

MINUTES

LEAGUE OF ARIZONA CITIES AND TOWNS

EXECUTIVE COMMITTEE MEETING

Friday, February 13, 2015 at 10:00 a.m.

League Office Building

1820 West Washington, Phoenix

MEMBERS

President

Mark Mitchell, Mayor, Tempe

Vice President

Jay Tibshraeny, Mayor, Chandler

Treasurer

Mark Nexsen, Mayor, Lake Havasu City

Doug Von Gausig, Mayor, Clarkdale
Gilbert Lopez, Councilmember, Coolidge
Lana Mook, Mayor, El Mirage
Gerald Nabours, Mayor, Flagstaff
Linda Kavanagh, Mayor, Fountain Hills
John Lewis, Mayor, Gilbert
Jerry Weiers, Mayor, Glendale

Thomas L. Schoaf, Mayor, Litchfield Park
Ed Honea, Mayor, Marana
Christian Price, Mayor, Maricopa
John Giles, Mayor, Mesa
Kenny Evans, Mayor, Payson
Greg Stanton, Mayor, Phoenix*
Harvey Skoog, Mayor, Prescott Valley
W.J. "Jim" Lane, Mayor, Scottsdale
Daryl Seymore, Mayor, Show Low
Rick Mueller, Mayor, Sierra Vista
Sharon Wolcott, Mayor, Surprise
Bob Rivera, Mayor, Thatcher
Jonathan Rothschild, Mayor, Tucson*
Douglas Nicholls, Mayor, Yuma*

**Not in attendance*

League President Mark Mitchell called the meeting to order at 10:02 a.m. He led the committee members in the Pledge of Allegiance.

CONSENT AGENDA

1. MINUTES

Mayor Rick Mueller moved to approve minutes of the November 14, 2014 Executive Committee meeting; Mayor Harvey Skoog seconded the motion and it carried unanimously.

2. LEAGUE CONFERENCE PLANNING MEETING LUNCH

Mayor John Giles moved to approve the date for the upcoming League Conference planning meeting; Mayor Christian Price seconded the motion and it carried unanimously.

3. RESOLUTION OF APPRECIATION

Mayor Sharon Wolcott moved to approve a resolution of appreciation for former Peoria Mayor Bob Barrett; Mayor Ed Honea seconded the motion and it carried unanimously.

REGULAR AGENDA

4. TPT IMPLEMENTATION UPDATE

League President Mark Mitchell recognized League Deputy Director Tom Belshe to present on the progress of the TPT implementation project.

Deputy Director Belshe informed the group that they had received approval for a delay of implementation of the IT project and are working to have the rollout by January 1, 2016. Other portions of the project, however, were set to go by January 1, 2015, which included the licensing and single audit processes.

Mr. Belshe told the Executive Committee that the Arizona Department of Revenue (DOR) would become the lead for all multi-jurisdictional audits, however, cities and towns would still have the opportunity to participate, allowing DOR and municipalities to work cooperatively. He also noted that there were some changes to the contracting statutes and introduced the system by which the DOR would be determining if an individual or company would fall under the classification of construction contracting tax or MRRA (Maintenance/Repair/Replacement/Alteration).

He informed the committee that according to their plan, there are three types of contractors: handymen who work solely on MRRA projects and will give up tax license to purchase everything at point-of-retail; contractors who will continue to pay the same way they always have; and those who work on both MRRA and contracting. These individuals will keep their license and purchase materials tax-exempt; when completing an MRRA project, they will remit their taxes to the municipality based on retail sales tax rate for that particular municipality.

Mr. Belshe then welcomed League Tax Policy Analyst Lee Grafstrom, who noted that projects would have a bright-line test, based upon formulas – above 25% of Assessed Value for residential and a three-part test for commercial -- to determine if the project is considered construction contracting. He also noted that auditors would determine if jobs were artificially separated to avoid taxability.

Mr. Belshe then told the Committee that DOR had hired a new project manager and that the IT plan is progressing efficiently. He also noted that the project progress is being communicated with the Legislature via a TPT newsletter.

5. LEGISLATIVE UPDATE

League President Mark Mitchell introduced League Executive Director Ken Strobeck and League Legislative Associate Dale Wiebusch to give a legislative update.

Mr. Wiebusch gave the Executive Committee a brief overview of the current session, touching on the list of new legislative leaders and revealing the number of new bills that had been introduced.

Executive Director Strobeck then discussed the current House Bill 2254. He told the Executive Committee that the introduced bill would eliminate the TPT tax on residential rental, a tax currently only being assessed by cities and towns. He informed them that 71 of the 91 cities and towns use this tax, totaling \$87 million dollars annually.

Mr. Strobeck thanked everyone from the Executive Committee who had worked to communicate the impact of the bill, announcing that Mayors Mitchell, Tibshraeny and Lane had been participating in

media interviews and working with committees, which resulted in success of slowing the bill down. He told the Committee that the League would continue to keep everyone informed of the bill status.

Mr. Strobeck also reviewed the Governor's budget, mentioning that while it has called for a small hit on cities, it is far less than was believed prior to the release of the budget. He indicated that the largest impact was to pay for services rendered by DOR, noting that there are three components of that proposed service: a charge of \$2.9 million for reprogramming and staff to do location and specific data related to non-program cities due to the TPT reform bill; an \$8.2 million charge for all cities and towns for the collections process that DOR uses; and a \$2 million charge to all governments that would be used to hire additional collectors. The municipal share of that item would be around \$500,000.

It was the consensus of the committee that the cities should enter into a Memorandum of Understanding with the Governor's office regarding the assessments for DOR services in the budget.

Mr. Strobeck then introduced League Legislative Associate Ryan Peters who discussed League Resolutions, noting that a few of them were making it through the legislative process. He also informed the Executive Committee of several possible bills detrimental to municipal operations, including some that challenged photo radar enforcement and others that referenced firearms in public buildings.

6. REPORT FROM BUDGET SUBCOMMITTEE

Mayor Thomas Schoaf, Chairman of the League Budget Subcommittee, presented the working League Budget for 2015-2016.

He reminded the Executive Committee that the budget process includes originating a potential budget, followed by a recommendation of dues based upon the budget. He also noted that the budget subcommittee had met and determined there was a structural deficit in the budget as is, with potential for additional revenue to be acquired from the League Annual Conference. The presented budget has a deficit of approximately \$100,000.

Mayor Schoaf recommended to the Executive Committee that at the Annual Conference, the subcommittee would create a structure for cities and towns to discuss what services they expected from the League and their willingness to increase dues. This proposed conversation would aid in the creation of the 2016-2017 budget.

In the Executive Committee packet, two potential dues structures were presented. The Executive Committee discussed both options at length, examining the structural deficit and evaluating the absence of dues increases for the last three years. The Executive Committee also discussed the amount in the budget reserve, which League Executive Director Ken Strobeck indicated has historically been targeted to include at least six months of operating budget.

The Executive Committee decided to increase the dues using the structure as shown in option C-1.

Mayor Kenny Evans moved to approve Option C-1; Mayor Linda Kavanagh seconded the motion and it carried unanimously.

7. PSPRS TASK FORCE REPORT

League Executive Director Ken Strobeck welcomed Mr. Scott McCarty, Finance Director for the Town of Queen Creek and Chair of the League's PSPRS Task Force to present an update on the Task Force.

Mr. McCarty informed the Executive Committee that the Task Force was in the process of holding five statewide meetings to give presentations on measures employers could take in reducing their PSPRS contribution and liability.

He informed the Executive Committee that one beneficial measure was considering a pre-payment contribution to PSPRS. He indicated that the League website included a spreadsheet where municipal finance directors could walk through a formula to determine their contribution and payment plan for the next fiscal year. Mr. McCarty also suggested discussing unfunded liability as debt at the policy level.

Mr. McCarty told the Committee that the PSPRS Task Force was developing a "yard stick" document that is intended to be a summary of the elements of a successful PSPRS system. This will be presented to the Executive Committee at a future date. He also noted that the public safety community had been participating in the task force meetings and that once the yard stick is created, they will use it as a tool to evaluate any proposals from those public safety groups.

8. NLC CONGRESSIONAL CITIES CONFERENCE REPORT

President Mark Mitchell recognized League Executive Director Ken Strobeck for a report on the NLC Congressional Cities Conference.

Executive Director Strobeck reminded the Executive Committee that the NLC Congressional Cities Conference would be held in Washington, D.C. in March and told members that if they planned on attending the conference, they were invited to join the Arizona reception on Monday evening of the conference, as well as the meeting with Senators John McCain and Jeff Flake.

Seeing no further business, President Mark Mitchell adjourned the meeting at 12:31 p.m.



EXECUTIVE DIRECTOR



PRESIDENT