



City Council Report

Date: November 16, 2020

To: City Council

Through: Destination Mesa Team: Christopher J. Brady, City Manager; Marc Heirshberg, Parks, Recreation and Community Facilities Director and Acting Deputy City Manager; Mike Kennington, Deputy City Manager and CFO; and Jaye O'Donnell, Deputy Economic Development Director

From: Natalie N. Lewis, Deputy City Manager

Subject: Five-year bed tax funding transfer agreement with Visit Mesa (FY2020/21 -FY2024/25)
(Citywide)

Purpose and Recommendation

Approve Resolution ____ authorizing the City Manager and/or his designee to sign and execute a five-year transaction privilege tax (TLT) funding transfer agreement (Exhibit D-E) with Visit Mesa for the promotion of tourism and destination marketing in the City of Mesa and in accordance with Arizona Revised Statutes § 9-500.06.

Background

Arizona Revised Statutes require that a certain portion of TLT collections be used in the promotion of tourism by the City or a contracted non-profit organization. The City of Mesa receives an average of approximately \$4m in TLT funds each year. Visit Mesa is a non-profit organization whose mission and professional expertise is the promotion of tourism and destination marketing for the City.

The City is recommending approval of a simplified, five-year agreement with Visit Mesa, which also includes a reasonable path forward to ensure Spring Training/Convention Center costs to the City's General Fund are minimized, while minimizing near-term financial impact to Visit Mesa's funding for the next two years, due to impacts of the pandemic. The agreement also includes factors that respond to a recent, internal audit, including improved staff-to-staff communications, naming a "Destination Mesa Team" at the City who will work with each other to coordinate and provide feedback or direction to and from Visit Mesa, and identifying simplified and outcome-oriented performance metrics useful to the City.

Both the City's Destination Mesa Team and Visit Mesa's Board and staff have approved the new agreement in its simplified and clarified form.

Discussion

Previous agreements have included split-out percentages of the TLT funding, i.e. 3%

and 2% funding buckets. Also, previously, both funding buckets had differing use requirements, which over time became confusing and arduous to manage for both organizations. This new agreement intends to simplify the split and transfer of TLT funds. The split would be calculated from actual, monthly collections from the full 5% collections and then split by an agreed upon percentage between Visit Mesa and the City (See Exhibit A). The City and Visit Mesa have agreed to a phased-in funding split and transfer that will become a 50%-50% split by year five of this Agreement.

Visit Mesa has provided their annual Business Development Plan to describe their mission, goals, and strategies for the organization (Exhibit B). And lastly, the City and Visit Mesa worked jointly to simplify and clarify the performance metrics that are helpful to the City in understanding value derived for Mesa through this Agreement (Exhibit C).

Alternatives

Council may choose not to enter into the five-year Agreement or to request updates to this Agreement prior to Council approval. Arizona Revised Statutes require that a portion of the TLT must be spent for the promotion of tourism either directly by the City or by a nonprofit organization.

Fiscal Impact

There is no anticipated fiscal impact to the City's General Fund, as funds are generated from TLT collections.

Coordinated With

The agreement has been reviewed and approved by representatives of Visit Mesa and the Destination mesa Team at the City of Mesa.

Exhibits:

- A. Percental of allocation of actual annual TLT collections
- B. Annual Business Development Plan, "Program" by Visit Mesa
- C. Visit Mesa Direct-Service Performance Metrics
- D. Final Visit Mesa-City 2020-2025 Agreement
- E. Resolution and Five-Year Agreement