

From: Sedona Sweet Arts [mailto:sedonaweddingcakes@gmail.com]

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Subject: Issues & concerns

Dear Mayor Rob Adams, City Council, City Manager Tim Ernster, Ed Conway, Jennifer Wesselhoff,

I want to personally thank each one of you who had meetings with me and conversations on the very important issues our city faces. I enjoyed each and every one of you. Got a much better understanding of the issues you deal with. The decisions you make are so very important in how Sedona will exist into the future.

Yesterday I heard two compelling stories pertaining to the proposed sales tax and bed tax.

- A manager at a City resort (sales tax district) got the impression (was told) that the City of Sedona was increasing the bed tax no matter what. If they all agreed and rallied the Sedona lodging industry together to support it, they would in turn receive a portion of those dollars back through the Chamber for advertising. That is the reason they signed and supported this. Is this true? Was the City going to raise the bed tax no matter what?

- I had a meeting with a bride, in this meeting I saw the bride change her venue from a city tax based venue to a VOC one. I asked her why, she responded with my resort told me I save \$600 in taxes by having my wedding there. Yep 600 dollars in city sales tax! This is how they market against the City. Costing you revenue. You pay to promote them and they use it against you.

After reflecting conversations and reviewing some numbers I clearly see how emotionally charged this issue is.

Our nation has not recovered from economic woes and chaos. Sedona is still facing many financial issues as you are well aware. Foreclosures, businesses going bankrupt, and those not paying their bills for services the city has provided.

Sedona economic basis is for the most part sales tax and bed tax. Unlike other cities that have other income. Sedona was founded on tourists. Since I arrived in Sedona over 20 years ago, the local businesses have fought over the dollars. I've seen them physically attack each other, yell, scream, lie, cheat, sue, and threaten each other. I know that many of you have seen this also. Then if you take referral fees in the equation, yikes! (after kick backs and payoffs) Simply destructive. A vicious circle. Sedona is a tough town, a small town. Many like us have worked 60-70 hours a week since we arrived. Many have lost everything in Sedona.

We can all agree the entire nation has NOT recovered. People are not spending, nor are they traveling. Our country has gone through a shock, money is not being spent. Look around at the unpaid sewer bills, vacant stores, and foreclosures. How many more businesses have to go before we change?

Sedona has also been challenged by many other issues such as drainage and sewer. These are the two main issues at hand along with the debt Sedona owes. Without those services no one will come to Sedona.

Going down 89A or 179 every shopping center has vacancies. Just go shopping, it is very clear the inventories are down and some have filled the shelves with cheap merchandise. We that have storefronts routinely hear complaints about our sales tax and bed tax.

Both the proposals come from the Chamber as they want dollars to go direct to them, a portion of both proposals. I am a Chamber member. I feel the proposals are a way to entice the city to support it as we all know you need more funds for infrastructure. Since everyone said the Chamber along with Lodging Affinity group wants an increase I did some extensive research. It is set up for anyone to audit. I feel extremely confident in the numbers.

- We have 2,275 registered or licensed businesses in Sedona.
- From that 2,275 only 258 are Chamber members.
- From the 258 only 30 are listed in accommodations on the Chamber website.
- From the 30, 4 are not bed tax providers as they are timeshare - vacation rentals.
- Which leaves 26 registered license businesses in the Sedona bed tax district.
- This 26 only represents 1.14% of your licensed businesses.
- From 26 license bed tax category 13 of them provide free breakfast in the price of the room. 50% are not collecting sales tax on those free meals. Hurting the local food establishments, equaling less sales and less tax.
- The majority of Chambers accommodation or lodging category do not collect sales tax for City of Sedona =71.74% Many of the signatures that were collected in support do not even live in Sedona, and therefore do not have a vote.
- Some of these have not paid for their own city services such as sewer.
- Many of these are up for sale or been foreclosed on.
- The Chamber membership is a majority of NON city licensed businesses. Meaning the majority of your City licensed businesses do not join the Chamber. Do not see value or get business from Chamber advertising. The voice of 2,017 businesses or 88.66 % say no to Chamber.

Clearly there is a conflict of interest. The Chamber is not the City. Chamber business does not mean "city sales tax revenue". No one can guarantee any return. In fact it's clear to me, by giving any money for Destination Marketing to the Chamber you will hurt those in the sales tax district. Those advertising dollars promote a majority of NON City tax based businesses.

In reviewing the registered or licensed City businesses I saw many that were not licensed. According to the City report the Chamber is not licensed, neither location. Some high revenue producers are not licensed. Therefore being high sales tax revenue producers. \$300-\$800 city sale tax dollars lost per sale. This is only one category of business, there are many more. So much lost revenue.

In Sedona we have several not for profit groups that pool their money together to promote Sedona and the surrounding community in order to advertise their groups. Many of whom are unpaid volunteers. Four in the wedding industry, two I serve on the Board of Directors. None of these are funded by the city. Some of these groups are rated the top wedding marketing groups in the state. All the marketing research for this industry shows a decline in weddings over the next five years according to the Wedding Report. Sedona being remote makes 80% destination weddings. Destination weddings are on the decline also. Couples are keeping weddings closer to home. Only after a

complete recovery will weddings increase. Couples getting married are doing without, there are less weddings occurring, wedding and wedding sizes are shrinking. While I agree that our City needs money for services. I clearly see accepting either one of these tax increases are not in the best interest for the city. No one is guaranteeing any return on your investment. There are ways of tracking marketing dollars.

So I have some suggestions:

- Let's all breathe, get our feet back on the ground by not reacting emotionally.
- Let's bring the "Charm" back to Sedona before we impose more restrictions or spend more on advertising. Limited shopping and hiking are not enough. By bringing "Sedona Charm" back, it will transform to sales tax revenue. Let's clean up our house before you invite more to come. This brings enjoyment for our visitors, you'll get repeat business along with free advertising. This also shows your support for the small businesses operators.
- Encourage our "City Team" to take care of City issues first. This includes everyone, licensed businesses, employees, residents, staff and you. Equally with love and respect, as each and everyone within the city contributes. We all love the Sedona Community, our Sedona Community (aka "Greater Sedona) is NOT part of the incorporated City or in the sales tax district.
- Let's learn to "catch a fish" instead of "buying a fish".
- Encourage the Chamber's Lodging Affinity group to pool those special interest groups (lodging affinity AKA lodging council) together where they all contribute to advertising as they will together be the first ones to benefit. They can target their customers better together with the support of all 92 accommodation members. Spend their own money wisely with all 92 money and input. They are the first to benefit from increased sales. The city only gets pennies on the dollar from a minority of 26. 66 of their group don't have a vote as they don't collect any bed tax.
- Encourage the Chamber to get funds from their members for additional advertising. The Chamber membership is majority of NON licensed city businesses. Any increase in taxes should go directly to infrastructure. The City of Sedona can prosper if the cycle of destructive behavior is broken. I am hear to discuss anything in this letter - report. Feel free to share.

Thank you
Donna Joy

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