

COUNCIL MINUTES

October 30, 2003

The City Council of the City of Mesa met in a Study Session in the lower level meeting room of the Council Chambers, 57 East 1st Street, on October 30, 2003 at 7:30 a.m.

COUNCIL PRESENT

Mayor Keno Hawker
Rex Griswold
Kyle Jones
Dennis Kavanaugh
Janie Thom
Claudia Walters
Mike Whalen

COUNCIL ABSENT

None

OFFICERS PRESENT

Mike Hutchinson
Debbie Spinner
Barbara Jones

1. Review items on the agenda for the November 3, 2003 Regular Council meeting.

All of the items on the agenda were reviewed among Council and staff and the following was noted:

Conflicts of interest declared: 6.b. (Hawker)

Items removed from the consent agenda: 3.a., 7.d., 7.e, 8.a., 9.a.

Items added to the consent agenda: None

2. Discuss and consider approving the 2003-2004 City Council Priority Work Plan.

Special Assistant to the Mayor/City Manager Eric Norenberg addressed the Council and stated that he and Council Assistant Andrea Esquer were present to review the Work Plan which was assembled based on the Council Retreat held in September. He reported that of the six priority areas, five were continued from the previous year: Financing Government, Transportation, Mesa's Image, Neighborhoods, and Economic Development. Mr. Norenberg noted that the Council established Quality Services as the sixth priority for the coming year. He advised that staff requested input from various City departments to determine the methods to be implemented to reach the desired outcomes within the established timeframes, and the result of that effort was the document being presented to the Council.

Mayor Hawker stated that the Council has had an opportunity to review the document and suggested that the Councilmembers ask specific questions of staff. He expressed the opinion

that staff provided good follow up, but noted that no weight was given to the order of importance. Mayor Hawker added that at the next retreat, the Council would provide staff with more information regarding the ranking of each area relative to their priority.

Councilmember Walters noted that work has commenced on some of the items in the Priority Work Plan, such as the Fiesta Mall Quadrant Study and emergency preparedness. She commented that the fires in California were a reminder that other emergencies may arise in the community other than acts of terrorism.

Discussion ensued relative to the fact that a committee is to be formed to develop the City's financial forecast; that a model is being prepared and the committee should be in place in the near future; that Councilmembers could recommend people to serve on the committee that is expected to consist of 12 to 15 individuals; and that the committee will be staffed internally.

3. Discuss and consider a recommendation concerning increasing the City bed tax.

Deputy City Manager Debra Dollar stated that the Mesa Convention and Visitors Bureau (CVB) has recommended an increase in the transient occupancy tax, better known as the "bed tax," from 2.5% to 3%. She noted that the City contracts with the CVB to use the funds to promote tourism and convention business in Mesa and, under the current arrangement, the City collects and distributes the funds on a monthly basis. Ms. Dollar reported that 15% of the total funds are designated for civic activities, community relations and administrative costs, and includes a \$25,000 administrative fee and \$100,000 for spring training facility improvements at Hohokam Stadium. She noted that the Bureau is proposing to use 50% of the new monies generated by the increase in the bed tax, estimated to be approximately \$125,000, to market the planned indoor Aquatics Center. Ms. Dollar added that this would raise the Community Relations Budget from 15% to 18% and all other conditions of the City's agreement with the CVB would remain the same.

Discussion ensued relative to the fact that the process could include holding public hearings prior to placing the proposed tax increase on the ballot; that citizens have the opportunity to speak to the item at this meeting and again on Monday, November 3rd; and that the item will be placed on the agenda prior to Council consideration of the resolution to call the election.

Robert Brinton, Executive Director of the Mesa Convention and Visitors Bureau, addressed the Council and stated that a meeting with representatives of Mesa hotels was held a year ago to discuss the marketing of Mesa. He reported that the majority of hotels, based on a weighted average of the amount of bed tax collected, favored an increase in the bed tax to fund the marketing efforts, and the consensus of the group was to review this proposal again in one year. Mr. Brinton advised that the hotel industry again came forward this year to propose an increase in the bed tax. He explained that properties with 100 plus rooms represent the vast majority of hotels in Mesa and account for 85% of the total collection of bed tax. Mr. Brinton added that the CVB Board of Directors, as a condition of the bed tax increase, was proposing that the CVB assume responsibility for the entire marketing function for the Aquatic Center. He stated that presently properties representing 70% of the City's bed tax revenues were in favor of the proposed increase, and he expected that number to increase to 75% as additional contacts were made.

In response to a question from Mayor Hawker regarding the identification of specific hotels that were in favor of the proposed increase, Mr. Brinton explained that he could contact the hotels to obtain permission to release that information.

Mr. Brinton stated that the CVB Board of Directors considered the following factors when reviewing the proposed tax increase: how the money would be spent; the pros and cons of increasing the tax; the timing of the increase; and how the CVB would implement the proposed marketing effort. He advised that the Board also contacted the Hotel Resort Association, the State Lodging Association, the President of the Chamber of Commerce, and several meeting planners regarding the proposed increase, and the feedback was positive. Mr. Brinton reported that a committee formed by the CVB Board of Directors was authorized to meet with City staff and officials in an effort to place the proposed increase on the ballot.

Mr. Dave Muth, Chairman of the Board of the Mesa CVB and General Manager of the Hilton Hotel, advised that he was originally opposed to increasing the bed tax. He explained that hotel market situations could change dramatically in a short period of time, and the business is extremely competitive. Mr. Muth stated that he now supports the increase. He expressed the opinion that Mesa was presently "leaving dollars on the table" due to the fact that with the proposed increase, Mesa would remain competitive with surrounding cities and the increase does not represent a major problem to consumers or meeting planners. Mr. Muth added that marketing the Aquatic Center is an opportunity for the local hotel industry in terms of selling room nights. He noted that the additional funds would provide hotels the means to promote Mesa to the meeting and convention market and provide advertising funds to promote Mesa as a travel destination.

In response to questions from Councilmember Thom, Mr. Brinton stated that reasons given by those opposed to the tax increase included the timing and the belief that a competitive advantage existed by maintaining a lower bed tax. He referred to the history of sales tax revenues dating back to the year 2000 and noted that while recent occupancy rates increased slightly, revenues were offset by a decline in room rates. Mr. Brinton advised that many new hotels have been built between Mesa and Sky Harbor Airport and marketing is required in order to be competitive in the market.

Mr. Muth reported that his hotel has experienced decreased revenue every year since 1997, but he has seen an increase in the last two or three months. He emphasized that his property is not only competing with hotels in Mesa, but with properties in Scottsdale and Chandler as well. Mr. Muth noted that business activity in the past three years has been concentrated in the Chandler area where there has been a 100% increase in the supply of hotel rooms. He stated that the proposed tax increase would not solve the problem, but the additional funds would be beneficial in marketing the City of Mesa and the City's hotels. Mr. Muth expressed the opinion that the City of Mesa continues to experience an identity problem on a national and regional level, and that the additional tax dollars would be of assistance in providing better recognition.

Further discussion ensued relative to the fact that major corporations are interested in upscale hotels for customers and executives; that the proposed increase would raise Mesa's bed tax to 11.77% compared with Phoenix at 12.07%, Scottsdale and Chandler at 11.67%, Tempe at 12.07% and Glendale at 11.57%; and that the City of Mesa funds the CVB marketing efforts with the bed tax revenues which is different from the practice of most other cities.

Mayor Hawker expressed concern relative to moving a recommendation on the bed tax forward to the next Council agenda without holding a public hearing.

Councilmember Whalen, the Council's representative to the CVB Board, stated that great discussions have occurred in the debate regarding this proposal. He recalled that the primary opposition related to the timing of the proposal, and that moving forward on the proposal would require a strenuous campaign on behalf of the CVB that cannot be funded by City monies. Councilmember Whalen noted that he was concerned about the issue of timing as well and suggested that a different election date be considered by the CVB.

Mr. Brinton advised that the November 2004 election date has been discussed, but he added that there was general agreement on the part of the CVB Board to move forward with the March election.

Additional discussion ensued relative to the fact that the bed tax proposal could be listed as an agenda item for the Monday, November 3rd, meeting as opposed to holding a public hearing; that listing the item on the agenda would still provide an opportunity for public input and discussion prior to Council consideration; and that anyone present at this Study Session has the opportunity to address the Council under "Items from Citizens Present."

Councilmember Whalen requested that staff provide the Council with information on the revenues currently generated by the bed tax and the additional amount that would be generated by the proposed increase.

Mayor Hawker noted the presence of Jack Lake, owner of the Arizona Golf Resort, and asked if he wished to comment on this item.

Mr. Lake expressed the opinion that the present climate is averse to raising any kind of tax. He stated that in addition to the timing issue, he was concerned regarding the concept that entitled the total electorate to vote to place a tax on a minority. Mr. Lake recognized the fact that the electorate would be willing to approve a tax increase that would be paid by other people. He noted that in the past, Mesa hotels established room rates just below the rates in effect at Scottsdale properties. Mr. Lake added that the present discussion refers to tax parity with other cities, but he expressed the opinion that tax parity is not the issue. He commented that until Mesa has the same type of attractions as Scottsdale, a competitive advantage is a necessity. Mr. Lake noted that when his business revenues decreased, he cut costs rather than request subsidies from his neighbors. He questioned why the CVB could not implement the same policy. Mr. Lake stated that he was responsible for marketing his own business, and he suggested that the Mayor and Council rethink the economics of this public policy.

Mayor Hawker noted that Mr. Lake would have the opportunity to speak to this item again at the Regular Council Meeting on Monday, November 3, 2003.

4. Acknowledge receipt of minutes of boards and committees.
 - a. Design Review Board meeting held October 15, 2003.

It was moved by Vice Mayor Kavanaugh, seconded by Councilmember Walters, that receipt of the above-listed minutes be acknowledged.

Carried unanimously.

5. Hear reports on meetings and/or conferences attended.

The following members of the Council provided brief updates on various meetings/conferences they attended as follows:

Mayor Hawker	Arizona Town Hall Meeting on Financing
Councilmember Griswold	Joint Meeting of the Bureau of Land Management, the Red Mountain Mining Company and the Red Mountain Residents regarding the future of the gravel pit.
Councilmember Thom	Grand Opening of Chela Financial, a new, non-profit company in District 6 that specializes in student loans.
Councilmember Walters	Mesa Grande Community Alliance Group Meeting
Vice Mayor Kavanaugh	Meeting with Dan Brooks, Director of the Executive MBA Program at Arizona State University, regarding community involvement by their graduates in working on economic development issues.

6. Scheduling of meetings and general information.

City Manager Mike Hutchinson stated that the meeting schedule is as follows:

Monday, November 3, 2003, TBA – Study Session

Monday, November 3, 2003, 5:45 p.m. – Special Council Meeting

Monday, November 3, 2003, 5:50 p.m. – Regular Council Meeting

Thursday, November 6, 2003, 7:30 a.m. – Joint Meeting with Design Review Advisory Board

Thursday, November 6, 2003, TBA – Study Session

Thursday, November 6, 2003, 9:30 a.m. – General Development Committee

Thursday, November 13, 2003, 7:30 a.m. – Study Session

7. Prescheduled public opinion appearances.

There were no prescheduled public opinion appearances.

8. Items from citizens present.

There were no items from citizens present.

9. Adjournment.

Without objection, the Study Session adjourned at 8:35 a.m.

KENO HAWKER, MAYOR

ATTEST:

BARBARA JONES, CITY CLERK

I hereby certify that the foregoing minutes are a true and correct copy of the minutes of the Study Session of the City Council of Mesa, Arizona, held on the 30th day of October 2003. I further certify that the meeting was duly called and held and that a quorum was present.

BARBARA JONES, CITY CLERK

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