

MINUTES

LEAGUE OF ARIZONA CITIES AND TOWNS

EXECUTIVE COMMITTEE MEETING

Friday, November 13, 2015 at 10:00 a.m.
League of Arizona Cities and Towns
1820 W. Washington St.
Phoenix, Arizona

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
Cathy Carlat, Mayor, Peoria
Daniel Valenzuela, Vice 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*

+Participated via phone

**Not in attendance*

League President called the meeting to order at 10:04 a.m. He also welcomed the newest member of the Executive Committee – Peoria Mayor Cathy Carlat.

1. REVIEW AND ADOPTION OF MINUTES

Mayor Jonathan Rothschild moved to approve minutes from the August 19, 2015 Executive Committee Meeting; Mayor Bob Rivera seconded the motion and it carried unanimously.

2. TPT IMPLEMENTATION UPDATE

President Mark Mitchell recognized League Executive Director Ken Strobeck to provide the TPT Implementation Update.

Executive Director Strobeck informed the Executive Committee that there had been some significant developments since the last meeting, primarily with the change in leadership at the Department of Revenue. Governor Doug Ducey had appointed a new director and deputy director within the last week, which Mr. Strobeck indicated as positive development. He informed the committee that he had sent a letter to the new Department of Revenue Executive Director to ask for a meeting to discuss his goals for the organization.

Mr. Strobeck welcomed League Deputy Director Tom Belshe to give further information regarding TPT Implementation.

Deputy Director Belshe told the Executive Committee that the League had put together a letter that outlined the steps that needed to happen in order to achieve success with the current system ADOR is using. The letter indicated that in order to move forward with the old system, they needed to find a way to receive all local data so that it could be put into reports and have flexibility of information to make economic development and other decisions. He noted that, because of the new changes happening at ADOR, there was hope they could indicate the possibility of a new, more robust system. The group believes that a new system would be easier to program and less costly in the long run.

Mr. Belshe also informed the Committee that there had been some conversations about eliminating the \$10 million assessment from ADOR as the cities continue to do the reporting work, however, nothing definitive had been discussed.

3. LEGISLATIVE POLICY DISCUSSION

President Mark Mitchell recognized League Executive Director Ken Strobeck for the Legislative update.

Executive Director Strobeck informed the Executive Committee that the League would welcome former Chandler Intergov Patrice Kraus as the new League Legislative Director. He also referred the Committee to the new legislative items for 2016, including the municipal policy statement, calendar and legislative poster.

Mr. Strobeck welcomed League Legislative Associate Ryan Peters to provide an update on League Resolutions.

League Resolutions; Policy Committees

Mr. Peters informed the Committee of some resolutions that are moving forward. He noted that with Mayor Wolcott and Surprise leadership, the League has heard commitment from Representative Livingston to sponsor the EDRA proposal and is also working with Representative Weninger to draft a bill from a resolution proposed by Queen Creek regarding length requirements for annexation. Mr. Peters also told the Committee they're continuing to work with the newspaper association on a public records bill. Additionally, he informed the Executive Committee that the League was participating in a variety of stakeholder meetings and watching potential legislation closely.

Mr. Peters then recognized Senior Legislative Associate Dale Wiebusch who provided a recap of the new policy committee process. Mr. Wiebusch noted that the League had received some very positive feedback regarding the new policy committee process and reminded the Committee that the new process would allow for year-round discussion and meetings.

Mayor Lana Mook, chairwoman of the General Administration, Human Resources and Elections Policy Committee informed the Executive Committee that their policy committee was able to fully examine 14 policy issues. She noted that there were two particular suggestions from the City of Sedona that likely would not have made it through to the Resolutions Committee, however, with the new process, they're going to be able to have alternative legislation for those particular issues. She indicated that the resolution process changes had been positive and was looking forward to continuing to chair her committee.

PSPRS Reform

League Executive Director Strobeck thanked Mayor Mook for her comments and gave the Executive Committee an update on PRPS Reform. He informed the Committee that the League had held conversations with Senator Lesko and labor groups to discuss sections of the PSPRS reform bill that relate specifically to government, surrounding accountability and board structure. Mr. Strobeck said the taskforce recommendation is a restructure of the board with different stakeholder groups at the table. He also noted that they would recommend that a structure is put in place that requires actuarial reviews from time to time, requires audits and annual reports to members, in addition to investment counseling, so that the returns on investments are known. Mr. Strobeck also indicated that they were recommending eliminating the 256 local boards and going to one board. While the labor groups did not agree completely with that change, they were open to creating fewer regional boards. He noted that this was particularly important when determining disability, as the taskforce believes disability determination should not continue to be done at the local level, but rather at a higher level.

Mr. Strobeck also told the Executive Committee that the League representatives were not talking about going to the ballot with this reform, as the discussion to go to the ballot was made by the labor groups when discussions included changing benefits for existing employees and retirees. The taskforce is recommending a new tier, one that will not allow for any new employees to be enrolled in the current system and no previously enrolled employees to be enrolled in new system.

Construction Sales Tax

League Executive Director Strobeck then provided an update on construction sales tax. He reminded the Executive Committee that the original TPT reform bill, HB2111, included three elements – collections, auditing and construction sales tax. Last year, a new bill was introduced that would create a bright line between maintenance and repair and prime contracting. Mr. Strobeck informed the Committee that the construction industry was not content with this, so they met a number of times with Senator Lesko and other members, particularly Representative Regina Cobb, who indicated their preference to go to a point-of-sale, retail tax only. He indicated to the Executive Committee that by doing this, city/town revenue and state revenue would be significantly cut without some mechanism to make up some of the lost revenue.

The League and two of the building organizations have agreed that proposal would be too complex for this session, as the reporting data is not available from the Arizona Department of Revenue and there is currently no revenue sharing of the state use tax. It also wouldn't relate to where growth is occurring, sincere there would be no way of knowing where the use of materials in construction is happening.

He noted that Mayor Mark Nexsen of Lake Havasu City met with Representative Cobb and a constituent to discuss the problems with this particular proposal. Mayor Nexsen informed the Committee that they were adamant about introducing the bill and informed him that they wanted to

move quickly with the proposal which would have all taxes paid at point of sale and an additional 2% tax on materials sold in the state put into a central tax pool, to be distributed to communities according to percentage of total construction and sales tax rate using standardized code and valuation. Mayor Nexsen proposed allowing a return to the old system until such a time that there was enough data to figure out how to move forward on a point of sale system.

It was asked by members of the Executive Committee if this were a possible solution and while Mr. Strobeck indicated there might be some pushback from Senator Lesko or members of the construction groups, it could be worthwhile to look into. He also referenced research done by Elliot D. Pollack that emphasized the loss of revenue cities and towns would face if they moved to a point of sales tax on materials only.

4. PROPOSED CENSUS LEGISLATION

President Mark Mitchell recognized League Executive Director Ken Strobeck to discuss the proposed census legislation.

Executive Director Strobeck indicated to the members of the Executive Committee that despite strong feelings had by both sides of the census issue, the involved communities were able to come together on productive conversations to move forward and develop an equitable system for all cities and towns all operating on a same-level playing field.

Mr. Strobeck informed the Committee that draft legislation had been created based on the motion from the May 2016 Executive Committee Meeting to develop a new model for population estimates for future revenue sharing. He told the Committee that the League had commissioned Alberta Charney from the University of Arizona Eller School of Management to do a full report on numbers coming from both the Arizona State Demographer's Office and the United States Census Bureau. By analyzing the numbers provided from both these organizations, Charney report led to the conclusion that the Census Bureau numbers would be more stable and equitable across the board. He noted that while there was an earlier discussion about potentially using utility data for input on the state estimates, there was no guarantee that those numbers would be available and make the state number any more accurate than the Census Bureau.

The recommended legislation allows for the seven cities who went out for the mid-decade census to make the choice to use either the census estimates as provided by the Census Bureau or those that come from their own mid-decade census. Following this year, for the remainder of the decade, every city or town will use the annual population estimates used by the US Census Bureau. These numbers are updated on a yearly basis and the base is reset during each decennial census. This proposal will make it likely unnecessary for fast growing cities from to purchase a mid-decade census, but will leave it as an option.

He reminded the Committee that the seven census cities had paid through their individual cities to go out for the mid-decade census and an agreement came together through the Maricopa Association of Governments to provide those seven cities, which are all in Maricopa County, with partial reimbursement through re-distribution of certain transportation-related projects that have been identified by MAG.

Mr. Strobeck informed the group that ADOR would receive the numbers from the Census Bureau in May to be used for shared revenue distribution. He also noted that State Demographer may have access to the Bureau numbers a few weeks earlier to help cities develop their tentative budgets. He told the Committee that the League was having conversations with potential bill sponsors and felt positive in the potential of moving forward with fast-track legislation. There is no one who has said they are opposed to the bill.

President Mitchell reminded the Executive Committee that it is incumbent upon all cities and towns to work together in order to get anything passed through leadership.

Vice President Tibshraeny asked about the procedures ten years from now and Mr. Strobeck reminded the Executive Committee that the previous legislation that had been passed the last two decades had only applied to those specific decades; this legislation will be applicable moving forward.

Mayor Sharon Wolcott made a motion to approve the proposed census legislation conceptual language; Mayor Christian Price seconded the motion and it carried unanimously.

5. LEAGUE ANNUAL SURVEY RESULTS

President Mark Mitchell recognized League Communication and Education Director Matt Lore for the League Annual Survey Results.

Director Lore reminded the Executive Committee that the annual survey is sent to elected officials and staff from the 91 cities and towns each October. He told the Executive Committee that the pool of respondents had increased over the years and the survey this year was sent to city and town mayors, councilmembers, managers, clerks, attorneys, finance officers, intergovernmental staff and public information officers, in addition to the League affiliate groups; the Arizona City/County Management Association, Government Finance Officers Association of Arizona, the Municipal Clerks Association and the Arizona City Attorneys Association.

Mr. Lore invited League Member Services Associate Amy Price to present the specifics of the Annual Survey.

Ms. Price told the Executive Committee that the questions from the survey had remained the same since the online survey was initiated in 2004, allowing for comparison across the years. She noted that the survey results include demographics, overall performance and the services which the League provides. Ms. Price announced that 1,700 surveys were sent out and there were 151 respondents. She then gave a general overview of the survey to members, noting that the results were included in the Executive Committee packet.

6. REPORT ON AZ CITIES@WORK CAMPAIGN

President Mark Mitchell recognized League Communication and Education Director Matt Lore for the report on the Arizona Cities@Work campaign.

Mr. Lore reminded the Executive Committee that the AZ Cities@Work campaign is an ongoing collaborative education and PR program that began in 2013 at the request of the Executive

Committee. The campaign is designed to create positive messaging regarding Arizona's municipalities with materials that are appropriate for use in all 91 cities and towns.

Mr. Lore asked League Communication and Education Assistant Samantha Womer to give an update on the continuation of the campaign.

Ms. Womer told the Executive Committee that since the last update was given to the Executive Committee, the League had produced three projects to enhance the existing components of the Arizona Cities@Work campaign. These included an educational video and materials related to the construction and maintenance of city and town streets, a multiplatform print and digital magazine that showcased downtowns of Arizona's cities and towns, and the 14th Annual Arizona Cities and Towns Week, held in October. She said that the campaign components continue to be utilized by the municipalities and noted that the video and other materials would be available for use by cities and towns.

7. RECAP OF 2015 ANNUAL CONFERENCE

President Mark Mitchell once again recognized League Communication and Education Director Matt Lore to present a recap of the 2015 Annual Conference.

Mr. Lore referred the Executive Committee to the full financial report, included in the Executive Committee packet, noting that 86 of the 91 cities and towns were represented at the conference, with 1,079 attendees total.

Mr. Lore also told the Committee that planning was already underway for the 2016 Annual Conference and invited interested Committee members to participate in the planning meeting to be held in the spring. He also reminded the Committee that the 2016 Annual Conference would be held in August at the Scottsdale Princess Resort in Scottsdale, August 23 – 26.

8. 2014 – 2015 AUDIT REPORT; AUDIT FIRM CONTRACT

President Mark Mitchell recognized League Executive Director Ken Strobeck for the 2014-2015 Audit Report.

Executive Director Strobeck informed the Executive Committee that it was a clean audit and there were no deficiencies to report.

Mayor Harvey Skoog moved to approve the 2014-2015 Audit Report; Mayor Kenny Evans seconded the motion and it carried unanimously.

Mr. Strobeck also asked the Executive Committee for a motion to approve a three-year contract with Clifton Larson Allen for audit services.

Mayor Kenny Evans moved to approve the three-year audit contract with Clifton Larson Allen; Mayor Rick Mueller seconded the notion and it carried unanimously.

9. REPORT FROM EXECUTIVE DIRECTOR

President Mark Mitchell recognized League Executive Director Ken Strobeck for the Report from the Executive Director.

Executive Director Strobeck informed the Executive Committee that there was a list of included activities as conducted by League Staff, including presentations of the 2015 League Legislative Friends and Champions Awards to state senators and representatives at various city and town council meetings.

Mr. Strobeck recognized Mayor John Lewis, who spoke about the Veterans Wall Project. Mayor Lewis informed the Executive Committee that the organization that handles the Vietnam Wall had begun a project to seek digital photos of all those veterans killed during the Vietnam War. He said that the group was halfway to finding the more than 600 photos needed from Arizona and asked cities for their help in identifying persons of contact to find photos of these particular individuals. Mr. Strobeck informed the Executive Committee that an article would be included in the November edition of the League Connection Newsletter.

Mr. Strobeck also reported to the Executive Committee on the NLC Congress of Cities Meeting, held in Nashville, which saw more than 100 delegates attending from Arizona. He informed the committee that two new individuals from Arizona had been elected to the NLC board – Councilmember Craig Barnes of Queen Creek and Councilmember Chris Glover of Mesa will join Councilmember Wally Campbell of Goodyear on the board.

In addition, he informed the Executive Committee that the League was working with some of the smaller towns in the Copper Corridor – Winkelman, Mammoth, Hayden and Kearny – to dissolve their current police departments and create a new district that would serve all four communities.

Seeing no further business, President Mark Mitchell adjourned the meeting at 11:50 a.m.



EXECUTIVE DIRECTOR



PRESIDENT