship during the same period.

To be considered for funding from the Las Cruces Convention and Visitors Bureau through its Lodger's Tax collections, one must clearly demonstrate that the event will attract overnight visitors to Las Cruces and positively impact the local economy. Consideration for sponsorship funding for either Quality of Life or Economic Impact events or activities from the General Fund; the applicant must demonstrate that the event will clearly enhance the quality of life for its citizens or will enhance the economic impact of the City. All City-sponsored events receiving General Fund revenues must be open and available to all citizens of Las Cruces.

City of Las Cruces – Proposed Sponsorship Policy

Convention and Visitors Bureau (CVB) Sponsorships

The CVB is funded solely on Lodger's Tax collections. The sales activities and events must be focused on bringing overnight visitors to Las Cruces. The number of requests for funding support have increased substantially over the past several years. As much as the CVB would like to help and support all of these worthwhile programs and events, the CVB must be selective and support only those events that have the propensity to bring in overnight guests and reflect positively on our community.

Section 3-38-21 of the New Mexico Lodgers' Tax Act, relating to the lodger's tax (currently 5%), which defines eligible use of lodger's tax proceeds, states in part:

“A municipality or county imposing an occupancy tax may use the proceeds from the tax to defray costs of advertising, publicizing and promoting tourist-related attractions, facilities and events of the municipality or county and tourist facilities or attractions within the area.”

CVB staff will screen all eligible applications of tourism-related sponsorships and present recommendations for funding to its Advisory Board that has been appointed by the Mayor.

Lodger's Tax Criteria

Tier 1 Sponsorship: A tier 1 sponsorship will be considered for up to \$6,000 if the following criteria are met:

A strategic plan is presented at the time of the sponsorship application. No event shall be considered for a Tier 1 sponsorship unless there is a minimum window of at least 150 days prior to the proposed event. The proposal should include a marketing plan with a detailed section on how this event will be marketed to visitors; an overall budget, implementation strategy, and plans for securing appropriate permits.

- The proposed event or activity must fit into the overall branding the CVB is using for attracting visitors to Las Cruces and must reflect positively on the city.
- The event or activity must have the potential to bring to Las Cruces at least 300 room nights that can be directly attributed to the event.
- The proposed event or activity should be somewhat unique. The CVB is not interested in supporting events that are similar to events that can be found in every other city.
- The event is for the betterment of the hospitality and tourism industry.

Tier 2 Sponsorship: A tier 2 sponsorship will be considered for up to \$4,000 if the following criteria are met:

A strategic plan is presented at the time of the sponsorship application. No event shall be considered for a Tier 2 sponsorship unless there is a minimum window of at least 120 days prior to the proposed event. The proposal should include a marketing plan with a detailed section on how this event will be marketed to visitors; an overall budget, implementation strategy, and plans for securing appropriate permits.

City of Las Cruces – Proposed Sponsorship Policy

- The proposed event or activity fits into the overall branding the CVB is using for attracting visitors and reflects well on the city.
- The event or activity has the potential to bring to Las Cruces at least 150 room nights that can directly be attributed to the event
- The event is for the betterment of the hospitality and tourism industry.

Tier 3 Sponsorships: A tier 3 sponsorship will be considered for up to \$2,000 if the following criteria are met:

A strategic plan is presented at the time of the sponsorship application. No event shall be considered for a Tier 3 sponsorship unless there is a minimum window of at least 90 days prior to the proposed event. The proposal should include a marketing plan with a detailed section on how this event will be marketed to visitors; an overall budget, implementation strategy, and plans for securing appropriate permits.

- The proposed event or activity fits into the overall branding the CVB is using for attracting visitors and reflects well on the city.
- The event or activity has the potential to bring to Las Cruces at least 100 room nights that can directly be attributed to the event.
- The event is for the betterment of the hospitality and tourism industry.

Tier 4 Sponsorships: Tier 4 sponsorships are existing events and activities that take place in our community; and CVB's participation provides an opportunity to nurture and support those that have supported or are important to the CVB and the hospitality and tourism industry. Tier 4 sponsorships will not exceed \$1,000. No event shall be considered for a Tier 4 sponsorship unless there is a minimum window of at least 60 days prior to the proposed event.

Special Sponsorships: Occasionally an opportunity comes along to host a major event or activity. The cost may be higher than a tier 1 sponsorship; but the cost-benefit far exceeds our normal parameters. Examples of a Special Sponsorships are the WAC tournament or the Biggest Loser. These are viewed on a case-by-case basis and a determination is made depending on the overall benefit and its direct impact to Las Cruces tourism.

Quality of Life / Economic Impact Events or Activities

It is recommended that the City Council set up a sponsorship fund each year for Quality of Life and Economic Impact sponsorships that would be administered by the Office of the City Manager.

A sponsorship shall be considered for events that meet the following criteria:

- Each application must include a completed application, event budget, as well as plans for permitting and marketing.
- The proposed event or activity must enhance the overall quality of life or enhance economic impact for the City of Las Cruces.
- The event or activity is open to all citizens of Las Cruces.

City of Las Cruces – Proposed Sponsorship Policy

- The event must be scheduled for at least sixty (60) days after the application date.
- The event should have measurable objectives with clear performance standards that demonstrates the program or event's effectiveness.
- A complete listing of proposed sponsors.

The City Manager shall appoint a staff review committee who will assess all applications and rank them based on the criteria outlined above. Based on the available budget, the committee will make a determination as to which proposals will be selected for sponsorships and the amount each group will receive.

Assessment of The Whole Enchilada Festival

On June 8, 2015, the Las Cruces City Council passed a resolution asking the Las Cruces Convention and Visitors Bureau (CVB) to assess the feasibility of the CVB taking over The Whole Enchilada Festival (TWEF) a making it a City-run event. As part of its directive, the Council stipulated there would be no additional investment from the City of Las Cruces beyond its current annual, in-kind commitment. To facilitate this request, a staff committee was organized to assess various options.

The committee included Andy Hume, Downtown Development Coordinator; Rob Caldwell, City Special Events Coordinator; Jennifer Bales, CVB Director of Sales; Chris Faivre; CVB Director of Marketing and Communications; and Phil San Filippo, CVB Executive Director. As part of its assessment, the committee met with TWEF officials and conducted random interviews with Las Cruces visitors and residents at an evening Las Cruces Farmers & Crafts Market on June 10, 2015.

TWEF has been a longstanding Las Cruces tradition for 34 years. During that time, festival attendees have enjoyed great food, music, carnival rides and other attractions that made TWEF one of the best-known festivals in New Mexico.

However, in recent years, the festival has struggled. Sponsorship funds, attendance and concessionaire revenue have all declined. The table immediately below shows the decline in the festival's major revenue streams from 2013 to 2014.

Table: TWEF Major Revenue Comparisons

Item	2013	2014	Difference	
			Dollar Amount	Percentage
Sponsorships	\$30,255	\$18,650	-\$11,605	- 38%
Gate	\$52,532	\$50,699	-\$1,833	-3.5%
Carnival	\$9,182	\$5,222	-\$3,960	-44%
Vendors	\$29,720	\$20,225	-\$9,495	-32%
Liquor Sales	\$5,000	\$2,550	-\$2,450	-49%
Outside Ticket Sales	\$2,054	\$2,769	\$715	+35%
Soda Sales	\$14,732	\$9,424	-\$5,308	-36%
Overall Revenue	\$168,020	\$112,349	-\$55,671	-33%

Between 2013 and 2014, overall festival revenue was down 33% while operating expenses increased by almost 7%.

In addition to the hard costs associated with TWEF, the City annually provided between \$75,000 and \$85,000 of in-kind support to the festival. The in-kind expenses included Police, Fire, Solid Waste, Streets and Parks and Recreation. The combined cost of actual expenses and in-kind services provided by the City bring the overall annual cost of running the festival to nearly \$200,000. Assuming the City maintains the same level of in-kind contributions, the CVB would need to secure close to \$125,000 of new funds each year just to keep the festival going at the same level. Considering that revenues from sponsorships and concessionaires dropped 38% and

Assessment of The Whole Enchilada Festival

32% respectively in a single year, it is doubtful that the event can be sustained without a major sponsor.

Perception VS. Reality

Because TWEF started as a free event, there was tremendous pushback from the community once the festival started charging admission. Many strongly believe that TWEF should remain a free event. The event started in downtown, but because of the revitalization efforts on Main Street, TWEF was forced to relocate to the Hadley Ballfields. Many people associate this change with the start of the event charging admission; however, the move to charge admission was necessitated by escalating expenses.

There are some who feel that the move to Hadley ruined TWEF, but the additional space at Hadley gave the festival the opportunity to add new elements to the festival. Equally as vocal as those who feel that TWEF should be downtown are those who are steadfastly against TWEF returning to its original location. They claim that the crowds were unruly, causing property damage and leaving the area covered in trash.

Impact on Tourism

Since the CVB is funded solely with revenues derived from Lodger's Tax; it is imperative that we consider potential room nights gained or lost as part of the assessment. In years past, TWEF did bring visitors to Las Cruces, but according to a sampling of our hotel partners, this has not been the case for quite some time. The Whole Enchilada Softball Tournament, which at one time was associated with TWEF and originally ran the same weekend; continues to bring in hundreds of overnight visitors every year. As the tournament grew in size, it could no longer be scheduled during the same weekend as TWEF; since the tournament requires every available ball field. In 2014, 262 teams participated in the tournament with 45% of the teams coming from outside of the general vicinity. The tournament is independently operated and not impacted by the loss of the festival.

At a recent CVB focus group conducted in Albuquerque, a few of the participants mentioned TWEF, but as the moderator dug deeper, it was determined that they were actually referring to the softball tournament.

When looking at TWEF as an event to draw overnight visitors, the committee felt that the festival would need to be substantially updated to make it more appealing to visitors. The main attraction was the making of the world's largest enchilada, and with Mr. Estrada retiring from the festival, this most unique identifying feature of TWEF will be missing. The cost of duplicating Mr. Estrada's contribution would cost thousands of dollars. For the CVB to take over the festival, maintain all of the elements that the locals know and love, and at the same time refresh its offerings to draw overnight visitors, it would cost much more than what is now being spent by the City on the festival.

Assessment of The Whole Enchilada Festival

In keeping with the original objective of TWEF: “to promote the cultural heritage of Southern New Mexico”, there is potential to build a festival. However, any replacement has to be carefully crafted. TWEF lasted 34 years which is far longer than most festivals; and for most of its lifetime TWEF contributed significantly to the Las Cruces lifestyle.

Recommendation

Any analysis of TWEF would be incomplete without applauding the hard work of the Whole Enchilada Festival board and the hundreds of volunteers who contributed thousands of hours over the festival’s 34 years. Mr. Estrada, board members past and present, and everyone associated with TWEF should be very proud of their accomplishments. Even if the City or a benefactor provided the additional \$125,000 needed for TWEF to continue in its current format, it will still be perceived by many as a shell of the original festival without Mr. Estrada making his enchilada.

Rather than trying to copy a concept that may have run its course, there would be no more suitable tribute to all that have given so much over the years than to go back to the festival’s original goal and ensure we “*promote the cultural heritage of Southern New Mexico.*” With that in mind, the CVB proposes to work with local organizations and maintain TWEF’s primary objective.

Keeping the name “The Whole Enchilada Festival” or trying to make the world’s largest enchilada would be an upward battle; and chances are any efforts would not recapture TWEF at its peak of success. With vendors and sponsorships dropping as drastically as they did in the previous year; it appears that TWEF has run its life cycle. However, cultural events are more popular than ever before; and the objective of promoting the heritage of Southern New Mexico remains as relevant today as it did 34 years ago. Therefore, the CVB will reach out to various organizations and work together to build upon an existing event; or establish a new experience that meets the original TWEF objective. There are elements all around us. By collaborating with wine growers, brewers, pecan farmers and other segments of our Southern New Mexico lifestyle; the TWEF objective will remain.