

PRESCOTT CITY COUNCIL
WORKSHOP/SPECIAL MEETING
TUESDAY, MARCH 30, 2010
PRESCOTT, ARIZONA

MINUTES of the Prescott City Council Workshop/Special Meeting held on March 30, 2010 in the City Hall Council Chambers, 201 South Cortez, Prescott, Arizona.

◆ **CALL TO ORDER**

Mayor Kuykendall called the Workshop to order at 2:00 p.m.

◆ **ROLL CALL:**

PRESENT:

Mayor Kuykendall
Councilman Blair
Councilman Hanna
Councilman Lamerson
Councilwoman Linn
Councilwoman Lopas
Councilwoman Suttles

ABSENT:

None

WORKSHOP

1. Discussion of tourism efforts and future direction.

City Manager Steve Norwood noted that in the past few months they had serious discussions regarding their future direction in tourism. In 2008 the Council approved a two-year extension with Prescott Area Coalition for Tourism (PACT); that agreement will expire June 30, 2010. They had a long history with PACT, over ten years. The City of Prescott contributed between \$113,000 and \$220,000 a year to them over the years. They have been successful in securing Arizona Office of Tourism Grants, but the single greatest contributor has been the City of Prescott. There had been some other regional partners but nowhere near the level of funding, percentage wise or dollar amount.

Bill Geist, Marketing Consultant, with destination marketing concepts gave a presentation in January, and the options were to bring it in-house, with pros and cons sited, use private organizations and renew with PACT, among others.

He met with Scottsdale and Flagstaff who were both successful and had two different models. Scottsdale's convention and visitor's bureau started in the Chamber. They had two employees and a small budget. As they evolved they became separate, and now they have 40+ employees and a \$10 million budget.

They had a close relationship with the city. The city allocates some bed tax to them.

Flagstaff has it in-house. They had a successful program, similar to Scottsdale. It was funded through a Bed Board and Booze tax. Their budget was about \$1.2 million.

Some people have said that when construction fell off, Prescott realized they had a lot more people there with jobs than they realized. They were seeing more and more marketing efforts, through Facebook, twitter, etc. Everyone wanted packages or a deal. Wherever it goes, they have to look at it differently and be more creative. Their funding was probably lower than most that were in this game, but it was sometimes misleading. When they say they only fund tourism to the tune of \$160,000 or whatever it may be that year; the General Fund monies were spent on tourism in many ways. They spend money with Special Events, the lakes, The Elks, the golf course, etc.

Prescott was a little more unique in that when they talk about tourism assets, they control a lot of those assets. They will have to approach that with more vigor than they had been.

He has been asked if they felt it was the government's role to bring it in house. He felt that Prescott was in a good position to manage their assets, but they needed some direction soon. Funding was also an issue.

He was asked if it would be just through bed tax, a sales tax increase, or a BBB tax. There would be a May 2010 election at the State level and everyone was hurting. This was an expensive game. He did not have any plans to add staff if it was brought in house. There were some upcoming retirements and numerous positions that had been frozen that would be reallocated.

There were a lot of sharp people in their staff who were already doing a lot as it related to tourism. These were Becky Garvin with special events, Mic Fenech, Kim Kapin and Dave Veatch in Public Communications. There were a lot of people who they can rally around. Today's session would need public input. He did not need direction that day, but soon. There would be some transition that would occur should they hire a tourism director/manager. He had some specific recommendations that he gave to them. The Council may want to hold off on them until they hear comments from the public. The agreement will end with their fiscal year. They needed to make timely decisions. He said that as they get into budget sessions, they will discuss funding further.

Councilwoman Suttles wanted to clarify the comment on the white sheet that the City would notify PACT about not renewing the contract. She wondered if it was something that they were going to discuss as a group, would hear from the public or if it would just hang as a recommendation. Mr. Norwood said that it was part of

the recommendation. It would be part of their overall policy direction as it related to tourism. If they did not renew, then that sets off a different direction than if they choose to renew.

Councilwoman Suttles said that there had been letters from the Chamber regarding PACT. She noted that Mr. Norwood said that they have got to get revenue in. She said there was a 3% tax now and asked if that could change with a food and booze tax. She said that they could also have a 1/10 of a percent of sales tax coming in. She said that they have not been due diligent with all of the assets that the City has and how they would be marketed. Her issue was trying to hire that person who could do the marketing. The City's employees have been cut and it would be harsh of the City to do a national search to hire a tourism director between \$80-\$90,000 as an annual salary. If they were going to do this then they needed to work it with what they have. If they are wrong, they will learn from their mistakes.

Mayor Kuykendall said that he has received a number of letters stating that there needed to be a change. He met with the restaurant and bar association and they had concerns about the yearly liquor license fees.

It did come up that to be in the tourism business (which he thought was their best potential for economic development) it would take more money to run the program. Then it developed to a booze and food tax. His conversation was that if that was the desire it would have to come from within their organization. The City would not be in the business of taking a tax out without stakeholders buy in. He and the City Manager met with them again last week, and that was discussed again. Their recommendation was that not only do motels and restaurants and bars benefit from tourism, every retail store in Prescott in some form or another benefit from them.

They indicated that they would probably, after their next meeting, consider an across the board tax. He said that 1/10 of 1% on their sales tax would generate about \$1.2 million, and that puts them in the number that the consultant and others say they should be spending. That was a negotiable thing.

The thought process was as far as that had gone. The thinking was that about 40% of their sales tax came from people other than residents of Prescott. 40% of nonresidents share in expenses and that was the whole concept of bed tax, not putting a tax on local people.

Councilwoman Suttles asked if they were thinking about increasing bed tax. Mayor Kuykendall said that a full percent on bed tax would generate about \$125,000. Mr. Woodfill said that it would be about \$220,000.

Mayor Kuykendall said that when they increased the bed tax to 3% in 2007, effective January 1, 2008, that continued the process. When they imposed the

bed tax, they had three efforts. The first was in June 26, 1987 where they authorized \$1 room tax for tourism. Later that same year in December, they revoked that ordinance and set the tax at 2% and the public voted. It was a split between tourism and development of recreational facilities to increase the ball fields and other recreational areas. In December 19, 2000 they revoked that ordinance and set the tax again at 2% but split it between tourism and recreation. None of those percentages were set in concrete. The Council had not discussed it since that time to determine what percentage went to each department.

If they went back to the original intent, if it was 50/50 it would give some relief to the General Fund, where Park and Recreation was getting the majority of their funding. Already this year they had commitments of three major tournaments. They can take Prescott backwards to a point that it could become the Softball Capitol of the World again; the future was in their hands. They should utilize the assets they had and let them produce an income. They needed to stop thinking as government people and start thinking as private sector people.

Councilwoman Suttles said that they took that bed tax and split it out; half to Parks & Recreation and half to PACT. Even the money that went to Parks and Rec was bled out again to nonprofits; Courthouse lighting, The Elks, PAAHC. She asked how they would deal with those organizations.

Mr. Norwood said that it would depend on the funding approach. If they were getting an additional \$1 million a year they would see a lot less stress on trying to come up with money for the rodeo, arts, and tree lighting. If they said raise the bed tax another 1-2% - that will not get them near the money they need to operate an effective organization; or the Council could decide not to fund them. A 5% bed tax is not uncommon. There were cities in the state that were at 6%. The common response he got was people asking why the City continued to run tourism on the backs of the hoteliers, because they all benefited from tourism. If tourism was important as a city, they all needed to help shape it.

Councilman Lamerson asked how much the City spent on Economic Development each year. Mr. Woodfill said that he did not have the numbers with him. Councilman Lamerson wanted to acknowledge that not everything in the City was tourism based. At one time there was information that indicated that possibly 1 in 4 jobs were impacted by tourism. They also had infusions of revenue from an accelerated retirement community. People brought money there from military and corporate retirements. Sometimes they got bogged down thinking that they were a tourism driven city. If the desire of the Council was to use tourism as an Economic Development tool, it would be nice to know at what level they were spending on Economic Development right now. They did not spend it well enough, because they had not developed Economic Development either.

Instead of raising taxes, perhaps they should spend the taxes they are collecting differently. Maybe there was a better way to approach this rather than raising taxes.

Dave Maurer, CEO Prescott Chamber of Commerce, Board President of PACT, brought the most recent issue of True West Magazine. Their cover story was the 83 Must See Old West Destinations, #1 was Prescott Arizona. That did not just happen. It resulted from a relationship that PACT had with True West. PACT asked for more editorial in order to possibly run some more advertising. These relationships were important if not critical. He said that they had heard from The Chamber, PACT, Prescott Area Lodging Association and Prescott Downtown Partnership. The common message in their letters was #1 to put more money into tourism development and promotion and invest 6-12 months with PACT.

The PACT contract would run out June 30, 2010. Up until that point, the City of Prescott had been somewhat secretive. The plan to bring it in-house had not been presented publically. Many felt it would be the opening of this meeting and then they would react. It had been difficult to say yes or no to bringing it in-house without knowing what that meant.

Bill Geist said “the most agile destination marketing organization (DMO) is an independent 501c3 not for profit association. A city DMO is probably the least agile.”

Mr. Maurer said that they need to have a comprehensive tourism program. PACT had been centered on advertising and promotion. They had done that well. There were different approaches to the declining tourism. Flagstaff had been mentioned. Their city run Convention and Visitors Bureau (CVB) was looked to as a model program. He spent 10 years there working with them. They did a good job, but when the economy turned, Flagstaff said they needed to take \$1/2 million and give it to them and do additional advertising and promotion.

Here in Yavapai County there was a mix of opportunities. Cottonwood gave 100% of bed tax funds to the Chamber for tourism. In Sedona, 30% of the bed tax went to the Chamber/Visitor Center which was \$500,000. Sedona was down 19% since January in bed tax. Camp Verde gave 75% of their bed tax to the Chamber for tourism promotion.

One of the criticisms of PACT was the lack of measurements to judge their successes or failures. There was a quarterly report that they were required to file with the City, and they did that. If PACT was to continue, they proposed that the City put together solid metrics for more accountability. If the program was brought in-house they would hope those same standards would be developed and used.

There had been reference to the Arizona Office of Tourism study that was released in fall of 2009. A number that often got quoted was from the question of where they heard of Prescott and 45-46% said by word of mouth. Another 39% said the other category, which was friends, families, etc. Some had taken that number to say that 80% came here because they heard about it somewhere. They had argued that someone had to plant that seed.

They all believed that tourism was a critical issue in Prescott. It needed to be done, done right and well funded. PACT was willing to do it. They were all professionals. Increasing tourism was their common goal. The Council would decide how that was done. However it was done, they would share that common goal. He pledged the support of the PACT board for whatever approach was taken. Their message was that they wanted to make it work.

Alan Cohen, TravelPrescott.com, 928-227-3600, said he was in favor of the City taking over the lead role in tourism promotion. PACT had done a good job but they were managing too many issues of tourism promotion. PACT has had a great run over the years and the good thing about change is that change has an opportunity to bring in fresh idea and new strategies. He would like to see Shepmann & Associates continue in a role as Public Relations contractor without PACT.

If the City does take over tourism, he would like to see 1) transparency – everyone would like to see detailed budgets and annual marketing plans available for feedback; 2) stakeholders surveyed 2-3 times a year for input and feedback; and 3) an increase in the marketing budget.

Don Karcie, 330 West Gurley, Prescott said that there were so many different groups handling tourism, spending a lot of money but not getting anywhere. He agreed with Councilman Lamerson and did not think that they should raise taxes in this economy. They should go back to the table and look at a wiser and fairer tax, which would be to broaden the 3% tax out to retailers and restaurants. There was not the customer base in Prescott to survive and they all depended on tourists. The 3% should be 2% with more people paying. The school district, county and state all want to raise taxes. Prescott should not do it.

Elisabeth Ruffner, 1403 Barranca Drive, said that the City had the responsibilities but the volunteers in the community had made this town. Before True West discovered Prescott, Historic Preservation all over the country had been their major feature. She could not see the City taking it in-house, managing the properties they own, which were also paid for by the taxpayers of Prescott. She asked them to think about it carefully, if they made a plan to run in-house through the Economic Development office, combining all the other activities, that they use a citizen advisory committee in more ways than just a token. She asked Mr. Geist to come back and help write a part of the City contract with the collation for tourism, which embraced the destination marketing concept. They had never

been asked to do it and they never had the money to do it. She believed that the definition of destination marketing was not clear to the Council and not clear to PACT and it was not what AOT put money into the market to achieve. PACT had achieved every goal set for them by their funding sources.

Jack Wilson, 1514 Eagle Ridge Road, commented on word of mouth. The first time he heard of Prescott, he was doing research on retirement destinations, it was the 1993 Money Magazine report. He wanted to remind the Mayor and Council that Susan Shepmann was not responsible for that. She was not responsible for US News World Report article on him when he ran for Mayor. Publicity is generated because a reporter had picked up on something. He also mentioned that word of mouth in a marketing context was the most important recommendation that the City could get. Word of mouth had transformed to word of touch with Twitter, Facebook, Linked in and all of the Social Media. That is what was going to drive their tourism in the future.

The City cannot afford to make a wrong decision. They need to bring tourism forward; it was an Economic Development driver. It was the low hanging fruit and the easiest one to get their hand around. They could do a much better job than what had been done in the past, with the assets that they have.

Noel Bream, 1450 Pinon Oaks, said he was employed in the hospitality industry in Prescott. What they were speaking about was the tip of an iceberg of a debate. It had been pretty contentious and sad, and he may have contributed to the tone. One thing he could say, unlike most of those in the room, is that he had to cut 1/3 of his business. He has seen the impact on the tourism market. He had also worked all over the country and Prescott had more to work with than most any other place he had worked. That was why he was there.

He said there needed to be policy for more than six months to two years. A decision had to be made whether it went in-house (preferred by most) or continue relationship with PACT. Everybody needed to get together behind some sort of plan and execute it. He was for added funding, 1/10 of one cent for sales tax was the way to go. He did not think it is fair to raise bed tax. He was shocked that the arts community was only getting \$15,000. They had to provide some stimulus and funding and give people a reason to come to Prescott. The arts enrich the community in ways that are far more important than what the Council did. The only way to get that was for elected officials to step in to help out with an issue that the private sector could not handle. The only alternative was for the City to take it in-house. He hoped that the private sector and hospitality would come up with a plan to take it back into the private sector later.

He had never supported a City run convention bureau, but he does here because there was no choice.

Dennis Gallagher, 940 Custer Lane, Prescott, noted that a few weeks ago, after reading the article in the paper that stated that the City should go with status quo and not make changes, he undertook the effort of going around town to businesses and asking if the businesses downtown were satisfied with status quo or if they should make changes. Contrary to Chamber leadership that says they should not make any changes in the Prescott tourism strategy, the majority of business said no to status quo. They felt that it should go in-house until it could be out of the City again.

Susan Shepmann, Shepmann & Associates, PACT, 126 N. Marina Street responded to Dennis. She did not think that any of them wanted the status quo. They had taken some steps which had been communicated by the PACT board to the Council to move the organization forward. They all agreed there had been a lack of funding. They had not been competitively funded. She had not heard anyone say they had not done a good job with what they had to work with. They needed to get more funding, with 50% of the bed tax, forming a committee of stakeholders and the City of Prescott to put together a plan so that next year at that time, they had a plan and funding. She was not hearing a plan other than the “underworked” people at City Hall, which they all know was not the case, are going to take this on in their spare time. The time and energy it took out of her office, with herself and a full time employee, a graphic designer and a bookkeeper; they were working nights and weekends over and above what they were paid to do.

She said that they just missed the deadline for AAA Highroads for the summer season. They were going to have a Northern Arizona section where they may have been able to negotiate some editorial if that had been able to advertise. They were on hold right now, waiting to see where this was going. If the City took it in-house the PACT board was committed and she was committed to making it a good transition and taking whatever resources they had left and deploying them productively. The PACT Board had told them that the slate proposed for next year was composed of more than 50% of those in the hospitality industry. They were doing a full blown social media program. The cost for what they had done at a very low hourly rate was more than \$15,000 for the year, which they were absorbing into her office at the present time.

They had also tried to establish a dialogue; there had been a huge fracture in the community. It had been a wake up call that this was not going to move forward if they are not a community. Whoever does it, they needed to move as a community. Tourism was too important to all of them. She asked them to think about where they were in a time frame and where they could be a year from now, if they were able to get an increase in sales tax, lodging tax or BBB tax. Even if they hired a tourism coordinator, it would be more than \$90,000 a year and they would not have any money to spend to promote the destination. The City would not get a tax increase overnight. She asked them to think about next year, and how to involve stakeholders and to not be hasty.

Mya Beckley, General Manager of the Residence Inn, currently served as Chairman of Board of the Prescott Chamber of Commerce and also the Acting President of PALA, recapped the letter that came out to the Council from PALA. In that, the majority of their organization felt they could fully support a City managed program with certain items being involved. No matter what entity managed the tourism promotion in Prescott, they felt there were several things that were essential: 1) adequate funding for a marketing plan that included advertising, public relations, internet, social media, and direct sales; 2) they needed leadership, someone who could be the voice of tourism for Prescott; someone who was familiar with how a destination marketing organization was managed; 3) that there be stakeholder involvement all the way along the process; hoteliers, retailers, museums, restaurants, with a level of involvement.

One of their concerns over the possibility of going to the City was that there was a level of transition. Members were concerned with there being no advertising or public relations to take them through the summer season. They would like to make sure there was a level of advertising that would take them through the early fall season and maybe Christmas. They were willing to make changes and work with people and bring it together for the community.

Brad Christiansen, 200 East Sheldon, Prescott noted that the comment made by the Mayor about the Council and Mayor approaching this from an entrepreneurial point of view struck home with him. Now was the time for them to step forward as a community. With the Mayor's leadership and the Council, he looked at this as an opportunity for them from an Economic Development point of view to create jobs and build on the tax base. The room full of people gave testament to the amount of Prescottonians that were ready to roll up their sleeves and go to work. He liked the model to bring it into the City and put in place a professional Director of Tourism. That single point of contact was going to be important for the success of this program.

Cecelia Jurnigan, 735 North Violinista, Dewey, said that she came to the area in 1985 and fell in love with Prescott. She came here for a corporate meeting. She and her husband were fortunate enough to be employed by the Hassayampa Inn in the late 1980's, he as the General Manager and her as Director of Sales/Marketing. Her husband was now with Comfort Inns. They had always had their heart in Prescott. It was sad to see what had happened since they left the Hassayampa Inn. Motorola used to come up with 40-50 people for a week every month, Arizona State University would come up for corporate retreats as well as Honeywell. They had lost that because of marketing, advertising, and direct sales into Phoenix. That was where they came from. For the past ten years she had worked for Carlson Company that owned TGIFriday, Radissons and Country Inns and Suits and her territory was from California to Illinois with over 100 hotels in small communities who were trying to market themselves. The ones that were

successful got it right and she appreciated the City doing what they were doing and she hoped they would get it right.

Mayor Kuykendall read a letter that they received regarding Heritage tourism.

Ms. Ruffner said that heritage tourism had been a thing in Prescott for many years. She asked that the Mayor identify the person who wrote the letter.

Mayor Kuykendall said that his name was Don Follows with a local phone number.

Don Follows, 3026 Hoskinini Circle, said that he wanted to promote the heritage tourism industry. He spent 30 years in Alaska; 25 years ago the first cruise ship came into Anchorage. They had identified all of the natural features through the Federal government, but it was time for the State to step forward and develop their own industry. They put an 8% tax on rental cars, hotels and everything. They found that it stimulated local, small time businesses. Today the state tourism was over \$2.2 billion a year. He had been in Prescott for ten years. He thought it was a perfect match for developing the tourism part of it. There was the history with people who cared about each other. There were resources going back to 1863. All they needed was a vision to go forward. The dollar that came into Anchorage multiplied itself eight times. They would never realize the amount of benefit that came from looking at themselves the way that outside people look at them. Prescott had scenery, bike trails, and people wanting to visit the outdoor recreation. Moab was not anything in 1965; today it was the biking capital of the world.

Jenny King, 101 South Cortez, Prescott said that they had spent the past couple of months going through consumer trends and spends. They had two proposals out, one for the Professional Outdoor Media Association and Prescott is in the top five. They support the City's position and would align accordingly and do whatever they could to accomplish that mission. Collaboratively they had a lot of skill sets out there. The Convention and Visitors Bureau was there, offering day plans to the tourists as well as all kinds of information to get them to stay in the City.

Al Bradshaw, Bradshaw Public Relations, was not advocating one way or the other. Either way had its pros/cons. What ever the City does was going to take more money. It was going to be a difficult time to promote a new tax of any kind. People were anticipating new taxes coming from all levels of government and he believed they were scared. If they were going to raise money for tourism, they had to ask if an increased population of tourists affect the auto dealers, hardware stores, paint sellers and charge the city sales tax in sectors. If they were talking about promoting tourism, perhaps they should levy the tax in the downtown sector. For Economic Development they were talking about focusing on tourism and he did not know to what extent they needed focusing. Maybe they should not

be putting too many eggs in one basket. He was told that day that the City budget for Economic Development was approximately \$400,000 for the current program, including about 2.2 employees. They had to continue looking in a diversified manner and what sectors of employment produce good paying jobs, people that stay in the community, buy cars, shop at the supermarkets and strengthened the fabric of community.

They should continue doing standard Public Relation in addition to social media. They do not know what may replace social media in the next few years. If they were going to emphasize tourism they all had to step up and keep their house in order. Make sure that the visitors visit a place that is clean, safe and friendly. The City will face the negative as well as the positive in social media.

Mayor Kuykendall said that no decisions would be made that day; input would be accepted. This had not been a vendetta against PACT. PACT was an organization made up of friends of his. The only employee that had been discussed was Susan Shepmann and he thought she had done a fantastic job of advertising and getting Prescott in the media. This responsibility did not end with whoever took over the tourism package. They would still need to advertise.

The City would be able to put out a RFP, define what they liked to have done, and various people could have an opportunity to look at that potential. The area they had been weak on, which was very important to him, was that they had all the products to sell but did not do the best job in marketing. Any time there was a marketing department; there was always someone who closed the sale. The City Manager had discussed a model that they had all of their department heads that had income producing capability, to include Parks and Recreation. This year they were looking at major softball tournaments. The airport, golf course, Peavine trail (indirectly), and Rodeo took in money. They had to find a way to assist the rodeo in expanding from a one week event to a 2 ½ to 3 week event. In talking to successful organizations, they say they wished they had the opportunities where they were working to have marketed the products that there were in Prescott.

By bringing it in-house, working for the City Manager, and ensuring that all of the departments would be working together, they thought it was a strong point. Change was sometimes difficult. The voters in this community made changes every 2-4 years. When they were made, there was nothing wrong with those elected to think different, and do things different, and make changes in the community. If they did not work out it could be fixed in a few years.

Councilman Blair said that Susan Shepmann had not done a bad job. The Council did not give direction as to what they wanted done differently. Now they were seeing a Council that had an attitude and was asking what they got for their money. There was a different focus as to how they should gather their troops. They needed to have a plan and it was not all about money. They had more

resources there, with volunteers, it was not always about money; it was putting the focus where it needed to be. He would work hard to make that happen.

Councilman Hanna said that the way to get the right answer was to get a lot of ideas and put them together. He said that he asked Mr. Maurer if PACT had done the best job that they could and he said no. They needed to find out what the best job they could do was, and do it. He noted that there were only two sponsors for the rodeo on the square. He challenged them all to put their money where their mouth was and start backing things that brought money into the community. People came to Prescott for the Rodeo and the arts and they needed to be supported by the people in Prescott. He was not for raising any taxes. He hoped that they became more frugal on how they spent their money. He agreed with Councilman Blair and said that they needed to give direction to be successful. Prescott had always been a tourist town, for the 50+ years he had been there.

Councilwoman Lopas thanked Mr. Fellows for the information on Heritage tourism. She said that the City used to do that better than they did now. She thought that there were too many groups doing tourism and they need to find their way. There was a group that did a Heritage driving tour CD. She was hoping to bring that back with the help of the Centennial Committee. No matter how the funding was arranged, all City departments would be affected. She spoke to the businesses on Whiskey Row in November and they felt that they had been ignored by the City, the Chamber, Pact and PDP. She assumed that people had been talking to the businesses. Some of them had clients who were 50% tourist while other had 80% locals.

They needed to step up to the plate as business owners and help the events. Volunteer; sponsor the events or whatever they can do. The Rodeo was bringing 3,000 to 5,000 people that week. She asked where the sales would come from if those people went away. They had also been bashed on why they did not give PACT better direction. She felt that PACT should be the experts. If advertising and marketing trends had changed, the City should be told. This was not the City's line of work. Whoever does this, she expected a relationship. People had to give advice.

They needed to make sure that everyone took a part in it. She felt that all businesses did benefit from tourism. The Downtown businesses benefited the most. She did not think that Arizona allowed taxing districts. She would like to see the bed tax increased by 1% at least and would like to see different revenue coming in. They needed to spend the proper money. She was for the City taking the lead. She would like to help the person coming in to that position know that they were not coming in to a divided community, or one with too many tourism messages. She would like the group to stand on its own in three to five years.

Councilman Lamerson thought that it was fair to assure the public and fellow council members that all the funding mechanisms within the City were on the table for him. He was not for raising taxes at all. The reallocation of those funds was different. If they thought that it was appropriate to assign 1/10 of % of the current sales tax to items, which was one thing. If 25% of their economic development had to do with tourism, maybe that should be looked at.

Councilman Blair said that he had the opportunity to talk to someone at Costco from Chicago. He asked why Councilman Blair felt it was important to advertise Arizona. Councilman Blair said that half of the people in Arizona moved there less than ten years ago from areas like Chicago, California and New York. They did not have any idea of what their state was about, what it had to offer or what the heritage was. He felt that the tourism dollars should be kept in Arizona.

Councilwoman Suttles said that it was time for change. She did not want the Council going into this without a definite plan of what they were going to do. They better get it out and on some paper. If they venture into this area and take this on in-house and choose to do this with staff, they were still going to need some outside help to make it successful. She hoped that some of these groups would be there and offer to help.

She said that there were a number of things that needed to be done before they got into this. She felt that the best sales people were the Council members. They need as much help as they could get. She was extremely anxious to see where they were going. It made her nervous because they were not going to make everyone happy. She had no problem taking it in-house but she wanted to see what they were going to do for the next year. They were not just going to take it on. They were going to have a plan.

Alan Cohen made a comment about where the money was coming from. There was a consensus that to market the area properly there needed to be an adequate budget. The communities who had a good program did have a BBB tax that was successful. Money makes money. There was a tremendous trickle down affect. The more successful the business was, the more people they hire, the more money they spent in the community. He thought that it would be a solution that people would buy off on. They should have a PR program to explain the benefits of tourism to the retired people who might not want tourists.

Mayor Kuykendall said that they kept talking about 3% bed tax or 4% if they increased it. At the same time, every time they got that 3%, the other side of the ledger was a 2% sales tax. The more bed tax they got in, the more funding they had for the General Fund. Success would bring success in both areas. They needed money in the General Fund.

Mr. Norwood said that he would get a detailed plan for next week. The Council could give clear direction at the April 13 meeting. He was hearing a tendency to

bring it in-house. If that was the case, they needed to get to work on a marketing plan and hiring a tourism director. This was not an “in your spare time” job. This would be 100% dedicated to tourism.

They were looking at a \$3 million shortfall for next year, and reallocating General Fund dollars to this effort would take monies away from some other departments in the General Fund.

Councilwoman Suttles asked if in order to take this in-house they needed a Tourism Director. Mr. Norwood said yes. Councilwoman Suttles asked what he was doing with his people, because she had a real issue with bringing someone in from \$80,000- \$100,000. They talked about keeping it in-house. She said that he did not have the money to hire a director.

Mr. Norwood said that there were upcoming retirements, and they had frozen positions throughout the City. Those monies would be reallocated in a different direction. It would not take additional dollars; it would be a shift in focus.

Councilman Blair said that he would push for getting someone on immediately. He looked forward to seeing how it was revamped. He said that what the community had done with water conservation and with the people from ADWR to help get the situation straight with SRP showed that when they hired professionals they got a professional job.

2. Adjournment.

The Prescott City Council Workshop adjourned at 3:50 p.m.

***SPECIAL MEETING**

1. Call to Order.

The Special Meeting of the Prescott City Council of March 30, 2010 reconvened at 4:03 p.m.

2. Recess into Executive Session.

COUNCILMAN LAMERSON MOVED TO RECESS INTO EXECUTIVE SESSION; SECONDED BY COUNCILWOMAN SUTTLES; PASSED UNANIMOUSLY.

3. EXECUTIVE SESSION:

A. Discussion or consultation for legal advice with the attorney or attorneys of the public body [ARS 38-431.03(A)(3)] and discussion or consultation with

the attorneys of the public body in order to consider its position and instruct its attorneys regarding the public body's position regarding contracts that are the subject of negotiations, in pending or contemplated litigation or in settlement discussions conducted in order to avoid or resolve litigation [ARS 38-431.03(A)(4)]

i. Economic development issues and development agreements.

4. Adjournment.

The Prescott City Council reconvened into Open Session at 4:42 p.m. at which time the Special Meeting was adjourned.

MARLIN D. KUYKENDALL, Mayor

ATTEST:

ELIZABETH A. BURKE, City Clerk