

CITY OF MCMINNVILLE
MINUTES OF A WORK SESSION of the McMinnville City Council
Held at the Civic Hall on Gormley Plaza
McMinnville, Oregon

Wednesday, April 17, 2013, at 7:00 p.m.

Presiding: Rick Olson, Mayor

Recording: Rose A. Lorenzen, Recording Secretary

Councilors:	<u>Present</u>	<u>Excused Absence</u>
	Scott Hill	Kellie Menke
	Kevin Jeffries	Larry Yoder
		Paul May
		Alan Ruden

Also present were City Manager Kent L. Taylor, City Attorney Candace A. Haines, Finance Director Marcia Baragary, McMinnville Area Chamber of Commerce President Phil Hutchison, McMinnville Downtown Association Manager Cassie Sollars, and a member of the news media, Nicole Montesano of the News Register.

AGENDA ITEM

1. CALL TO ORDER: Mayor Olson called the meeting to order at 7:00 p.m. and welcomed those in attendance.
2. PLEDGE OF ALLEGIANCE: Councilor Hill led in the Pledge of Allegiance.
3. WORK SESSION
- 3-A PROPOSED TRANSIENT LODGING TAX: Mayor Olson thanked those in attendance and stated that the purpose of the Work Session was for discussion and consensus building regarding the eight decision points referenced in City Manager Taylor's and City Attorney Haines' memorandum. He invited audience members Bill Miller and Steve Rupp to participate in the discussion if they chose.

City Manager Taylor suggested that the Council take each decision point separately, fully discuss the topic, and hopefully, come to consensus. Staff would then take each consensus point and incorporate it into the next draft of the ordinance. The Council's next step would be to hold a public hearing. Following the public hearing the draft ordinance would be placed on a future agenda for a formal vote. He noted that the intent of the Work Session was for informal discussion and for the Council to come to consensus on each of the decision points. This process will allow staff to prepare the next draft of the ordinance.

DECISION POINT NO. 1: *What is the appropriate amount of the tax?* Mayor Olson asked Ms. Sollars and Mr. Hutchison

to comment. Both felt that a modest, near average, six-percent would be a good place to begin.

Following discussion, the City Councilors agreed with Councilor Hill's assessment that the cities that seemed to be destination points garnered a high occupancy tax, generally somewhere between seven- and eight-percent. Councilor Yoder added that he felt the higher seven- to eight-percent would be better because the Council would not have to readdress the rate anytime soon.

CONSENSUS: Council consensus was that eight-percent could be charged.

DECISION POINT NO. 2: *What types of lodging businesses should this tax apply to and what businesses should be exempt?* Mayor Olson read the definition of "hotel" as incorporated into the Portland ordinance and stated that this definition did not seem to be a good fit for McMinnville - "Hotel means any structure, or any portion of any structure which is occupied or intended or designed for transient occupancy for 30 days or less for dwelling, lodging, or sleeping purposes, and includes any hotel, inn, tourist home or house, motel, studio hotel, bachelor hotel, lodging house, rooming house, apartment house, public or private dormitory, fraternity, sorority, public or private club, and also means space or portion thereof so occupied, provided such occupancy is for less than a 30-day period."

CONSENSUS: Following discussion, it was the consensus of the Council to keep the definition of "hotel", "transient Lodging," and "transient lodging provider" simple and that only hotels, motels, bed and breakfasts, vacation homes would be included. They would not include RV parks in the definition. It was also noted that this topic could be revisited at some time in the future.

DECISION POINT NO. 3: *How often should the lodging providers make payments to the City?* City Attorney Haines noted that Councilor Menke had originally thought that it would be easier to start out monthly.

Discussion centered on: 1) the amount of staff time it would take to process payments, and 2) the State's collection schedule. Finance Director Baragary noted that a monthly collection schedule might be more difficult to maintain as compared to a quarterly schedule. She pointed out that if people were delinquent in paying the tax, the workload could be heavier on a monthly basis rather than quarterly. Mr. Hutchison suggested a quarterly payment plan with monthly reporting. Monthly reporting would allow for targeted spending in months were occupancy rates were lower.

CONSENSUS: Council consensus was to operate on a quarterly collection schedule and to require monthly reporting.

DECISION POINT NO. 4: *What is the appropriate appeals process?* Mayor Olson asked what a typical appeals process looked like currently. City Manager Taylor advised that generally, appeals are referred to the City Manager to decide. He advised that the ordinance could be written to reflect that the decision of the City Manager was final. He stated that he did not recommend that the Council be made a part of the appeals process.

Mayor Olson agreed and noted that a person could appeal the Finance Director's decision to the City Manager.

CONSENSUS: By consensus the Council agreed that appeals would be directed to the City Manager and the decision of the Manager would be final.

DECISION POINT NO. 5: *What audit requirements and policies do you want to incorporate into the ordinance?* City Manager Taylor suggested that after talking with Finance Director Baragary, the Council might want to give staff as much flexibility as possible without designating a specific time. He noted that the possibility of an audit is always there. Finance Director Baragary stated that she had spoken with the City's auditor and he had recommended that audits should take place at least every three years. This is because of a three-year statute of limitations.

Councilor Hill inquired about the cost to the City for the auditor to audit on this basis. Ms. Baragary stated that she had been quoted \$500 per engagement for Phase One and then \$100 per hour.

CONSENSUS: By consensus the Council decided that an audit should take place every three years and that the City could do an audit on a "surprise" basis.

DECISION POINT NO. 6: *What direction do you want to establish around the usage of the funds?* City Manager Taylor suggested that the Council could appoint a standing advisory committee that would meet two or three times yearly. The Committee might consist of a mix of people from the hospitality industry (housing, lodging, restaurant, etc), and at least one City Council member as a liaison. The committee might possibly consist of seven to nine members. The committee members would work with staff and could set up a process to entertain proposals and then forward their recommendations to the Council.

Mayor Olson asked about the City's 30 percent of the funds generated from the tax and whether a certain percentage of the funds would be used to administer and enforce the process. City Manager Taylor stated that staff had assumed that a percentage would be used to administer and enforce the tax. Mayor Olson stated that there was a big push to allocate a large percent of the City's portion to be spent on airport related expenses, especially since the airport would increase tourism and economic development. City

Manager Taylor suggested that the City Council give itself flexibility in how the funds are spent. He stated that the funds, which would go to the General Fund, could also be spent on parks, police protection, and, of course, the airport - all of which feel pressure from tourism related activities. Ms. Sollars agreed and stated that the MDA's ad hoc committee would also give good input. She pointed out that there is a dramatic link from the projects to tourism.

Extensive discussion followed regarding the various ways the funds could be allocated. Audience member Bill Miller cautioned that there must be metrics in place to gauge the success of the programs and that, whenever possible, the funds should be spent locally.

CONSENSUS: The consensus of the Council was to develop a standing committee to review and recommend proposals to the Council and that the Council would like to maintain as much flexibility in the process as possible.

DECISION POINT NO. 7: *What should the public process look like?* City Manager Taylor suggested that a public hearing be held on June 11, 2013. Following the public hearing, the draft ordinance would be updated and advanced to the Council for consideration.

CONSENSUS: By consensus the Council felt that the public hearing should be held on June 11, 2013. Following the public hearing, staff would bring the updated ordinance back to the Council for consideration.

DECISION POINT NO. 8: *What is the appropriate implementation date?* Mayor Olson suggested that the implementation date be January 1, 2014.

CONSENSUS: By consensus the Council determined that January 1, 2014 would be an appropriate implementation date.

Mayor Olson thanked the Council, Ms. Sollars, Mr. Hutchison, Mr. Miller, Mr. Rupp, and staff for the productive work session.

4. ADJOURNMENT: Mayor Olson adjourned the Work Session at 8:25 p.m.

Rose A. Lorenzen, Recording Secretary